Global Maritime Finance

1st Panamá Maritime Finance & Trade Forum

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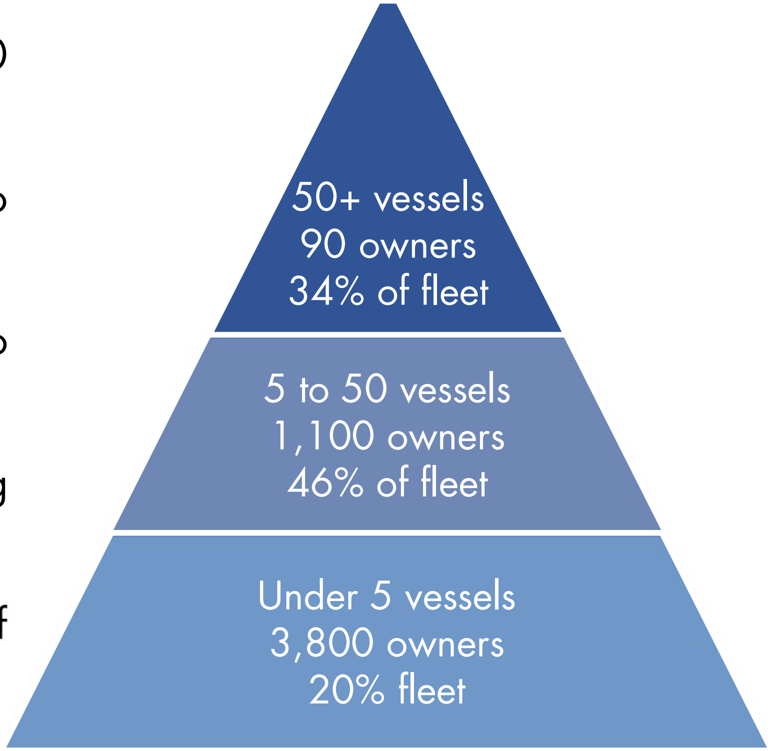
Maritime is The Largest Unconsolidated Industry in the World

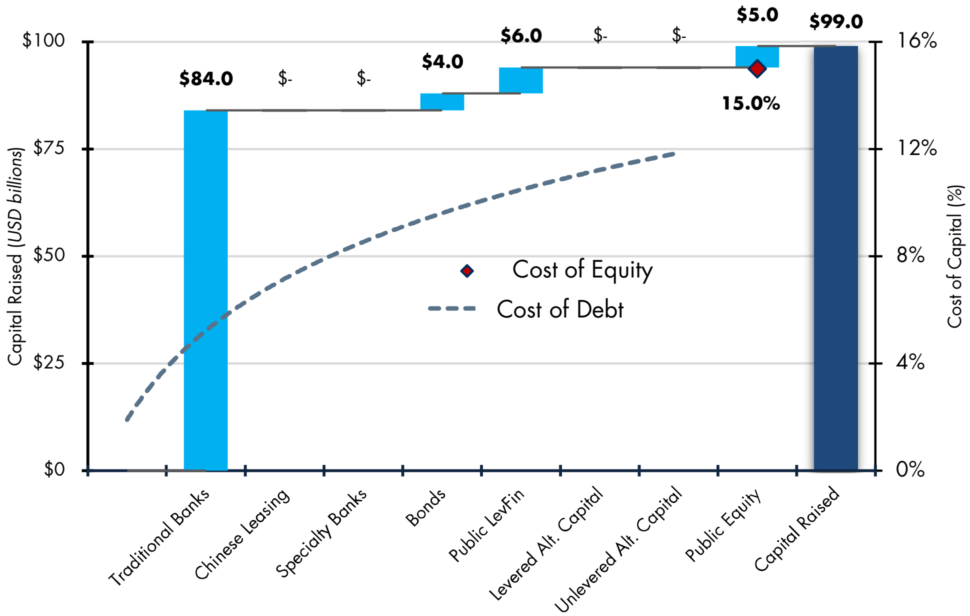
- Maritime market remains highly fragmented with more than 5,000 shipping companies with an average fleet size of six vessels [1]
- Small-to-mid-sized companies are unrated with limited access to capital markets or other financing sources
- Banks, the industry's traditional source of debt financing, continue to reduce capacity for credit exposure
- With an expanding world fleet, the reduction in bank lending capacity is contributing to a widening funding gap
- The limited availability of financing alternatives to a large portion of the industry presents opportunity for non-traditional lenders



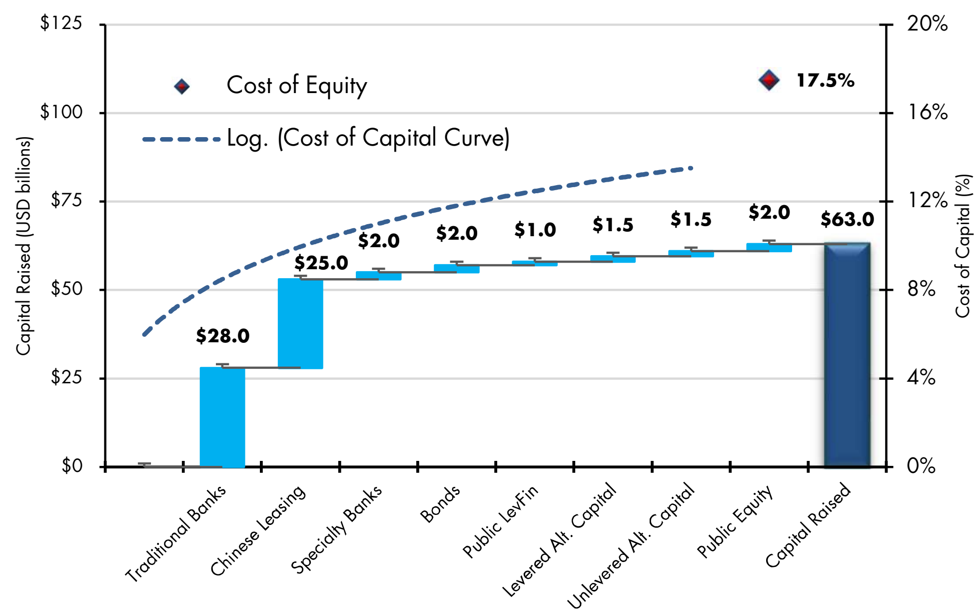
[1] Source: Clarksons Shipping Intelligence Network as of December 2023. Includes all major commercial cargo vessels (Crude, product tanker, dry bulk, LPG, Offshore Supply Vessels) greater than 10k dwt. Excludes all non-cargo vessel segments (i.e. tugs, ferries, cruise, dredge, offshore drilling rigs).

Capital Structure Evolution

2008 Capital Raised [1]



2023 Capital Raised [1]



Themes since 2008

- Banks deploying less capital to the maritime sector
- New capital sources have been forming
- Companies are seeking alternatives to bank financing

Comments from Market Participants

- *Owner:* "We use Chinese leasing for newbuilds, banks for vessels 1-10 years old and alternative capital providers, to the extent available, for vessels over 10 years old"
- *Owner:* "We have debt from several banks and an alternative credit fund. The alternative credit fund is the only lender which has visited the Company."
- *Alternative Lender:* "We don't want to be seen as one of the cheap banks. We want to be paid for the risk we are taking."

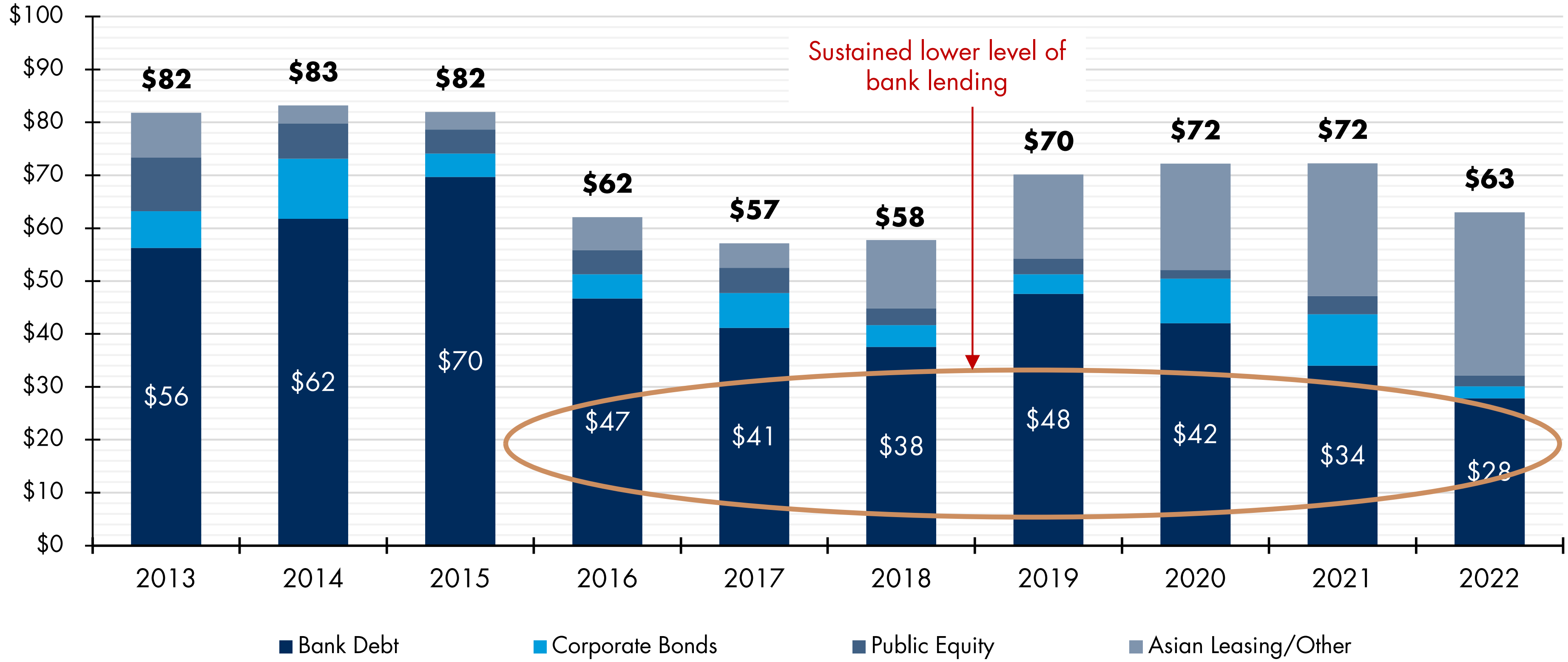
[1] Source: Marine Money and estimates from the presenter.

Note: The charts above represent the credit environment in the maritime sector in 2008, the period of the most recent height of the market in such sector, compared to the 2023, the current market with the most recent data available. The views and opinions expressed herein are the views and opinions of the presenter and are subject to change. Past performance and historical trends do not imply, forecast, predict, or guarantee future results.

Traditional Bank Finance Remains Constrained

- An average of $70B of capital was raised for the maritime sector annually over the last 10 years
- Contribution from traditional banks has steadily declined over the past six years from a peak of 85% in 2015 to 46% in today
- Asian leasing has increased its market share from less than 10% of the market ten years ago to 46% today

Annual Capital Raised by the Maritime Sector ($B) [1]

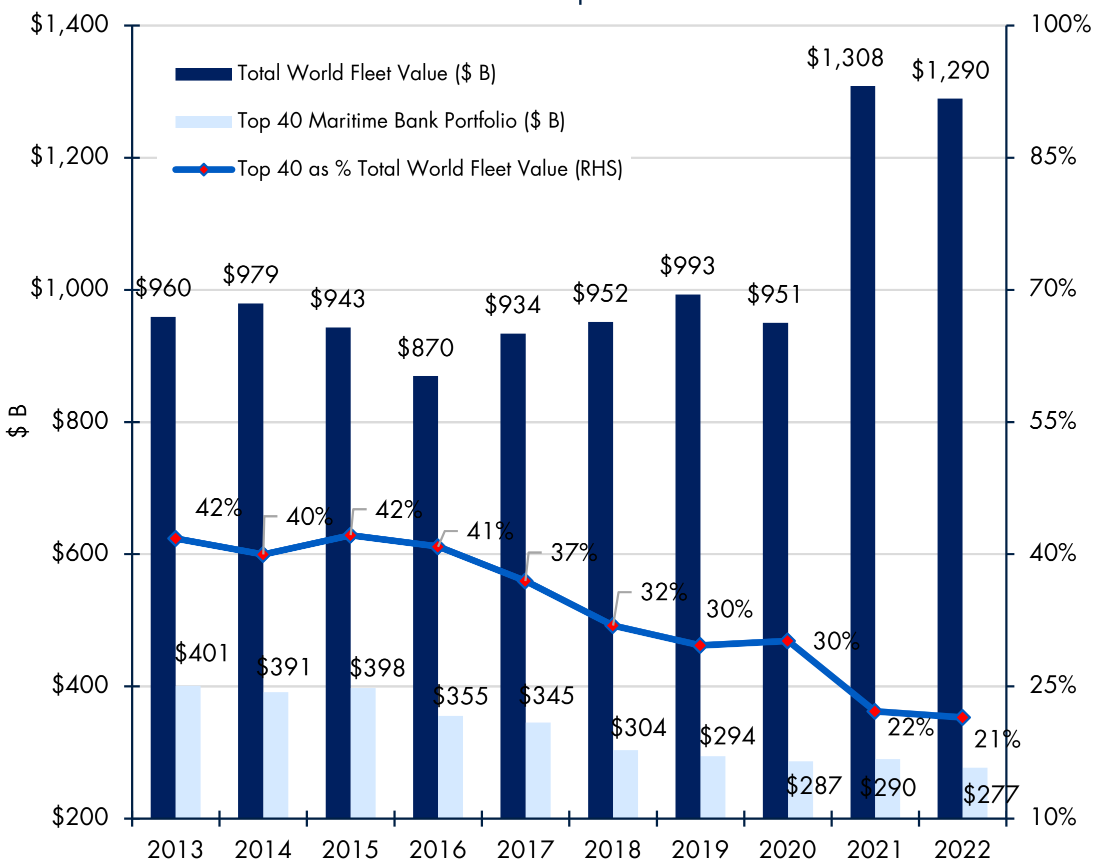


1. Source: Marine Money. Asian leasing/Other includes Term Loan B and Private Equity. Shipping industry only (excludes offshore). Excludes alternative credit financing as statistics are unavailable.

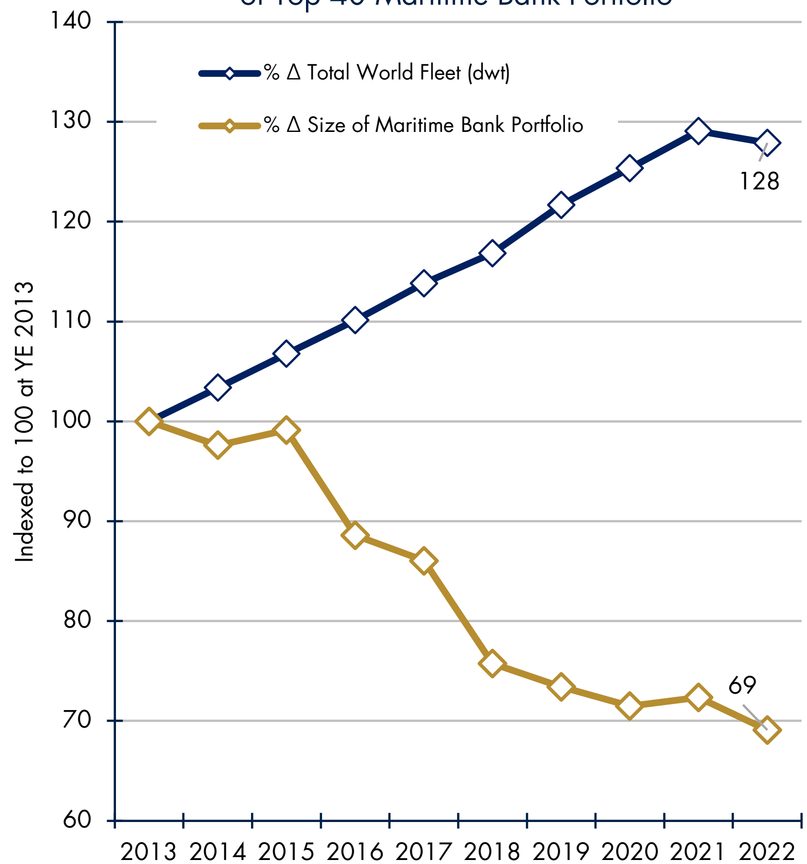
Financing Gap

- Traditional banks have reduced their shipping exposure and are increasingly focused on larger shipping credits
- The dislocation in traditional bank lending has been filled by Asian leasing, ECA financing, and alternative credit providers

Value of World Fleet vs. Size of Top 40 Maritime Bank Portfolio [1]



Relative Growth in capacity of World Fleet vs size of Top 40 Maritime Bank Portfolio [1]



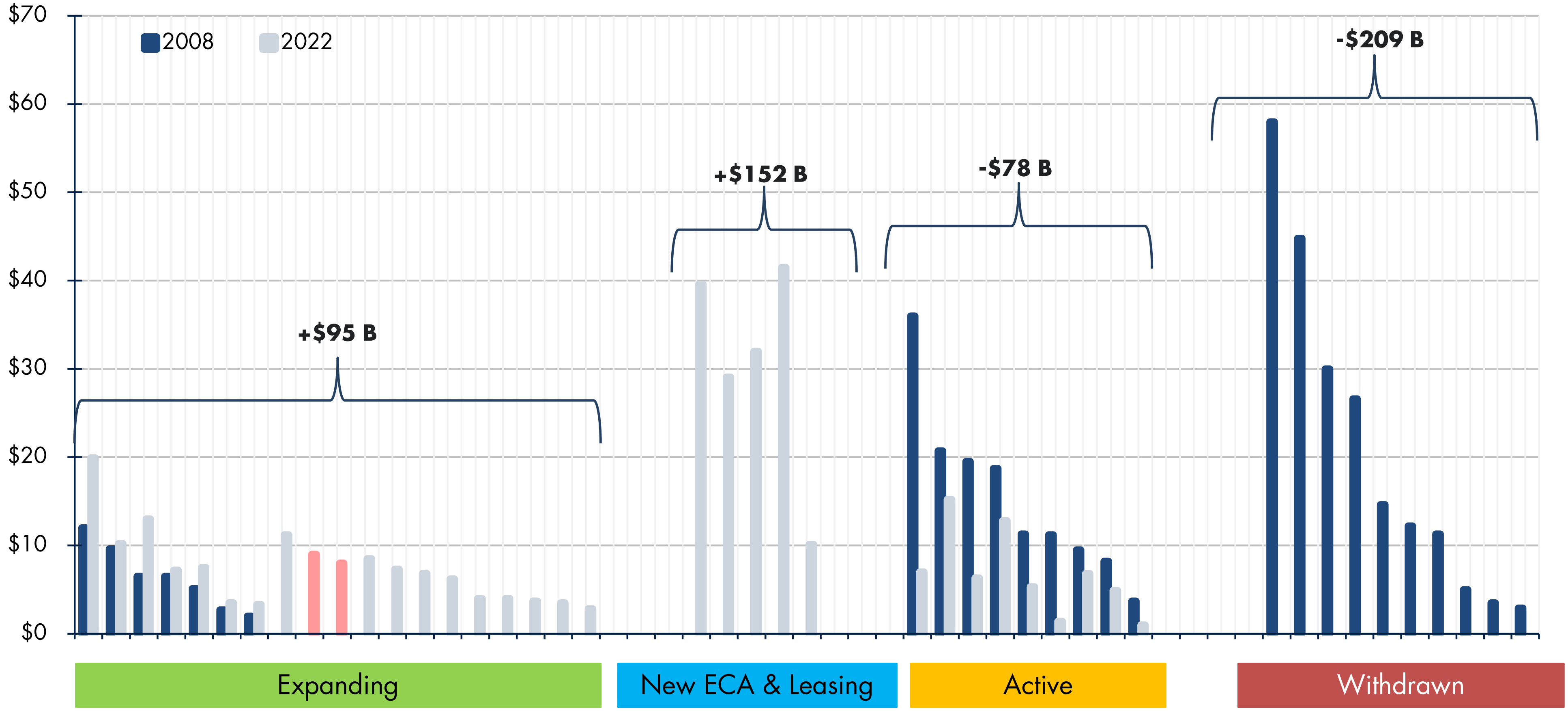
1. Source: Marine Money, Petrofin, Clarksons World Fleet Monitor, and Clarksons Shipping Intelligence Weekly. Top 40 Maritime Bank Portfolio includes traditional bank lending only (excludes Asian leasing). The charts shown herein are based on the historical aggregate commitments to the shipping industry by the top 40 maritime banks compared to the Clarksons Shipping Intelligence Network estimated fleet values and aggregate global shipping capacity measured in deadweight tons (dwt) for the global commercial cargo fleet > 10k dwt at the time each annual survey was conducted by Marine Money and Petrofin.

Note: Past performance and historical trends do not imply, forecast, predict, or guarantee future results.

Lending Appetite

- Asian leasing houses, ECAs, and some traditional banks have expanded their shipping finance exposure in the current environment; increase not sufficient to offset declines by other institutions
- Small to mid-size owners with mid-life vessels continue to have limited access to financing

Leading Maritime Lenders - Portfolio Comparisons 2008 vs. 2022 ($B) [1]



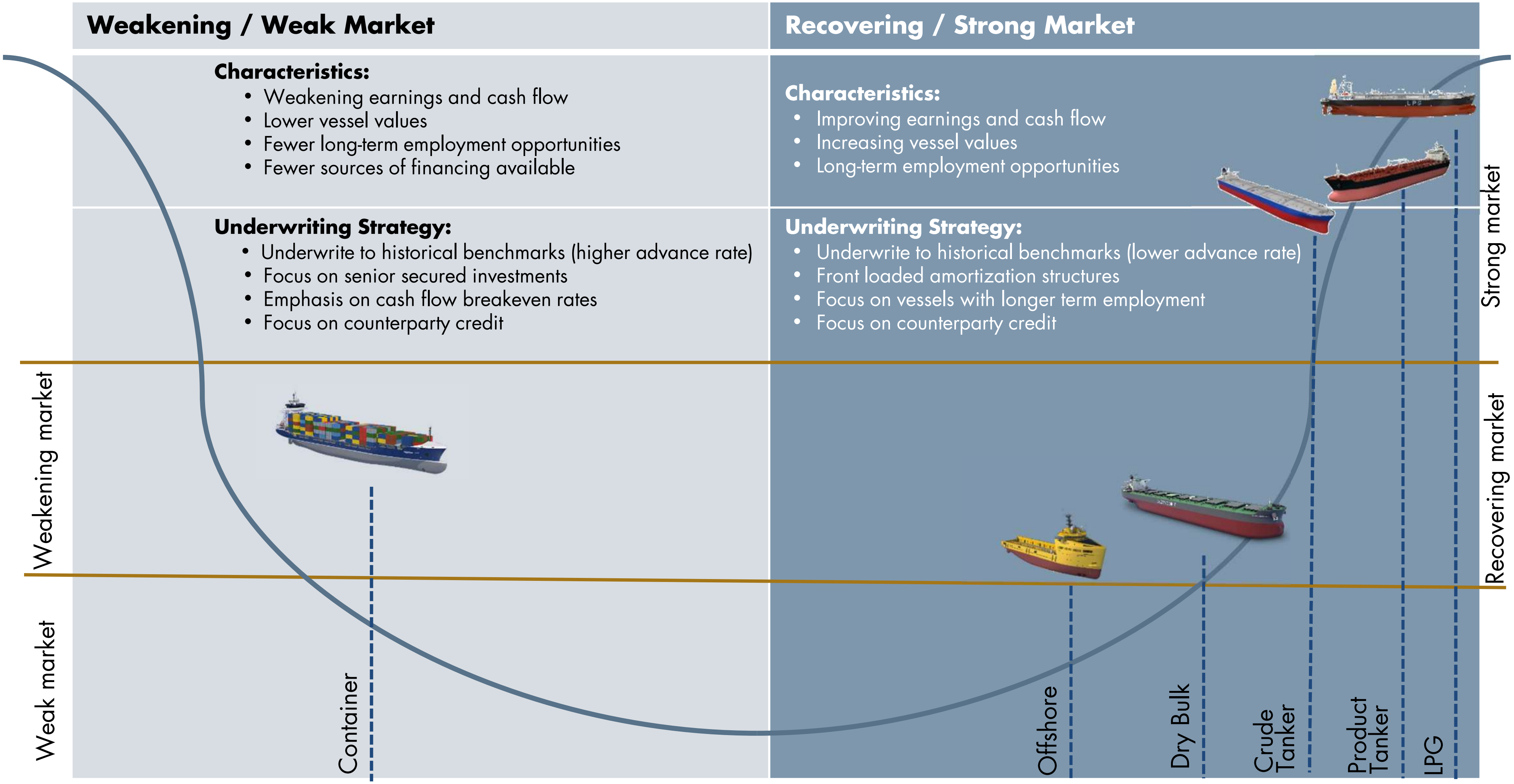
1. Source: Petrofin and Marine Money.

The chart shown herein is a comparison of the total credit commitments to the shipping industry of each of the Top 25 maritime banks in 2008 (the period of the most recent height of bank lending commitments to the shipping industry) versus those same banks commitments in 2022 and the commitments of the Top 35 banks in 2022, the current market with the most recent data available.

Note: Past performance and historical trends do not imply, forecast, predict, or guarantee future results.

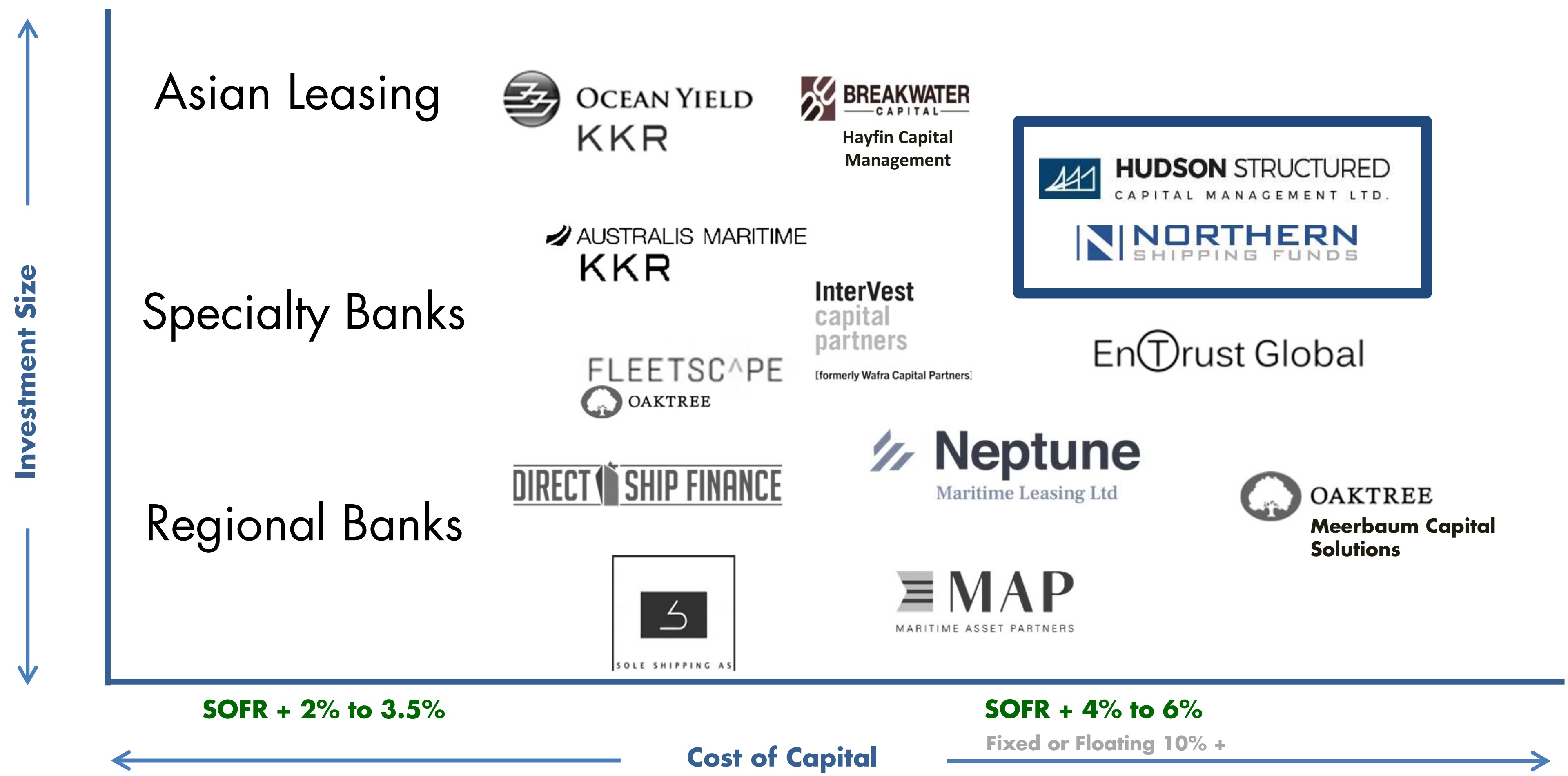
Investing through Shipping Cycles

- Except for peak highs and lows, alternative credit strategies are positioned to invest through shipping cycles
- Focus on entry point and residual value relative to historical asset price benchmarks and cash flow breakeven



Credit Landscape

- Some alternative lenders have expanded investment mandates to include equity or equity-like investments to increase their returns and/or leverage to reduce their cost of capital
- Rise in interest rates (SOFR) has increased the cost of capital for lenders which rely on leverage
- Alternative lenders who can be flexible in their structures and offer capital at a lower breakeven are more competitively positioned



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State of Shipping Market and Value Proposition for Alternative Credit

Current outlook for shipping markets is positive

- Supply Side Constraints
  - 50% of global orderbook is concentrated in alternative fuel technology and large vessels (i.e., LNG and Container) [1]
  - Limited orderbook in tankers and offshore;
  - Global yard capacity down 35% from 2011 peaks; shipyard forward cover is currently 3.7 years [1]
- Demand Continues to Increase
  - 90% of global trade carried by ships [2]
  - Shipping remains the most cost-efficient mode of transport for goods globally
  - Increased demand for diversified energy sources has driven demand for tankers, gas carriers, and offshore support vessels
- Disruption Upside has Been Persistent
  - IMO 2020/20250; Trade War; Sanctions; Russia-Saudi oil price war; COVID-19; Russia-Ukraine War; Panama Canal; Red Sea

Hudson Northern Value Proposition

- Average of annual volume of $70B in an inefficient market comprised largely of small and midsized companies
- Fast-moving, knowledgeable capital provider with reputation for efficiency and certainty in execution
- Unrated counterparties limits competition from traditional forms of lending
- Asset-backed loans/leases require industry expertise
- Act exclusively as sole issuer - controls terms and conditions
- Investments are asset backed, amortize and pay cash interest, with material covenant protection

1. Source: Clarksons Shipping Intelligence Network.
2. Source: International Chamber of Shipping; World Trade Organization (https: stats.wto.org).

Thank you, Panamá City!