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“GEMSTONES ARE BOTH A GROWTH AND A VALUE INVESTMENT”

BY ISABELLE CERBONESCHI

Elke Berr is a gemmologist, stone hunter, broker and jewellery designer. She sells gems to major jewellery brands, but also to private clients who want to build up a portfolio of stones, just as one would own a stock portfolio. The expert works with independent wealth managers, one of whom is Anne-Sophie Tourrette, founder of AdvisorOne. The two professionals explain how to start investing in stones.

Elke Berr is as discreet as she is renowned in the world of jewellery and gemstone brokerage. She has been in the business for decades and developed a passion for gems while still a student in Germany. Thanks to her discretion and patience, she was able to gain access to the prestigious Mogok mine and other mines that are usually closed to foreigners. Most of the stones she buys come directly from the mines, thus eliminating the middleman, which has a positive influence on the price of the stones she trades as a wholesaler.

Elke Berr often collaborates with Anne-Sophie Tourrette, founder of AdvisorOne and co-founder of AWAP, a service community for independent asset managers, who has chosen to work mainly with female clients and defines herself as an “asset stylist”. Over the past few years they have helped private clients with their purchases and advised them on creating a portfolio of precious stones, along the same lines as a share portfolio.

Europa Star: Why is this a good time to build up a gemstone portfolio?

Elke Berr: Unfortunately, the war in the Ukraine is a hot topic at the moment. If you have to leave overnight, what else can you take with you besides your knowledge and memories? Apart from a few items of clothing and a watch, the only valuables you can take are precious stones. They don't take up much space and some can be worth the price of a house. In my career I have come across people who have unfortunately had this happen to them, and have been able to start their lives again elsewhere thanks to gemstones and jewellery. Even if, because of the urgency of the situation, they often sold them for less than their full value, these people were able to eat, educate their children and rebuild their lives. It's a "refuge" asset.



"There is a trick to know: if you have two stones of equal value and quality, they are overvalued by 5 to 10%." Elke Berr

Let's look at a case study. Say a client wants to invest 250,000 francs in stones. What would you advise her to do?

EB: Each client is different, so I adapt to her specific situation, preferences and needs. Let's take diamonds, which are the best known and are easy to mount. What do women wear? Earrings, rings, necklaces. I would advise her to start building a basic diamond portfolio. To start with: two diamonds of the same size and quality, to be mounted as earrings. Here's a trick you should know: if you have a pair of stones of equal value and quality, their value increases by 5 to 10%. Then I would advise her to buy a 3-carat diamond to make a necklace, and a fourth one of 2.5 carats to make a ring. All diamonds will be engraved and certified by the GIA (Gemological Institute of America) for error-free identification. We will select stones of the same colour and quality, to create a set of four stones that will then be valued. According to Rapaport Diamond Report, this basic portfolio could be worth, for example, CHF 225,000. To this, the client could add a nice sapphire worth CHF 25,000 to complete her portfolio of CHF 250,000, including tax.

Is this a good time to buy diamonds?

EB: Yes, it's a good time. They had fallen a lot in the last few years but now they're continuing to increase in value. Not to mention the increase in the price of rough diamonds due to the war in Ukraine [Ed. note: Alrosa, one of the world's largest producers of raw diamonds, is Russian and under US and EU sanctions].



If you wanted to invest in coloured stones, which should you buy?

EB: It is essential to ensure that the stone has a certificate from a recognised laboratory. The certificate is the stone's passport. There are certain conditions that must be met for a gem to be considered an investment stone: it must be unheated, untreated and with a sound provenance. And the larger the stone, the more expensive it is.

What is the disadvantage of a stone portfolio?

EB: You can't sell them immediately, unlike currencies, for example. They are a safe haven, but over the long term. I would advise keeping them for at least ten years. If you look at the price of some of the quality sapphires, for example, it has risen sharply over the last ten years.



Elke Berr in Sri Lanka



And for someone who's interested in stones that are less well known than diamonds, sapphires, rubies and emeralds, what's your advice?

EB: Coloured stones are a bit like blue chip stocks. But you may want to buy some lesser known stones, which are called collectors' stones. Paraiba spinels and tourmalines are our speciality. Their value has risen sharply since 2010. For example, a 10-carat Paraiba tourmaline from Brazil that was worth \$50,000 in 2010 had risen to \$200,000 in 2019. All untreated coloured stones, by the way, have risen steadily in value over the past ten years.

Do you follow up your clients' portfolios, a bit like banks that send statements?

EB: Yes, we send out updates on clients' portfolios based on market developments. During Covid, stones didn't lose value but they were difficult to sell: no trips were possible, no more fairs, no more exhibitions. And because there was no production, the prices of stones have risen since then.

If a customer needs to sell their stones quickly, do you buy them back?

EB: It depends on the stones, but in general we offer to sell them on their behalf. I make an estimate of their value and, like a broker, I try to sell them at that price, taking a commission of 10% for a coloured stone and 5% for diamonds.



"Investing in gemstones serves as a diversification, like buying a painting, and it's a little-known subject. Genuine investment stones only represent 2 to 3% of the market."

Anne-Sophie Tourrette

Who can come to you to build up a portfolio?

EB: For obvious security reasons, a private client must be recommended by an asset manager beforehand, for example.

Anne-Sophie Tourrette, you advise some of your clients to build up a gemstone portfolio. Why do you do this?

Anne-Sophie Tourrette: Since 2005, Elke Berr and I have been monitoring the figures and comparing stock market investments with investments in stones. We realised that when the stock market is falling, as it is at the moment, the stone market is on the rise. They are inversely correlated, which means that as far as estate planning is concerned, if you have both stocks and stones, not everything is falling at the same time. There is, however, a downside. Stones are not a very liquid market, unlike the stock market, where you can sell your shares immediately and turn them into cash the same day.

When one of your clients is interested in a gemstone portfolio, what happens?

AST: It is usually a client who already has some wealth. Investing in gemstones is a way to diversify your portfolio, like buying a painting, and it's a little-known subject. Genuine investment stones represent only 2 to 3% of the market. If a client is interested, I suggest that she meet Elke Berr. She will explain the different types of stones and show her several gems of different origins and values. Then, if a transaction takes place, the customer will have the choice of having the stone mounted as a piece of jewellery or keeping it in her safe.



Unheated Burma sapphire
6.00 cts antique stone
@Berr & Partners

What is the minimum investment?

AST: It's difficult to buy stones with a budget any less than CHF 100,000, because very beautiful rubies of extra-fine quality, for example, can cost more than CHF 70,000 per carat. The larger the client's assets, the more access they will have to exceptional stones..

What is your role?

AST: I maintain the client's portfolio. Together with Elke Berr's team we update the prices of the stones according to the results of the major annual auctions. We draw up a report for the client, explaining the evolution of each of the stones in her portfolio. This is a lot of work: there is no price catalogue for coloured stones, and we use auctions as a reference. Data on the prices of quality stones used in jewellery is supplied each year by the Gemval Institute, but the quality used in jewellery is not the same as that of investment stones. And therefore the prices differ: 97% of stones are used in jewellery and only 2 to 3% are investment stones.

The value of exceptional stones has risen exponentially over the years. Do you have any examples?

AST: An unheated Burmese sapphire of 47.07 carats in the most beautiful royal blue colour, mounted on a bracelet, was sold in 1995 for CHF 14,871 per carat. In November 2021 the same bracelet was resold at Sotheby's for CHF 129,018 per carat. Almost ten times the price! But this is only possible with natural, unheated stones whose size, colour, origin and purity are exceptional. ♦

"MAZAL U'BRACHA": TWO WORDS THAT MAKE A CONTRACT IN THE GEMSTONE TRADE

In the gemstone industry, giving your word with a handshake and saying "Mazal U'Bracha" is one of the unwritten rules of trade. And that is enough to cement the exchange, no matter how valuable the stone. "By saying Mazal, you give your word. You don't need to sign a contract. It's fantastic! It's an amazing industry, based on trust," says Lili Goldberg, the widow of William Goldberg, who was one of the kings of New York's Diamond District. Indeed, billions of dollars change hands (or change bank accounts) every year, on the basis of this ancient custom. "When you say Mazal U'Bracha, the sale is made," says Jacob Gueron of Heritage Gems, L.L.C. "You can't say I'm sorry or go back."

What does the phrase mean? "In Hebrew, Mazal means 'good luck' and Bracha means 'I give you my blessing.' The stone has come to you and with all my heart I wish you good luck with it, that you can sell it and I bless you," explains Rabbi David Leybel, of Leybel-Elieli Diamonds Ltd. However, these two words are not without consequences. If you don't keep your word, you risk being taken to court, not to mention losing your reputation, which is the lifeblood of this business.

