

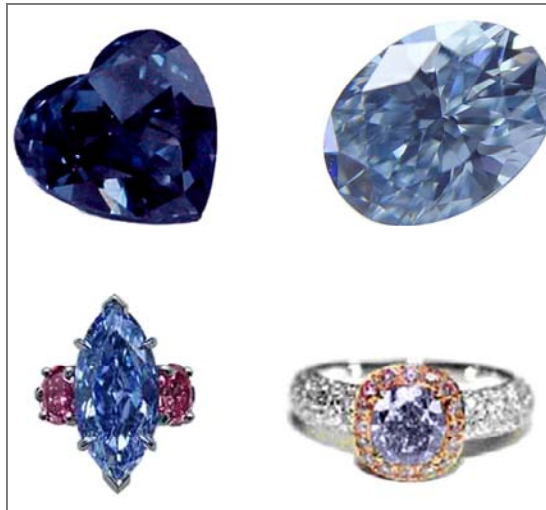


PURCHASING AND INVESTING IN NATURAL BLUE DIAMONDS

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Due to their magnificent color and extreme rarity, blue diamonds are placed alongside reds and purples as some of the highest valued natural colored diamonds on Earth. From a faint baby-blue (“light blue”) to a rich “Ocean Blue” (green-blue), to a “deep sapphire-like blue” (fancy deep blue) — blue diamonds encompass a broad range of hues, tones and saturation levels.

Even though blue diamonds are highly sought after, it is highly uncommon for even the more prominent jewelers to carry much of a selection. An average price of a one carat fancy blue diamond is around \$150,000. Those who already own one have seen their investment appreciate 15%-20% in value the past year alone.



Various natural blue diamonds

Quick Blue Diamond Facts:

- Natural blue diamonds conduct electricity
- The largest known blue diamond is the Idol's Eye, weighing 70.21 carats.
- Recently, a 3 carat intense blue, pear shaped diamond received \$300,000 per carat at a Sotheby's auction.

The following article is meant to help you better understand the value of blue diamonds and get the most out of your special diamond purchase.

Blue Diamonds: Past, Present & Future

The most famous blue diamond is The Hope Diamond, believed to be cut from the Tavernier Blue, a 112.5 carat blue diamond found in India in 1642 and previously part of the French Crown Jewels. This rare specimen can be viewed today at the Smithsonian Museum of Natural History in Washington, D.C.



The Hope Diamond

Although Indian mines produced the majority of blue diamonds since around 400 B.C., today, most new blues and grey-blues are found in areas in South Africa and Australia. The Premier Mine in South Africa has

been noted as the most significant blue-producing mine in the world. According to the GIA (Gems & Gemology, Winter 1998), “dealers indicate that only a couple of new blues come to their attention during the course of a year.”

As fancy colored diamonds make their way into mainstream jewelry design, the desire for these mysterious gems is likely to in-

crease. As supply is limited, price tags continue to soar to a point where only the most exclusive dealers and collectors have access to them.



Blue Diamond Grading: The Various Colors of Blue

On average, less than 0.3% of all colored diamonds graded by the GIA in the first half of 1998 were described as predominantly blue (Gems & Gemology Winter 1998). We've found this statistic to be comparable with today's market.

A popular misconception is that all blue diamonds resemble the Hope Diamond in color. The reality is that most blue diamonds naturally reside on the lighter-side of the spectrum. The blue color saturation in most fancy light blue diamonds is almost undetectable in certain lighting conditions such as direct sunlight. In order to achieve a color considered strong enough to observe in most environments the more desirable colors are *fancy blue*, *fancy intense blue* and *fancy vivid blue*.

However, it should be noted that the saturation range for blue diamonds is less than one third that of yellow diamonds (Gems & Gemology, Winter 1998). Similar to yellow diamonds, two blue diamonds could both receive a fancy blue grade from GIA, yet one may appear closer in color to that of a

fancy light blue, and the other appear closer to a fancy intense. This subtle difference between the fancy scale with blue diamonds can have adverse effects on a price and it is therefore extremely important to view blue diamonds in person and compare color to one another.

Color Combinations:

A large number of blue diamonds exhibit a secondary gray color, i.e. grayish blue or grey-blue, producing at a steel blue color. As with all colored diamonds, secondary color modifiers can significantly decrease the cost of a blue diamond as opposed to pure blue.

Another secondary color observed is the presence of green. This is a rarity in nature producing a color resembling the Caribbean ocean waters. As with many colored diamonds, the presence of green typically increases the overall value of a diamond.

Blue can also be a secondary color modifier itself. It is not uncommon for a gray diamond to have faint to no-

ticeable hints of blue throughout the stone and certified as a *blue-gray*, or *bluish gray*. The differences between blue diamonds and grey diamonds are often subtle. Before deciding that a blue diamond is not for you, or your budget, it may be worthwhile to consider gray as a close substitute.



Pear Shape Fancy Gray-Blue (top), Cushion Fancy Blue (middle-left), Oval Intense Blue (middle-right) and Marquise Fancy Light Blue. (bottom)

Pricing of Blue Diamonds

When it comes to purchasing blue diamonds, unlike with white diamonds there is no price list that determines the value of a diamond. Since each stone is uniquely different, pricing will almost always fall within a range associated with its color scale but not always the same as a similar stone.

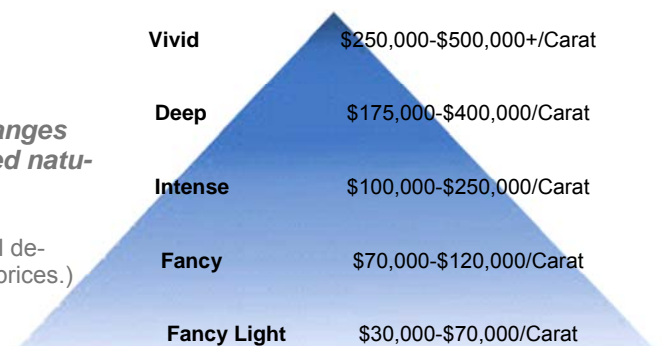
Between 2003 and 2005, diamond wholesalers realized a 20-30% increase in prices of blue diamonds, as demand has far exceeded market availability.

Factors that influence pricing:

- Color Saturation and Intensity
- Rarity of color or size
- Presence and saturation of secondary color modifiers such as gray or green
- Cut
- Carat Size
- Clarity

Average retail price ranges for a one carat certified natural blue diamond.

(Larger blue diamonds will demand significantly higher prices.)



Clearly Your Choice — Color, Clarity or Size?

While each of the Four C's of Diamond Buying applies to fancies, is very important to base purchase decisions on color first, and clarity last.

Hue and intensity determine the ultimate value of a blue diamond. As far as clarity is concerned, it is typically one of the least important factors determining value of fancy colored diamonds (unless they are clouded). Blue diamonds however, statistically have a

high percentage of internally flawless, VVS and VS quality diamonds as compared other colors.

- F or IF — 29%
- VVS — 21%
- VS — 34%
- SI/I — 16%

While most blues are priced so that they are unattainable to the average consumer,

accepting a smaller size, lighter tone or gray modifier can bring the cost down significantly.

The important thing to note is that not many are fortunate enough to have the chance to own one of the rarest and more beautiful gemstones on earth and blue diamonds are in short supply. Giving up size for a stronger color is a sacrifice most discriminating clients are willing to take.

Blue Diamonds as an Investment

As mentioned earlier in this issue, there is an *extremely* short supply of blue diamonds entering the market every year. The majority of blue diamonds traded today have changed hands several times, appreciating in value each time they are traded.

A blue diamond has never decreased in value. As of lately, savvy investors and wholesalers have been holding onto their supply of blue diamonds in anticipation of further price increases. Those fortunate enough to have purchased a blue diamond in the past are usually shocked when they learn what their diamond is

worth today.

We recommend purchasing a blue diamond with the most color saturation you can afford. As mentioned earlier, intense, deep and vivid blue diamonds have the widest ranges of pricing in today's marketplace. With the narrow variance in color saturation of blue diamonds, the higher echelon of blue diamonds have proven to present the most opportunity to investors.

Investment Tips:

- Purchase blue diamonds with the most color saturation you can afford.
- Purchase from sources with strong ties to mining operations.
- Mount light blue diamonds to increase resale value.
- Obtain proper certification on your blue diamonds from reputable gem laboratories.
- Ensure your blue diamond is natural without any color enhancement.

Mounting Makes a World of Difference

Mounting your blue diamond properly can increase its overall appearance and value. Each diamond is different and requires personal consideration when being set. Certain techniques may be employed to work wonders on a loose stone.

Here are a few methods used by some of the world's most prominent jewelers specializing in colored diamonds:

- Control where light enters and escapes the diamond.
- Contrast the blue diamond with other colored diamonds (side stones or pavé)
- Determine if a bezel or prong style is best for your diamond.

We recommend that you start by getting an idea of the type of setting you prefer. Once you determine a direction, discuss it in detail with your jeweler to ensure you best bring out the beautiful blue color in your diamond.

Same blue diamond mounted in a three-stone prong (top), versus a bezel setting (bottom). The blue color takes on a darker tone when mounted using a bezel.

