

MM WEEK ASIA

Strategies for Investing in Shipping Equities



Award Winner
TOP INNOVATOR



Winner of the category
LIQUID ALTERNATIVES

with.
HFM European
Performance
Awards 2022

Shortlisted

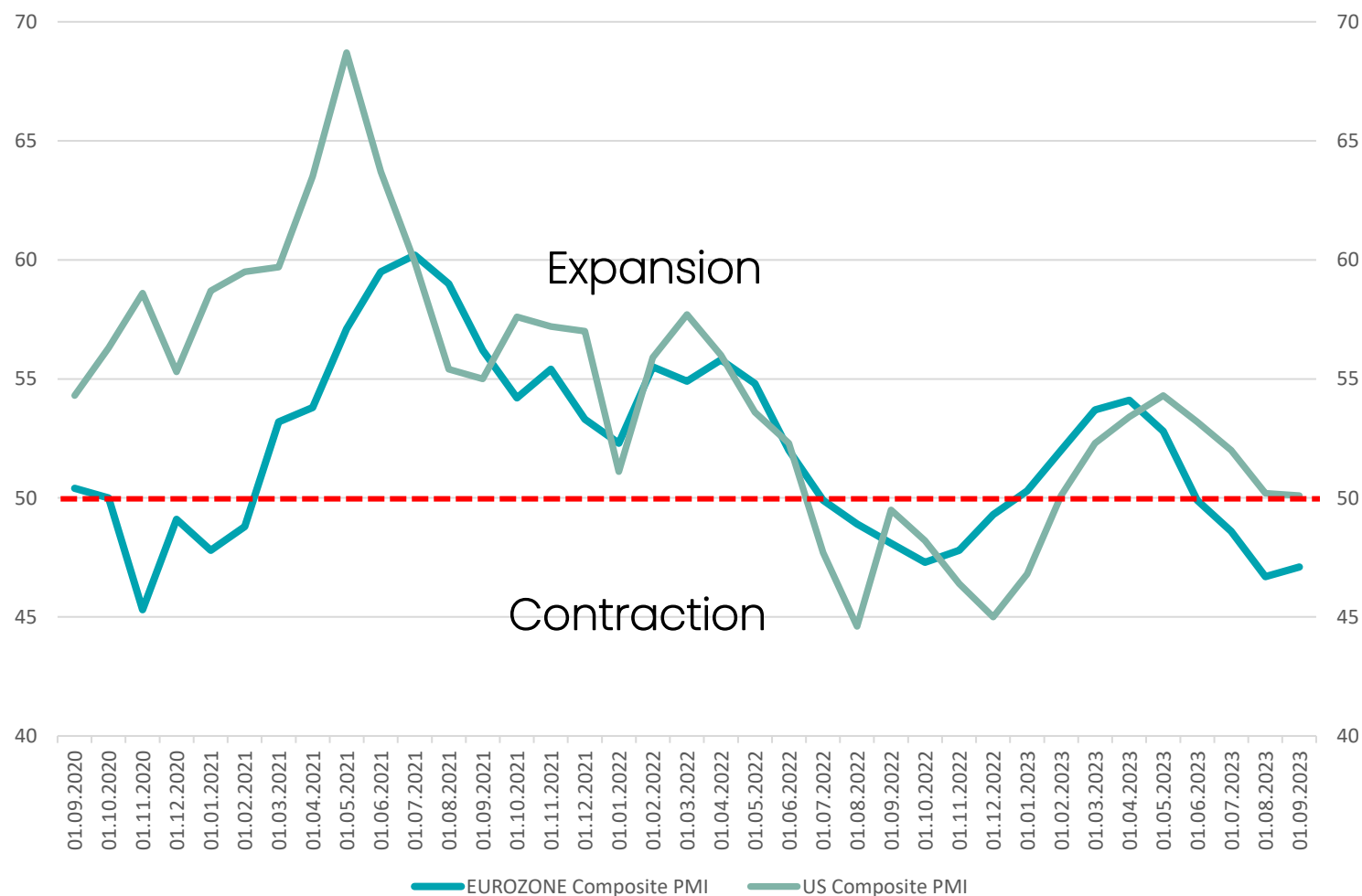
with.
Intelligence

HFM European
Performance Awards 2023

Shortlisted

MACROECONOMIC ENVIRONMENT

>> WESTERN ECONOMIES SLUGGISH



SOURCE: Bloomberg, September, 2023

US ECONOMY IS AT BRINK OF A RECESSION

- US Composite PMI at 50.1 (reading above 50 signaling expansion)
- GDP Growth is expected to fall from 2.1% in 2022 to 1.8% and 1.0% in 2023/24

EUROAREA ECONOMY IN RECESSION

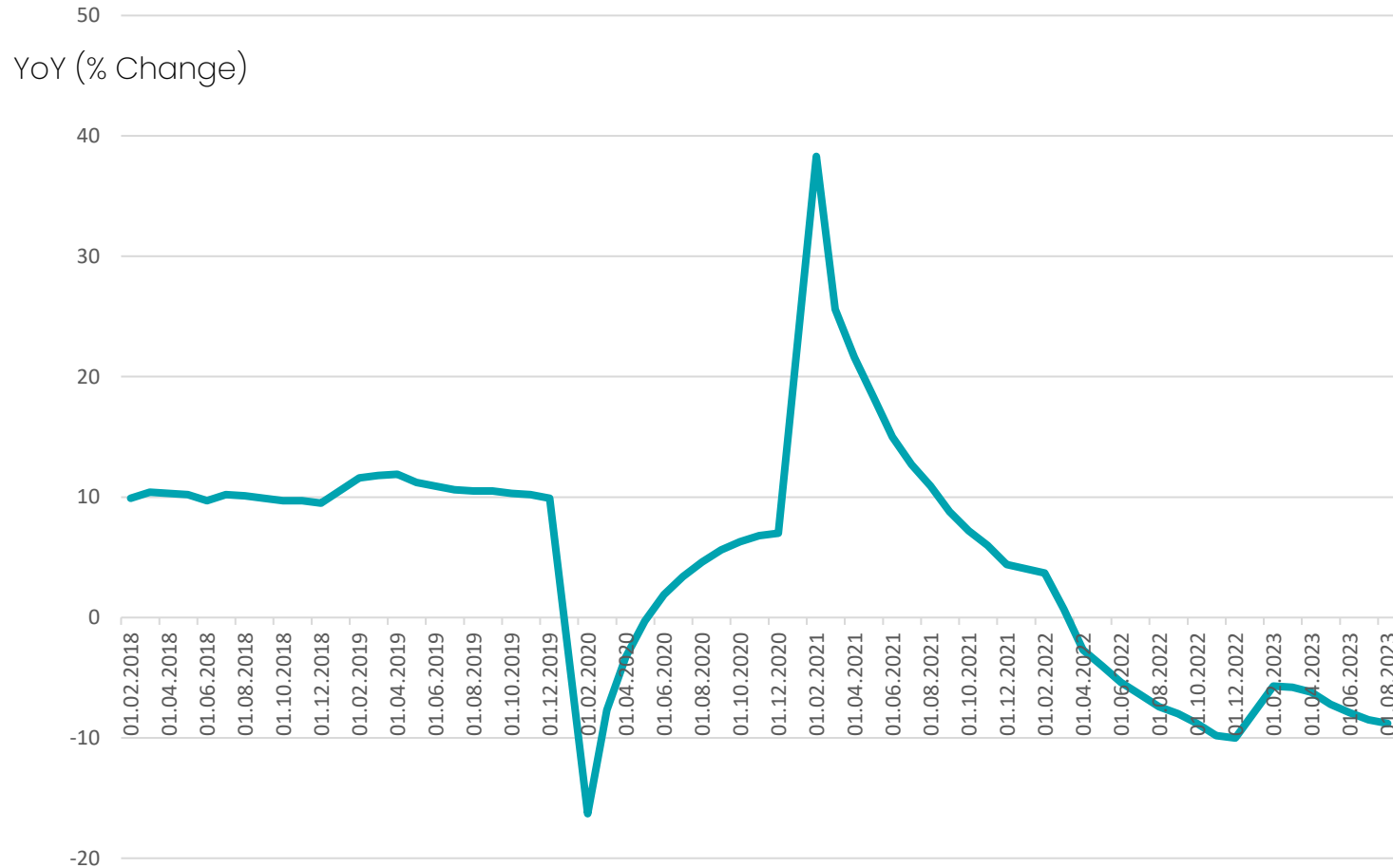
- Eurozone PMI at 47.1 (reading below 50 signaling contraction)
- Eurozone GDP Growth is expected to fall from 3.5% to 0.9% and 1.5% in 2023 /24

GLOBAL ECONOMY

- Global GDP Growth is expected to fall from 3.5% in 2022 to 3.0% in 2023 and 2024 according to IMF estimates

MACROECONOMIC ENVIRONMENT

>> CHINA PROPERTY INVESTMENT CONTRACTING



SOURCE: Bloomberg, National Bureau of Statistics, September, 2023

REAL ESTATE SECTOR CONTRACTION

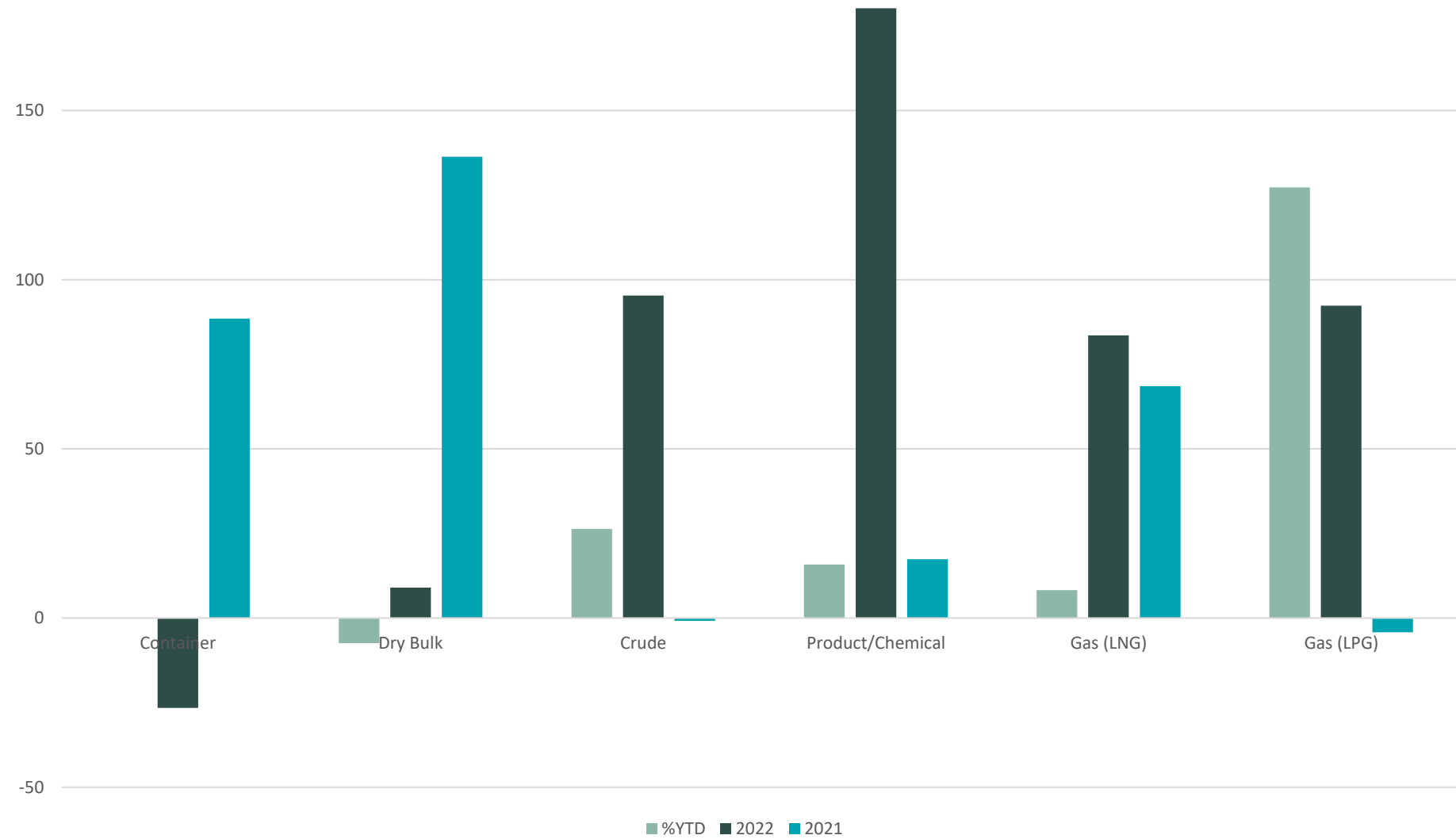
- China Completed Investment in Real Estate contracting by -8.8% YoY
- China Developer Country Garden at the brink of collapse
- New Housing Sales and New Starts have yet to show signs of stabilization

CHINA OVERALL ECONOMY

- Elevated risk China is falling into a debt deflation loop amid deleveraging pressures in the real estate sector
- Overall Debt to GDP has risen to ca. 300% of GDP
- China growth rate is expected to miss the full year economic growth target of 5% in 2023

SHIPPING EQUITIES

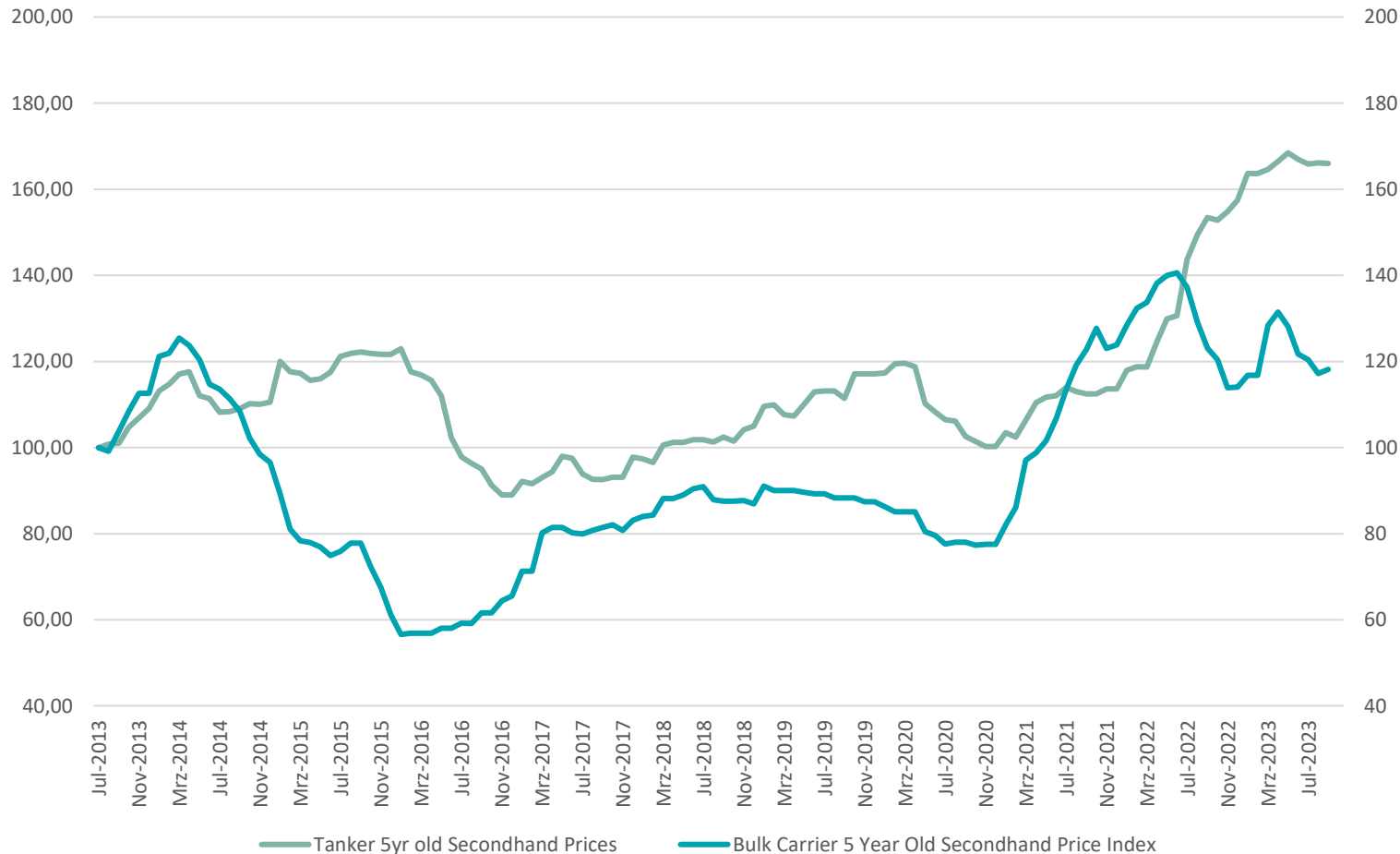
>> HISTORICAL RETURNS IN %



Source: Seahawk Investments GmbH, Own Calculations, Equally Weighted Constituents with individual shipping segments, Bloomberg .

DEVELOPMENT ASSET PRICES

>> SECONDHAND PRICES



ASSET PRICES HAVE MOVED UP
SIGNIFICANTLY IN THE LAST THREE
YEARS

- 5yr old tankers ca. + 65%
- 5yr old bulkers ca. + 50%

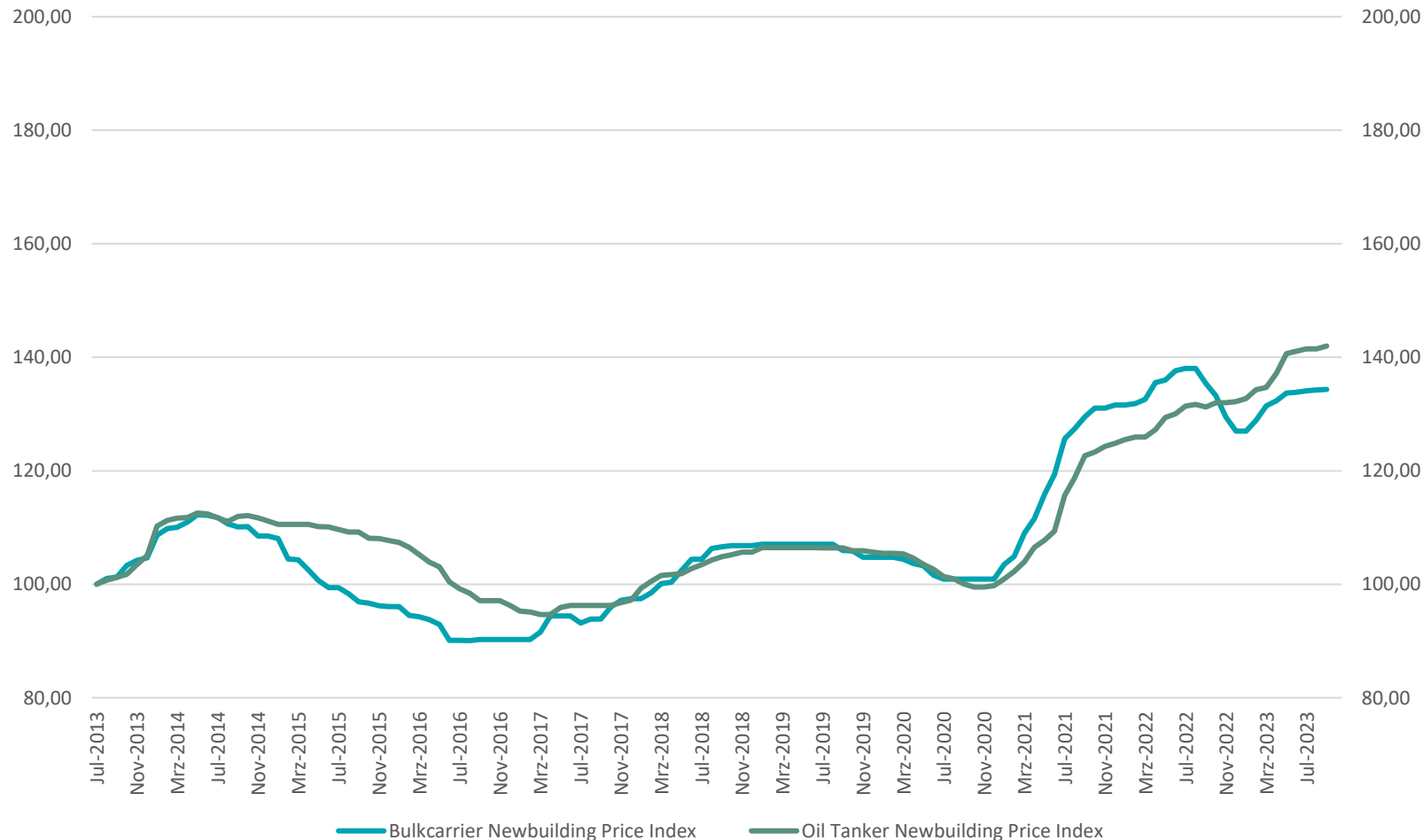
OVER A 10 YR HORIZON ASSET
PRICE INCREASES LOOK MORE
MODERATE

- 5 yr old tanker annualised increase ca. 5%
- 5 yr old bulker annualized increase ca. 1.6%

SOURCE: Clarksons, September, 2023

DEVELOPMENT ASSET PRICES

>> NEWBUILDING PRICES



NEWBUILDING PRICES HAVE INCREASED IN THE LAST THREE YEARS (BUT MORE MODERATELY)

- Oil Tanker Newbuilding Prices ca. + 40%
- Bulk Carrier Newbuilding Prices ca. +35%

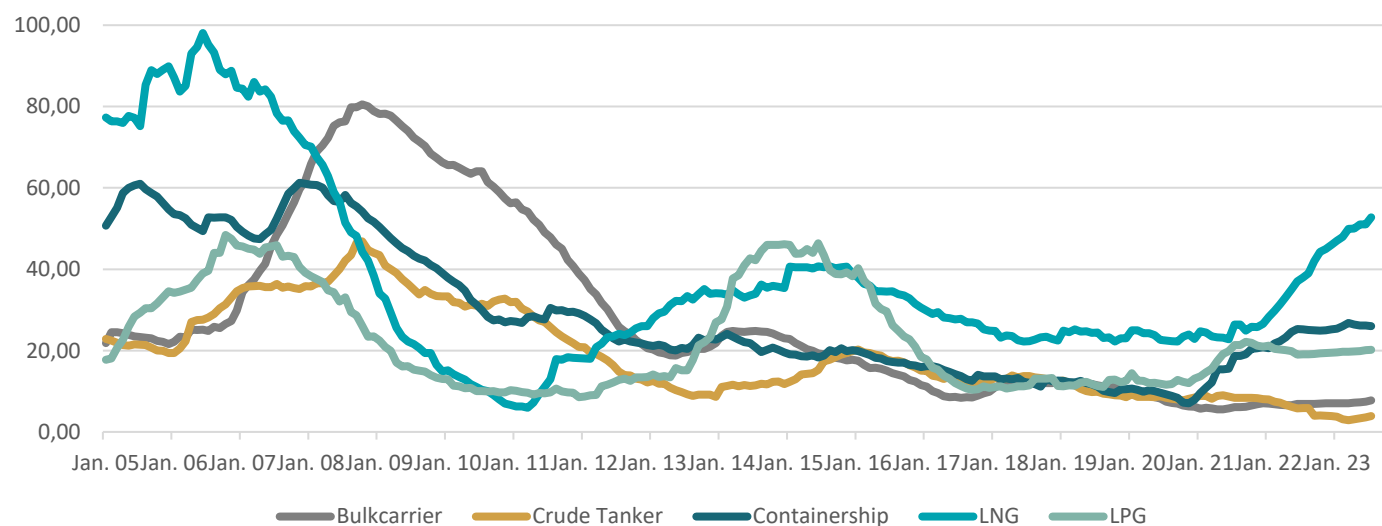
LIMITED YARD CAPACITY IS EXPECTED TO KEEP NEWBUILDING PRICES STABLE

=> Asset Prices both Newbuild and Second hand are expected to remain stable

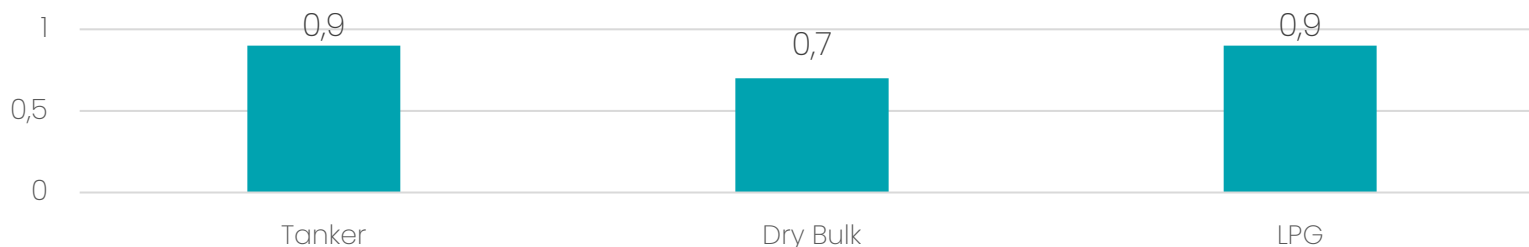
SOURCE: Clarksons, September, 2023

ORDERBOOKS / VALUATION

ORDERBOOK AS % OF TOTAL FLEET



CURRENT PRICE TO NAV RATIO



SOURCE: Clarksons, DNB Bank, September, 2023

ORDERBOOKS (M.DWT) AS A PERCENTAGE OF THE WORLD-WIDE FLEET ARE AT AN AVERAGE OF 11.1% AND THEREFORE SIGNIFICANTLY LOWER THAN THE HISTORICAL AVERAGE OF 25% IN THE LAST 25 YEARS

In 2008 the historical peak of 50% had been reached leading to a massive oversupply

NEWBUILD ORDERS ARE FURTHER SUBDUED

- In certain shipping segments such as tankers (dry bulk, product, crude- product tankers and offshore-supply)
- Uncertainty with regards to new (environmental) regulatory measures (IMO 2030/50 and EU Emission Trading System (ETS))

THE SHIPPING EQUITY SEGMENT IS TRADING AT AN AVG. P/NAV OF APPR. 0.85

SEAHAWK INVESTMENTS

>> OUTLOOK EQUITY SHIPPING



INDUSTRY SEGMENT	POSITIONING	OUTLOOK
Crude Tankers		– Order books of crude oil tankers are at a historical low of 3.9% of the world-wide fleet. Order books have been as low back in the 90s – Saudi Arabia and Russia are preserving production cuts of 1mn barrels /day and 300k barrels / day. – Companies are trading at an average P/NAV of 0.9 – Tonne Mile Growth is expected to be at 2% vs 2022 (Clarksons)
Product Tankers / Chemical Tankers		– The Russia sanctions are causing shifts in the trade routes for oil products (kerosene, diesel, gasoline). Capacity bottlenecks should ensure an attractive freight rate level. – The orderbook has grown to 9.1% (6.4% Chemical Tankers) of the world-wide fleet. – Tonne Mile Growth is expected to be at 4% vs 2022 (Clarksons) – For Q4 23 and 1H24 a favorable supply / demand balance should persist
Offshore Supply		– Order books are at only 2.5% – Tight capacities are to be expected in the medium term, as banks have withdrawn sharply from the offshore financing business.
Dry Bulk		– Avg. P/NAV is at 0.7 – The dry bulk order book is at a level of around 7.8% of the world-wide fleet. – The overall macro-economic environment is deteriorating – Growth estimates for China's economy have been cut to around 4.7 % and therefore China is very likely to miss its growth target of 5.0% – Tonne Mile Growth for the full year 2023 is expected to be at 3% vs 2022 (Clarksons)

The above estimates are based on either positive or negative scenarios. Forecasts are not a reliable indicator for future performance...

SEAHAWK INVESTMENTS

>> OUTLOOK EQUITY SHIPPING



INDUSTRY SEGMENT POSITIONING

OUTLOOK

Container



- Container rates have fallen by -65% on a year-on-year basis.
- Container seaborne trade demand is expected to stall in 2023.
- Newbuild-Orders have increased substantially during 2021/22.
- The total container order book is now at a heightened level of 26.0. Additional Newbuild-Orders could weigh on the supply-demand balance medium term.

LNG



- Spot Rates are at a level of \$ 240k /day (MEGI/XDF)
- New-Build Prices have increased by +30% in the last two years
- LNG-Demand is expected to remain strong during 2024.
- Order books are at an elevated level of 52.8% of the worldwide fleet.

LPG



- LPG-Sector is trading at an average P/NAV of around 0.9, with individual stocks currently trading at around 1.1 to 1.2 given record high daily rates of more than US\$ 100k/day..
- Elevated Oil Prices put upward pressure on Naphta Prices thereby triggering demand for LPG as a feedstock in the petrochemical industry.
- A relatively high order book of around 20.2% could weigh on the segment in the following years

Car Carrier



- Car Sales are expected to reach pre-covid levels in 2024
- Shipowners are likely to profit from very limited capacities in this segment in the next three years
- Car-Carrier-freight rates are showing an upward trend. 1-Yr Time Charter Rates are at historic highs of between \$ 90k to \$ 110k/day for 5,000 CEU and 6,500 CEU)
- The order book has increased a level of 28.5%.

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CONTACTS

>> 04

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