

Market Review

Both demand and supply look better in our segments 

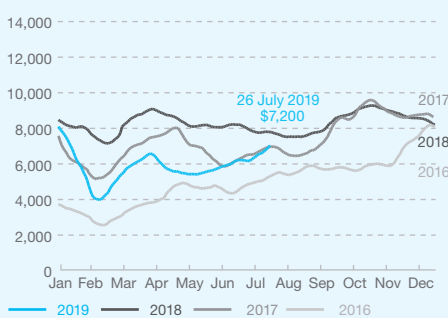
Freight Market Summary

US\$5,750 net  **30%**

Handysize 1H19
average market spot rate


Handysize Market Spot Rates in 2016–2019

US\$/day net*



* excludes 5% commission

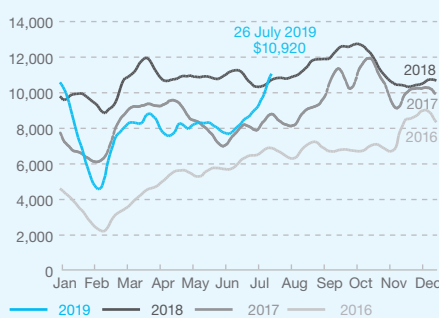
Source: Baltic Exchange (BHSI 28,000 dwt), data as at 26 July 2019

US\$7,790 net  **26%**

Supramax 1H19
average market spot rate

Supramax Market Spot Rates in 2016–2019

US\$/day net*



* excludes 5% commission

Source: Baltic Exchange (BSI 58,000 dwt), data as at 26 July 2019

2019 started weaker than the last two years with a more pronounced Chinese New Year dip, followed by a partial recovery in dry bulk freight rates in the second quarter and stronger improvement in July.

Seasonal weakness was compounded by a number of demand-side factors which outweighed the benefit of slow growth in global dry bulk supply.

Handysize and Supramax spot market rates averaged US\$5,750 and US\$7,790 per day net respectively in the first half of 2019, representing 30% and 26% reductions in average earnings compared to the first half of last year. In contrast, our own TCE earnings for the period reduced only 6% and 7% respectively.

Minor Bulk Drives Demand

DEMAND DRIVERS

Clarksons Research estimates total dry bulk tonne-mile demand growth in the first quarter to have reduced to 0.6% year on year. Data for the second quarter is not yet available but will show improvement.

Demand weakness was mainly attributable to significantly disrupted iron ore and grain trades which directly affected larger bulk carriers but also impacted sentiment in the market for smaller vessel types.

Brazilian iron ore exports were disrupted by damage to mining infrastructure. The US-China trade war impacted soybean imports to China, as did African Swine Fever which significantly reduced Chinese pig stocks and in turn demand for soybean which is a key feed grain. Flooding in the Mississippi River impeded grain exports from the United States. On a positive note, coal imports into China grew 6% year on year despite shrinking in the first quarter.

Demand for minor bulk commodities remains strong, benefitting from growth particularly in Chinese imports of bauxite, nickel and manganese ores.

The second half of the year is typically stronger than the first and, for full years 2019 and 2020, Clarkson's Research estimates 1.3% and 3.1% growth in dry bulk tonne-mile demand respectively. Minor bulk tonne-mile demand is expected to grow at a stronger 4.5% in 2019 and 4.8% in 2020.

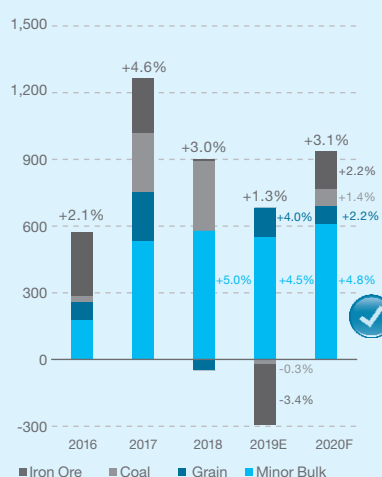
1H19 Chinese Import Volumes

Iron Ore		6%
Coal		6%
Grain		19%
Minor Bulks*		18%

* Chinese imports of 6 minor bulks including logs, fertiliser, bauxite, nickel, copper concentrates & manganese ore
Source: Bloomberg, data as at June 2019

Annual Change in Global Dry Bulk Tonne-mile Demand

Annual change in Billion Tonne-miles

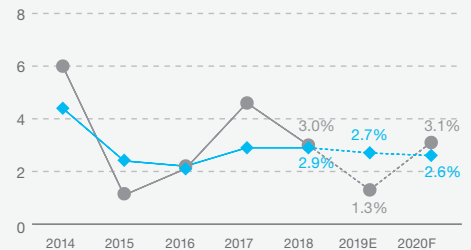


Source: Clarkson's Research, data as at June 2019

Significantly Better Demand and Supply Balance in Our Segments

Dry Bulk Demand & Supply

% YOY change

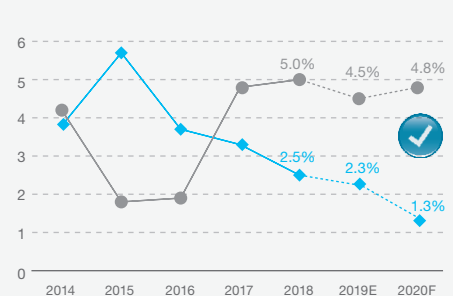


◆ Net Fleet Growth (%)

● Overall Dry Bulk Tonne-miles Demand

Minor Bulk Demand and Handysize/Supramax Supply

% YOY change



◆ Handysize and Supramax Net Fleet Growth (%)

● Minor Bulk Tonne-miles Demand

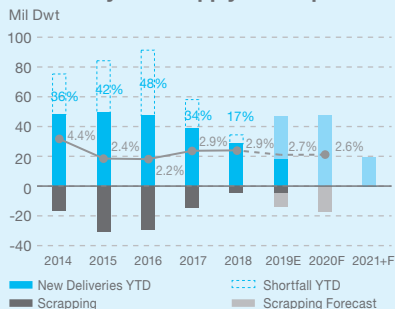
Source: Clarkson's Research, supply data as at July 2019

Net Fleet Growth is Reducing for Smaller Vessels

+1.6% ↔ **0% YOY**

Overall dry bulk capacity 1H19

Overall Dry Bulk Supply Development



Source: Clarksons Research, data as at July 2019

Supply growth grew slightly slower in the first half compared to one year ago with the global fleets of 25,000–41,999 dwt Handysize and 42,000–64,999 dwt Supramax ships growing about 1.7% and 1.4% net respectively during the half year, and overall dry bulk capacity growing by about 1.6% net.

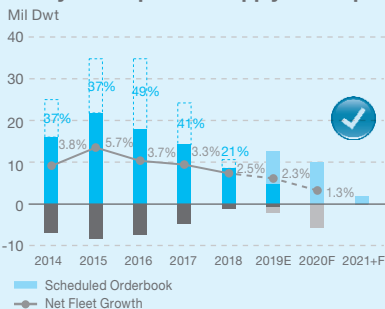
Scrapping increased to 0.5% of existing dry bulk capacity in the first half, but is still at a low level and concentrated in the much larger Capesize and ore carrier segments, with smaller vessel segments seeing even less scrapping. Substantially no Handysize or Supramax capacity was scrapped during the period.

Newbuilding deliveries in the first half of the year amounted to 2.1% of the existing fleet, with Panamax deliveries outweighing moderate reductions in deliveries of other vessel types.

+1.5% ↑ **0.1% YOY**

Global Handy/Supra capacity 1H19

Handysize/Supramax Supply Development



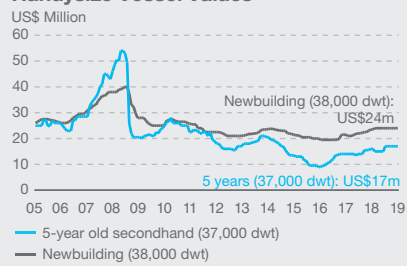
Ship Values Remain Stable

US\$17m ↔ **+0%**

Secondhand Handysize YTD

Despite weaker freight market conditions, values for modern ships have been relatively stable. Clarksons Research currently values a benchmark five year old Handysize bulk carrier at US\$17.0 million – unchanged since the start of 2019. Newbuilding prices have also remained steady at US\$24.0 million. The gap between newbuilding and secondhand prices continues to discourage new ship ordering.

Handysize Vessel Values



Source: Clarksons Research, data as at 26 July 2019

SUPPLY DRIVERS

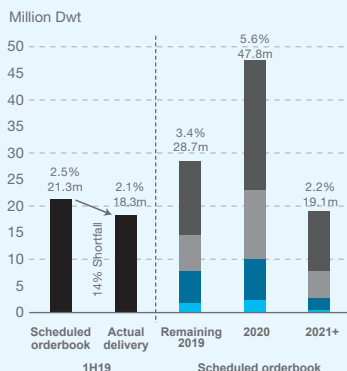
VALUES & OUTLOOK IMPACT
NEW SHIP ORDERING

Supply Developments Favour Smaller Vessels

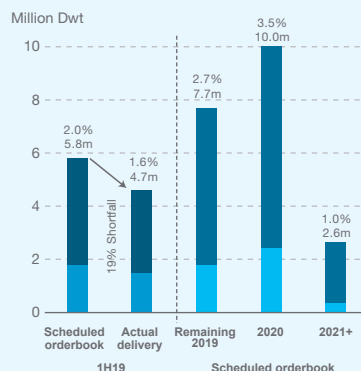
New ship ordering in the first half of 2019 was less than a year ago and remained concentrated in the Panamax and Capesize segments. New orders for Handysize and Supramax vessels remained more limited. The combined Handysize and Supramax orderbook now stands at 7.2%.

New ship ordering is expected to remain restrained, discouraged by the continued gap between newbuilding and secondhand prices as well as uncertainty over upcoming environmental regulations and their impact on future vessel designs.

Orderbook by Year



Combined Orderbook: Handysize & Supramax



Source: Clarksons Research, data as at 1 July 2019

	ORDERBOOK AS % OF EXISTING FLEET	AVERAGE AGE	OVER 20 YEARS OLD	1H19 SCRAPPING AS % OF EXISTING FLEET (ANNUALISED)
Handysize (25,000–41,999 dwt)	5.5%	10	11%	0.4%
Supramax (formerly Handymax) (42,000–64,999 dwt)	7.9%	10	8%	0.4%
Panamax & Post-Panamax (65,000–119,999 dwt)	11.0%	10	8%	0.2%
Capesize (incl. VLOC) (120,000+ dwt)	15.3%	9	5%	2.2%
Total Dry Bulk > 10,000 dwt	11.2%	10	7%	1.1%