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RARE DIAMONDS

AN UNFAILING INVESTMENT

| BY HELÉNE RAMACKERS

With their inherent scarcity as a precious natural resource, rare diamonds are a reliable investment even in times of political and economic instability. Upscale Living magazine spoke to Ilan Kaplan, the Founder and CEO of iSparkle about why these sparkly gems are worth investing in.

ILAN, TELL US A BIT ABOUT YOURSELF.

I am the founder and CEO of iSparkle. I'm very hands-on and more often than not, you would probably find me on a plane between my home in Johannesburg and New York, Hong Kong, London, Los Angeles, Geneva, and wherever my clients need me. I have been working in the diamond industry for sixteen years, including a decade managing the South African manufacturing operations of one of the world's most influential diamond companies. We source our diamonds in Africa. I'm also the founder of two other diamond jewelry businesses.

WHAT SPARKED YOUR INTEREST IN THE DIAMOND BUSINESS?

I find the performance of investment diamonds particularly fascinating because I'm a chartered financial analyst. In 2018, I decided to combine my financial experience with my knowledge of the diamond market to create a business that advises and assists high net worth clients to purchase investment-grade diamonds. Once you become involved with diamonds, you are addicted for life. It is an incredible privilege to work so closely with nature's most wondrous creation on a daily basis.

APART FROM THE OBVIOUS, WHAT IS BEHIND THE NAME ISPARKLE?

From the start, our mission with iSparkle has been to build a modern, state of the art, technology-driven diamond business for a new generation. We felt the name iSparkle brought together the joy and perennial allure of natural diamonds as well as the 'i' used in tech products, to denote a product that is integral to your personal life while also standing for a spirit of innovation.

ISPARKLE SPECIALIZES IN DIAMONDS LARGER THAN 3 CARATS. WHERE DO YOU FIND THESE GEMS?

We are passionate about sourcing rough diamonds in our native Africa. We are well-positioned on the African rough diamond markets to

act quickly to acquire any rough diamond, which we believe will yield significantly sized polished diamonds which we then tailor-make to our clients' needs. We outsource the manufacturing of these diamonds to world-class factories which specialize in particular types of rough diamonds. Our process is unlike many other diamond companies because we send each diamond individually to the factory that has the best-suited manufacturing. This means we avoid the high overheads of in-house manufacturing, as well as paying more attention to the individuality of each diamond.

HOW POPULAR ARE YOUR YELLOW, PINK, AND BLUE DIAMONDS?

Colored diamonds have become increasingly popular as they are often chosen as engagement rings by celebrities and royals. They are far rarer than more conventional white diamonds and have a specially added uniqueness. According to the Fancy Color Research Foundation, between the years 2010 and 2019, pink, blue and yellow diamonds showed a steady increase of 77%, with pink diamonds increasing by 116%, blue by 81%, and yellow by 21%. The rarity of pink diamonds will definitely increase as the Argyle mine, the source of the world's most prized and expensive pink diamonds is due to close this year. The owner of the Argyle mine, Rio Tinto, has said that pink and red diamonds have increased in value by 400% in the last 18 years.

Another good example of the potential value of a colored diamond is that fact that in the midst of the 2008 financial crash, the 35.56-carat Wittelsbach blue diamond set a price record for its time, when it secured the highest price for any jewel or diamond ever sold at auction at the time, surpassing its estimate of \$15 million to fetch \$24.3 million, before being re-named the Wittelsbach-Graff Diamond.

For investment diamonds, only super rare pieces are worthwhile, and we focus on rare colored diamonds, in pink, blue, and yellow.

WHAT CUT IS THE CURRENT TREND?

At the moment it is difficult to say which cut is the current trend since diamond demand is reduced due to the lockdowns enforced by governments as a result of the pandemic. What we can say is that we are seeing an increased demand for investment diamonds, which for us is manifesting itself in the colored diamond space.





WHAT IS THE MOST PREVALENT APPLICATION FOR DIAMONDS – RINGS, EARRINGS, OR NECKLACES?

Engagement rings will always be the most popular way of wearing diamonds. However, this year at Sotheby's it was a Cartier diamond bracelet that broke the record for the highest price for a piece of jewelry in an online sale, and the most expensive auctioned jewel at the time of writing in 2020, fetching \$1.3m.

WHERE IS THE MAJORITY OF YOUR CLIENT BASE SITUATED?

iSparkle serves several different audiences – we have clients all around the world comprised of both diamond dealers and retail jewelers. Our investment clients are global, often from the US, Asia, and Europe, but ultimately there's a real mix in geographical locations. Investors like these might have multiple homes and be owners of businesses with bases in multiple locations so it's very often people with an international mindset and ahead for the long-term view, for both diamonds and the financial future of their families. We also have a network of worldwide clients including jewelry houses and the biggest diamond dealers in New York and Hong Kong.

WHY SHOULD PEOPLE INVEST IN DIAMONDS?

The value of a rare diamond is not determined by usual economic supply and demand, but rather by its inherent scarcity as a precious natural resource. We have seen an increase in demand for our department for investment diamonds. In times of political and economic instability, and especially now, diamonds are a reliable investment that is likely to appreciate in value. They have long been used by the super-rich to safeguard against major economic crises because diamonds have proved themselves immune to huge shocks in the financial markets thanks to their extraordinarily inherent rarity.

I believe that just as in the past, rare and exquisite investment diamonds will be more resilient to the current Covid-19 pandemic. By virtue of the fact that these natural resources are so rare and so sought after, their value would be immune to short and medium-term ripples in the world financial markets and diamond markets. The current crisis presents a unique investment opportunity in these items. Investors are looking for alternative asset classes which will deliver capital growth over time as every single other conventional asset class is subject to instability.

Diamonds are much more reliable as an investment than gold, which is completely commoditized. It is standardized and has a standardized price. Gold is traded on an exchange; therefore its price is easily impacted by the movement of other asset classes. The price of gold is simply a func-

tion of supply and demand. It moves up and down. The super rare items which we recommend to our clients as investment diamonds are so special that there are no two the same. They are not commoditized and are not correlated to any other asset class. They are so specialized that their price simply increases over time. We always see an uptick in demand in times of crisis as the advantages of such an investment are more apparent in these times. I constantly advise our clients not to wait for times of crisis to make such an investment. I am not proposing diamonds as a substitute for any other asset class but rather as an additional component to any investment portfolio.

There are lessons we can learn from previous recessions. Towards the end of 2008, we found ourselves in a similar position. Luxury retail had been hit very hard and trading paused in the polished diamond markets. But in 2009 and into 2010 polished diamond prices came back very quickly. I would like to encourage people to never waste a good crisis. I believe that in times of adversity there is an opportunity. I believe that now is the perfect time to make significant investments in rare and exquisite investment diamonds. These rare items have proven their resilience over time.

ARE DIAMONDS REALLY A GIRL'S BEST FRIEND?

I think so! Joseph Lau paid the highest ever price per carat (total \$48.4m) for a diamond, at Sotheby's in Geneva in 2015, quickly renaming the 'Blue Moon' the 'Blue Moon of Josephine' in honor of his seven year old daughter.

EXCITING PROJECTS / PROSPECTS ON THE HORIZON?

At iSparkle, we are excited that we'll soon be launching a user-friendly interactive online platform offering modern and chic diamond jewelry.

I am cautiously optimistic that once the coronavirus is beaten, and we will beat it, people will be back on the streets and in the stores and that demand for diamonds and diamond jewelry will have a big boost. There have been significant changes in diamond and jewelry buying behaviors since the start of the pandemic. Of course, foot traffic through traditional jewelry and diamond stores came to a grinding halt in many cases as thousands of jewelry stores shut their doors and operated exclusively online, although it is likely in-store traffic will pick up in the coming months as malls and shops start to re-open. At the same time, the average price of online purchases is very much on the up as an increasing amount of business is conducted from home. We've seen significant online purchases from the super-rich as well as purchases by people wanting to mark special occasions and revel in the feel-good factor generated by a milestone diamond jewelry purchase.

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