17 May 2024

HARTLAND SHIPPING SERVICES

WEEKLY COMMENTARY

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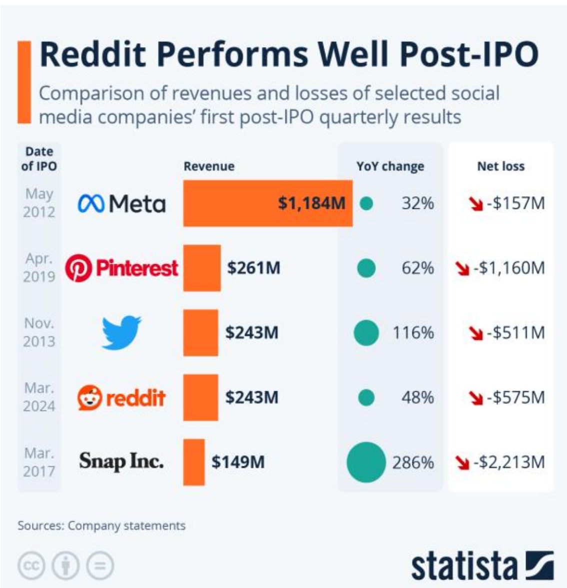
… Shipping investments may be safer than Media ! …



[Source : Statista]

POINTS OF VIEW

Shipping equities have had a good run lately, and generally across all sectors and ship types, greatly helped by a restrained supply side. Newbuilding contracting has been constrained in recent years by concerns about green technology change, uncertainty over future fuels and a wish to avoid committing to current designs that may be rendered obsolete by new ones. Bulkers and tankers have done very well. Even box freight rates and container time charter rates have enjoyed an unexpected boost despite a steady delivery flow of new ships that were ordered during pandemic boom times. This week Lloyds List pointed out how over the past five years larger-cap shipping stocks have outpaced the S&P 500 by anywhere between two and ten times, benefiting the controlling family shareholders whose wealth has often risen by hundreds of millions of dollars. Among the best performers have been the companies that pay out windfall dividends that reward the families and investors who patiently rode out the bad times. LL points out that, excluding the congestion-induced pandemic boom, 2024 is on track to be the best year for shipping equities since the 2004-2008 shipping supercycle. From post-GFC 2009, shipping was reformed and became more resilient compared with the risky pre-GFC pairing of highly cyclical revenues with heavy capital expenditure (on new ships, equity issuance to fund growth, full dividend payouts, and very high debt levels). Today we tend to have lower debt levels, limited capital expenditure, more sustainable dividend payouts, and share buybacks when equity trades sub-NAV.

Shipping is attracting greater investor interest despite many companies still trading significantly below NAV. One example is Navios Maritime Partners whose shares hit an 8-year high last Monday, valuing the company at $1.47bn, 39% of its end March fleet value of $3.75bn. One reason for this may be the 'conglomerate' effect of a multi-sector fleet. Some investors see this as a natural hedge, but others fail to understand it and prefer a pure-play focus. Another may be its frugal dividend payment that does not allow shareholders to de-risk their positions. If the markets continue to prosper, as quietly expected, then more companies will see the NAV gap close and market caps transition to premium levels. LL outlines how some family and PE-owned companies have been well rewarded. Five years ago, Oaktree owned 47.6m shares of product tanker firm Torm, then worth $372m. Now it owns 51m shares worth $1.88bn, and its investment is up 5-times. In May 2019, John Fredriksen owned 79.1m shares of crude tanker firm Frontline, then worth $602m, and that same holding is now worth $2.09bn, up 3.5-times. JF also owned 50.6m shares in bulker company Golden Ocean, worth $257m back then. Today he has 79.1m shares worth $1.18bn, his enlarged holding having risen 4.6-times in value. In May 2019, the Coustas family held 31.8% of containership lessor Danaos, worth $53m. Its larger 47.3% stake today is worth $765m, up over 14-times.

There has been much focus on the recent stunning share price performance of the Magnificent Seven.^ We have compared them with LL's top three picks in tankers, containers and bulkers^^ in the post-Covid phase (for all but China) from start 2022 to 15 May 2024 close of business. To be fair, the timeline does not really favour the M7 as they were generally still suffering from lingering late pandemic effects in 2022 while shipping was benefiting from those very same effects. The M7 collectively slumped during 2022 before lifting off from early 2023. The best performer by far was NVIDIA, which provides the secret sauce for all things AI, up 217%, and the worst by far was Tesla, down 55%. Everyone who wanted a Tesla had already got one and now BYD is selling similar high quality electric cars at lower prices.* The best shipping performer was tanker company Torm, up 402%, and well ahead of NVIDIA, and the worst performer was container company Zim, down 68%, even worse than Tesla. The results are a bit skewed by the timeline as the bulker and container sectors had much of their heyday in 2021, boosted by Covid-related congestion, while tankers benefited from elongated oil trade flows after the February 2022 Russian invasion of Ukraine. All sectors were helped by the Red Sea crisis as ships avoided Houthi missiles by going the long way around the Cape, while some ship types were dealt a good hand this year by low water levels in the Panama Canal and ensuing long detours. All told, since the start of 2022, shipping has generally outperformed the Magnificent Seven. Hats off to that.

^Apple Inc.; Amazon.com Inc.; Alphabet Inc.; Meta Platforms Inc.; Microsoft Corp.; NVIDIA Corp.; Tesla Inc.

^^LL top performers over 5 years. Tankers: Teekay, Torm, Frontline. Containers: Danaos, GSL, Zim. Bulkers: Star Bulk, Golden Ocea, Genco. All well above S&P 500.

*NVIDIA +217.4%; Meta +42.3%; Microsoft +26.2%; Alphabet +18.9%; Amazon +11.0%; Apple + 6.7%; Tesla -54.4%.

**Tankers: Torm +402.3%; FL +259.8%; TK +180.4%. Containers: Danaos +11.0%; GSL +7.0%; Zim -68.3%. Bulkers: GO +55.1%; Genco +37.5%, Star +9.8%.

P.S. Over the past five years, the S&P 500 rose 100% while tankers ranged from +206% (Ardmore) to +650% (Teekay).

Container shipping stocks were up in the range of +233% (Matson) to +767% (Danaos) while bulkers ranged from +278% (Genco) to +421% (Star Bulk).

WEEKLY COMMENTARY

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Dry Cargo Chartering

A week of consistent correction was seen across **Capesize** markets before a small uptick on Friday. Timecharter averages slipped to $22,180, a steep fall of $5,121 from last reported. Despite this, an increase in activity was seen, primarily driven by the usual Australian iron ore fixtures. Freight paid for liftings ex. Port Hedland ranged from $10.00 pmt to $11.20 pmt with BHP, Panocean, Jijao, and CSE all active. From Dampier, Rio Tinto covered three positions for 170,000 mtons 10%, *Aqua Venture* (180,300-dwt, 2010) among them, with freight between $10.20 pmt to $11.25 pmt. Panocean were linked to a 130,000 mtons 10% Newcastle/Boryeong Kepco tender at $14.75 pmt for early June dates, while on Tuesday Oldendorff took *Cape Peregrine* (180,643-dwt, 2012) for the same quantity and load port discharging Mailiao at $15.10 pmt. From Saldanha Bay, Anglo covered their Qingdao requirement at $18.15 pmt, and from South America, CSN fixed Itaguai/China at $26.75 pmt for mid-June dates. Elsewhere in the Atlantic, Treasure Boost Shipping chartered *XH Mega* (211,149-dwt, 2023) for 190,000 mtons 10% Freetown/Qingdao at $24.25 pmt, and Cosco took *Genco Augustus* (180,151-dwt, 2007) for 170,000 mtons 10% Kamsar/Jingtang end-May dates at a tick under $26.00 pmt. Further north, Oceanmed fixed *Heng May* (181,283-dwt, 2024) for 180,000 mtons 10% Seven Islands/Arzew at around $10.00 pmt, and Rio Tinto took a Classic Newcastlemax for Seven Islands/China at $30.00 pmt for early June dates.

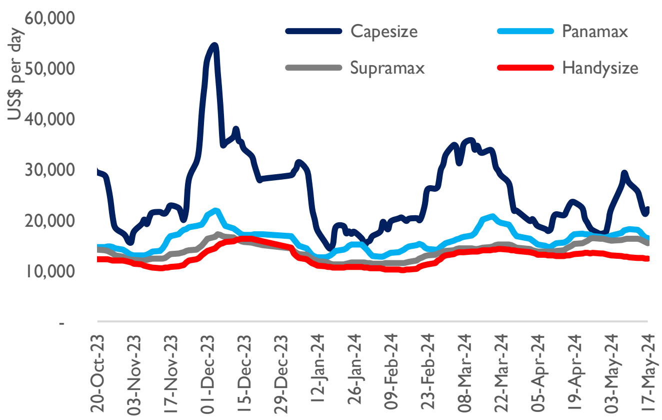
The **BPI** timecharter value plunged $1,803 this week to $16,427, with both basins experiencing significant corrections. The Atlantic saw thin demand clash with a growing North Atlantic tonnage list. Cheap voyage fixing emerged below index levels for trans-Atlantic voyages, while short trips offered steep discounts to previous with some owners seeking short-term employment, hoping for a market rebound. *Ulusoy-11* (79,422-dwt, 2011) fixed from East Coast South America for a trip redelivery Skaw-Gibraltar at $20,000 with M2M. ADMI fixed *Star Betty* (81,168-dwt, 2011) basis East Coast South America for a front haul trip redelivery Singapore-Japan range at $19,500 plus $950,000 bb. Asia returned a mixed bag with talk of the North Pacific market lacking impetus. By contrast, various sources spoke of a longer looking list of requirements remaining ex-Australia for prompt dates, and whilst tonnage was not tight, the early positions appear to hold the upper hand for now as we approach the end of the week. MOL took the *Lemessos Wind* (76,523 dwt, 2009) basis delivery CJK for a trip via North Pacific redelivery Singapore-Japan at $16,500. *Jia Da* (75431-dwt, 2010) fixed delivery Mauban for a trip via Indonesia redelivery Malaysia $16,500 with Kline. Period reports had the *CL Yichun* (82,304-dwt, 2023) open CJK fixed basis 12 months at $19,500 to ST Shipping.

The **Supramax** market took a slight breather this week as rates were pulled down along with the larger sizes. The cargo volumes globally took a slight hit, rates fell and owners were left to ballast to greener fields or take the new market levels. The S10TC closed at $15,460 down by $873 since reported last Friday. In the Pacific, *IVS Crimson Creek* (57,945-dwt, 2014) fixed delivery Samalaju prompt dates for a trip via Indonesia to China at $20,000 and *Zhe Hai 526* (57,226-dwt, 2012) fixed delivery passing Taichung prompt dates for a trip via Indonesia to Vietnam at $17,000. Whilst in the Indian, XO Shipping covered *Andiamo* (63,562-dwt, 2019) delivery Port Elizabeth 23-25 May for a trip via Saldanha Bay with manganese ore to China at $25,500 plus $255,000 bb, *Lila* (63,414-dwt, 2017) was covered delivery Colombo prompt dates for a trip via Port Elizabeth to the Far East at $20,000 and *Medi Portland* (60,192-dwt, 2018) fixed delivery Bahodopi 15 May for a trip with metallurgical coke to Visakhapatnam at $23,000. In the Atlantic, *Dimijohn A* (57,902-dwt, 2015) fixed delivery Santos prompt dates for a trip to Bangladesh at $16,850 plus $685,000 bb whilst XO Shipping covered *CS Sonoma* (56,704-dwt, 2010) delivery Egypt/Mediterranean 21 May for a trip with bagged cement to Freetown at $12,000.

The **BHSI** index dropped marginally by $224 since last week, closing today at $12,423, amidst increasing negativity across the Atlantic. A gradual rise in tonnage availability in the Mediterranean and Black Sea, lead to a further drop in rates, despite a seemingly 'busy' week. Intra-mediterranean trips being fixed around $8,000 on small Handies. It was heard a 37k-dwt fixed in the $9,000's for a petcoke order from South Spain to the East Mediterranean. *Parity* (37,152-dwt, 2012) fixed Canakkale for a trip via the Black Sea to Barcelona at $8,000. From Morocco, *BBC Venus* (39,827-dwt, 2023) fixed delivery Safi, Morocco for a trip to South Brazil at $7,000 with MUR. The Continent, however, showed signs of balance with new demand emerging towards the end of the week. A scrap trip to Turkey was reportedly fixed at 11,000 on a 33k-dwt. In the South Atlantic, activity slowed with limited May inquiries and reluctance from charterers to pay higher rates for June shipments. North Brazil trans-Atlantic shipments were being fixed at low teens to the Continent on smaller Handysizes. The US Gulf and East Coast also saw reduced activity as the week progressed. May has been busy for the Pacific market, with round voyage time charter rates reaching the mid-teens consistently. However, with holidays in some areas of North Asia on Wednesday there has been a softer feel to the market with operators looking to relet for BOP. It is quieter in the North but large Handies in South East can still expect to earn around $15,000 for round voyages. A 37k-dwt logger opening China rumoured fixed a New Zealand round voyage with logs at $16,000. On voyage, Arcelor Mittal concluded: TBN' 40,000 mtons 10% metallurgical coke Morowali/Hazira 21/30 May $21.65 fio 8,000 shinc/10,000 shinc.

Representative Dry Cargo Market Fixtures

Vessel	DWT	Built	Delivery	Date	Redelivery	Rate ($)	Charterers	Comment
Levante	93,270	2012	Hazira	25/28 May	South East Asia	$20,100	Aquavita	Via South Africa
Taho Eudaimonia	84,616	2022	Kaohsiung	21/23 May	Philippines	$21,000	Oldendorff	Via Indonesia
Shining Bliss	81,996	2014	Retro-sailing Haldia	4 May	Singapore-Japan	$19,500	Cnr	Via ECSA
Ulusoy-11	79,422	2011	APS East Coast South America	8/9 June	Skaw-Gibraltar	$20,000	M2M	-
Lemessos Wind	76,523	2009	CJK	20/25 May	Singapore-Japan	$16,500	MOL	Via NoPac
Andiamo	63,562	2019	Port Elizabeth	23/25 May	China	$25,500 + $255k bb	XO Shipping	Via Saldanha Bay w/manganese ore
Lila	63,414	2017	Colombo	Ppt	Far East	$20,000	Cnr	Via Port Elizabeth
SW South Wind I	55,989	2009	CJK	9/11 May	China	$17,000	Cnr	Via Indonesia
BBC Venus	39,827	2023	Safi	Ppt	East Coast South America	$7,000	MUR	-
V Bross	36,188	2010	Recalada	17/21 May	West Coast Central America	$23,000	Centurion	-



Exchange Rates		This week	Last week
	1 USD	155.73 JPY	155.74 JPY
	1 USD	0.9211 EUR	0.9277 EUR

Brent Oil Price		This week	Last week
	US$/barrel	83.44	84.25

Bunker Prices (US$/tonne)		This week	Last week
	Singapore HSFO	520.0	533.0
	VLSFO	627.0	638.0
	Rotterdam HSFO	476.0	489.0
	VLSFO	573.0	582.0

Dry Bulk S&P

With various public holidays having now passed and owners returned to their offices, we have seen a noticeable uptick in S&P activity this week across all dry asset classes.

Antwerp based Ebe Navigation are understood to have committed their *El Grasso* (181,365-dwt, 2012 Imabari) to Agricore for $35.75m basis delivery within Q4 2024. When factoring in the scrubber premium and forward delivery, the price shows a slight step up on the *Frontier Unity* (181,415-dwt, 2012 Koyo - Scrubber Fitted) which was sold last month for $35m.

The Capesize sale was not Agricore's only contribution to this week's sales report as they have also sold out their Kamsarmax *ASL Uranus* (82,372-dwt, 2008 Oshima) for $17m. The last comparable sale was Spring Marines disposal of *Cuma* (83,007-dwt, 2006 Tsuneishi) for $15m in April - once again showing a slight appreciation when factoring the age difference between the two ships.

Continuing in the Kamsarmax sector, *Vincent Talisman* (81.577-dwt, 2020 Hantong) has been sold to Chinese buyers for $32.8m. It is a fair price compared to Tsuneishi groups sale of *YMK Quartet* (82,212-dwt, 2021 Jiangsu Yangzi-Mitsui) for $35m last month and also illustrates the premium that Japanese affiliate yards continue to achieve against pure Chinese designs.

Stepping down to the geared ships, Turkish owners Densay are understood to have sold *SSI Privilege* (63,566-dwt, 2019 Jingling) to HMM for $32.5m, with the reported initial sale having failed to materialise. In the Supramax sector, *Marylaki* (58,114-dwt, 2010 Tsuneishi Zhoushan) has been sold to undisclosed buyers for $17.2m. Comparing last month's enbloc sale of *Navios Christine B*/*Navios Celestial* (58,000-dwt, 2009 Tsuneishi Zhoushan) for $30m, we see a clear increase in asset values, though the latter sale was reportedly concluded internally - perhaps explaining the comparably softer prices.

Finally, *V Rich* (56,546-dwt, 2014 Jiangsu Hantong - ME engine) has been sold for $19m. Market rumours suggest that last month the same vessel was committed for $18.5m, further supporting the theme of increasing asset values as we head into the summer months. It also reinforces the widening gap between 'eco' 'non eco' asset values, as last week we noted that *Delta Avon* (56,897-dwt, 2012 COSCO Guangdong) has been sold for $14.3m basis prompt delivery.

Reported Dry Bulk Sales

Vessel	DWT	Built	Yard	Gear	Buyer	Price	Comment
El Grasso	181,365	2012	Imabari		Agricore	$35.75m	Q4 2024 Delivery
ASL Uranus	82,372	2008	Oshima			$17.0m	
Vincent Talisman	81,577	2020	Hantong		Chinese	$32.8m	
Dong Jiang You	75,265	1999	Fincantieri			$7.0m	
AC Shanghai	75,211	2001	Samho Heavy Ind.		Chinese	$8.2m	
SSI Privilege	63,566	2019	Jinling	C 4x30T	HMM	$32.5m	SS/DD due
Marylaki	58,114	2010	Tsuneishi Zhoushan	C 4x30T		$17.2m	
V Rich	56,546	2014	Hantong	C 4x36T	Greek	$19.0m	SS/DD Freshly Passed
Cielo Di Valparaiso	39,232	2015	Yangfan	C 4x36T	Norsul	$21.8m	

Tanker Commentary

Despite stable freight rates across all asset classes, we have no tanker sales to report this week. A number of vessels have called for offers and are currently under negotiations, though concluded sales remain sparce.

With newbuilding values nearing historical highs and deliveries pushing well into 2027 onwards, we expect to see secondhand values holding firm.

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