

The Containership Market

November 2007

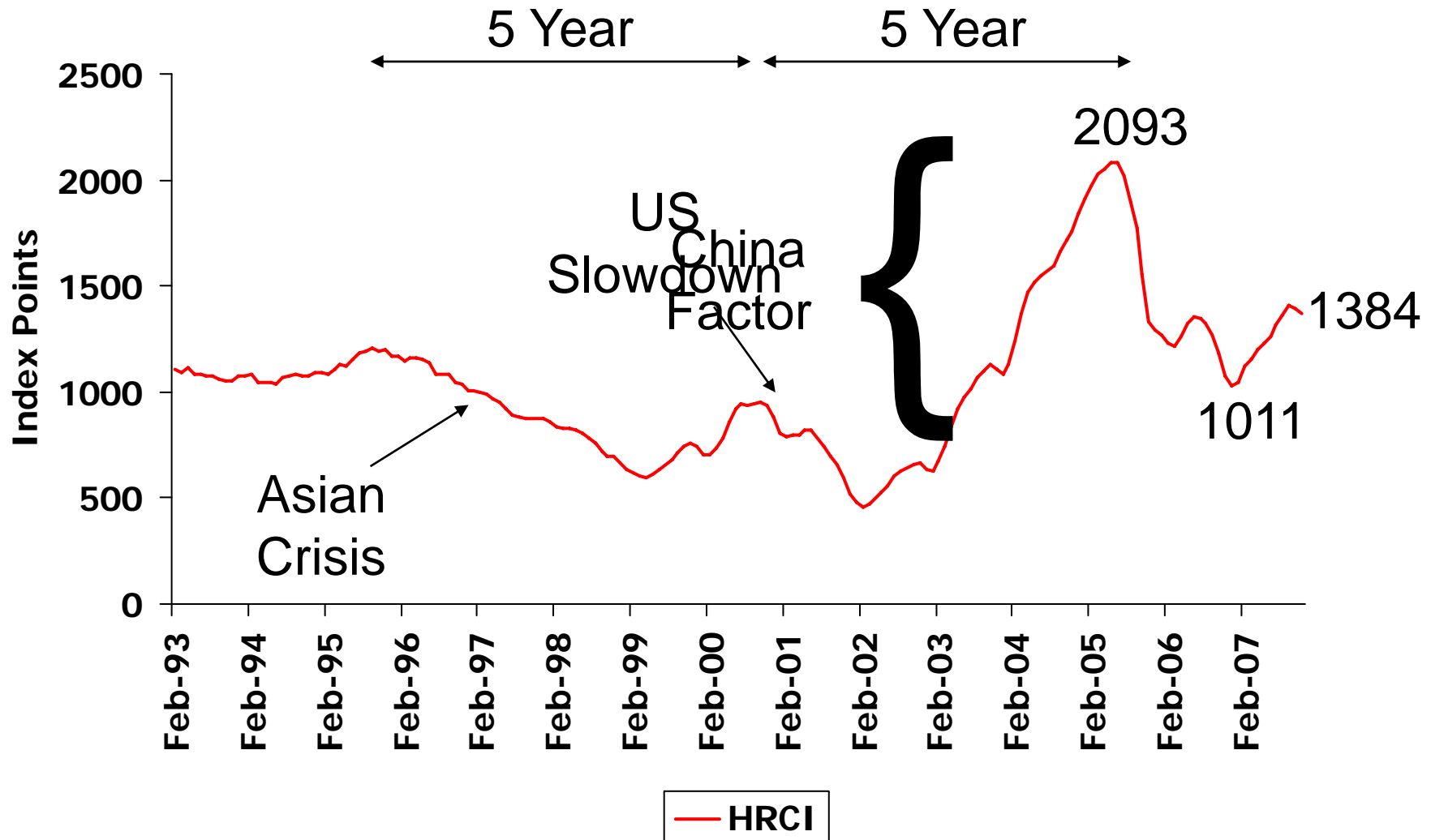
Mare Forum
Edward Foulds

Indonesian ownership

- Number of ships
= 1.5%
- TEU Capacity
= 0.35%
- Average Size
=500 teu

- What's been happening to vessel earnings
- Implications of the bulk boom on containership demand
- Vessel pricing v. earnings

Howe Robinson Containership Charter Index

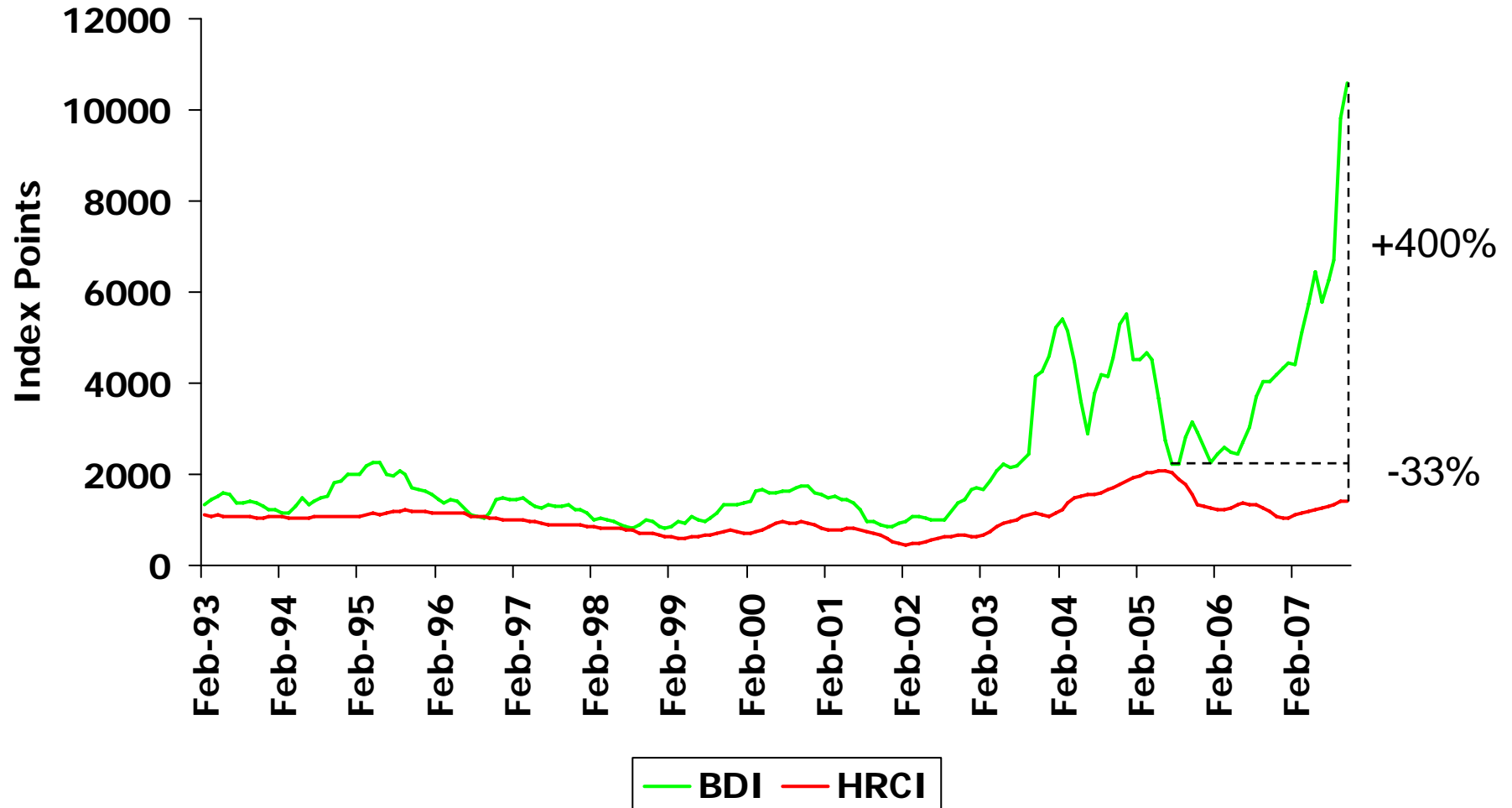


- Seasonal slowdown
 - Build up of ships 1000-2000 teu
- Not a fundamental weakening
 - Strong demand expectations 2008
 - Asia to Europe + 18%
 - Asia to US +6%
 - Europe to US +3%
 - North South +10%
 - Feeder /Inter regional +11%

Risks

- US vulnerability
- Credit squeeze
- Political
- Currency

Bulk considerations?



Containerships

	Cargo	Hire	Per Tonne Oct 07
8300 teu	67,500t	\$51,500 (5 years)	\$0.67
4250 teu	33,600t	\$30,250 (5 years)	\$0.90
2500 teu	22,200t	\$28,500 (1 year)	\$1.28
1700 teu	13,500t	\$17,500 (1 year)	\$1.29

Bulk carriers

	Dwt	Av TC routes	Per Tonne Sep 07
Cape	172,000	\$165,000	\$0.97
Panamax	74,000	\$93,400	\$1.30
Super Handy	53,000	\$72,700	\$1.42
Handy	30,000	\$47,000	\$1.67

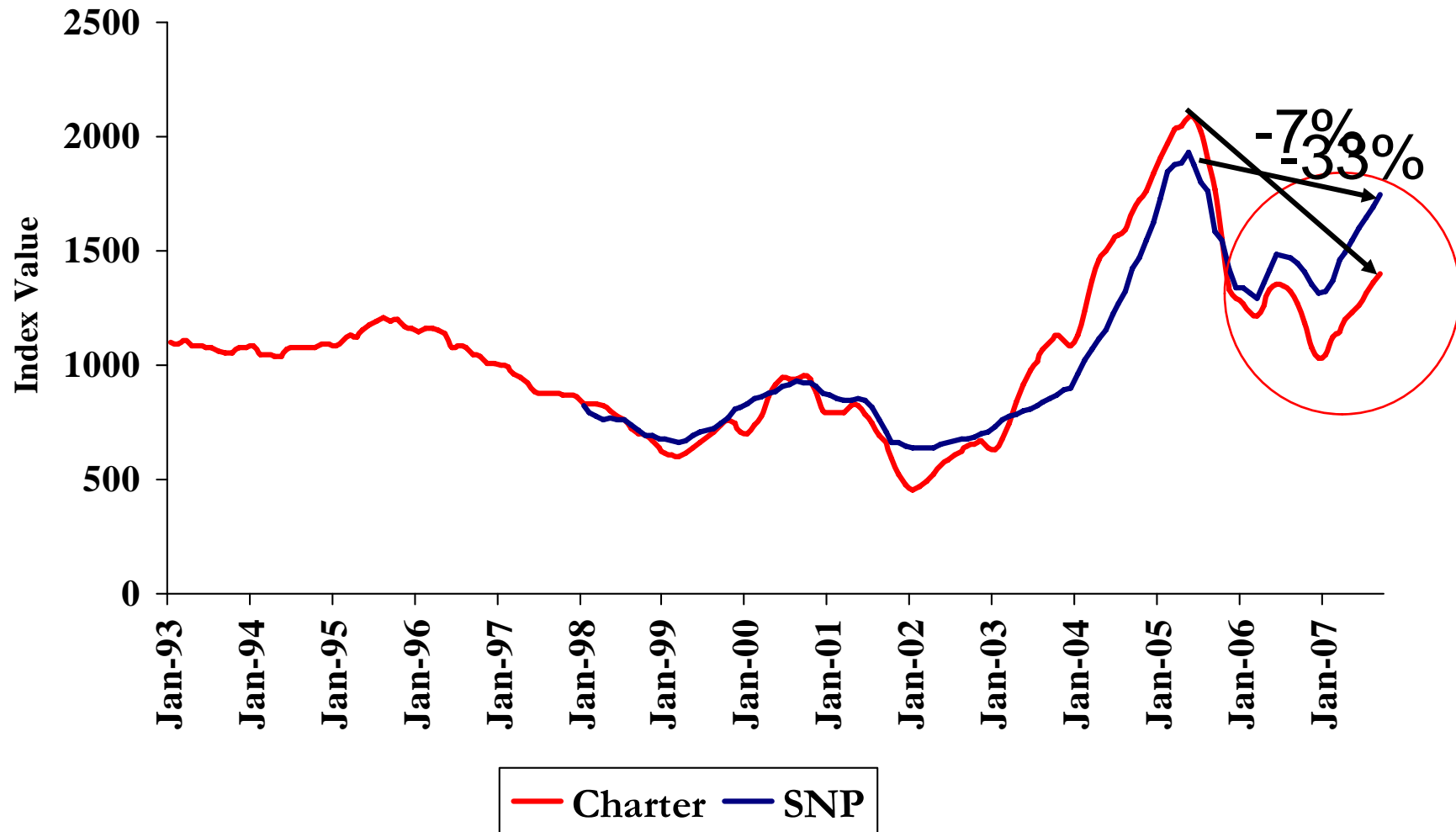
- Container ships USD 0.67 – USD 1.29
- Bulk carriers USD 0.97 – USD 1.67
- Port Cost
- Transportation and distribution

Conversion

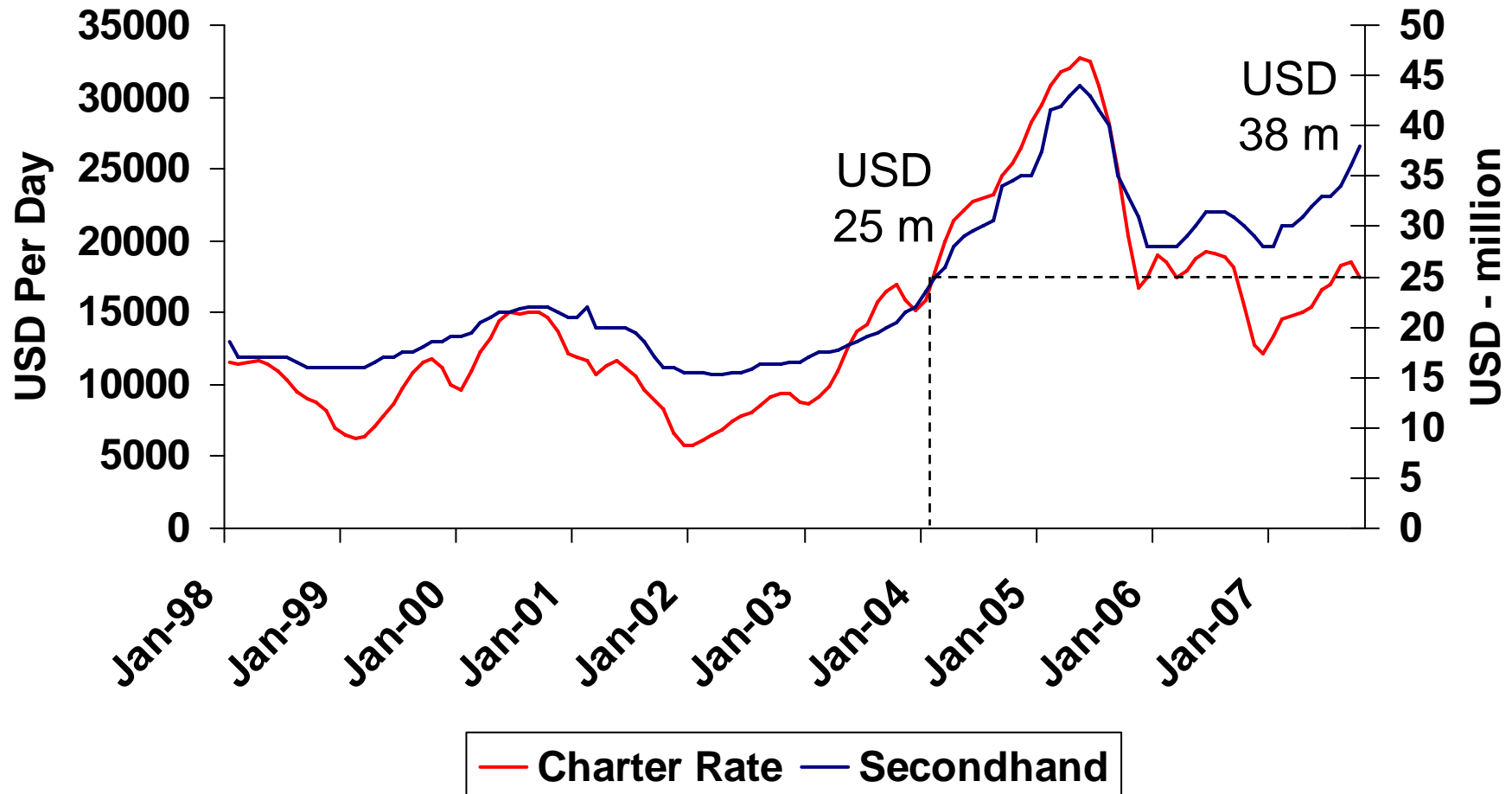
- Radical shift in the way sea borne transportation is pricing itself.
- So far, the shipper driven.
 - Trade specific
 - Heavy cargo
 - 20' foot boxes
- But it is happening
 - Aussie grain
 - Steel products
 - Indonesian Timber
 - US Scrap and soya
 - Sugar
 - Nickel
- Containerships can compete when they chose and this may underpin demand.

And the cost of buying containerships

The 'disconnect'



Geared 1700 teu 5 year



- Why
 - Too much money available for too few projects
 - IPO KGs (HCI, MPC, Lloyds Fonds, Mare Nave)
 - Non German IPOs
 - Seaspac – Canada
 - Danaos – New York
 - Rickmers - Singapore
 - FSL - Singapore
 - PST – Singapore
 - Seacastle – New York
 - Goldenport – London
 - Private Funds
 - Synergy – Cyprus
 - Seachange - USA
 - SFI – USA
 - Hedge Funds

Conclusion

- Market
 - There may be a softening in earnings in the 4th quarter
 - Longer term should trend up as long as no economic surprises
- Dry Implications
 - A downturn in demand can be supplemented from the dry sector
- Pricing
 - Secondhand prices will stay firm, but returns will be thin

Thank you