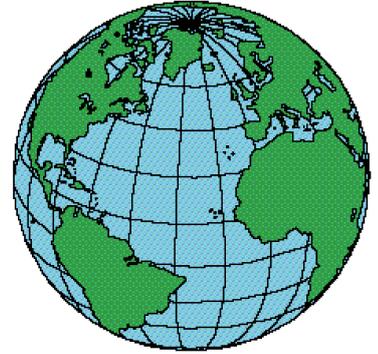


The Gemstone Forecaster



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Gems vs. Paper Assets **by Robert Genis**

Why do people collect/invest in diamonds and colored gemstones? I once had a client that lived in Florida. He loved green stones. He started buying chrome tourmaline, next tsavorite and finally made his way to Colombian emerald. I would personally travel to Colombia once a year to buy him one stone. We would talk on the phone every night about what I had seen that day. I would probably look at 10,000 stones over a two week period and buy one for him. After many years, he had built up quite a portfolio.

I finally asked him what he did with his Colombian emeralds. He stated once a year, he would go down to his bank. He would go into his safety deposit box and take out his collection. Once inside the small room, he would open his gem box and look at his gemstones. He said it made him happy, unlike paper investments.

Hard Assets vs. Paper Assets

There are two types of financial assets. Paper assets include stocks, bonds, currency, money market accounts, C-D's, etc. Hard assets include gemstones, diamonds, gold, silver, land, stamps, rare coins, collectible cars, wine, etc. Throughout most of our lives, the majority of people invested strictly in paper assets. The one exception was the late 1970's when inflation was out of control. Recently, people have again become more concerned with a financial collapse. Many feel paper assets will fare poorly during economic turmoil, like what happened in 2007-09.

Although it is possible all assets would be hurt in a full fledged Depression scenario, the general feeling is it would be better to have real assets with intrinsic value to buy, sell and barter with. I would rather own a Burma ruby than a California state bond. However you feel about the future, it simply makes rational sense to allocate your funds between these two types of assets.

Gems vs Paper Assets

When you own top gemstones, you can hold a real, tangible asset in your hand, and that asset is highly portable. In addition, gemstones really do last forever. Your heirs will be happy as these stones will outlive all of us. Also, gemstones are very private investments as you don't need to disclose you own them to anybody. If you buy, sell, and trade properly your gem collection should grow and grow. In a sense, it is almost a forced savings plan. Building a collection of fine gems is also fun and exciting. Unlike buying a stock certificate or a bond, gems are fascinating assets to accumulate. Investors should focus on collecting stones that you love. Many investors feel a real pride in owning some of finest, most rare natural beauties in the world. A top gem portfolio is viewed by collectors as considerably more enjoyable than looking at a declining 401k stock statement. You will also not experience the stomach-churning volatility of the stock markets in gemstones. Stocks have rose or fell more than 1% in 25 of the last 39 trading days. The only downside to owning gems and other collectibles is they are not immediately liquid like stocks.

Summary

Many people are abandoning their paper financial portfolios and buying hard assets. Stock investors are abandoning the stock markets in droves. Investors have pulled almost \$125 billion out of emerging markets since June. Many are taking tried and true "buy and hold" theory and applying it to hard assets instead of paper assets. Be prepared.

Gem Investing in the Media

We are amazed how all of a sudden, the international media is filled with positive articles about investing in gemstones and diamonds. It has really been a long time since we have seen this phenomenon.

In a time of economic turmoil, people sour on traditional investments. When they see increased volatility and downward pressure in stock and financial markets, they search out alternative, safe places to park some of their assets.

The first two articles discuss investing in colored gemstones. The last two articles are about diamond investing. Enjoy.-EDITOR

Growing your money: why gems can be a wise investment

City Out Monaco

August 5, 2011

By Ron LeBlanc

This is an excellent article written by gemologist Ron LeBlanc. We especially like his "Verify or Die" motto. -EDITOR

Gemstones are always relegated to the exotic end of the investment portfolio, taking their place among the collections of stamps, rare coins, wine, art and antiquities. It's a category driven by aficionados. And that makes gems tricky: woe to the poor fool who leaps in.

Unlike traditional commodities, there is no little black book of value...or even an absolute determinative language of appraisal. I could easily assemble fifty types of green emerald on a table and each would have a distinct tone, hints of blue or yellow, depth of colour and a differing dispersion of light.

Gemstones are a long study, and only people with high degree of expertise or accompanied with a top advisor should enter the field. I have sat with the best gem hunters in the world and we could all relate a recent story of being hoodwinked on a dusty street or back alley. 'Verify or Die' is a healthy motto when dealing with the complexities of establishing gemstone authenticity and value. Experience notwithstanding, mistakes are often the result of a treasure hunter's lost battle with greed and the tantalizing prospect of finding a rarity for 'chump change'.

Most investors are troubled by the oscillating value of a gemstones and this uncertainty is manifested at the time of sale. What can you get for the stone tomorrow at 12.00 noon? Gemstones will never satisfy a rigid interpretation of currency, so the issue of liquidity is always of foremost concern, and as such, keeps the value proposition in flux. This can undermine the core aspiration of investment - which is, of course, a fluid and quick exit with profit.

In traditional assets, like stocks and real estate, there is an unhealthy presumption (or consensual hallucination) that worth is inherent and value will inevitably rise. But 'value' is so fickle. As we lived through the financial crisis that consumed much of 2008, all of '09, and has lingered through 2010, the value of things has been judged and found wanting. Houses dropped 30% in many places, some stock markets dropped 75%, yachts were left to float away, horses released to the wilds, and V12 Jags were traded for machines with eight fewer cylinders. It was white-elephant time and assets that were previously exalted were left to the fear and consequent uncertainty of shifting value.

Ironically, in my own profession, as a miner and gemologist, I found a renewed interest in coloured stones. My 5-carat pink sapphire suddenly became lighter and more substantial than stock paper, far rarer than a condominium, didn't eat like a horse or guzzle gas like a luxury sedan... and I could carry it in my pocket. That 5-carat pink sapphire went up in price as all rare stones do irrespective (and respective) of financial environments.

There is a reason that deposed emperors have taken their diamonds with them, or peripatetic traders have established a considerable niche in the industry, or explorers brought back jade from the east: their investment is portable. As Robert Genis said in the Gem Forecaster, an ounce of ruby from Burma can be worth 60 million and an ounce of red diamonds 150 million. Try taking your investment in potash, iron ore or even gold in your pocket on a dash through the airport.

So, should you invest in stones? I say yes, but the process must be coupled with a stringent discipline and high criteria. For every good gem there are a thousand mediocre gems; for every great gem there are literally millions that do not make the grade. Exceptional gems are very rare indeed. You must use a professional. Additionally, as wearable luxury, you should love the look of the stone, its colour, its shininess, its aesthetic. To own such a rare thing of animating beauty is a not insignificant bonus.

Stones are formed under unimaginable heat and pressure...and when nourished through a chemical alchemy they grow like crystalline flowers. There is a credible argument that fine stones are beyond value. They are surely worthy of their reputation as the most concentrated form of wealth known to man.

And if the stone is rare enough today, you can sell it tomorrow at 12.00 noon ...and for a profit.

Coloured gemstones

Rubies in the sky with diamonds

Prices are up, thanks to extravagant Asians and edgy Westerners

Economist

September 10, 2011

This is another example of the good press being lavished on the colored gemstone investment industry. It was by the Economist no less, one of the most well respected financial publications in the world. Although some of the price increases seem unrealistic, it's still worth a read.-EDITOR

That nervy investors pile into gold is well known: the price of the yellow metal breached \$1,900 an ounce again this week. But growing numbers are also venturing farther afield, into gemstones such as rubies, sapphires and emeralds. Although coloured stones are a hotch-potch of an asset class, anecdotal evidence points to surging values.

Dealers say prices for high-quality rubies are up by 50% this year and have doubled in the past two years. Top-notch sapphires that in 2009 would have fetched \$65,000-80,000 per carat (a unit of mass equal to 200 milligrams) now change hands for \$150,000 or more, says Joe Menzie, a former head of the International Coloured Gemstone Association. In a recent auction to wholesalers, African emeralds sold for 63% more per carat than higher-quality stones fetched last December. Even stones of average quality are up by 20-25% this year, says one dealer. The boom has also boosted semi-precious stones, such as rubellite and red spinel, worn by those who can't quite stretch to a ruby. "Some semi-precious stones are now priced as if they were precious," says Guy Clutterbuck of CGM, which sells to retailers.

There are several forces driving the price rises. The strongest is surging demand from faster-growing economies, particularly China and India. Both countries have a long-standing passion for coloured stones, some of which are seen as bringing good luck (yellow sapphires in Hinduism, for instance). Their new rich flaunt them as status symbols at dinner parties in Shanghai and Mumbai. One American dealer reports difficulty getting hold of tanzanite, a blue semi-precious stone. He can sell it for \$300 per carat and will thus pay up to \$280, but cannot compete with Chinese wholesalers willing to pay \$350 so they can sell to domestic clients for \$400. A contributing factor is the rise of the yuan against the dollar, the denominating currency for gemstone prices.

A second force is economic insecurity. Like gold, gemstones are seen by some as a tangible store of value in turbulent times. Dealers are increasingly being asked to put together collections for wealthy Americans who want to diversify away from paper investments. "Wall Street types are reading the auction results and picking up the phone," says Edward Boehm.

A third factor is supply shortages. Unlike the artificial constraints imposed on diamond supply by big sellers, gemstone shortages are real. Good-quality coloured stones are hard to find in the ground at the best of times. The outfits digging for them tend to be tiny

compared with the diamond giants: one of the biggest emerald miners, Gemfields, has a market value of just \$66m (though it is growing smartly). "It is much more a business of mavericks" than diamonds is, says Mr Clutterbuck. Local politics have contributed to shortages. In 2008 America banned imports of gemstones from junta-ruled Myanmar, a major source of rubies. Madagascar has sapphire deposits but its politics are dysfunctional and its infrastructure poor.

Celebrity endorsements give another, albeit fleeting, boost. Demand for blue sapphire rocketed in America when Prince William proposed to Kate Middleton with a sapphire-and-diamond engagement ring, says Douglas Hucker, head of the American Gem Trade Association.

Can the boom continue? Optimists argue that coloured stones are catching up with diamonds (which have not enjoyed the same price rises lately) in terms of cachet. This would be a restoration of former glory: coloured gems were recognised as valuable centuries before anyone cared for diamonds, points out Ian Harebottle, chief executive of Gemfields, but in the 20th century diamonds took over, thanks largely to shrewd marketing. He thinks coloured gems could be "superstars" if their rarity is marketed just as cleverly. It should help that investors have growing opportunities to resell via specialist auctions.

But buyers need to be careful. Coloured stones vary hugely in quality. The grading system is less sophisticated and more subjective than that for diamonds. Tales of buyers (and banks that accept stones as collateral) getting burned abound. A newcomer can easily be fooled into believing a Sri Lankan sapphire is a more valuable one from Kashmir. Unscrupulous dealers have been known to shove duff stones into the types of collection now being bought by Americans.

Even with hand-holding from an honest expert, buyers face risks. Coloured-gem prices have jumped and slumped before. A decade ago, emerald prices tumbled after a well-known jeweller was sued over a flawed stone. If Asian buyers retrenched, current prices would look hard to justify. But if prices do crash, a ruby can at least be worn to the theatre. A share certificate doesn't even make good toilet paper.

Mining

Why diamonds may be an investing gem

DAVID PARKINSON

Globe and Mail

September. 6, 2011

Diamonds and gold rose almost in tandem during the 1970's and later crashed together during the Reagan administration. Although the economy of Jimmy Carter is dramatically different than today, the interesting financial argument in this article is diamonds will play catch-up to the metals.-EDITOR

Can you name a precious commodity that hit record prices this summer? That has long been considered highly valuable for its remarkable beauty alone? In which demand is surging at the same time as mineable supplies are shrinking?

Yes, yes, there's gold. We know all about that one – it's been in all the papers. But there's a hidden gem that gets much less attention than gold, yet has put in a similarly spectacular performance over the past several months – and may well outperform gold in the next few years.

Despite a modest pullback last month, prices for both rough and polished diamonds are still up more than 30 per cent in the past year, as new supplies were unable to keep up with surprisingly strong demand. Price for top-quality polished stones reached an unprecedented \$150,000 a carat this summer.

Diamond demand is largely driven by the jewellery business, but experts report that an increasing number of investors have been looking to diamonds as an alternative to gold as another safe shelter for their money, amid financial uncertainty and economic and currency instability.

But while the high-profile excitement over gold has propelled interest in gold-producer stocks (the S&P/TSX global gold index is up 25 per cent since mid-June), diamond producers haven't matched their frenetic pace.

"Diamond companies look underpriced versus gold, platinum group metals and silver stocks on a price-to-net-present-value basis," wrote Edward Sterck, diamond-producer equity analyst for BMO Nesbitt Burns in London, in a recent research report.

Gold and diamond prices have historically moved in the same direction, with diamonds generally trading at a modest premium to gold. But gold prices have got ahead of diamonds since the 2008 market crisis, as a recession-driven drop-off in jewellery sales initially weighed on the diamond market. Diamond prices have been playing catch-up this year – and Mr. Sterck predicted they will outperform gold and return to a premium position by 2013, as investors' gold rush moderates while continued demand growth and supply constraints drive diamonds higher.

"Whether diamonds represent a store of value or not, is arguable," Mr. Sterck wrote. "However, as a mid- to late-cycle commodity, it could be theorized that the valuation disconnect between diamonds and precious metals should close."

Regardless of the investment thesis on diamonds as a gold alternative, analysts said, the outlook for the gems looks strong on a good old-fashioned supply-and-demand basis.

"The prospect of a shortage of gem-quality rough diamonds has been the driving investment thesis in the diamond space for some years," said Des Kilalea, diamond analyst at RBC Dominion Securities in

London, in a recent report.

In response to the weaker diamond market in the 2008-09 recession, many major diamond producers mothballed mines, and production has been slow to come back. Many major producers have responded to the strong market by dipping into their inventories – which has not only depleted diamond stockpiles, but signals that producers are having trouble meeting demand through their mining operations. Existing diamond mines are becoming depleted, little new production has come on stream in the past decade, and the prospects for major new discoveries are considered slim.

"Rough diamond production peaked in 2006," Mr. Sterck said. "Despite some returning production and a handful of new mines forecast to enter production ... rough diamond supply is highly unlikely to ever return to its 2006 high water mark."

Meanwhile, the rapid expansion of major emerging economies such as China and especially India – a country where jewellery has long been popular as an investment and currency alternative – is driving a surge of demand, as a massive base of new middle-class buyers can finally afford diamonds for the first time. Last year, diamond demand jumped 31 per cent in India and 25 per cent in China.

And despite a continued sluggish U.S. consumer economy, demand in the U.S. market jumped a surprising 7 per cent in 2010 – evidence of the growing popularity of diamonds as an investment.

"Longer term, the outlook is extremely positive," Mr. Sterck said via e-mail. "The supply picture is extremely constrained, whilst demand is expected to grow strongly."

Canadian investors will get a close-up look at the state of the diamond business Wednesday, when Toronto-based diamond miner and retailer Harry Winston Diamond Corp. reports its second-quarter financial results. While analysts are expecting a solid quarter (consensus estimates are for a profit of 13 cents (U.S.) a share), there will be plenty of investor focus on the outlook for the rest of the year – amid signs that the lofty prices may be temporarily discouraging demand.

Mr. Kilalea said the high prices have put a strain on major diamond buyers' working capital. He added that the current global economic uncertainty "is likely to have been a catalyst" for a slowdown in the market for diamonds.

"We believe the next three to six months will see consolidation in rough prices, and perhaps even some weakness," he said. "This could weigh on share prices of producers in the short term, but once global economic conditions are on an even keel, we would expect valuations to recover."

Diamonds: An Investor's Best Friend?
Wall Street Daily Research
August 9, 2011

You should always take possession of the gemstones and diamonds you buy. We would never recommend putting assets into an offshore fund that buys colored diamonds. However, we find it fascinating this concept may be a viable financial vehicle. - EDITOR

Saving up for diamonds like this one may feel like forever. But now you'll have to wait a little longer.

With mines in short supply and rising demand in emerging economies like India and China, the scene is set for a spike in prices.

That's bad news for consumers. But for a new fund based in Hong Kong, it could be a lucrative money-spinner.

As Alan Landau, Director of Novel Diamond Fund, explains:

"The Novel Diamond Fund I is the first in a series of closed-end funds targeting the rare diamond market. Rare diamonds are diamonds generally with values of a million dollars or greater, this would primarily be colored diamonds. We feel very confident that we will be able to return in excess of 20% per year to our investors."

The rising price of diamonds may put off some consumers, but for investors they have another important allure. When markets wobble, investors tend to head for assets they perceive to be safer, like gold or the Swiss franc. And now diamonds could be about to join them, as the new safe-haven asset.

As Landua says:

"Rare diamonds are actually a superior safe haven than gold. So you saw during the financial crisis, while gold fell in excess of 30%, the diamond market generally fell less than 20% and rare diamonds fell less than 10%. In some cases the very rare diamonds, multi-million-dollar diamonds, barely fell at all."

But critics are quick to note the negatives.

While one ounce of gold is priced as one ounce of gold, for diamonds, the value is the eye of the beholder.

Ed Sterk from BMO Capital Markets sounds a note of caution, saying:

"Even if you're buying into a fund where in theory you have a much broader spectrum of, or exposure to a much broader spectrum of, diamonds, how you value the assets of that fund is something that is extremely difficult. So you can take five different diamonds, show them one diamond, and they'll give you five different valuations for it and the range can be extremely broad." But the Novel Diamond Fund says it's already had positive reception. And they'll be hoping diamonds take over... as the investor's new best friend.

Bottom line: Gold, silver and Swiss francs are well-known alternatives for investors when markets are in turmoil. But now diamonds could be joining the list.

Auction News
Golden Eye

The 43.51 carat Golden Eye, internally flawless, fancy yellow diamond recently sold at an on-line auction. It was seized in a federal drug and money laundering investigation. The minimum starting bid was \$900,000. The diamond belonged to Paul Monea, an Ohio businessman. He tried to sell the diamond and an estate once owned by boxer Mike Tyson to an undercover FBI agent for \$19.5 million and a boat. The agent pretended to be a big time drug dealer. He was convicted of money laundering and conspiracy. The stone was purchased for \$2.8 million by a retired homebuilder and his wife. The new owners said they were prepared to go to \$7 million. They have bought gold, silver and diamonds in the past but nothing of this magnitude.

Argyle Pink Auction

For 2011, Rio Tinto's Pink Diamond Tender will end in October. The sale is by invitation only. Only 150 prospective buyers make sealed bids and the winners are notified on October 20. There will be 55 diamonds weighing 47.61 total carats. How rare are these pinks? For every one million carats of rough diamonds produced from the mine, only one polished carat is offered for sale at the tender. This sale has a suite of three matching fancy intense hearts. The major stone is the oval 1.06 vivid purplish-pink.

Sotheby's Hong Kong

The Magnificent Jewels and Jadeite Autumn Sale 2 will be held on October 5. Here are the highlights:

- * A 9.27 Fancy Vivid Pink diamond for \$13 million.
- * A Burmese ruby necklace featuring 27 natural unheated Burma rubies totally 66.47 carats for \$1.2 million.
- * Matching Burmese ruby earrings weighing 6.08 and 6.23 estimated at \$1.3 million.
- * A 10.40 unheated Kashmir sapphire for \$800,000.
- * An untreated 8.88 Colombian emerald for \$510,000.
- * A rare jadeite cabochon and diamond necklace with 19 graduated cabochons estimated at \$1.1 million.

Christie's New York

Christie's will auction a pear 32.70 vivid yellow diamond in October. It is expected to sell for at least \$8 million or over \$240,000 per carat. The record at Christie's was the 18.49 Golden Drop sold in London for \$203,000 per carat in 1990.

**A Book Critique - Gemstones
Understanding-Identifying-Buying
by Keith Wallis
Antique Collectors' Club Ltd.
160 pages, Second edition, 2011**

by Robert Genis

We reviewed this book in 2007. We were generally positive but critiqued some of the authors errors and omissions. So the question is did the author take our suggestions for improving the book? Kind of.

Buying Gemstones Overseas

In the original publication, the author has an entire section on buying gemstones overseas. This is probably because he spent his entire life traveling overseas. He gives intricate detail about the various gemstones you can try to buy overseas. Thankfully, he also discusses the scams many try to pull on overseas buyers such as in Thailand. The problem I have with this section is it's practically impossible for privates to get a good deal overseas. More times than not, the overseas sellers know you know nothing about gemstones and sell you gemstones at inflated prices, often many times what you could have paid in the United States. People who buy gems on cruises constantly pay way too much.

Gem dealers are routinely fooled by synthetics and new treatments. What chance does a novice have? Discussing this in a gem book probably sends the wrong message. In the updated version, he hedges a bit more but the thrust of his argument remains.

Diamond Grading

The author remains unclear why the GIA starts its grading system with D color being the best.

In the new edition, the author states the GIA started with D because so the the letters A-C would be saved if superior colors were ever discovered. No. Does this even make sense? Why have no other superior colors been found in the last 60-70 years? Has anyone seen a C color? Many people consider diamonds from the old Indian mines of Golconda to be "whiter than white" or "super d." However, despite this belief, I have never seen a C, B, or A color graded from the GIA.

This is taken directly from the the GIA web site:

Why does the GIA color grading system start at D?

"Before GIA developed the D-Z Color Grading Scale, a variety of other systems were loosely applied. These included letters of the alphabet (A, B and C, with multiple A's for the best stones), Arabic (0, 1, 2, 3) and Roman (I, II, III) numerals, and descriptions such as "gem blue" or "blue white." The result of all these grading systems was inconsistency and inaccuracy. Because the creators of the GIA Color Scale wanted to start fresh, without any association with earlier systems, they chose to start with the letter D—a letter grade normally not associated with top quality."

Emerald Treatments

The author states fractures in emeralds are common and fillings/oils have been used for years to improve the appearance of emeralds. He states enhancements should probably only be disclosed if they change the color of emeralds. However, the main purpose of emerald treatment is to improve the clarity by masking the inclusions. Does that mean these treatments do not have to be disclosed according to Wallis? Of course, in both editions, we disagree and believe clients have the right to know exactly what was done to every gemstone. Especially with emerald where 99% have been enhanced. The consumer has a right to know.

Information Out-of-Date

In the old edition, the garnet section was unbelievably out-of-date. Spessartine garnet is stated by the publication to come from Sri Lanka, Brazil and the US. Somehow, two major finds in the last the last 20 years escaped the author. We are happy to announce the author in the new edition now includes the 1993 find of true mandarin garnets in Namibia and the the Nigerian find of orange garnet .

The author also now mentions the 2002 Nigerian find of Paraiba-like tourmaline and new find of Mozambique Paraiba-like tourmaline. Good work.

Regretfully, the recent find of Russian demantoid garnet nor the recent find of the new find of Nigerian red tourmaline are not even mentioned.

Tanzanite

The author properly states the grading systems used to sell tanzanite on tv shopping channels carry no validity. In the Appendix of the book, he reproduces the colored grading system of the Tanzanite Foundation. He states the higher degree of violet saturation, the greater the price. Actually, the Tanzanite Foundation grading scale makes the highest degree of violetish blue and the highest degree of bluish violet as equal. This is one problem with the sellers creating a grading system. They create a system to reflect their inventory, not the true market. The bottom line is the blue the better in tanzanite. You want the violet to be the secondary color. Tanzanite is an inexpensive alternative to blue not purple sapphire.

Conclusion

Would I still recommend this book? Yes. You just have to know everything in the book is not accurate not up-to-date. I love the Comparative Gem Value and Comparative Sizes of Gems Charts. The book has wonderful gem photographs.

Many of you have gemological libraries. You should add this one to your collection. You can purchase this book on-line in the bookstore.

Go here:

<http://www.preciousgemstones.com/tech.html>

Notable Quotes

"Diamonds have emerged as a haven investment to compete with gold and the Swiss franc, with surging demand from Asian buyers driving prices of the precious stones...Diamonds - together with gold and investments such as art - yield no annual interest. It also costs money to store and insure the gems. But in a low interest rate environment as central banks try to reactivate the global economy, that is perhaps, ultimately, a small price for us to pay."

Mike Baghaddy, Trader
The Huffington Post UK
July 9, 2011

"Jewels have long been regarded as a very stable and highly portable store of wealth over the long term, so an upward trend in tangible, portable assets like diamonds is not wholly unexpected during times of economic turmoil."

Rahul Kadakia, Christie's Americas' head of jewelry.
Rueters
August 24, 2011

International Gemstone News

US Renews Burmese sanctions

In July, the US House of Representatives renewed the sanctions against Burma (Myanmar). They have been renewed annually since 2003. No votes were recorded as the procedure was done by voice vote. This means the US cannot import jade or ruby. This also bans US investment in Burma.

Esmerian Update

In the last Gemstone Forecaster, we had an article concerning Ralph Esmerian's troubles. Since that edition, he was sentenced in Manhattan federal court to six years in prison for wire fraud, bankruptcy fraud, and concealment of assets. This was in connection with a scheme to embezzle and double-pledge collateral that Esmerian estimated to be worth tens of millions of dollars.

U.S. District Judge Denise Cote also ordered Esmerian to forfeit \$20 million and perform 1,800 hours of community service. In imposing the sentence on July 22, the judge said Esmerian "lived a life of fraud and deceit on a massive scale."

533 carat diamond

Gem Diamonds Limited announced the recovery of an historic 553 carat, D color diamond from the Letseng Mine in Lesotho, which is currently undergoing analysis in Antwerp. The Diamond is the 15th largest white diamond ever to be recovered. It's the fourth historic diamond recovered from the Letseng Mine in recent years, following the recovery of the 603 carat Lesotho Promise, the 493 carat Letseng Legacy and the 478 carat Light of Letseng.

Brazilian Gem Heist

The Mystery Behind Brazil's Biggest Jewellery Heist

by Anderson Antunes

Forbes

September 16, 2011

On the night of Saturday, August 27, precisely at 11:50 p.m., 12 men in gray uniforms entered one of São Paulo's most highly secured buildings, the Banco Itaú's bank branch located on Paulista Avenue, the very financial and business heart of Brazil's biggest metropolis. They passed through the security check at the bank's underground parkade by identifying themselves as furnishing workers – a perfect disguise, since the branch was under renovations and the guards at the building had been previously warned about people coming in that night. Without firing a single shot, they spent the following 10 hours breaking into some 170 private strongboxes belonging to at least 120 wealthy clients of Banco Itaú, Latin America's largest bank by market value. Only two security guards were disarmed, the first when the thieves seized the ground floor where the entrance door to the branch was opened, so the other members of the team could enter; and the other when he arrived in the morning for his work shift. Five other men spent the whole night outside, to keep the rest of the pack aware of any possible casualties, should something have gone wrong.

On the next morning, the thieves left with cash, luxury watches, gold bars, sapphires, emeralds, rubies and diamonds. Loads of diamonds. According to the most optimistic estimates, the total amount of valuables taken was about R\$ 100 million (\$58.5 million). Little of the loot was insured (banks don't usually ask their customers about the contents of their safety deposit boxes,) and much of it appeared difficult to trace. Banco Itaú only guarantees the compensation of R\$ 15.000,00 (\$8,800) per deposit box. Those whose valuables are worth up to R\$ 200.000,00 (\$117,000) can opt for an insurance plan provided by the bank. If the amount to be secured is higher than that, an external insurance company must be hired for the service. Most clients, however, never thought of being ripped off in such a way.

Among the victims who did not have insurance is Therezinha Maluf Chamma, the 82-year-old sister of the legally troubled former State Governor of São Paulo, Paulo Salim Maluf. For more than 30 years, Chamma kept hers and her daughters' jewellery in two deposit boxes at the Banco Itaú branch. Everything was stolen, including a diamond necklace by Van Cleef & Arpels and a ring encrusted with a diamond of the size of a big cherry. The family's loss was R\$ 1 million (\$585,000) or more. Two collections of luxury watches were also taken, one of which contained 143 Rolex watches worth more than R\$ 2 million (\$1,170,000).

Another client lost two jewellery cases, one being an 18th Century Prussian jewellery case studded with rubies, and made of silver and ivory, which sheltered inside a collection of 33 rough diamonds extracted from African and Brazilian mines. The other was a wooden box decorated with silver containing 58 Colombian emeralds in its interior, in sizes varying from 1 to 3 carats. Together, the boxes are worth R\$ 12 million (\$7 million).

Due to the amazingness of the situation, one should expect that the police would take immediate action. But that's not what happened at all. In spite of being promptly informed by Banco Itaú about the crime, the police department responsible for handling bank robberies in São Paulo only began to investigate the case a week after it took place. Even the security guards who worked that night were interrogated only 11 days after the robbery, not to mention that investigators didn't do much during the time known as the 'Golden 48,' in reference to the relevance of collecting evidence and interviewing witnesses during the 48 hours after a crime is committed, a period after which the likelihood of solving it drops precipitously. There's already suspicion of self-dealing in a fishy deal between key members of the investigation team and the thieves, especially because the São Paulo police has a history in this regard. In the past, some of its officials extorted money from Colombian drug lords, including Juan Carlos Ramírez Abadía, and also from burglars responsible for several bank thefts over the past years. Because of that, a lot of the victims are hiring private investigation agencies such as the New York-based RCI First Security and Intelligence Advising, which already contacted hundreds of cutters, jewellers, auctioneers and money changers from all over the globe in order to locate some of the stolen goods. The fact that the investigations were delayed, though, is a major problem. Timing is crucial in these cases, since the

thieves will always try to go away as soon as possible to avoid being tracked down. As soon as they heard the shocking news of the robbery, the directors of Banco Itaú set up a crisis committee to monitor the situation and make an exhaustive assessment of the consequences of this unprecedented theft, which, for some reason, only became public last week. For a bank, a huge robbery like the one in this case can somehow be compared to a plane crash for an airliner. Some 40 managers at the bank were ordered to put aside their daily tasks and devote to personally inform clients that their precious goods had been stolen. Many have had to be medicated after receiving the news. Meanwhile, investigators are trying to identify the thieves thanks to the only clue they have left: Although they've destroyed much of the surveillance system, some of the security cameras went unnoticed to them. Based on the video footage, 12 thieves have been identified so far. And it is quite likely that the mentors of the Banco Itaú burglary are the same behind the Banco Central burglary at Fortaleza, one of the world's largest burglaries. On the weekend of August 6, 2005 and August 7, 2005 a gang of burglars tunneled into the Banco Central in Fortaleza, a city in north-eastern Brazil. They removed five containers of R\$ 50 notes, with an estimated value of R\$ 164,755,150 (\$95 million) and weighing about 3.5 tons. The money was uninsured; a bank spokeswoman stated that the risks were too small to justify the insurance premiums. The burglars managed to evade or disable the bank's internal alarms and sensors; the burglary remained undiscovered until the bank opened for business on the morning of Monday, August 8, 2005. So far, authorities have recovered more than \$8.93 million, while the remaining is still unaccounted for.

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