

## Fancy Color Investment Analysis

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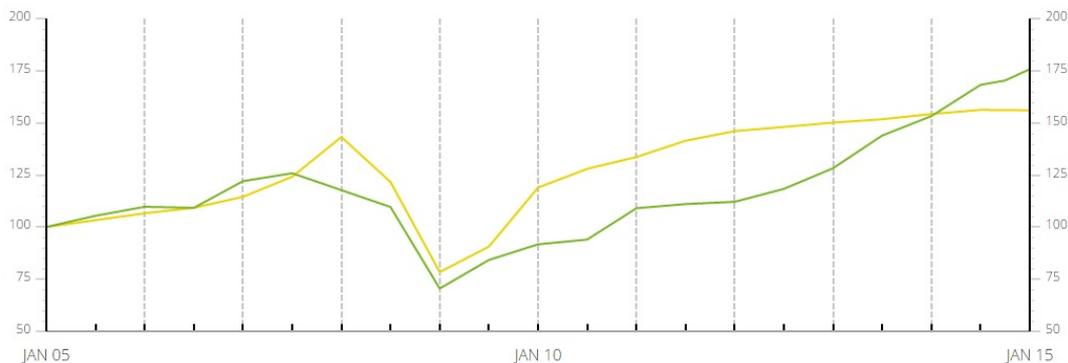


Feb 27, 2015 6:49 AM By Eden Rachminov

RAPAPORT... *Eden Rachminov, the chairman of the Fancy Color Research Foundation (FCRF), shares his insights on investment opportunities around fancy color diamonds and explores how these assets have performed in recent years.*

In early February 2015, the Fancy Color Research Foundation (FCRF) published its first update of the Fancy Color Diamond Index. Based on data collected by the foundation, prices of fancy color diamonds were stable in the fourth quarter of 2014 despite the deflationary undercurrent seen in most commodity categories. Fancy color diamonds vastly outperformed colorless white diamonds, which experienced steep price declines across the board during the same period.

The FCRF has monitored the behavior of fancy color diamonds over the past decade and observed some striking changes in their value. The data revealed correlations between investment patterns and national economies, all against the backdrop of a recovering global economy.



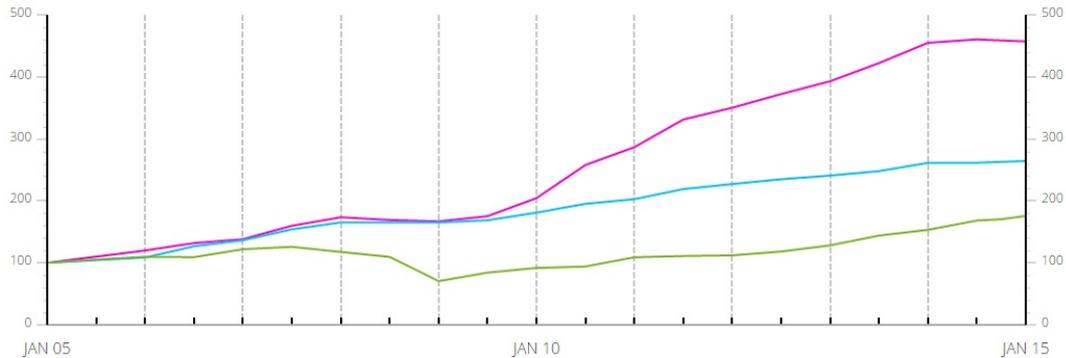
All data is

Yellow diamond index  
S&P index

indexed to 100.

The stark differences between fancy color diamonds and other asset classes were made evident during the financial crisis of 2008 and 2009. Fancy color diamonds were resilient even as the market turned sharply lower so suddenly. Important pink

and blue diamonds outperformed practically all investment classes as consumers and investors continued to view them as a long-term safe haven, an effective hedge against inflation and a unique opportunity to create value and upside gains in one's portfolio. Based on FCRF data, between January 2008 and January 2010, pink and blue diamond prices appreciated by 18 percent and 10 percent, respectively, while the S&P500 and NASDAQ plunged by 22 percent and 9 percent.



All data is indexed to 100.

- Pink diamond index
- Blue diamond index
- S&P index

indexed to 100.

Trading in fancy color diamonds has increased as markets have slowly recovered, driven largely by growing demand in the emerging economies of the Far East. Given the significant gains compared to colorless white diamonds, many trading entities entered the wholesale fancy color environment seeking to explore new markets for their products. Still, the underlying factor for this increase in trading and the prices of fancy color diamonds has been strong consumer demand. As with any other commodity, demand is the factor that drives the price of fancy color diamonds at any time.

According to the most recent Fancy Color Diamond Index update in the fourth quarter of 2014, sample categories that increased are:

- > 3-carat fancy vivid pinks rose by 3.5 percent
- > 10-carat fancy intense blues rose by 4.4 percent

Full access to the FCDI is provided to members only.