

DIAMOND



Insight

**PENETRATING
THE
MULTI-FACETED
WORLD OF
DIAMONDS**

Vital intelligence on the World's important stones, future price indicators and key individuals behind the trends

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Volume 2 Number 2

February/March 1989

EDITORIAL

"Everybody's happy"

Everybody's happy: Mr Reagan is happy because he is no longer President. He's also happy because his good friend George Bush has taken his place.

And Mr Bush himself, is happy for the same reasons.

The Japanese are happy because, despite the death of Emperor Hirohito, Nikkei is at the highest level ever.

The British are happy because the FT-SE 100 has also fully recovered.

DeBeers and CSO are happy for two very good reasons. In 1988 they established a new record in rough sales and DeBeers shares are quoted in the London and Johannesburg stock exchanges at levels never reached before.

Israeli and New York diamond traders are celebrating sparkling diamond sales.

Christie's is happy. They had the best result ever in jewellery sales in 1988.

Sotheby's, New York is even happier. They sold over \$100m in jewellery in 1988.

So everybody's happy, right? Wrong.

Not the people who invested in gold. The price of gold is dropping fast. In the opinion of Mr Robert Weinberg, a London financial analyst, gold prices could drop even further to \$300 per ounce. Once gold levels drifted to \$400 an ounce it reached an important psychological threshold and could now continue to decline.

In the '70's gold performance seemed to parallel diamond market dynamics. When gold was up to \$800 per ounce, one-carat DFL diamonds sold for \$60,000. In the early '80's the same phenomenon occurred. We witnessed a collapse in both diamond and gold prices.

This parallel, it seems, no longer exists. As gold commodity trading becomes less and less of an attractive investment, we wonder if the time has finally come for diamonds to become the "hot commodity" of the '90's.

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THE MAN BEHIND THE 1988 AUCTION RECORDS

An exclusive interview with Roberto Polo.

When we began researching material for this issue, we discovered something that comes up every time we look at the world's most exquisite, important stones. Over and over again the name Roberto Polo appears. At that point we realized that many of the major stones sold at auction in 1988 had once been owned by the same entity. How had this one company put together a collection that so dominated the auction scene in New York and Europe? We had to find out.

Through our correspondents in Europe we learned that Mr Polo had been released from prison in Italy at the end of January. In one day through a series of phone calls each supplying enough information to bring us closer and closer to the source, we finally reached Mr Polo in Florence and he agreed to grant us an exclusive interview. This is what we learned.

Roberto Polo was born in Cuba in 1951. He is now an American citizen and resident of Monaco. He came to New York in January of 1972, and in March of that year, while getting his Master's degree in Fine Arts from Columbia University, he became the director of the art gallery at Rizzoli on Fifth Avenue. There he supervised the noted exhibition of the works of Alphonse Mucha and Arté.

In 1976 Polo left Rizzoli and entered Citibank as a trainee and soon became a financial analyst. Finally he went to the department of personal investments where he "was in touch with the richest people in the world".

In 1982 he left Citibank to open his own company, PAMG (Private Asset Management Group), registered in Geneva and the Cayman Islands. The object of the company was "to manage investments in art and jewelry for private clients".

For the next six years, we now know that he was responsible for investing in the world's most important stones and works of art on behalf of his clients.

But in July of 1988, he was accused of fraud and arrested and imprisoned in Lucca, Italy. In late January 1989, he was released pending further investigation of the charges.

When we spoke with Roberto we asked him how he was able to amass such an impressive collection from 1981 to 1988. He told us that it had been his company's and his personal goal to learn everything about important stones; how to recognize them, how to improve them and how to locate them. He "apprenticed", in a way, with the most influential gem dealers in the world, and learned everything he could from them. Also through his financial background and contacts he was able to amass the capital needed to purchase these stones when they became available.

In speaking of Teddy Horovitz, Roberto Polo says, "He was a great teacher to me, always". And in some ways the pupil became the teacher, "I have a very good eye for Golcondas... they have that kind of milkiness".

Let's take a closer look at part of Roberto Polo's collection bought through PAMG on behalf of his investors. Mr Polo released to us an important document listing the Sotheby's sales of the items consigned by PAMG in St Moritz, February 20, 1988, New York, April 19, 1988 and Geneva on May 11, 1988. The impressive results and records appear in the chart below.

The ten lots sold for Mr Polo through Sotheby's in 1988 totalled almost \$20m so it is clear he only invested in the highest quality gem stones.

We want to report the case of one specific stone, the famous 20.00 carat, pink, almost square-cut diamond, that PAMG bought through Teddy Horovitz in 1985 for \$1.7m. The very same stone sold at Sotheby's New York in April, 1988 for \$4.7m.

What does the future hold for Roberto Polo, a man who seems to have "the Midas touch"? We have been informed by his lawyers that a settlement regarding his case has been presented and there is a good possibility that an agreement will be reached soon, in which all charges will be dropped. In early December, 1988 the court of appeals in Florence passed a judgement removing all charges of fraud against Roberto Polo. Additionally, on February 21, 1989 the S.E.C. dismissed all charges against him.

St Moritz, February 20 1988		Hammer Price	Auction Record
Lot 835	The Ashoka Diamond	SF 4.9m	2nd record per carat for any diamond at auction.
Lot 836	The Rockefeller Sapphire	SF 3.6m	Record for any sapphire.
Lot 837	The intense yellow 14 ct marquise dia.	SF 1.5m	Record per carat for yellow diamond (US\$79,000 p.ct).
New York, April 19 1988			
Lot 409	The Emerald Ring, 22.52	US\$1.4m	Record for any emerald, excl. the Duchess of Windsor emerald.
Lot 412	Pink diamond necklace w/ fancy green dia.	US\$1.5m	US\$480,000 p.ct. 90% up on previous record.
Lot 420	The 20 carat pink diamond	US\$4.4m	US\$215,000 p.ct. 250% up on previous record.
Geneva, May 11 1988			
Lot 540	Emerald 30.46 cts	SF 1.6m	Very high.
Lot 542	Intense yellow orange 8.93 pear shaped dia.	SF 2.4m	No comparison stone sold in last 10 years.
Lot 543	Emerald 32.65 cts.	SF 1.7m	Very high.
Lot 544	Pink diamond necklace w/ pear shaped dia.	SF 2.1m	New record per carat for pink diamonds (see New York, April 1988, lot 420).