

# THE GOLDEN DAHLIA



## ASSET DESCRIPTION

SHAPE:	Emerald
CARATS:	11.74
COLOR:	Fancy Vivid Yellow
CLARITY:	VVS1
SETTING:	Platinum with Colorless Tapered Baguettes

## THEME DESCRIPTION

While diamonds are usually judged by their lack of color and graded accordingly, “natural fancy” diamonds are much rarer based on the richness of their color. Fancy colored diamonds make up only 0.1% of global supply of diamonds, leading to an exponential increase in popularity amongst collectors in the last decade. Auction houses have also realized some of their largest gains on the back of headlining sales of fancy colored diamonds.

## INVESTMENT THESIS: ASSET FUNDAMENTALS

### KEY FACTS

- Out of all diamonds polished, only 1 in 620,000 will have similar characteristics.
- Only 1 out of 19,000 fancy color diamonds will have this unique combination of shape, color saturation, and intensity.

**THE RAREST OF THE RARE.** The Fancy Vivid Yellow grade represents the pinnacle of the yellow diamond category, and the Golden Dahlia is a superb example of this extraordinary saturation of color. Scientifically speaking, the yellow hue in a diamond occurs when nitrogen atoms replace carbon atoms in the stone’s crystal lattice structure. These nitrogen atoms absorb the light in the violet and blue portion of the spectrum, resulting in a visible yellow color.

**SIZE MATTERS.** It is highly unusual to find fancy colored diamonds above 10 carats in the market. In fact, only 0.4% of diamonds within this category currently exist.<sup>1</sup> On the occasion fancy colored diamonds above 10 carats become available for sale or at auction, they often make global headlines. Along with the geopolitical challenges described below, supply constraints of diamonds of this size are so dramatic that we do not foresee many sales of this kind coming up in the near future.

**A CUT ABOVE THE REST.** In addition to its superb saturation and size, the Golden Dahlia’s impressive antique emerald cut with no inclusions is a true rarity that is highly sought after by collectors, consumers and connoisseurs. A mere 4.2% of Fancy Vivid Yellow diamonds are emerald-cut.<sup>1</sup> The step-cut faceting pattern of the emerald cut typically does not enhance the yellow color of a diamond, as would a brilliant cut faceting of a radiant or cushion cut. For the Golden Dahlia to be cut as an emerald and achieve such strong color saturation, indicates the true quality of the intrinsic body color of this particular stone.

## INVESTMENT THESIS: ASSET ALLOCATION

**PORTFOLIO DIVERSIFICATION & INFLATION HEDGE.** The Golden Dahlia is a hard asset, akin to gold, silver and other precious metals, and serves as a portfolio diversifier in high inflation and turbulent market environments. Over the 12 month period between Q2 2021 and Q2 2022, the IDEX diamond index had a Beta of 0.067 as compared to the S&P 500.<sup>2</sup> R<sup>2</sup> correlation between the IDEX Diamond Index and the S&P 500 was only 0.31 over the same time period.<sup>3</sup>

**THE MACRO LANDSCAPE & SUPPLY CONSTRAINTS.** The war in Ukraine and China’s “zero COVID” policy made ultra rare assets like the Golden Dahlia challenging to procure. Alrosa, the second largest diamond miner in the world (after DeBeers) is sanctioned and unable to sell its diamond reserves to the US and the West, significantly cutting down supply and driving up diamond prices in an already red hot market. Asian markets have been locked down due to COVID throughout H1 2022. Alongside the US, they are historically the largest participant in the luxury sector. Now that policies have eased in Asia but supply constraints remain tight for Russia, we are expecting demand to rise.

**LUXURY & ALTERNATIVE DEMAND.** Across all forms and price points, the market for luxury goods has significantly outperformed other asset classes since the start of the COVID-19 era.<sup>4</sup> Auction house sales hit a record \$15 billion in 2021, amid a surge of global wealth and the entry of younger and online buyers.<sup>5</sup> More broadly, demand for alternative investments has boomed, rising from \$7.9 trillion (globally) in 2013 to more than \$10 trillion in 2020, and is expected to reach \$14 trillion by 2023.<sup>6</sup> Capturing part of this demand, the IDEX diamond index saw a rise of more than 16% between Q2 2021 through the end of Q2 2022.<sup>3</sup>

<sup>1</sup> The Fancy Color Research Foundation (FCRF) <sup>2</sup> Bloomberg <sup>3</sup> International Diamond Exchange (IDEX) <sup>4</sup> EMLES <sup>5</sup> CNBC <sup>6</sup> Forbes

## KEY INVESTMENT TERMS

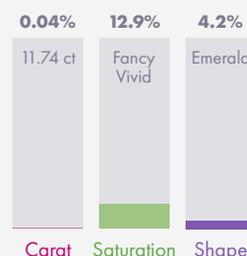
ASSET:	Yellow diamond in a platinum and baguette diamond ring
BRAND SPONSOR:	Kwiat
MARKET CAPITALIZATION:	\$1.5M
ESTIMATED FAIR MARKET VALUE:	\$1.668M
SHARE PRICE:	\$300
NO. OF SHARES:	5,000

## FEES

MANAGEMENT FEE:	0.75% per annum
PERFORMANCE FEE:	20% of net profits subject to an 8% hurdle

## THE SCARCITY FACTOR

Yellow Diamond Market Distribution Percentages<sup>1</sup>



12 MONTH BENCHMARKED RETURNS: DIAMONDS (IDEX INDEX)



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