



January 2014

PG Services News

Diamond News

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GIA - Grading Colored Diamonds

While the vast majority of diamonds fall in the D-to-Z color range, nature occasionally produces diamonds with a naturally occurring blue, brown, pink, deep yellow or even green hue. The geological conditions required to yield these colors are rare, making diamonds with distinct and naturally occurring shades scarce and highly prized.

Unlike colorless and near-colorless

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As you can see in the reports and articles below, the diamond market in general and the rare colored diamond market more specifically closed out 2013 with very strong results at the auction, retail and dealer level. Retail sales continue to grow at a very healthy rate, auction houses have reported strong results globally and dealer activity is at the heart of the strength of the market going forward.

Bain & Company's report indicated that diamond sales should grow by over 5 % a year over the next decade at a time when supply will continue to be an issue, with potential production declines of close to 2 % during the next decade, which

diamonds, fancy-color diamonds are evaluated less for brilliance or fire and more for color intensity. Shades that are deep and distinct are rated higher than weak or pale shades.



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GIA describes color in terms of hue, tone and saturation. Hue refers to the diamond's characteristic color, tone refers to the color's relative lightness or darkness and saturation refers the color's depth or strength. Using highly controlled viewing conditions and color comparators, a fancy color grader selects one of 27 hues, then describes tone and saturation with terms such as "Fancy Light," "Fancy Intense," and "Fancy Vivid." The color

should drive up prices at every level of the supply chain.

With emerging markets expected to be very volatile as a result of the Fed's tapering program, the cheap money flowing around the world is expected to be reined in, which means the equity markets should be in for a very choppy year.

US Diamond sales globally has dropped to 38 %, off from over 50 % a few years ago, as the growth of sales in the BRIC countries combined with more moderate sales growth in the developed economies creates a good story for sales increases over the next five years, especially with the increase in acquiring passion investments and luxury investments such as rare watches, fine wines, classic cars and of course rare diamonds and jewelry.

We have just completed an acquisition of stones, including a very special, eye clean, round brilliant Fancy Gray Diamond of 1.03 carats. This special piece has such luster and brilliance, giving the appearance of steel color or a silver mist color, with beautiful silver flashes cascading throughout the table of the diamond. This stone has very good size above the one carat level, is made into a beautiful round brilliant shape and most importantly has mesmerizing color composition.



We also have a very special Argyle Pink Diamond of 0.30 carats. This unique piece with an Argyle inscription has a beautiful salmon-colored Fancy Intense orangey Pink color with a very good VVS2 clarity, one of the highest clarity grades to come from a stone from the Argyle mine.

system GIA developed is used worldwide.

GIA offers two types of grading report for colored diamonds. The GIA Colored Diamond Grading Report contains the same comprehensive diamond 4Cs information as the GIA Diamond Grading Report, while the GIA Colored Diamond Identification and Origin Report (also known as the color-only report) is limited to color grade and the origin of the color (natural or treated).

Colored Diamonds..... Nature's Rarest Asset.

"Owning a colored diamond is like having one of the rarest treasures mother nature has bestowed upon the earth and should be cherished by those who value the security and stability of their loved ones"

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The stones color is so saturated, it looks close to the vivid range and is made into a beautiful, elongated oval cut.

For more information on both of these special diamonds, please feel free to contact us.

Jewelry News

US Retail Sales

U.S. jewelry store sales jumped 11.2% year on year in November to \$3.008 billion. Meanwhile, the U.S. consumer price index (CPI) for jewelry during the month was flat. Jewelry store sales for the first 11 months of 2013 have risen 9.6% to \$27.467 billion.

Tiffany's

Tiffany & Co. reported that sales increased 4% year on year to \$1.03 billion during the two-month long Christmas season. Comparable-store sales rose 6%. Revenue from stores in the Americas increased 6% to \$550 million, while comparable-store sales rose 7%. Sales from the Asia-Pacific region increased 5% to \$196 million and same-store sales were flat. Tiffany's business in Japan experienced a 12% decline in sales to \$135 million due to the negative translation effect from a weaker yen; however, same-store sales increased 10%. Sales in Europe improved 11% to \$131 million and comparable-store sales rose 3%.



Richemont

Richemont reported that its sales grew by 2.8% year on year to \$4 billion (EUR 2.94 billion) during the third quarter that ended on December 31. By line of business, sales from jewelry maisons increased 3% to \$2 billion and revenue from specialist watchmakers improved 4% to \$1.1 billion; however, sales fell 4% at Montblanc to \$298 million. By region, sales in Europe and the Middle East and Africa, rose 7%, sales from the Asia Pacific region rose 1%, and revenue across the Americas rose 6%.

Cartier

China's high-net-worth community selected Cartier as the "best of the best" jewelry brand this year as well as for the "best jewelry watch" and Patek Philippe was named the best watch brand, according to the 10th annual Hurun Report on luxury spending. In addition, wealthy consumers in China selected Cui Huang Ge for the best jade, Montblanc for the best writing instrument and Patek Philippe as the best watch with complications.



Pandora's

Pandora's preliminary revenue projections for the fourth quarter indicated that sales jumped 30% year on year to \$509 million (DKK 2.8 billion). The jeweler chain estimated that revenue for 2013 rose more than 35% to \$1.63 billion and it

anticipates gross margin of 67% compared with 66.6% in 2012. Pandora closed 2012 with no improvement in revenue compared with the previous year and it also reported that earnings plunged 41% to \$211 million. Previous guidance from Pandora for 2013 anticipated revenue of about \$1.6 billion. Same-store sales from Pandora's Concept stores in the fourth quarter, which included Christmas, rose 5.1% at U.S. locations, surged 17.9% in the U.K., improved 5.7% in Germany and jumped 25.5% in Australia.

Michael Hill

Michael Hill International anticipates that revenue rose 10% year on year to \$240 million (AUD 270.9 million) for the six months that ended on December 31, according to preliminary results. Same-store sales rose 4.7% based on Australian dollars.

Diamond News

Christie's Auction House

Christie's auction house reported that sales in 2013 rose 16% year on year to \$7.13 billion (GBP 4.54 billion), representing the highest total to date for the company. Christie's added that sales growth was driven by a 30% jump in the number of new buyers, who accounted for 22% of total sales. Auction sales rose 15% year on year to \$5.9 billion, while private sales surged 20% to \$1.19 billion.

Christie's reported a record year for global jewelry sales, with a total of \$678.3 million or an 18% increase from 2012. Upon executing the sale of The Winston Legacy in May and The Orange in November, Christie's Geneva led the company's jewelry sales with \$228.4 million. More than 120 jewels sold in excess of \$1 million each, 14 lots sold above \$5 million each and five above \$10 million. Colored and colorless diamonds, natural pearls, distinguished private collections and three online-only jewelry auctions all contributed to strong results.

Argyle Production

Rio Tinto's diamond production was 16.027 million carats with Argyle accounting for the majority at 11.395 million carats.



Reuters, January 2014

A 29.6 carat blue diamond, one of the rarest and most coveted in the world with a possible price tag of tens of millions of dollars, has been discovered at a South African mine by Petra Diamonds. The miner said the "exceptional" acorn-sized diamond, small enough to fit into the palm of a hand, was unearthed at the Cullinan mine near Pretoria.

Other notable diamonds found in the mine include a 25.5 carat Cullinan blue diamond, found in 2013 and sold for \$16.9 million.

"By some margin ... this is probably the most significant stone we've ever, in terms of blue stones, recovered," he said.

"The stones in the last year or so are selling well above \$2 million per carat. That's not my quote, that's updates in the market," he said ahead of the company's first-half trading statement.

Petra Diamonds is due to release figures on production and sales for the six months to Dec. 31 on Thursday, but these will not take into account the find which occurred in January. Analyst Cailey Barker at brokers Numis thought the diamond could fetch between \$15 million and \$20 million at auction.

Wall Street Journal - Global

Diamond Market

A woman tried diamond jewelry at a diamond exhibition in Ahmedabad, Gujarat. Diamonds, it has been said, are forever. But apparently not in India where growing demand and excellent rates of return are leading retailers to offer buy-backs on the gems.

More people are now opting for diamonds rather than plain gold jewelry, according to jewelers, because they offer a greater investment opportunity and are regarded by consumers as more on trend. Diamond solitaires outpaced gold in the stock index by over 10 percentage points in mid-July, further dimming India's long-standing love affair with gold.

Profit margins on pure gold have shrunk after the government introduced a series of measures to cut dollars spent on imports of the precious metal, including higher import taxes and tougher import procedures, in an attempt to close the current account deficit.

Customers from emerging markets are buying more pink diamonds from Rio Tinto Group, the world's third-largest producer of rough diamonds, as the colored gems begin to be appreciated for their rarity.



"Five years ago, we may have had one or two diamonds go to China and India, but now we'll have more than 20 percent of the diamonds going to the developing markets," said Josephine Johnson, business manager at Rio Tinto's Argyle Pink Diamonds, at a private sale of 75 colored diamonds in Hong Kong. "China is particularly interesting because of the rapid growth in the appreciation and understanding of pink diamonds."

The Argyle mine in Western Australia supplies 90 percent of the world's pink diamonds. The mine is scheduled to stop production by 2020, which will leave less than 500 pink diamonds for global distribution and make the colored gems a compelling investment, Johnson said.



The U.S. accounted for about 38 percent of the global diamond market in 2011, while China had an 11 percent share followed by Japan and India with 10 percent each, according to De Beers (AAL), the world's biggest producer of the gems. China may overtake the U.S. as the biggest consumer of diamonds by 2015, according to Antwerp World Diamond Center.

"Over the next 10 years, with plateauing stocks and increasing demand, you can only be bullish on diamonds," said Dylan Dix, a Vancouver-based executive at HRA Group and a customer at the diamond sale in Hong Kong.

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