

SCARSELLI

DIAMONDS

2014 Analysis & Report

As we embark on 2015, these are our thoughts and summary of key factors that shaped 2014:

2014 has been a great year of record setting in the world of rare color diamonds and large white fancy shape diamonds.

Record in the mines.

In the rough diamond area, one rare event gave rise to diamond lovers' excitement. An exceptional 122.5-carat blue diamond with the size of a strawberry was unearthed at the Cullinan mine in South Africa, which is renowned for producing giant gems. One industry insider said it was almost unheard of to find a blue stone weighing more than 100 carats. Blue diamonds get their colour from small amounts of the chemical element boron trapped in their crystal structure. The more 'blue' it is, the greater the value. They are the rarest diamonds after red, which are almost never found.

A 165 carat yellow rough stone, one of the largest discovered in South Africa, was bought by Scarselli diamonds at tender, along with many large rough of 90, 70 and 60 carats. All expected to produce large intense and vivid yellow diamonds, they will be a part of the "special" pieces of the Scarselli collection.

Records sales at auction.

The first smashed record occurred at Christie's May 14 Geneva auction, Harry Winston bought a 13.22 carat pear-shaped Fancy Vivid blue flawless diamond also called "Winston blue". Largest flawless Fancy Vivid Blue diamond ever graded by the GIA, the stone reached the price of 23.8 million dollars and made it the highest in terms of price per carat for that color and clarity.

Then, on October 7 at Hong Kong auction, Sotheby's sold a 8.41 carat Fancy Vivid Pink Internally Flawless at 17.7 million dollars and went far over the estimations and set a world auction record for a fancy vivid pink diamond. "This color is one of the most beautiful and concentrated shades of pink in diamonds that I have seen and, combined with the exceptional clarity, it is not surprising that it would command the highest per-carat pre-sale estimate for any pink diamond to date," said Quek Chin Yeow, deputy chairman, Asia, and chairman international Jewellery, Asia.

In November, Sotheby's set a new world auction record with a blue diamond this time renamed the "Zoe Diamond" by the buyer, a Hong Kong private collector. This 9.75 carat Fancy Vivid Blue diamond was acquired for 32.6 million dollars, which set the price per carat at 3.3 million dollars. "From the moment I saw this diamond, I knew that it would be one of

the most important stones that I will ever have the privilege of presenting at auction,” said Gary Schuler, head of Sotheby’s Jewelry Department in New York. “Mrs Mellon’s diamond absolutely deserves the place in the record books that it achieved tonight.”

Record sales at Scarselli

Enthusiasm for such treasures was also realized at Scarselli with the Sale of:

The rare “Olympia” collection, composed of five spectacular diamonds, each of a different color and iconic examples of late 20th century diamond cutting innovations in order to collect and intensify the face-up color appearance of diamonds.

And the “Golden Dragon”, a fancy vivid yellow sparkler, weighing in at over 90 carats, the largest, for this size and clarity, ever certified by the Gemological Institute of America.

A look on to the future:

Scarselli remains bullish on the market place on its core business, which represents less than 1% of the world diamond mined product and rely on the world market leaders who remain India, China and East Europe.

Both collectors and diamond buyers recognize the value of color diamond and the demand for either yellow, pink, blue, orange and red has grown to higher levels from the prior years and in a variety of sizes. Both the wholesale and retail arenas have increased their budgets to buy color diamonds.

However, there is still room for improvement in the yellow family of colors as their values remain largely behind the value of other colors like pink and blue. The yellow diamonds are expected to continue their price climb especially in large fancy yellow in the 7 to 20 carats, as per fancy intense and vivid yellow in the 5 to 25 carat sizes. In addition to the size, clarity has become increasingly a factor of valuation on these colors. As the majority of manufactured products is SI1 and VS2 and in much less amount the VS1 to VVS1 and even less the rare "internally flawless" clarity.

In 2014, 7 billion dollars have been pulled away from the previous year in the mining market and many of the large mining conglomerate have abounded the development of Kimberlite pipes. This factor will with no doubt diminish the stockpile worldwide, and increase the diamond value in the upcoming years.

Other enduring factors, to note are relative to liquidity issues created by the pull back of major Industry Lending Banks, this new development is expected to change how diamond manufactures will sell their inventory, and it is expected to change people buying behavior.

The end of 2014 demand for color diamonds is expected to spill over in the first quarter of 2015.