

THE FLAWLESS COLLECTION

Kwiat | LUXUS Round Brilliant



ASSET DESCRIPTION

SHAPE:	Round Brilliant
CARATS:	5
COLOR:	D
CLARITY:	Flawless
CUT:	Triple Excellent
TYPE:	IIA

INVESTMENT THESIS: ASSET FUNDAMENTALS

KEY FACTS

- Only **0.001%** of the world's production of diamonds reaches the D-Flawless level
- A natural diamond that is Type IIA is the rarest of all, with only 1% of natural diamonds classified as Type IIA.¹
- The Round Brilliant was mined from the Karowe Diamond Mine in Botswana, where **100% of the diamonds** sold by Lucara Botswana (Lucara's indirect, wholly-owned subsidiary) are natural, untreated, **ethically-sourced diamonds**.

D-FLAWLESS CLARITY: THE PERFECT DIAMOND. Investment-grade diamonds with maximum appreciation potential have clarity grades of D – Flawless, and represent the pinnacle diamond. As the collection's name indicates, these diamonds have no inclusions and are perfectly colorless.²

THE SCARCITY FACTOR. These diamonds are so rare that they represent only 0.001% of the world's diamonds.³ What's more rare? The Round Brilliant is not just graded in perfect clarity, but is Type IIA, which means it was made without any nitrogen atoms in the crystal structure, making it the most chemically pure type of diamond. The Round Brilliant also received the GIA's Excellent cut grade, along with Excellent polish and symmetry. In every respect, this diamond achieves perfection.

AN ESG INVESTMENT: MINED IN BOTSWANA UNDER THE HIGHEST ETHICAL STANDARDS. The Round Brilliant was sourced from the Lucara Diamond Corp.'s Karowe diamond mine, located in Botswana. Botswana's rich mineral resources have provided the country economic growth, with 80% of its GDP directly linked to mining the world's rarest natural resource.⁴ Botswana's success has been harnessing all that wealth to lift up its people and economy with a strong welfare system that provides free education and reliable health care. 100% of the diamonds sold by Lucara Botswana (Lucara's indirect, wholly-owned subsidiary) are natural, untreated, ethically-sourced diamonds originating from the Karowe Diamond Mine in the Boteti Sub-District in Botswana. The Karowe Mine has been in production since 2012 and is one of the world's foremost producers of large, high quality, Type IIA diamonds in excess of 10.8 carats, including the historic 1,758 carat Sewelô, the 1,109 carat Lesedi La Rona, and the 813 carat Constellation which sold for a record \$63.1 million.⁵

A LUXUS-EXCLUSIVE CUT (REDUCING SUPPLY SIDE FRICTION). The Round Brilliant was cut exclusively for LUXUS by Kwiat in a state-of-the-art workshop in Antwerp Belgium. Antwerp has long been a center of the diamond trade, with the most skilled diamond cutters and technologically advanced workshops. We believe the purchase of a recently mined and newly cut D, Flawless diamond at an advantageous value is an exciting and secure entry point to an investment in diamonds.

INVESTMENT THESIS: ASSET ALLOCATION

PORTFOLIO DIVERSIFICATION & INFLATION HEDGE. A D-Flawless diamond such as the Round Brilliant is a hard asset, akin to gold, silver and other precious metals, and serves as a portfolio diversifier in high inflation environments. Over the past 3 years, D-Flawless* diamonds **have outperformed** SPX, Gold and the Diamond Index.⁹ In addition, the correlation coefficient between D-Flawless diamonds and gold is a mere 0.2, demonstrating that although both are deemed inflation hedges, they provide differentiated exposure to a new asset class.

THE MACRO LANDSCAPE. Assets like the D flawless are very difficult to procure, especially during these times of geopolitical instability (the war in the Ukraine most prominently). We believe, with the financial markets facing an impending recession, investors are seeking the safe haven of physical assets and moving away from traditional equities exposure. **Over the past 3 years, D-Flawless diamonds have outperformed Gold as an inflationary hedge with +24% in comparison to Gold's +17%.**¹⁰

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.¹¹ Auction house sales hit a record \$15bn in 2021, amid a surge of global wealth and the entry of younger and online buyers.¹² More broadly, global demand for alternative investments has boomed, rising from \$7.9 trillion in 2013 to more than \$10 trillion in 2020.¹³ Factoring in this demand, the IDEX saw a rise of 7.5% from start of 2021 to start of 2023, while the D-Flawless subsegment saw a 21.83% rise, an almost 3X outperformance, demonstrating that investment grade diamonds are a viable and important asset class.¹⁴

¹ Whiteflash ² International Gem Society ³ International Gem Society ⁴ Forbes ⁵ Lucara Diamond ⁶ Mining Technology ⁷ Lucara Diamond ⁸ IDEX, Gold Price, Yahoo Finance ⁹ Ibid ¹⁰ Ibid ¹¹ Emls ¹² CNBC ¹³ Forbes ¹⁴ Ibid * The sample is represented by a variety of round 5.00 to 5.99 carat diamond varying in color and clarity. The D FL represents 15% of the sample.

KEY INVESTMENT TERMS

BRAND SPONSOR:	Kwiat
MARKET CAPITALIZATION:	\$400,000
SHARE PRICE:	\$250
NO. OF SHARES:	1,600

FEES

MANAGEMENT FEE:	1% per annum
PERFORMANCE FEE:	20% of net profits subject to an 8% hurdle

KAROWE DIAMOND MINE⁶

PRODUCER OF HIGH-QUALITY ROUGH DIAMONDS

Opened in 2012	Production Life 15 yrs	Mine Size (carats) 5.1 m
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Key risks include, but are not limited to, limited operating history, lack of a secondary market, and the manager's ability to execute. An investment in an offering constitutes only an investment in a particular series and not in LUXUS. Investors should carefully review the risks located in the respective offering materials for a more comprehensive discussion of risk.

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