

Is Jewelry the Last Brilliant Investment?

A small but influential group of experts make the case for putting your money in gems.



by STELENE VOLANDES ☺ JAN 17, 2017



PHOTOGRAPH BY DON PENNY; STYLED BY WILL KAHN

"If you buy true quality gemstones, and have a bit of patience, you will not lose money."

Henri Barguirdjian is bullish on jewelry. He has a right to be. For the last 16 years Barguirdjian was the CEO of Graff Diamonds North America, where he had access to the world's finest specimens and also honed an eye for the truly rare ones. In October he announced his "retirement" from Graff to form Arcot Finance—described as a fine gem investment firm—with Harbinger Capital hedge fund magnate Philip Falcone. The establishment of Arcot highlighted the role of stones and jewels as a new asset class. As *Women's Wear Daily* explained in October, "While many private individual collectors purchase stones as

investments, it is difficult to pinpoint a financial firm solely focused on buying stones for profit."

The team behind Arcot is uniquely qualified to blaze this trail. "Phil has been a good friend of mine for years," says Barguirdjian of the sometimes controversial Falcone. "We started to talk one night about the prices of rare colored stones. There is a play at the moment because there is a cash crunch in the jewelry business."

Barguirdjian continues, "Many of the big banks have pulled away from the industry because all the due diligence required can be too costly. This leaves a lot of people without a source of financing who still need money every month because they need to buy stones when they become available. Falcone's resources and my knowledge combined made this a great concept."

Barguirdjian's role is to look for opportunities to invest in extremely high-quality colored stones or diamonds. He says Arcot might even eventually make a piece of jewelry to sell or present at auction. "We bought a beautiful Burmese ruby,"

he says. "Not very big, but not heated, a true gemstone. I just made an offer on a Kashmir sapphire. We'll see if I get it. These stones will retain their value."

The notion of stones and jewelry as an asset class is one that has only recently caught on in America, says Bill Noble of Dallas's William Noble Rare Jewels. Among the stones Noble says can be considered an asset class are Fancy Vivid pink or blue diamonds that are more than three carats and show straight color and no modifications, preferably emerald- or round-cut; white diamonds over five carats that are D Flawless or Internally Flawless; Vivid yellow diamonds over 10 carats; Burma ruby and Kashmir sapphires over five carats; and Colombian emeralds over 10 carats without treatment.

Jewelry is an investment you can wear for 30 years and then sell. What else can you do that with?

"These types of gemstones are not only a hedge against inflation," he says, "but there is such a limited supply that their value cannot be swayed by government interference or price manipulation, because there is not a hidden stockpile or mine."

To illustrate his point Noble points to the [Shirley Temple Diamond](#), a 9.54-carat Fancy Deep Blue purchased in 1940 for \$7,210 and recently valued at \$25 million to \$35 million. "Americans have been the last to understand that



THIS 25.59-CARAT STONE, SIGNED AND NUMBERED FROM CARTIER AND IN ITS ORIGINAL CASE, SOLD FOR \$30.4 MILLION AT SOTHEBY'S GENEVA IN MAY 2015, SETTING A RUBY WORLD RECORD.

DON PENNY

gemstones provide a concentrated form of wealth that comes close to a true currency, because they're rare, transferable, durable, and portable."



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Legends of Russian and French aristocrats fleeing revolution with diamonds sewn into their hems still resonate. "I know people who want to buy some diamonds to put away. They know in uncertain times they can sell them quickly," says jewelry expert Chris Del Gatto, whose eponymous firm specializes in buying and selling from private collections. He has bought and sold more pieces than almost anyone on the market. "They also know they can take the stones with them. You can't do that with a building. It's a bunker mentality."

Barguirdjian certainly has experience with the idea of stones as a solid investment. Clients have asked him for lots worth \$1 million for each of their grandchildren, to be stored in safe deposit boxes, knowing that they will appreciate in value. "They see it as a safe haven," he says. Even barring catastrophe, however, Barguirdjian understands the intricate market value of rarity and how to navigate it wisely.

"There are some important rules to investing in stones and jewels," he says. "It's not unlike the art market: What is truly special will always command high prices. If you're a



THE OPPENHEIMER BLUE SOLD FOR \$57.7 MILLION AT CHRISTIE'S GENEVA IN MAY 2016. THE SIZE AND QUALITY OF THE EXTREMELY RARE BLUE DIAMOND ACCOUNT FOR ITS RECORD PRICE.

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private individual and buy a stone and hope to turn a profit in three weeks, it won't happen. You have to be patient, and, most important, you must be very strict about the quality of stones you buy. Even if it's a small stone, if it's high-quality it will retain more value than a larger stone of mediocre quality."

Barguirdjian is emphatic about this: "If something is not exactly right but looks nice, when you try to sell it years later all anyone will give you is opinions on what's wrong with it."

For colored stones, the site of origin is also key: Burmese pigeon blood rubies, cornflower-blue Kashmir sapphires, deep green Colombian emeralds. Training educates the eye and separates the pretty from the truly rare. "There could be three Picassos in the room," Baguirdjian says. "One is worth \$18 million and one is worth \$3 million. A diamond is similar. It's not just about D Flawless. One is a work of art; one is just a 40-carat stone. They can be the same on paper, but a trained eye knows the difference. This is where things get tricky and where a little knowledge can be dangerous."

And what of finished pieces that the individual client buys to wear—can those also be investments? Barguirdjian sees value in the magnificent Art Deco and Art Nouveau pieces of Fabergé, Laclouche, and Cartier, pieces that are finished like haute couture clothing. Del Gatto agrees. "Finished jewels will hold their value, but that depends on what you buy and where you buy it. Smart money gets stupid when it comes to jewelry. I know wealthy people who see something they like and have a copy made on 47th Street. Twenty five years later they realize that if they had bought a true original they would have gotten back what they bought it for and more."



Signed pieces that represent the "best in class" are the wisest investment, says Del Gatto: 1920s Cartier, the Van Cleef ballerina or "mystery set" pieces from the 1940s, one-of-a-kind JAR, or pieces by lesser-known masters like Raymond Yard, Gattle, or Oscar Heyman.

GRAFF UNVEILED ITS LATEST TREASURE: THE LARGEST HEART SHAPED DIAMOND IN THE WORLD. THE STONE IS 118.78 CARATS AND HAS THE COVETED D FLAWLESS CLASSIFICATION.

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As well as decades of experience, Del Gatto brings candor to the equation: "Jewelry might never perform the way a real estate or an S&P fund will, but it is the best purchase you can make in the luxury sector. It's an investment you can wear for 30 years and then sell. What else can you do that with? Do you have a suit from 1968?"

"There is also the simple fact," he adds, "that in addition to quality workmanship, you should buy what you love. That's something that will pay a dividend every time you put it on."



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