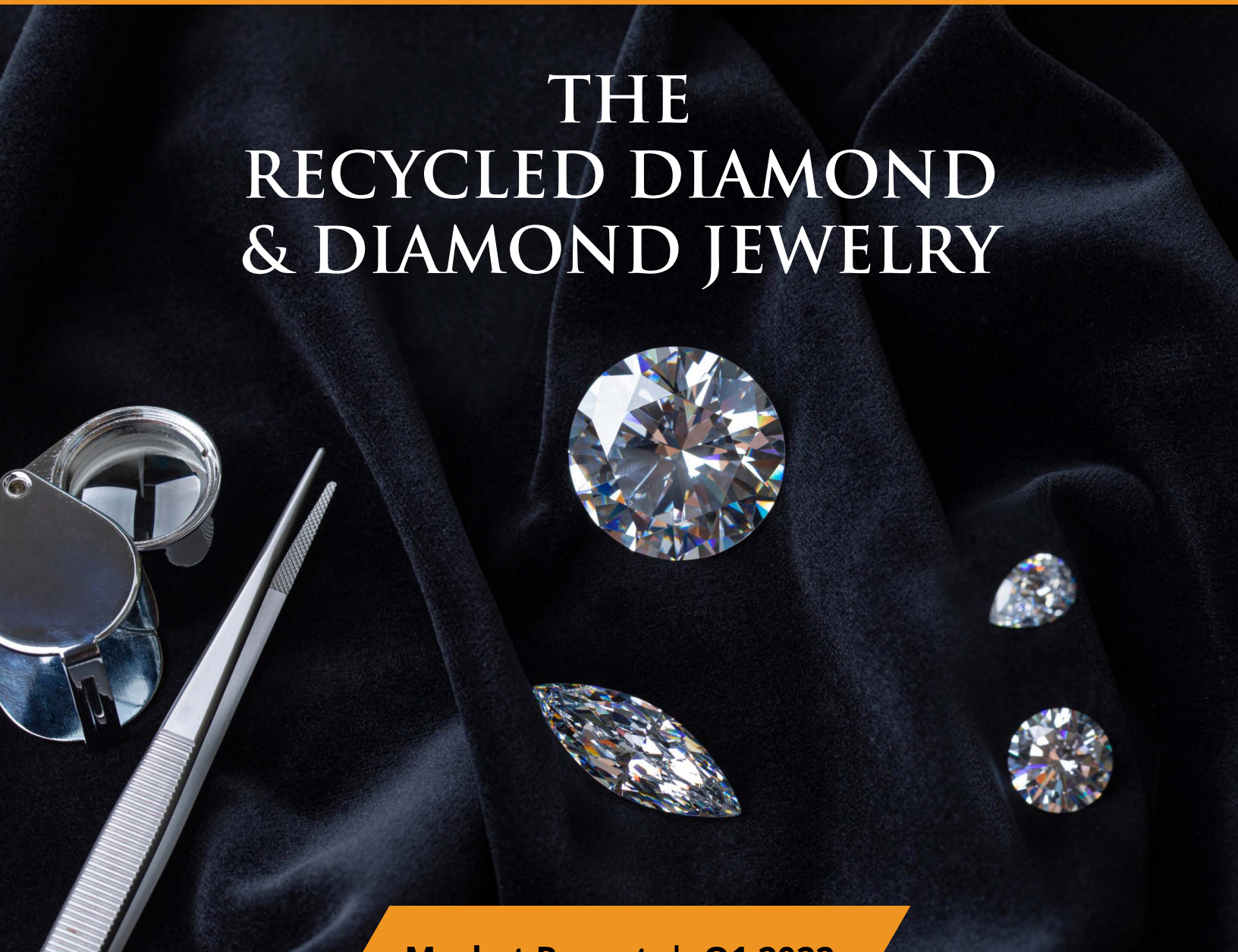




WHITE PINE

WHOLESALE LLC

# THE RECYCLED DIAMOND & DIAMOND JEWELRY



**Market Report | Q1 2022**

COMPILED BY WHITE PINE WHOLESALE LLC

# FOREWORD

How quickly things can change. Just three short months ago we were celebrating a record year and a terrific fourth quarter. Now there is a lot more uncertainty around, diamond prices are off their peak and the US is potentially heading into recession.

It remains a very interesting time in the diamond industry. Having seen many years of fairly stable prices before COVID we are now seeing volatility that we haven't seen for a long time. Prices rose substantially over the course of the last year and as in any rising price environment, this creates a natural decline in demand, at least in carat terms, as consumers adjust their desires to their budgets.

The macro environment is also very uncertain with geo-politics in play and local politics around the world affecting our industry in uncertain ways. It is likely that these effects will be in-play for a long time, measured over years, so we will have to get used to navigating the uncertainty it comes with.

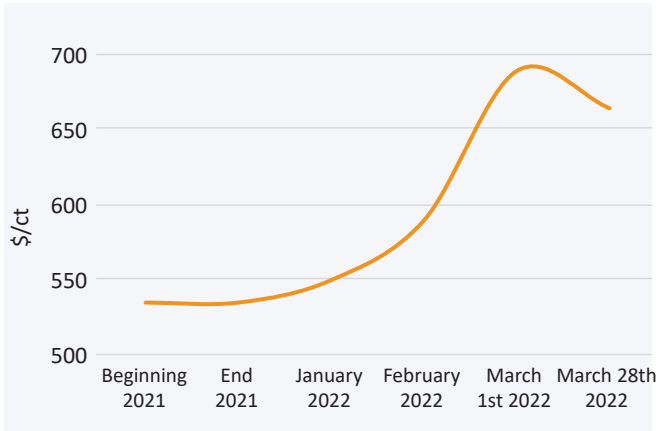
Recycled diamonds are more important than ever, both as an important source of diamond supply, that can potentially satiate some demand during these supply shocks and also environmentally as the country and world look to preserve the resources of our planet.

We hope that you enjoy the Q1, 2022 Quarterly Market Report and remember to get in touch with us if you would like to discuss any aspect of the industry.

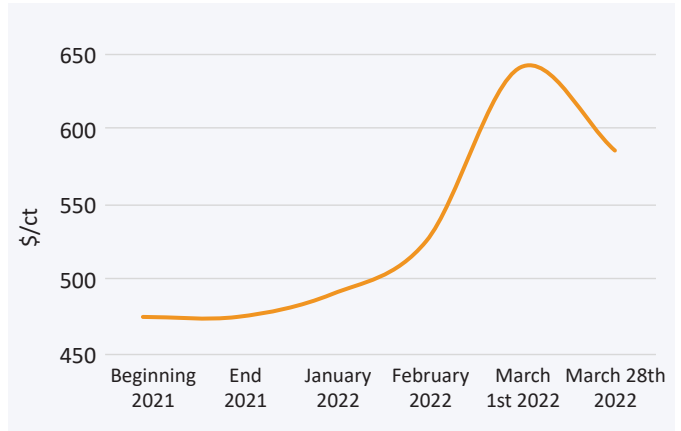
# MARKET PRICE MOVEMENTS

## 12 Months Recycled Pricing Trends - White Pine VS & SI2

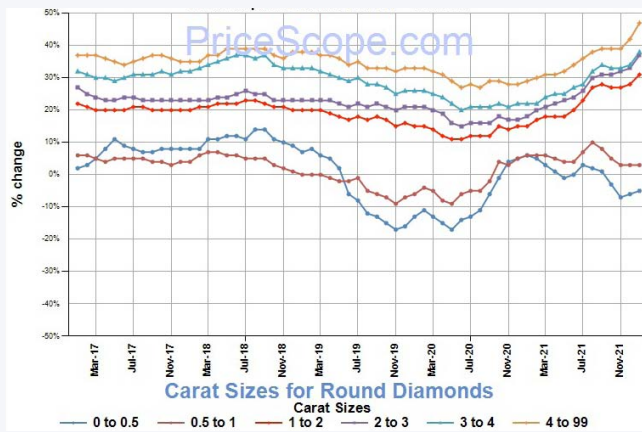
Last 12 Month Price Trend of VS -2.5 Sieve



Last 12 Month Price Trend of SI2 -2.5 Sieve

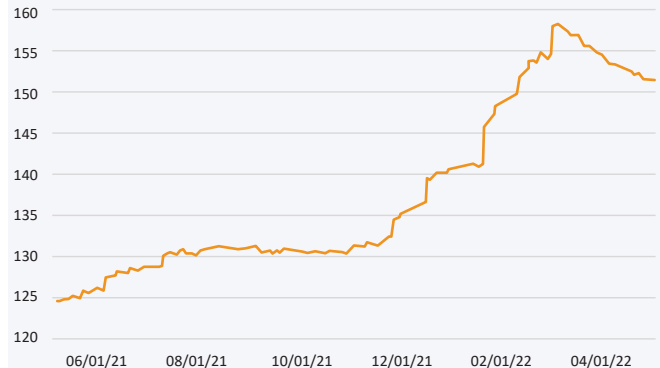


% change of the average carat price of D-I colour and VVS2-SI2 on PriceScope.com since 2/1/2017 - 2/1/2022

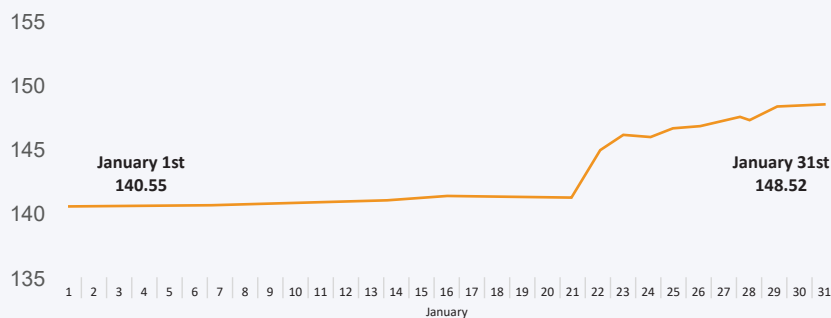


Source: Polished price chart sourced from pricescope

Index Online Polished Price Index 10.7% increase in the polished diamond price index in Q1 of 2022



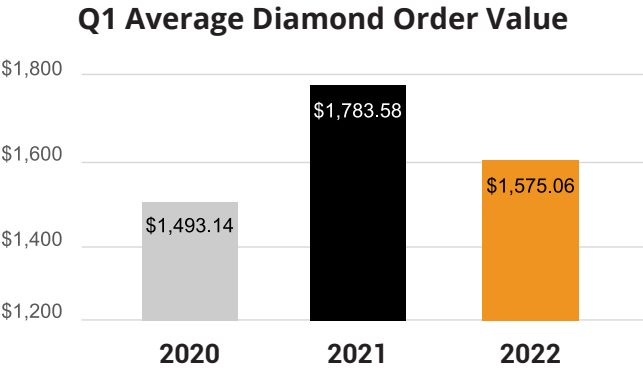
Daily IDEX Polished Price Index - May 2021 Prices on the rise



Source: IDEX Online Research

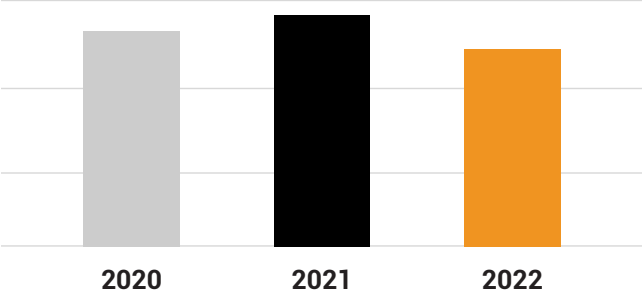
# HISTORIC COMPARISONS

## Q1 Average Diamond Order Value



Q1 Volume Comparisons

## Q1 Volume Comparison




GDP Down 1.5% & Price Spike Affected Order Volumes

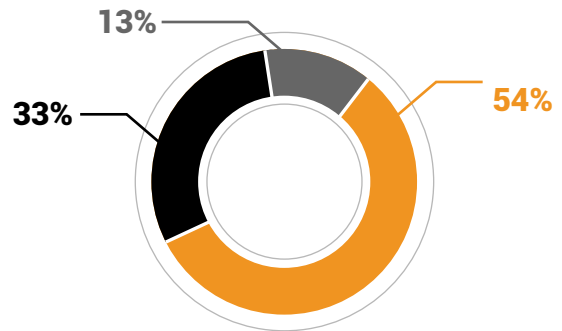


# MELEE SALES

 SI1 replaced VS as customers look to maintain price-points

 SI1 has seen steady growth since Q1 2020, up 54%

 During the last four quarters SI2 and I1 qualities have doubled as percentage of market mix, as customers try to maintain price-points

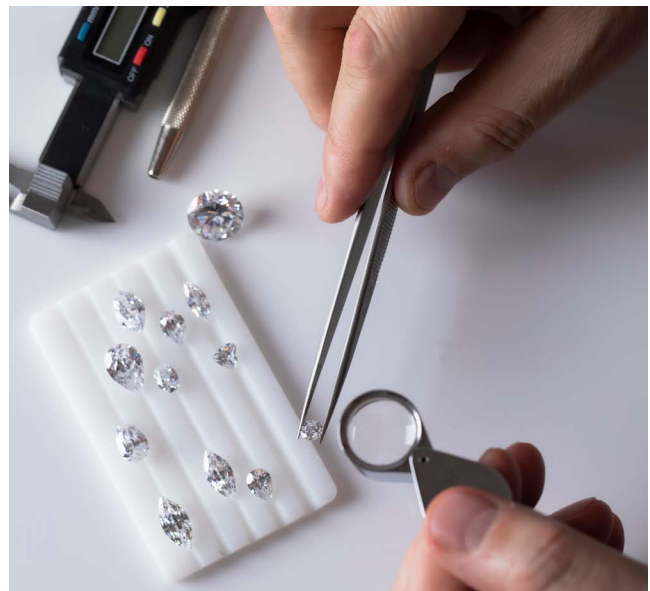
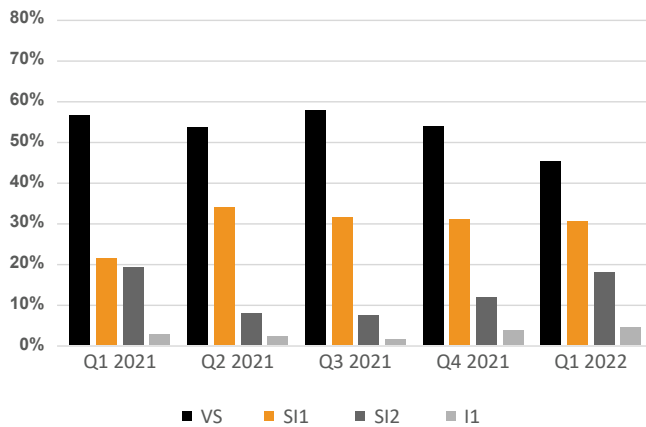


**Q1 Melee Size Breakdown**

- 1.3mm-2.6mm(+2.5-11)
- 2.7mm-3.5mm (+11 - 15)
- .7mm-1.2mm (-2.5)

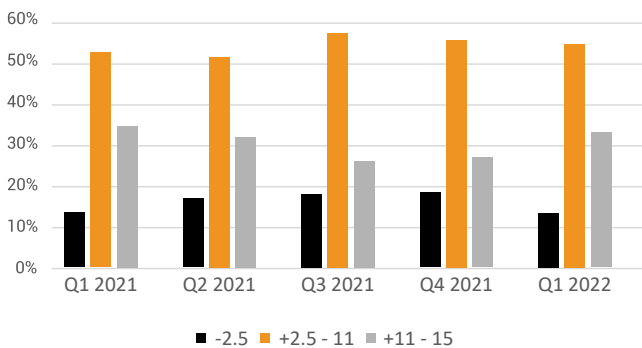
 **CONCLUSION:** Average size has been holding steady for several years. It is likely that jewelers find it easier to adjust quality rather than size during price increases.

## 1 Year Melee Quality Mix Comparison

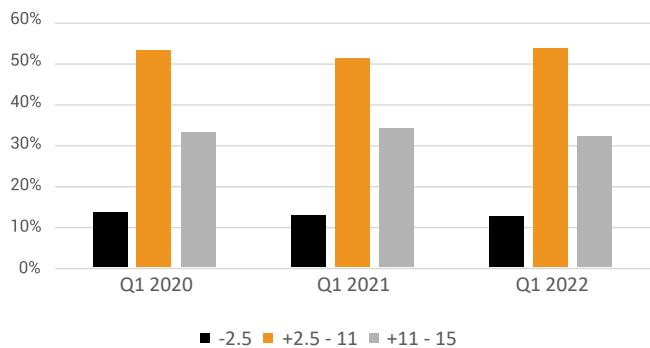


## Q1 Melee Sieve Size Sale Breakdown Chart

**1 Year Melee Sieve Size Breakdown Comparison**




**Q1 Quarterly Melee Sieve Sizes Comparison**



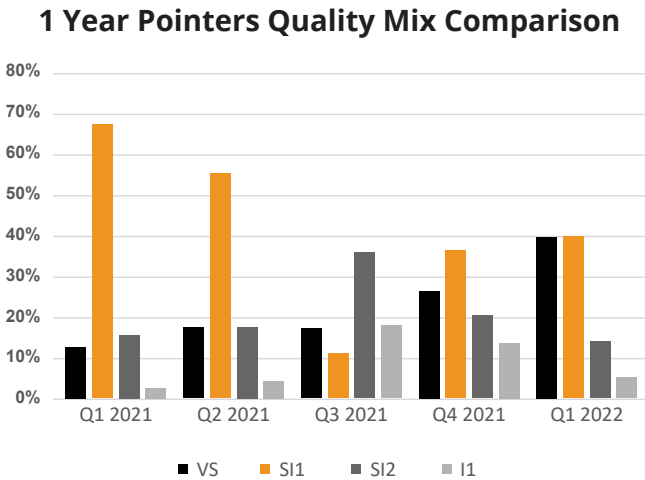
# POINTERS SALES

 VS pointer sales have increased every year since 2020

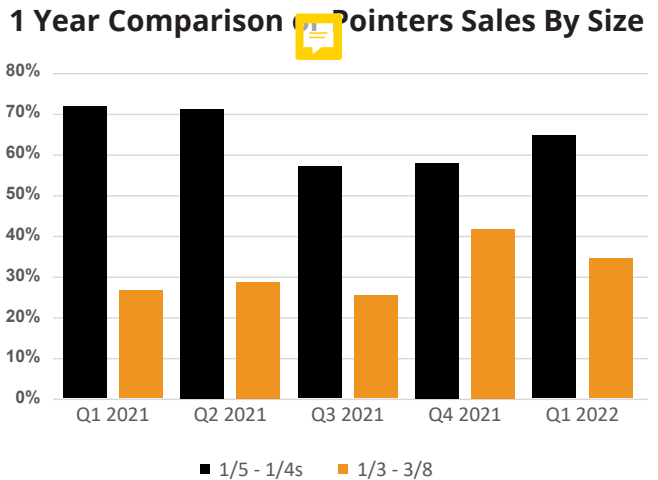
 1/3 - 3/8s has almost doubled in demand since 2020

 **CONCLUSION: VS and SI1 are still the most popular categories, holding strength even though prices have increased.**

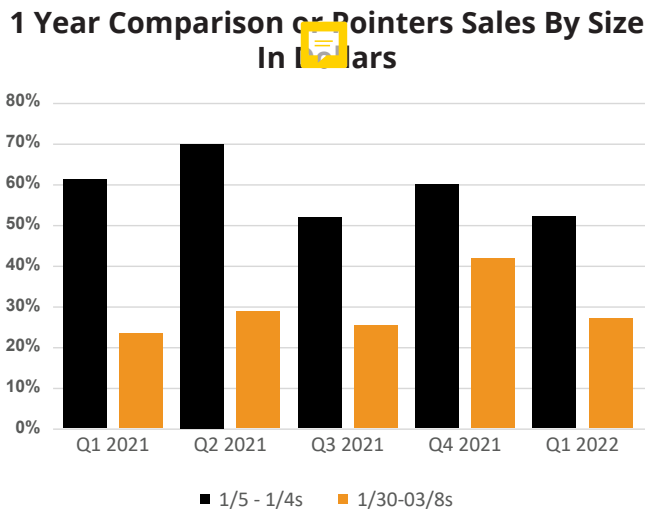
## 1 Year Pointers Quality Mix Comparison



## Q1 Pointers Sales Breakdown By % Of Sizes Chart



## Q1 Pointers Sales Breakdown By Size



# RETAIL INSIGHTS

## 1 Prong setting is coming back into style

Simple solitaire necklaces and pendants with prong settings and prong set earrings are in high demand across the retail sector. Also alternate setting tennis bracelets is a growing trend.



## 2 Lightweight styles are popular

Earrings that are simple in style and dangle but that are lighter on the ear are very popular.

## 3 Pave style jewelry

Pave style jewelry is back in style and in-demand. Wider bands with pave, pave earrings, and bracelets and bangles with pave are back in style.



## 4 Larger Stone Choices

Unconventional larger stone choices in jewelry are growing in popularity, this includes genuine alexandrite, bi color tourmaline, aquamarine with sapphires, rubies, and emeralds still being the most desired gemstones.

# SUSTAINABILITY

## Recycle – Reduce – Reuse

The three R's – recycle, reduce, reuse all help to cut down the amount of waste we throw away. They conserve natural resources, they conserve energy and they help make the planet a better place.

How do the three R's relate to the diamond industry and what does each one mean?



### Recycle

Recycling is the process of taking a previously used material and making it like new again. When you're buying a recycled product or diamond you are effectively buying a new diamond. The only difference being that the raw material that went into the production of the diamond was of a recycled source. The quality of the diamond, the quality of the cut, the grading and all the other characteristics will be treated in the same way as that of a new diamond.

Recycled diamond is the diamond that is used in White Pine's Melee on Demand Program. Although approximately 30% of the diamonds are able to be reused immediately, the majority of the diamonds have to be re-processed through a diamond manufacturing process.



### Reduce

Reducing involves minimizing the amount of waste that we create. A good way to reduce the waste that we create in the diamond industry is by offering to use diamonds already owned by a customer in a new design. Rather than selling the customer on a new diamond, offer to design a piece of jewelry that they will love, using the diamonds that they already have.

At White Pine we offer CAD design and production services and we can help you work with a customer's existing diamonds to help reduce the environmental impact of this industry. These services are fast, all production is done in the US and economical.



### Reuse

Reusing involves using items more than once. Luckily, in our industry, jewelry is almost always worn more than once (except for the odd failed engagement). However, eventually, customers can grow tired of old pieces. In these cases, rather than scrapping the piece or leaving it idle, it is better to refurbish and sell the piece to a new owner.

At White Pine we offer an extensive collection of Estate, pre-owned and close-out jewelry. These pieces very often have a price advantage over new pieces and have great diversity of style.

**At White Pine we cherish the earth and encourage you to find some new ways to start making a difference.**



# LOOKING AHEAD

By **Benjamin Burne**, CEO, White Pine Wholesale LLC

## Industry Trends

The industry is in a very interesting moment. There are many factors in play of the utmost importance to our industry.

**Lab grown** – Lab grown diamonds are ubiquitous. Everyday we get called by labgrown diamond sellers pitching their stock, the prices seem to keep coming down. We now see unnegotiated prices of 93.5% back of Rap – down another 30% from before. Where will this end? When will consumers realize en masse that they are being sold something that is worth a fraction of natural? Will consumers care? Will there be outrage or will the 60% margins that retailers have enjoyed continue indefinitely?

**Russia** – Russian diamonds are potentially conflict diamonds. Will the industry accept that? Or will it circumvent the sanctions, totally legally, through India. This is not an easy situation though, a large percentage of the world's supply comes from Russia and it cannot be replaced by other sources of natural. If the US or India seriously sanctioned Russian diamonds, factories would close, jobs would be lost, people's lives and businesses disrupted. Why should diamond companies in different countries be punished for someone else's decisions? In addition, if we are sanctioning goods made with Russian diamonds, surely we should sanction goods made with Russian energy – ie everything coming out of Europe. It seems unlikely to me that the government will sanction diamonds cut and polished in India due to equity concerns. So, then the future of Russian diamonds will be determined by the trade, by its response and by consumers and their demands. We will see how that plays out.

## Diamond Prices

Prices rose rapidly in the fourth quarter and start of Q1, seemingly oblivious to all the signs that trouble may lie ahead, but suddenly the trade became aware and the prices peaked about half way through the quarter and then started to recede, coming off at least 10-15% from where they were. Recycled diamond lots bought and sold at auction backed off from their highs which will allow future deliveries of recycled diamond to be produced at cheaper prices.

The declining prices brought customers who had been sitting on the sidelines back in. Although prices remain substantially higher than they were in the first half of last year, the recent retreat in price psychologically allows participants to feel better about purchases that need to be made.

At the start of the first quarter we anticipated seeing diamonds reach a natural peak in price this year, but it happened quicker than anticipated. This begs the question, what will happen next? Although we would love to see a period of stability with flat prices and 2-5% annual increases, we consider that to be unlikely. We think it is more likely that we see additional volatility before things settle down.

There are 3 major factors creating volatility and uncertainty. Inflation, Russia's war and China's zero Covid policy.

With inflation at a multi-decade high, it is likely that the FED will raise interest rates dramatically to curb it. They've stated that, they've told us that and they'll likely do it. In our opinion, rates will likely be raised until something else breaks, probably the economy and a recession. This recession will reduce consumer demand. It feels to me that the stockmarket is anticipating this and has started to decline appropriately, but commodities and diamonds haven't.

Russia's war is causing uncertainty, uncertainty of diamond supply and the impact that will have. Potentially reduced supply could create an increase in the price of natural diamond, at least temporarily until supply resumes. However, dramatic increases could push customers elsewhere creating more volatility.

China's zero covid policy creates more volatility. This seemingly impossible strategy creates an endless cycle of lockdowns, with no end in sight. The lockdowns affect both Chinese demand and also Chinese supply as factories close. The full effects of this policy are yet to be seen.

Until these three factors settle or get under control, volatility in diamond prices is likely to remain. I would predict that we will see a reduction in prices through the early summer and then a resumed upward trend as we head into the fall season and the supply constraints cause issues as people have to replenish for the holiday.

*All forward-looking statements are management's present expectations of **future events** and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements.*

