Ten Guidelines to Gem Collecting
by Robert Genis

It’s been over 30 years since we first started creating these guidelines. In the early days of the 70’s and early 80’s, the beginning of the gem investment industry was born. When diamond markets and gem markets crashed in the 1980’s, most of the investment firms went bankrupt. There were so many companies and so many theories, we decided to try and create some guidelines that would work over time.

Let’s take a look and if any of these guidelines should be changed.

1. Learn to love gems for their beauty, portability, and privacy. Of course, this remains the definition of a collector. It's the client that excitingly opens up the gem paper is a true collector. Naturally, the concentrated wealth gems offers and privacy from peering eyes are a major attribute of gem collecting. What other asset could Bill Gates or Carlos Slim hold their entire wealth in their hands?

2. Align yourself with a knowledgeable expert. There are many good people in the gem business. However, there are many less than ethical people in the business too. Try doing a few small deals to see if you are comfortable with your dealer. You will quickly learn if the gems look like the photographs they showed you on the internet or not. Did the gems come with the promised grading reports? You can learn a lot about dealers in how they treat you with the first few deals.

3. Gemstones are primarily suited for the sophisticated individual with a substantial portfolio. Place no more than 10%-15% of your portfolio in gems. A beginning portfolio may cost you $10,000 (one or two gems). A well-diversified portfolio will run between $25,000-$100,000, or higher. Still valid today.

4. Do not buy a colored stone without an American Gemological Laboratory (AGL) Colored Stone Grading Report. Not all colored gemstone laboratories are equal. Beware of most grading reports other than the AGL. In the past 30 plus years, many labs have come and gone, however AGL remains the ‘gold standard.” In 2009, Cap Beesley left AGL and it was taken over by Chris Smith. If you really need a country of origin determination, I
still trust AGL to be the final arbitrator. AGL is also the only colored gemstone lab with a workable and comprehensive grading system. This is critical if you are a new collector or buying over the internet.

5. **Do not buy a diamond without a Gemological Institute of America (GIA) Diamond Grading Report.**
Over the years this has become the industry standard. Never buy a colored diamonds without a GIA Grading report. White diamonds are almost fungible and can be easily purchased on the net.

6. **Be sure you are buying at near-wholesale prices. Subscribe to The Gemstone Forecaster and other publications.**
Like laboratories, gem pricing guides have come and gone. The main one used today is the GemGuide, but regretfully it is wholesale only. You must have an industry proof to get his data. However, you can always ask your dealer to send you the price matrix of the gemstone you are considering. The Gemstone Forecaster prints retail prices of the major collector stones annually. Simply divide by 2 to get to wholesale.

7. **Beware of internet auction sites. Remember, if it sounds too good to be true, it usually is.**
Many dealers make false claims. What do you expect from stones for a few dollars per carat? This is a brand new, relatively speaking, which was added during ascendency of Ebay. Does anyone really think they can buy Burma ruby, Kashmir sapphire and Colombian emeralds for $5 per carat? You would be surprised in how many did and still do today! Caveat Emptor.

8. **View your gem portfolio as a long-term hedge. Allow time to liquidate.**
Gems are similar to real estate, rather than precious metals. Proper portfolio planning can alleviate this potential problem. Gems are instantly liquid, but at a discount.
In the beginning of this industry, many companies tried various theories to create liquidity in the gem market. Many companies offered "guaranteed-buybacks." This worked during rising markets but when the markets turned down and everyone wanted to sell, the companies went bankrupt. I thought the best chance were the new computerized networks that brought together buyers and sellers over the new electronic medium. Regretfully, it never really worked for colored gemstones because you could not buy these goods sight-unseen. I contend price lists and computers made white diamonds more liquid. Of course, the spreads are nothing like you get in the equity markets, but top can get a fast cash price for your diamonds with GIA grading reports. Colored gemstones are liquid, too, but the spreads are gigantic and most would only sell at below wholesale only if they were desperate. It’s much smarter to slowly liquidate your goods and not need the money.

9. **Buy the best you can afford. In up markets, "the best appreciates the fastest".**
In 1903, Charles J. Phillips wrote Stamp Collecting as an Investment with his blueprint for investing success. His first rule was Rarity-ensure you are buying rare, sought after items. In reality nothing has really changed in over 100 years. Remember, the rarer the gemstones, the more valuable, the more likely to retain value. A perfect example of this are colored diamonds. The earth produces 10,000 white diamonds before we discover one colored diamond. That's rare.

10. **Beware of boiler room gem scams. Watch out for Canadian firms with fake "look-alike" certificates and bogus price lists.**
Funny in hindsight, but we never got on the internet to sell gemstones. Many do not remember the early net days of 1995. The primary culture was to share information, not make a profit. If you attempted to sell something, you were ostracized from the burgeoning community. Seems quaint now. At any rate, we put up my web site to help Americans from being screwed by Canadian boiler rooms. The site was 100% informational. We were tired of explaining to people who called daily about their "boiler room" purchased goods and would simply direct them to the site. Have we stopped these crooks? No, they are now operating with impunity in England. Remember, if anyone cold calls you, simply hang up.
11. Specialize in no heat, no clarity enhancement and no enhancement gemstones.
In a way, this new guideline is similar to 9, however, we feel it deserves its own number. It doesn't take a rocket scent to figure out these stones are rare. Probably 99% of all emeralds are entreated and 95% of all ruby and sapphire. You can choose spinel and garnets because they are not normally treated. These goods are like the ultimate hedge because people will want them even in a bad market. This is less important for jewelry only buyers.

Summary
These guidelines are not the only way to collect gemstones. There are many theories being used in the market as we speak. However, if you are a new collector, by following these few simple guidelines, gem collecting can be fun and potentially profitable.

Latest Gem Market News
Colored Diamonds
White Diamonds
White diamonds continue to slide along with the precious metals. They have been in a downward trend since 2011 and are off approximately 25-30%.
Petra diamonds of South Africa recently found a 232 carat white diamond. The stone is reported to be a D color. It is expected to be auctioned later this year and should bring between $10-$20 million.

Pink Diamonds
The 30th Rio Tinto Australian pink diamond tender is making its world tour. The collection includes 55 diamonds. This year, there are four red diamonds. The prime stone is a 1.21 Fancy Red Radiant diamond. Other important stones are the 2.17 Fancy Intense Purple-Pink emerald cut and a 1.59 Fancy Intense Purplish-Pink emerald cut. Less than1% of the world’s 140 million carats are pink.
Sotheby’s will auction a 8.41 flawless, fancy vivid purple-pink pear diamond this October in Hong Kong. It’s pre-sale estimate is $12.8-$15.4 million or at least $1.5 million per carat.
In other pink diamond news, Storm Mountain Diamonds of KOA Mine in Lesotho recently discovered the 23.82 Pink diamond. It is called the ‘Lesotho Storm’. Last year they mined the 36.06 ‘Pink Storm’.

Blue Diamonds
The 12 carat, internally flawless (IF), Fancy Vivid blue diamond is now on display at the Natural History Museum in LA. The stone will be there until January 6, 2015. I am not sure if you can see this at the display, but the stone phosphoresces orange-red. This is very similar to the Hope diamond. It is unclear why these two fluoresce red when most blue diamonds fluoresce blue. If you live in California, check it out!

Colored gemstones
Emerald
A major emerald trader Luis Murcia was found killed in central Colombia. This assassination sparks fears over an escalation of violence surrounding the country’s lucrative emerald business. Murcia was found dead 20 miles from Bogota. His body was lying next to his armored car and had been shot seven times. His bodyguards were conveniently missing. Murcia was one of the major players in Colombia’s “Green Wars” of the 1980s during which competing emerald miners, joined by paramilitary groups and private armies, waged a war in Colombia that killed more than 6,000. This is the second major dealer to be killed this year. Martin Rojas was assassinated in May.

Ruby and Sapphire
The Burma ruby and sapphire situation remains the same. Prices are generally too high for Burmese dealers to buy and resell in the US. Of course, ruby and jade is still embargoed, so the amount of goods remains dismal. Sometimes, we can find colored sapphires and spinels from Burma. Our advise remains: buy all of these you can get your hands on and hold!

Gem News
Smithsonian Institution receives million-dollar diamond haul from Australian miner Rio Tinto
NewsComAu
September 10, 2014
Rio Tinto has announced this morning that it has gifted 500 carats of rough diamonds to the US Smithsonian Institution for exhibition and research purposes.

The significant donation of precious stones come from the Argyle Diamond Mine in the remote northwest of Australia.

This is the first collection of Argyle diamonds at the Smithsonian Institution, which is the world’s largest museum and home to the most notable diamonds and diamond jewellery in the world.

The rough diamonds, which are gems in their natural state before being polished, will now be studied by Smithsonian researchers at the National Museum of Natural History to better understand the geological history of the planet.

“Diamonds typically formed more than 160km deep in the Earth (below the crust) and provide an exceptional window into the geologic processes and conditions that took place there 2-3 billion years ago,” the museum’s curator of gems and minerals, Jeffrey Post, said.

The collection includes rare, pink diamonds and fills a gap in the US National Gem and Mineral Collection.

Mr Post is an expert on coloured diamonds and looks for clues about what factors lead to their various shades. His recent research has confirmed that the striking colour in pink diamonds is likely the result of a shock event in the gem’s history, either in the mantle or during transport to the surface of the Earth.

Due to the rarity and high value associated with pink diamonds, there is great interest to identify the origin of the colour to potentially reproduce it in a laboratory setting. It will also help to distinguish natural pink diamonds from synthetic ones in the marketplace.

The Argyle Diamond Mine is the world’s largest producer of natural coloured diamonds, and is also the first and only ongoing source of pink diamonds in the world.

Rio Tinto chief executive Sam Walsh officially handed over the diamond haul at an event hosted by Australia’s ambassador to the US, Kim Beazley, in Washington DC this morning, Australia time.

“We are honoured to partner with such an esteemed scientific institution as the Smithsonian, and we are proud to share Rio Tinto’s story of our unique Argyle diamonds,” Mr Walsh said.

“This donation of Argyle diamonds represents an important piece of Australian mining history and we hope that it will be enjoyed by millions of people for many years to come.”

Deep Purple
An amethyst mine in Arizona yields especially high-quality gems.

Rapaport
By Mark Lepage

The Four Peaks Amethyst Mine in Arizona is the only amethyst mine in the U.S. producing high-quality purple amethyst that is priced above African and South American sources. It also has a great American tale to tell.

“It’s one of those crazy stories,” says Kurt Cavano, owner of the mine and Four Peaks Mining Co., based in Ocean Grove, New Jersey. In 1998, Cavano was an amateur jewelry maker attending the American Gem Trade Association (AGTA) Tucson GemFair and was musing aloud about how it might “be really cool to own a mine. And a guy behind me said, ‘I know one that’s for sale’ — just some guy who knew a guy.” Before Cavano knew it, he was in a helicopter flying to the Mazatzal Mountains, 40 miles northeast of Phoenix, Arizona, to meet Four Peaks owner Joe Hyman. He quickly purchased the mine for an undisclosed sum. “It was either a momentary lapse of judgment or the coolest thing I’d ever done,” Cavano says now.

Remote and Rugged

“It’s the most difficult mine you can imagine,” Cavano says, adding that it was discovered in the early 1900s by gold prospector Jim McDaniels, who patented the claim by purchasing it from the government. The mine was worked on and off by successive owners but had been idle for ten years when Cavano first visited the site.

At 6,700 feet altitude, the mine is completely surrounded by the Tonto National Forest, with no roads into the 20-acre mine area located between two mountain peaks. The only access is provided by helicopter — “and it can’t always land anyway due to wind,” says Cavano — or a three-hour rough wilderness hike. Two-man teams of miners stay six to seven days, filtering
rainwater for drinking. The site is furnished with a small equipment shed, a generator to power the mining lamps and solar panels and batteries to illuminate and ventilate the mine.

Twice a year, the company helicopters in canned food supplies and brings out amethyst, which is dug only by hand, using hammers and chisels. Air chisels are used on larger stones because blasting is prohibited by local authorities and besides, it would damage the amethyst crystals. Under the current owners, the miners have managed to dig six to ten feet per year, reaching a depth of 110 feet deep in 15 years.

**Modest Volume**

In addition to its remoteness, the mine does not produce huge volume. “About 1,000 pounds of rough amethyst are mined out every six months,” says Mike Romanella, cutter and distributor of Commercial Mineral Company in Scottsdale, Arizona, and partner with Cavano in the mine. “Of that, 30 pounds is considered good enough for cutting, which will in the end produce enough cut gemstones to fill your cupped hands.”

Then why bother? Because of the stone’s beauty. Dudley Blauwet, owner of Dudley Blauwet Gems in Louisville, Colorado, deals mostly in Zambian, Brazilian and Uruguayan amethyst, and confirms that the high-quality standard in amethyst “is Siberian color, which is deep purple with rose undertones. The best quality I had was Zambian 12 years ago, and I haven’t been offered amethyst rough from there for a very long time.”

Meanwhile, Romanella describes Four Peaks material as “a special stone of beautiful Siberian-type amethyst, purple with red flash in it.” Four Peaks amethyst is the only American production of the gemstone. “The color saturation is beautiful due to the zoning,” Romanella explains, with superheated water underground dissolving minerals and quartzite and leaving color zones. “The result is just beautiful dark purple-red. We get some of the lighter color as well, but the deep, dark purple with the red glint in it is generally not produced anywhere else.”

**Costs Reflect Challenges**

Because of that high quality, and the considerable overhead costs, prices for the U.S. amethyst are five to ten times those of Brazilian material, with a price-per-carat range from $10 to $100 a carat, unusually high for amethyst. “Size-wise, most of this is smaller,” Romanella says, “between 4 carats to 8 carats and lots of smaller half-carat and 1-carat stones, although I have an 80-carat and a 118-carat stone.”

“What keeps the mine alive is that it’s American amethyst, mined here,” Romanella adds. “We showcase that fact — that it’s an American product. You can go to Forever 21 and buy a $20 necklace and throw it away after a year. When you can own a gem that has a story, it’s really special.” Blauwet agrees. “You often get a premium price for any American stone just because it’s American and there is a limited production of it. A lot of local people — scavengers — will collect it and it won’t come out of the region.”

Sami Fine Jewelry in Fountain Hills, Arizona, is the top retailer of the mine’s stones, with first choice on everything that emerges from it. Stephenie Bjorkman, president of the company, says the store sells 10-carat to 20-carat stones for $95 to $150 per carat in a sterling silver and gold line of earrings, pendants, rings, bracelets and pins. “The American gem theme is important in our store,” she says. “We focus on local amethyst gems, which are special due to that dark purple with a bright magenta flash.”

Robert Higginbotham, co-owner with wife Melissa of Payson Jewelers in Payson, Arizona, retails Commercial Mineral Company amethyst. “For us, it’s a local celebrity stone,” Melissa says. At its peak, before the 2008 economic crash, we were selling 10 percent of our gross in amethyst.”

Payson Jewelers sells rings, pendants and bracelets, with stones priced between $50 to $100 per carat and set in gold. “We sell mostly to locals who want to own the highest-quality Four Peaks amethyst for its deep, deep grape-jelly color — and deep in the gemstone is that red flash sparkling at you.”

All of that matters, but only if the stones are available. Cavano admits the mine is “more of an adventure than an investment” that is only now coming close to breaking even. However, time is on the owners’ side. “Everywhere we turn in the mine, the vein goes in different directions,” he concludes. “There’s no visible end to it, and plenty to dig for the next 25 years or more.”
Gem Robberies
Chinese suspect arrested over international diamond heist
Shanghaliist.com
by Kate Nelson
September 15, 2014

A 46-year-old man from China accused of stealing millions of dollars worth of diamonds across almost 10 different countries was arrested in Switzerland during another robbery attempt, CRIEnglish reports.

Interpol Red Notice said that the Chinese national, Meng Jianguo, was suspected of carrying out the robberies in operation with another person while in Austria, Belgium, France, Germany, Malaysia, Monaco, Switzerland and Britain. He's been implicated in over a dozen heists since 2012, including the theft of a 1.5 million USD diamond ring in Bahrain last year.

Meng was arrested in a Zurich jewelry store when an employee recognized him from an industry alert and called the police.

An Interpol statement said that Meng would typically enter a store with another person and ask to see a selection of diamond rings. The suspects would then distract the salesperson and steal one of the rings as the vendor turned away.

Interpol is now investigating two other criminal groups from China believed to be carrying out similar operations.

Burma
Burmesse Among Victims of Massive Jade Scam in China
Irrawaddy
By Echo Hui
August 8, 2014

Hundreds of people, including Burmese jade dealers, have seen their fortunes vanish in a scam described as the biggest jade fraud case in the history of the People's Republic of China, police in the country's southwest have revealed Up to 1 billion yuan (US$160 million) worth of jade treasures were taken by a 33-year-old Chinese conman named Zhong Xiong over the past few months, according to Chinese police's preliminary investigation.

“Overall, what he did was to find a hole in the cross border trade and present himself as a rich man to approach potential dealers who were desperate to sell their products,” according to one jade dealer surnamed Xie, who said he was approached by Zhong.

Every year, a large number of raw jade stones are shipped to Yunnan province from neighboring Burma. Burmese jade is considered to be the world’s highest quality, and the jade trade between the two countries—much of it illicit—was estimated at $8 billion in 2011 by the Harvard Ash Center.

After being crafted by artisans, a variety of valuable jade pieces stream into the Chinese market. In the jewelry industry, it is common to lend or exchange inventory on an informal basis, giving customers more choice and products more exposure to potential buyers.

Zhong is said to have told victims that he knew wealthy clients in Shanghai and Beijing who wanted artifacts made from the highest quality jade. But after collecting the jade items, Zhong disappeared without paying for them, the Oriental Morning Post reported.

According to police, Zhong presented himself as a man of immense wealth, living an extravagant lifestyle and driving flashy cars. By wining and dining other gems dealers, he quickly befriended local merchants.

Revelations of the scam come at a time when China's jade market has shrunk sharply. Police believe jewelry traders and individual lenders facing a business downturn were lured by the promise of a huge backlog of jade to be sold.

The scam has damaged the trust between Burmese and Chinese jade traders—relations built over decades of doing business together.

“In this industry, dealers are relying on their own personal credit. They have to deal with some middlemen to sell the product,” said Xie. “Zhong presented himself as a generous man, so nobody suspected he might be a fraud.

“It must have been planned for a long time. For a scam of such scale, it needed to be well prepared for years, gaining trust step by step.”

Sixty-seven victims had reported the scam to police by April. Zhong was arrested in May and is currently being held by authorities, awaiting trial.
The swindled come from major jade trading centers in Yunnan such as Kunming, Tengchong and Ruili, as well as other Chinese provinces and even across the border in Burma, according to Chinese reports. But the total victims could number in the hundreds, as most dealers borrow and lend jade items to others, including business partners in Burma.

Yang Yuan, who lost 27.32 million yuan, said he could no longer return home as most of the items came from business partners from Ruili and Burma. “They have been looking for me, and I have no money to pay them back,” Yang told The Paper, a Mandarin-language daily.

Police have not yet disclosed a specific total value for the stolen goods, saying only that the amount is “huge.” Reports have said the number could be north of 1 billion yuan. It is also unclear how many dealers from Burma were roped into the scam.

Xie said jade dealers would most certainly be more cautious in the future, but the trader remained optimistic about the jade market’s future prospects.

“As the wealthy people in China gradually increase, the good days are just beginning,” he said. “Twenty years ago, only people who lived in affluent areas like Hong Kong, Taiwan or Guangdong bought jade, but now there are buyers from every part of China.”

Jade Mines to Resume Operations in Kachin State: Burmese Govt
Irrawaddy
By Kyaw Hsu
July 8, 2014

In northern Burma, where the vast majority of the world’s jade is produced, mining companies will soon be allowed to resume operations, following a two-year hiatus due to armed conflicts. The Ministry of Mines announced Tuesday that small- and large-scale miners can return September 1 to the resource-rich Kachin State. Mining operations were suspended in the state in 2012 due to fighting between the government’s military and an ethnic armed group, the Kachin Independence Army (KIA). After the suspension, small-scale miners and hand-pickers moved in illegally to try their luck.

The Ministry of Mines said progress had been made recently in peace talks between the government and the KIA, although a bilateral ceasefire remains elusive.

The decision to resume mining operations follows an annual gems emporium in the capital Naypyidaw, which saw fewer lots of jade than previous years. Even so, jade sales surpassed expectations, reaching about US$3.4 billion, compared with $2.6 billion last year.

Trade in the precious stones is controversial because competing claims over mines helped fuel the war between the military and the KIA. A senior official from the Myanmar Gems Enterprise, under the Ministry of Mines, said that before 2012, about 700 jade mining companies worked in Kachin State’s Hpakant and Lone Khin areas, where most of the jade is sourced.

“Companies whose licenses are still active to explore jade mines can continue their work. Otherwise they need to renew their licenses,” the official told The Irrawaddy.

“Due to the government’s temporary stop on jade mining, the number of jade lots at the annual emporiums in 2013 and 2014 were smaller. I hope that if they are allowed back, there will be not one but two emporiums next year,” he said, adding that the government hoped to sell less raw jade and more value-added jade products in the future.

Khin Lay Myint, vice chairman of the Myanmar Gems and Jewelry Entrepreneurs Association (Mandalay) said she expected the supply of jade to return to normal soon. “We welcome the government's decision to allow jade miners to resume their work,” she said.

Daw Khar, a resident and jade dealer in Hpakant, said the return of mining companies could end the illegal exploration by hand-pickers. “Some residents explored in company-owned mines when the companies stopped working. This was not legal, and they will need to stop doing that,” she said.
Burmese beauty queen May Myat Noe absconded with ruby-encrusted crown
Independent
by Robin McDowell
August 2014

Burma's first international beauty queen has absconded with her $100,000 crown after being stripped of her title for being rude and dishonest, organizers said Friday.
May Myat Noe's photograph was blacked out on the Miss Asia Pacific World website, the word "dethroned" stamped alongside her name. "She thinks as long as she keeps this crown she's the winner," said David Kim, director of media for the South Korea-based pageant. "She's not." Organizers said Noe had "lied" and proved to be untrustworthy, but provided few details. Noe was not immediately available for comment. She planned to hold a news conference at a later time, according to Eleven Media, a Myanmar newspaper.
Hla Nu Tun, who initially acted as her unofficial manager, said Noe and the organizers had disagreed over who should oversee her career. Noe's mother wanted control but so did the organizers, she said.
A half-century of military rule and self-imposed isolation kept Myanmar contestants off the stage of international beauty contests until 2012. When Noe was crowned in May, it was seen as a new beginning for young, talented beauties. Following her victory, the organizers said they would arrange singing and video deals for her. But they also wanted to change the 5' 7" teen's looks, Kim said. One of the pageant's primary goals, he said, is to turn winners into regional superstars: actresses, pop icons, and world-class models. It was decided that Noe's breasts were too small and could hold her back, and she accepted an offer of enhancements, he said. "We thought she should be more beautiful ... so we sent her to the hospital to operate on her breasts," Kim said, adding that sponsors picked up the $10,000 tab, as they had for previous winners. "It's our responsibility," he said. "If she has no good nose, then maybe, if she likes, we can operate on her nose. If it's breasts, then breasts." Kim said that troubles started from there, with the beauty queen bringing her mother to Seoul for what was supposed to be a 10-day visit but stretched into three months.

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