Market Review

Freight Market Summary

US$8,200 net

+24%

Handysize 1H18
average market spot rate

US$10,560 net

+32%

Supramax 1H18
average market spot rate

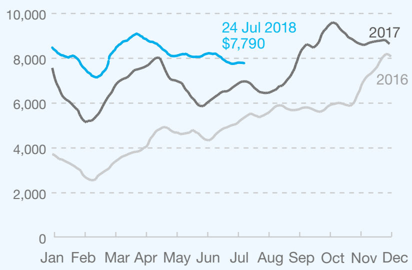
Handysize and Supramax spot market rates averaged US$8,200 and US$10,560 per day net respectively in the first half of 2018, representing 24% and 32% improvements in average earnings over the first half of 2017. This is the fourth consecutive half-yearly improvement in rates, reflecting a sustained recovery since the freight market bottomed in early 2016.

Significantly reduced newbuilding deliveries and only 1.6% net growth in the global dry bulk fleet in the first half helped to support the improved demand-supply balance and market rates.

The dry bulk freight market indices were characterised by a familiar pattern with a short seasonal decline at the start of the year, recovery after Chinese New Year with a stronger March and April followed by some summer weakness thereafter.

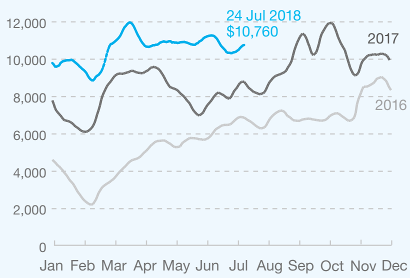
Handysize Market Spot Rates in 2016–2018

US$/day net*



Supramax Market Spot Rates in 2016–2018

US$/day net*



* excludes 5% commission
Source: Baltic Exchange (BHSI 28,000 dwt, BSI 58,000 dwt), data as at 24 July 2018

Key Supply Developments

SUPPLY DRIVERS

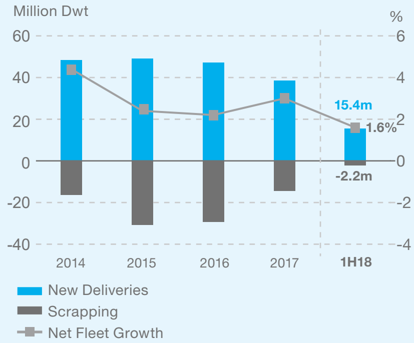
+1.4%

Global Handysize capacity 1H18

+1.6%

Overall dry bulk capacity 1H18

Dry Bulk Supply Development



Source: Clarksons Research, data as at 1 July 2018

The global fleets of 25,000-41,999 dwt Handysize and 42,000-64,999 dwt Supramax ships grew 1.4% and 1.5% net respectively during the half year as reduced newbuilding deliveries outweighed much reduced scrapping. Overall dry bulk capacity expanded by 1.6% in the period.

The reduced pace of scrapping to 0.3% of existing dry bulk capacity and 0.2% of Handysize capacity was due to the markedly improved freight market conditions compared to a year before.

Newbuilding deliveries reduced to 1.9% of existing capacity, as expected due to the declining orderbook.

Yard deliveries are typically higher early in the year, so net fleet growth is likely to reduce in the second half. Current very low levels of scrapping cannot reduce much further and there is potential for increased scrapping due to onerous new environmental regulations.

FREIGHT MARKET & OUTLOOK IMPACT SHIP VALUES

Ship Values

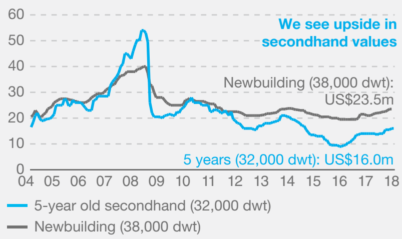
US$16.0m

+14%

Secondhand Handysize YTD

Improved freight market conditions have supported sale and purchase activity and increased vessel values. Clarksons Research currently values a benchmark five year old Handysize bulk carrier at US$16.0 million – up 14% since the start of 2018. Newbuilding prices have increased 7% since the beginning of the year to US$23.5 million.

Handysize Vessel Values



Source: Clarksons Research, data as at 20 July 2018

VALUES & OUTLOOK IMPACT NEW SHIP ORDERING

DEMAND DRIVERS

Key Demand Developments

Clarksons Research estimate dry bulk shipping tonne-mile demand in the first quarter to have improved by 1.0% year on year (2.1% on an overall demand basis), slower than a year ago mainly due to reduced Brazilian iron ore exports. Data for the second quarter is not yet available but will likely show further improvement in the demand-supply balance compared to a year ago, and even stronger improvement in the minor bulk segment. For the full year, Clarksons Research estimate 3.4% growth in tonne-mile demand against 2.5% net growth in global dry bulk capacity.

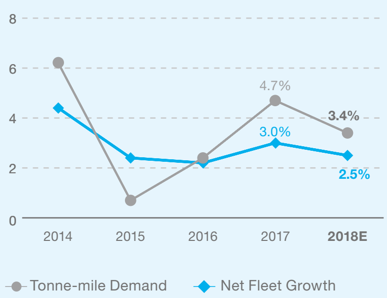
Key positive drivers through the first half included improved Brazilian and US grain exports, especially record soybean volumes from Brazil and corn from the United States in the second quarter. US coal exports also grew strongly to a five-year high in April.

Pacific demand benefited from increased trade in bauxite, nickel ore, copper concentrate, forestry products and other minor bulks in which we specialise. Warm weather in China contributed to increased electricity generation driving 9% year-on-year growth in coal imports in the first half. Chinese steel exports declined 14% due to strong domestic demand.

Trade disputes between the United States and its key trading partners appear so far to have had only limited impact on agricultural and steel trade volumes globally.

Dry Bulk Demand & Supply

% YOY change



Source: Clarksons Research, data as at 1 July 2018

1H18 Import Volumes (examples)

China Coal	↑	9%
China Minor Bulks*	↑	8%
China Soybean	↔	0%

1H18 Export Volumes (examples)

US Coal	↑	22%
US Agri (sales)	↑	4%
Brazil Agri Products	↑	3%
China Steel	↓	14%

* Excluding bauxite and nickel ore for which data is not yet available

Above are examples of only some relevant trades, as only limited trade data is currently available for the period.

Source: Bloomberg, Brazil Customs, Clarksons Research, data as at 1 July 2018

Orderbook

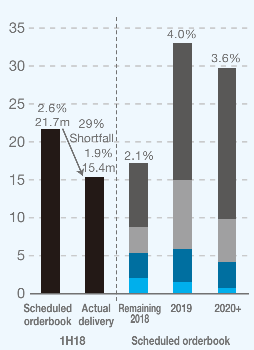
The gap between newbuilding and secondhand prices as well as uncertainty over future ship design requirements continued to discourage new ship ordering which in the first half represented 3% of the global dry bulk fleet (annualised) and only 1.3% of the combined Handysize and Supramax fleet. The dry bulk orderbook remains below 10%, and the combined orderbook for our Handysize and Supramax segments stands at 5.5% – the lowest since the 1990s.

Very limited ordering in our segments and a continued orderbook delivery shortfall should result in further reductions in new ship deliveries in the coming years. Scheduled deliveries for this year are smaller than last year, and we expect actual deliveries will be around 27 million deadweight tonnes compared to 38 million deadweight tonnes in 2017.

Source: Clarksons Research, data as at 1 July 2018

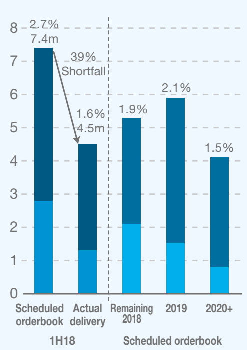
Orderbook by Year

Million Dwt



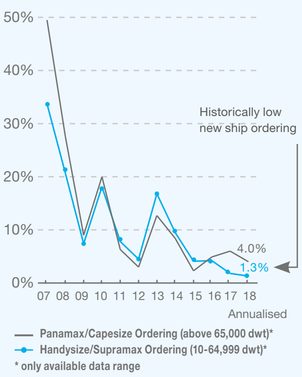
Combined Orderbook: Handysize & Supramax

Million Dwt



Dry Bulk New Ship Ordering

Total Ordering vs Existing Fleet
% of Fleet (Dwt)



	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	1H18 SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
Handysize (25,000–41,999 dwt)	5.3%	9	10%	0.4%
Supramax (formerly Handymax) (42,000–64,999 dwt)	5.6%	9	7%	0.3%
Panamax & Post-Panamax (65,000–119,999 dwt)	8.3%	9	6%	0.1%
Capesize (incl. VLOC) (120,000+ dwt)	14.7%	8	6%	0.9%
Total Dry Bulk > 10,000 dwt	9.7%	9	7%	0.5%