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### **BUSINESS & FINANCE**

# Trader Seeks Wider Market for Diamonds

Company hopes to give gems the same liquidity as gold, other commodities

By Ryan Dezember

A diamond is forever, but maybe not for much longer.

Spot trading in commoditized clusters of diamonds started in September and the firm behind the electronic exchange aims to launch a futures contract next year on the Minneapolis Grain Exchange. An exchange-traded fund is next up in Diamond Standard Inc.'s plans to get the gems included in the indexes that steer commodity fund investments.

"That's the inflection point our early investors are waiting for," said Cormac Kinney, founder and chief executive of Diamond Standard, which has been buying about 10,000 diamonds a week and selling plastic-encased, equally valued clusters to investors.

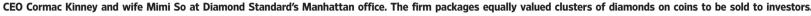
Mr. Kinney is aiming for something similar to what happened when gold became financialized. Once investors could buy and sell gold without hauling around bars of it, commodity funds and others made allocations that elevated the price of the precious metal to new heights.

ETFs and new futures contracts flop all the time, to be sure. And functioning markets in investment diamonds have been elusive, despite investor interest that flares up during periods of high inflation, like now, when people are anxious to squirrel away wealth.

Buying diamonds is the easy part. The problem is selling them. Many buyers pay retail but sell to dealers at wholesale prices. Though diamonds have dependably risen in value over the decades, it can take years to make up for the markup.

Diamonds also are idiosyncratic, with thousands of combinations of color, clarity, carat and cut, and usually valued by





subjective appraisal. You can cut a gold bar in two and the halves will equal the whole, but two half-carat diamonds don't add up to a 1-carat stone. Fungibility, more than

opaque pricing or illiquidity, is the biggest hurdle for investment diamonds, said Olya Linde, a Zurich-based partner at consulting firm Bain & Co., who specializes in energy and natural resources.

"If anyone solves that, that's the first big step toward unlocking the investment demand," she said. "This is where the real technology, artificial intelligence and machine learning, probably can come in."

Mr. Kinney, a computer scientist, believes he has cracked the code to commoditizing diamonds. He has run a quantitative hedge fund and created and sold trading programs and other software, including to News Corp, which owns The Wall Street Journal.

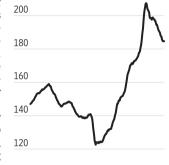
He got into diamonds when he met his wife, Mimi So, a dealer of gemstones and designer of fine jewelry. Buying an engagement diamond for someone like her was daunting. He had access to a trove of market data from her business and went about choosing a diamond the same way he approached quantitative trading.

"I put together a huge spreadsheet of different diamonds and analyzed how their price changed based on carat, the color, clarity," Mr. Kinney said. He bought a 5.01-carat D VVS1 diamond for his bride. A decade later, after building trading systems and working on statistical arbitrage and optimization of factor models, Mr. Kinney returned to diamonds.

"He always questioned, Why would the price change so much? Why if you buy something at one price, and the next day you went to unload it, would it be so different," Ms. So said.

Mr. Kinney decided that the way to commoditize diamonds was to group them in equally valued clusters. To do that, he would need to create a type of yield curve that organized values by thousands of combina-

#### Zimnisky Global Rough Diamond Price Index



2018 '19

Note: Weekly data Source: Paul Zimnisky

100 = end of 2007

tions of characteristics, so that diamonds could be organized in equal bunches.

The values were constantly changing. The data set could never be completed. He decided he couldn't write an algorithm to produce the curve. Diamond Standard would discover prices instead by buying thousands of diamonds.

The firm, which has Fifth

Avenue offices near Manhattan's diamond district, got started last year by raising \$75 million in an offering of its coins, using the money to buy the stones that would go in

Priced at \$5,000, each coin wound up with either eight or nine stones, or between about 3.125 carats and 3.4 carats. The stones are suspended in a disc of plastic resin along with a wafer that works like a creditcard chip and uses blockchain technology to ensure authenticity. Bars, which will be sold in a coming offering, will be worth 10 coins. The futures contracts will be for 20 coins, or two

Diamond Standard now buys diamonds from dealers as needed to meet demand for its coins, which are minted in New York after the stones are examined by the Gemological Institute of America. Some buyers have coins delivered to their homes. Most are stored in a vault in Delaware, where there is no sales tax.

Coins recently traded for

\$5,700 on Diamond Standard's electronic exchange, and the average spread between bids and asking prices has been about 1%.

Diamond prices rose during the pandemic when competition from fancy vacations and other experiential spending dried up. They exploded during the bonanza of betrothal that followed the lockdowns. "It went nuts," said Paul Zimnisky, who publishes a price index for rough diamonds. "Everyone was sold out."

After reaching records early this year, prices have declined. Though demand is threatened economic uncertainty, China's Covid-19 lockdowns and a more normal pace of engagements, Mr. Zimnisky said sanctions on Russian diamonds and the lack of major new mines should support prices.

If Diamond Standard's coins take off, it will need a lot of stones. Mr. Kinney said he is counting on the market liquidity to encourage people who have been holding diamonds forever to finally sell.

# Ridgemont Equity Closes \$2.35 Billion Midmarket Fund

By Laura Kreutzer

Ridgemont Equity Part**ners** has collected \$2.35 billion for its latest midmarket growth fund just as the environment for overall private-equity fundraising is getting tougher.

The Charlotte, N.C.-based firm, which traces its roots to a private investment unit of Bank of America Corp., said it closed Ridgemont Equity Partners IV LP ahead of its \$2 billion goal. The firm garnered support from investors that include the El Paso Firemen & Policemen's Pension Fund in Texas and the State of Wisconsin Investment Board, according to pension disclosures.

Ridgemont has raised a larger fund than the firm's predecessor vehicle, which closed on \$1.65 billion in 2018, as overall private-equity fundraising has slowed. During the third quarter of the year, firms brought in \$119.6 billion globally, down more than 17% from the second quarter, according to a report from law firm Paul, Weiss, Rifkind, Wharton & Garrison LLP.

Overall private-equity fundraising has steadily declined from the highs of 2021. During the first half of this year, fundraising hit \$247 billion, a 43%

drop from the same period in 2021, WSJ Pro Private Equity has reported, citing data from Preqin Ltd.

At least \$1.8 billion of commitments to the new Ridgemont fund came from investors that had backed the firm's previous funds, according to Managing Partner Jack Purcell.

"Over time, there's been such resiliency of the [privateequity] asset class," Mr. Purcell said. "Smart asset allocators recognize that."

Ridgemont typically makes investments ranging from \$100 million at the smaller end to \$400 million or \$500 million at the larger end in midsize

industry categories: business and technology services, industrial growth products or services and healthcare, according to Mr. Purcell. He backs founder- or familyowned companies in which it is the first institutional investor.

Ridgemont has already backed its first deal out of the new fund with an investment in **Crete Mechanical Group**. The company provides heating, ventilation, and air conditioning, or HVAC: electrical, plumbing and customers in industrial, multi-

companies across three broad family real estate, government, healthcare, education and other

"It's emblematic of the type of opportunities we invest in," said Mr. Purcell. "It was added that the firm often founder-owned by two individuals. We did a bespoke recapitalization, but the founders retained a stake."

Ridgemont connected with Crete in part thanks to an earlier investment the firm had made in the HVAC sector through its third fund. In 2019, the private-equity firm invested in Munch's Supply LLC, a Chicago-area supplier of building automation services to HVAC equipment that in 2021 combined with appliance parts

distributor Marcone, a portfolio company of private-equity firm Genstar Capital. Ridgemont retained a minority stake in Munch's, which, since the firm's initial investment, has more than tripled its earnings, according to Ridgemont Managing Partner John Shimp

Mr. Shimp said that Ridgemont had been evaluating the HVAC sector for many years before backing Munch's Supply and through that work, as well as its ownership of Munch's, built relationships with bankers and executives in the market and established a reputation for its sector expertise, ultimately leading it to Crete.

New Highs and Lows		52-Wk % Hi/Lo Chg Stock	52-Wk % Sym Hi/Lo Chg		52-Wk % Hi/Lo Chg	Stock S	52-Wk % m Hi/Lo Cho	Stock Sy	52-Wk % n Hi/Lo Cha		52-Wk % Hi/Lo Chg		2-Wk % Hi/Lo Chg
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Stock Sym Hi/Lo Chg Valmontinds VMI 307.63 1.7 AnebuloPharm ANEB 1.77 2.	BerensonAcqnlWt BACA.WS Biolase BIOL	0.04 -7.3 Culp 1.85 5.4 DatChatWt		GabelliEquityPfdK GABpl GabelliUtilPfdC GUTpl		JianzhiEduc JZ KKRRealEstFinPfdA KR	1.64 3. EFpA 18.15 -0.	NobleRockWt NRA Nogin NO		PriorityIncmPfdF <b>PRIFpF</b> QualigenTherap <b>QLGN</b>		SurfaceOncol SURF	0.92 5.0
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Salidbridge A Shi 10.01 0.1	Blackboxstocks BLBX	0.48 -1.4 DeepLakeCapW	t <b>DLCAW</b> 0.02 -3.5	GladstonePfdE GOODI	N 19.05 -2.1	KalaPharm KA	LA 6.36 2.	1 NorthViewRt NVA	CR 0.06 -14.3	Quotient QTNT	0.13 0.6	TailwindAcqnWt TWND.WS	0.02 35.1
Sanmina SANM 57.35 1.3 VertexPharm VXIX 315.37 -0.4 Aprosessiosci APTO 0.40 0. Schlumberger SLB 52.68 0.6 VistaEnergy VIST 13.27 0.9 ArbeRobotics ARBE 4.74 -5.	BlueWaterVac <b>BWV</b>	1.12 5.1 DigitalAlly	<b>DGLY</b> 0.34 -3.7	GladstonePfdB LANDO	0 24.20 -2.6	KaleraWt KA	LWW 0.04 -22.	Northwestern NW	48.68 -2.6	RMGAcqnIIIWt RMGCW			59.51 -0.2
ScienceApplicat SAIC 101.65 1.6 WashingtonFederal WAFD 38.09 1.2 ArcadiaBiosci RKDA 0.34 -1.	BonNaturalLife BON	1.50 2.6 DormanProduct	s <b>DORM</b> 73.32 -8.6	GlobalBlueWt GB.W:	<b>S</b> 0.12 -4.5	Kalera KA	L 0.18 -2.	NovaBayPharm NB	0.09 -2.3	RaMedicalSys RMED	4.40	TalisBiomed TLIS	0.61 2.6
SeniorConnectl A SNRH 10.01 0.2 WeisMarkets WMK 91.50 2.6 ArdaghMetalPkg AMBP 4.39 -3.		0.60 -2.6 DynexCapital	<b>DX</b> 10.60 4.3	GoldRoyaltyWt GROY.W	<b>S</b> 0.20 29.9	KaratPkg KF	T 13.10 14.	OFSCapNts2028 OFS	SH 19.41 -1.2	RaniTherap RANI	J.01 -J.0		0.16 -6.8
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SigmaLithium SGML 36.88 5.3 WorldwideWebbA WWAC 10.06 0.4 ArgoGroupNts42 ARGD 20.50 0.	BroadscaleWt SCLEW			Groupon GRPN		KimcoRealtyPfdL KI	MpL 19.08 1.	1 Oncorus ON		RelianceGlobal RELI	0.04 -0.0	ThredUp TDUP TishmanSpevII Wt TSIBW	0.00 -87.5
SpringwaterSpec SWSSU 10.74 0.3 YPF YPF 7.69 3.2 ArgoGoupPfdA ARGOpA 19.50	BrookfieldDTLAPf <b>DTLAp</b>			GrowthforGoodRt GFGDI		Kingstone KI	NS 2.42 -5.			RevolutionWt REVHW	0.00 -59.0		53.74 1.2
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Stride LRN 47.35 0.4 AshfordHospPfdG AHTpG 13.76 -0.	CEA Inds CEAD	0.92 5.9 Ecoark		HealthCatalyst <b>HCAT</b>	8.04 2.8			OneStopSystems <b>OSS</b>		RivernorthOppsRt RIVr	0.00 -42.3	UniqueFabricating <b>UFAB</b>	0.43 1.9
TLGAcqnOneA TLGA 9.95 0.1 LOWS Assure IONM 0.52 -8.		15.76 1.9 EksoBionics		HeartcoreEnts HTCR		LanternPharma LT		4 Ontrak OTF		RockwellMedical RMTI	0.92 -2.0	UnitedInsurance <b>UIHC</b>	0.41 1.0
TZP Strategies A TZPS 10.00 ACNG Inch. A		15.71 -1.7 ElysGameTech		Heidrick&Strug <b>HSII</b>		LatAmGrowthWt LA		7 OntrakPfd OTR		RosecliffAcqnIWt RCLFW	0.02 -34.2	UnityBiotech UBX	2.48 -0.8
	CartesianGrwIIWt RENEW	0.08 -20.0 EnduranceAcqn/		HershaHospPfdC HTpC				Oragenics OGI		RubiusTherap RUBY	0.30 2.1		
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THINVEACULT THACU II.IY 0.4	CheetahMobile CMCM	1.80 1.9 FtacParnassusW		IMPAC Mortgage IMH				2 PSBusParksPfdY PSE		SiliconMotion SIMO			0.22 -6.6
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