

# Shipping cycle and investment opportunities

Harris Antoniou - Head of Energy, Commodities & Transportation



Capital Link  
Energy, Commodities & Transportation  
March 25, 2011

# Fundamentals driving shipping industry

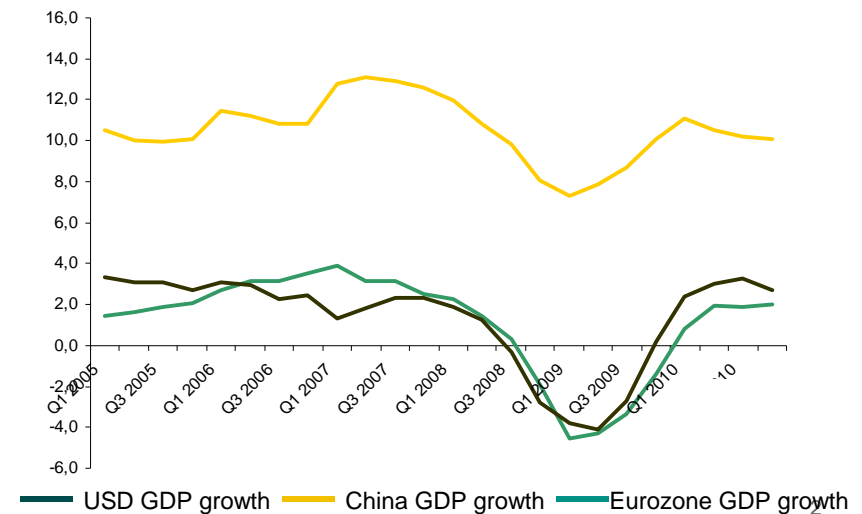
## The Macro Economic Context

- Global population to rise to more than 9 bn by 2050 (up 29%).
- China will continue to drive global economic transformation.
- Other emerging economies – India, Brazil, Russia, Malaysia, Indonesia
- Urbanisation, shrinking arable land, population growth pressure on commodity demand

## World Trade volume (2000=100)



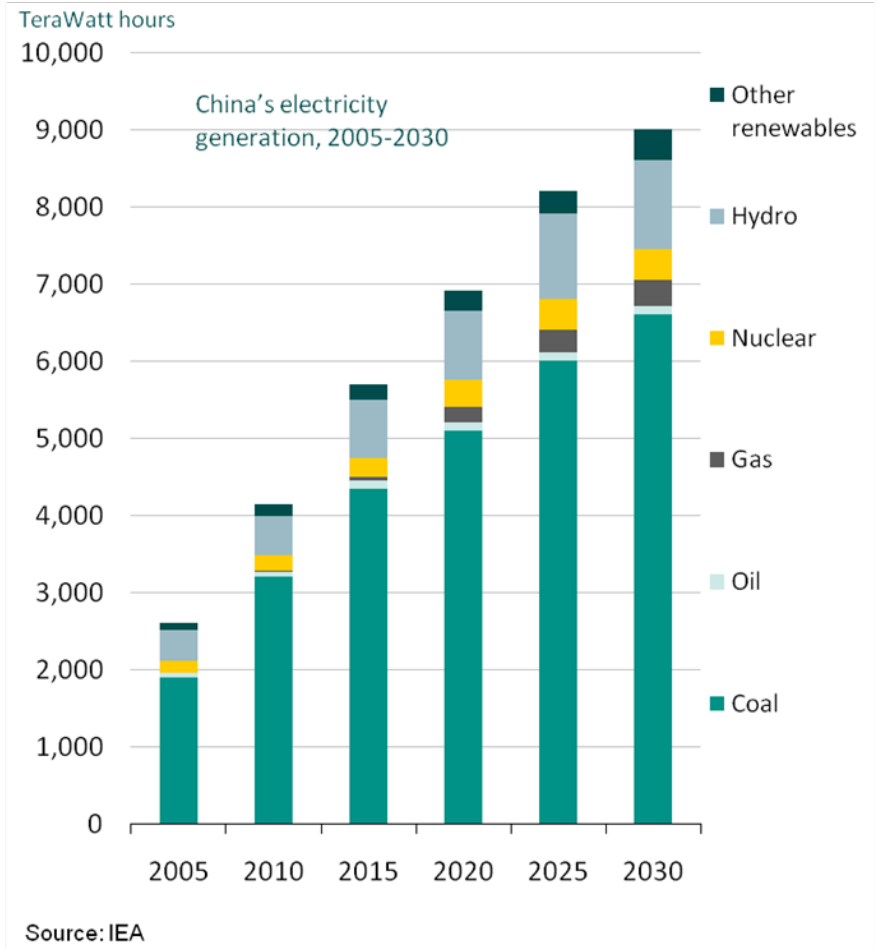
## GDP growth



# China powers ahead

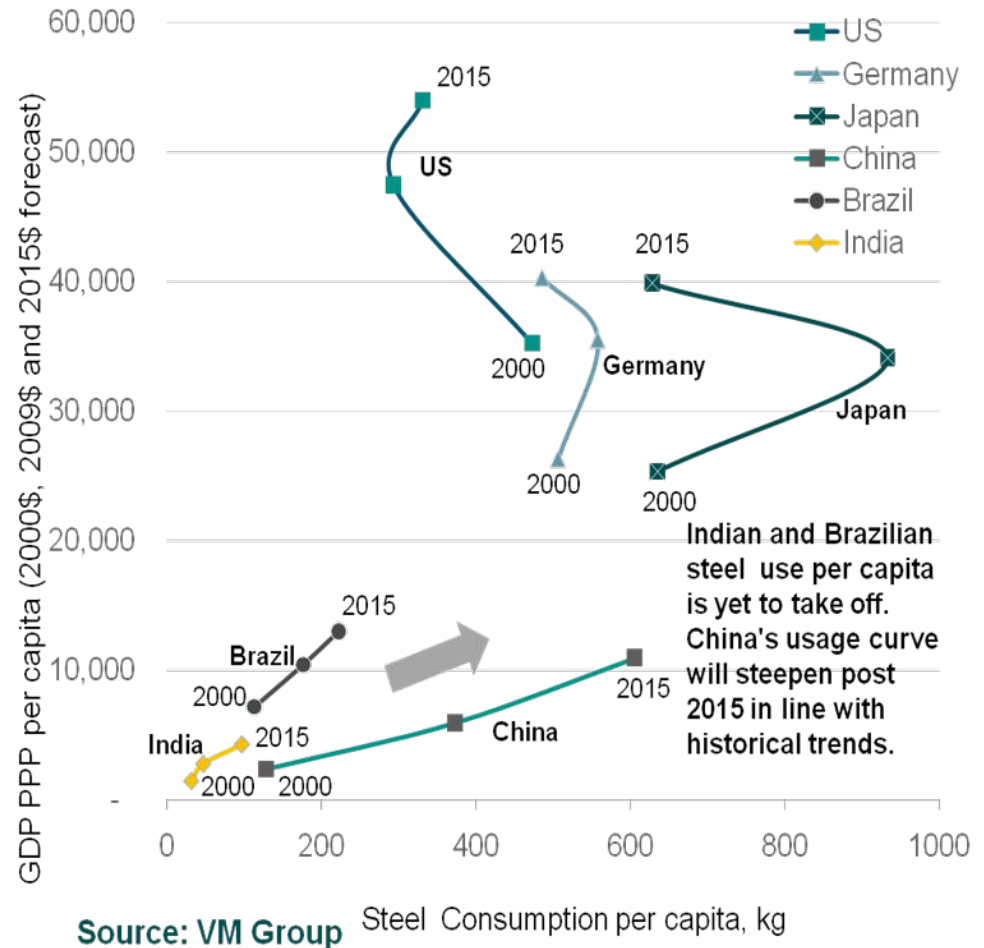
- Power needs expected to double in the next decade.
- Coal-fired power stations will remain key
- China will remain a net importer of thermal coal
- Seaborne thermal coal trade to expand by more than 50%, to >1.2 billion mt by 2020. China and India to account for 2/3 of this

**Good news for world coal trade and prices**



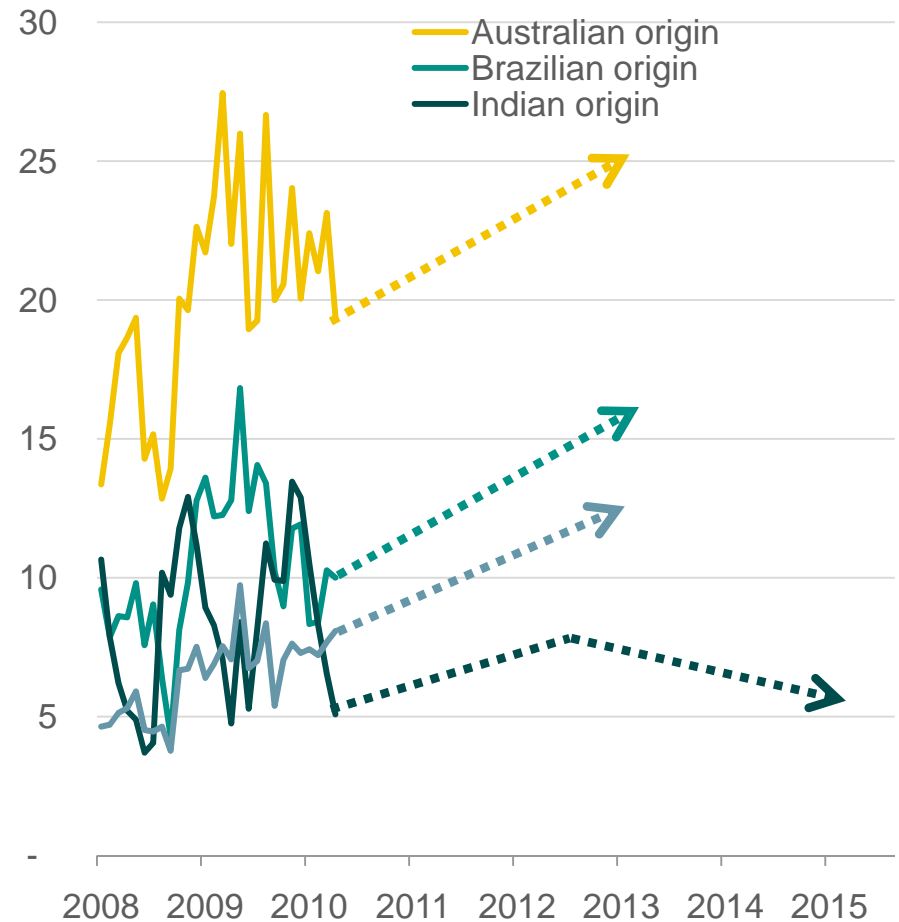
# Forecast Steel consumption per capita

- Steel consumption growth in post industrialised economies has stalled
- Consumption growth in emerging economies to more than offset this.
- Chinese steel consumption average due; curve should get steeper over the next decade.



# The inevitable rise of Chinese iron ore imports

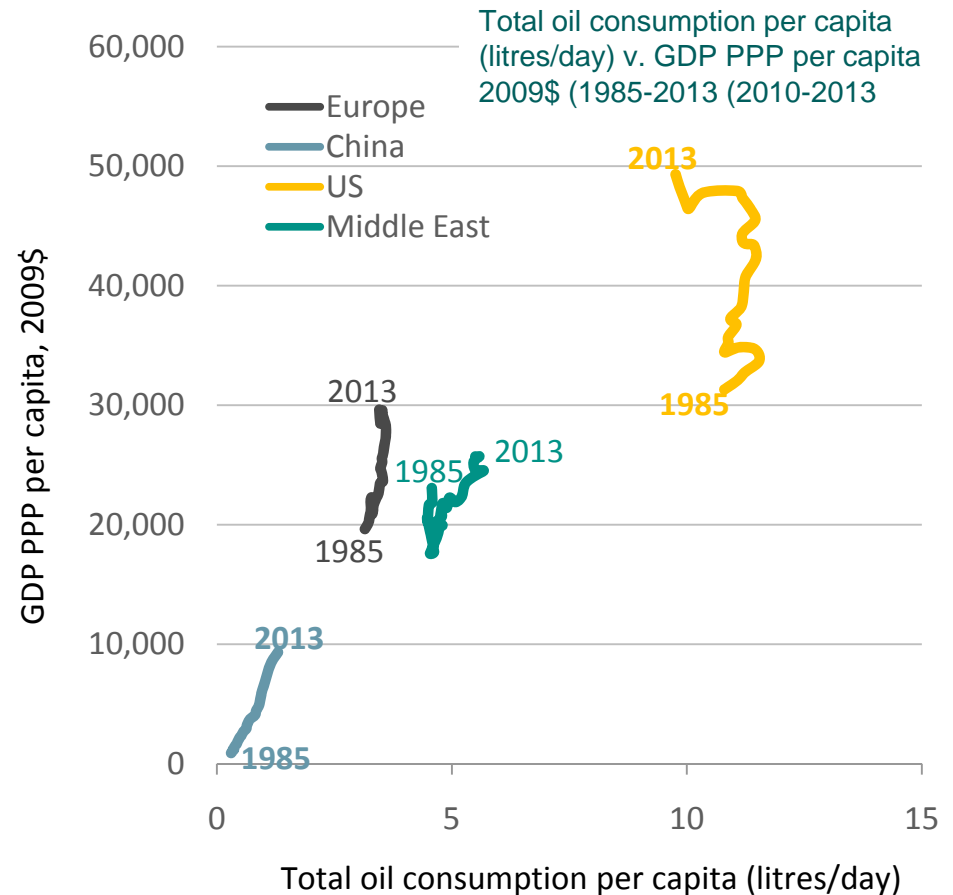
- Chinese demand for imported iron ore will rise.
- Traditional suppliers in Australia and Brazil will benefit
- Indian iron ore exports to decline due to domestic consumption
- South Africa, West Africa and South America will also benefit from growing Asian demand
- World iron ore trade to expand significantly over next decade,



Source: VM Group, NBS

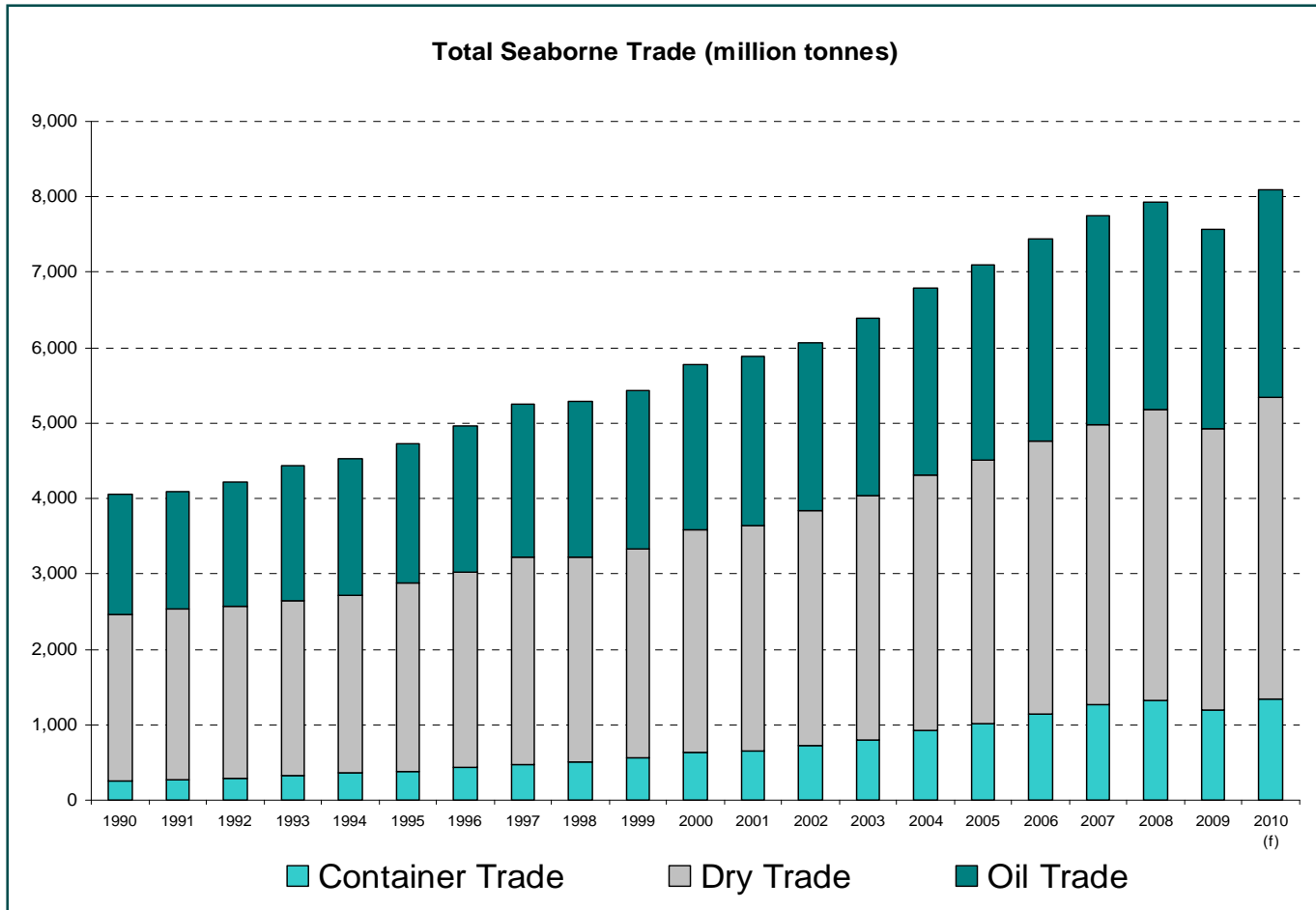
# Oil consumption

- Two-speed world
- Oil consumption in US remains substantially higher than other countries
- Consumption in China lags by a wide margin
- Consumption of oil in China has shown near exponential increases since 1985



Source: VM Group, EIA, IEA, BP

# Positive effects of growth in seaborne trade....



Source: Clarksons

# ..... countered by oversupply concerns.....

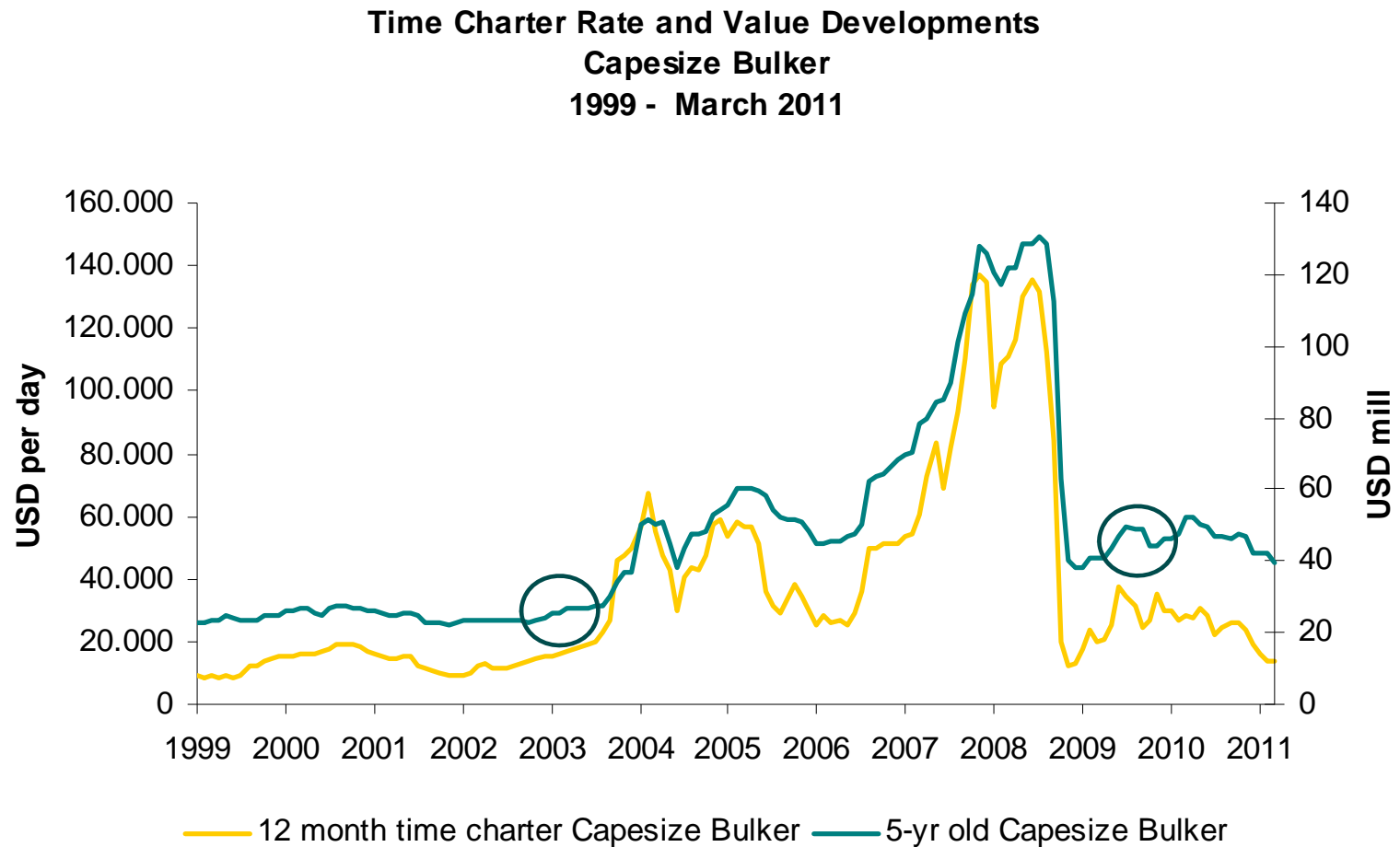
Sector	Orderbook (2010)
Dry Bulk	<b>49%</b>
Tanker	<b>27%</b>
Container	<b>26%</b>

Sector	Fleet Age Profile				
	< 5 yr	5-10 yr	10-15 yr	15-20 yr	20+ yr
Dry Bulk (DWT)	<b>38%</b>	<b>16%</b>	<b>14%</b>	<b>11%</b>	<b>21%</b>
Tanker (DWT)	<b>41%</b>	<b>27%</b>	<b>16%</b>	<b>10%</b>	<b>5%</b>
Container (TEU)	<b>48%</b>	<b>24%</b>	<b>15%</b>	<b>8%</b>	<b>6%</b>

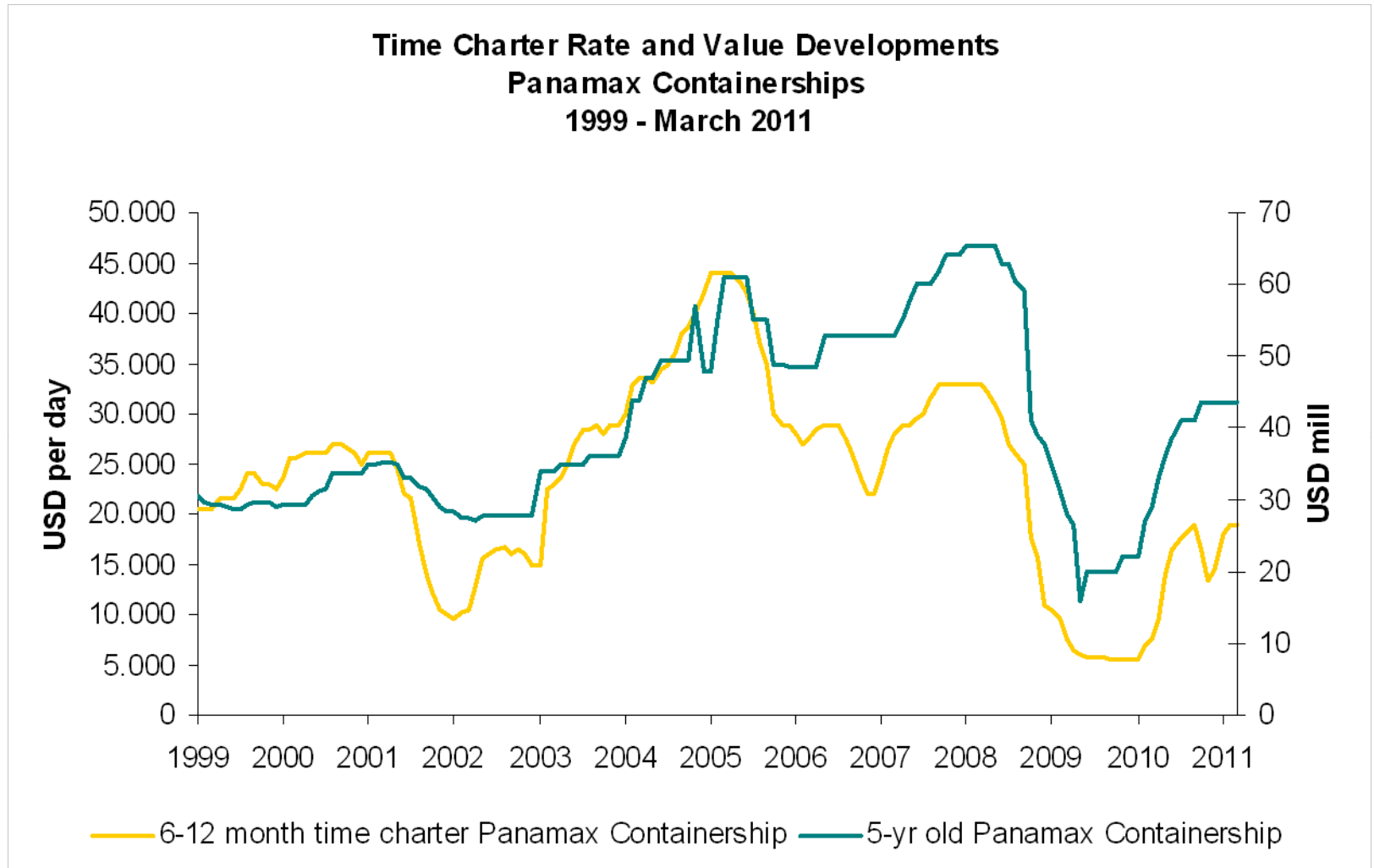
Source: Clarksons



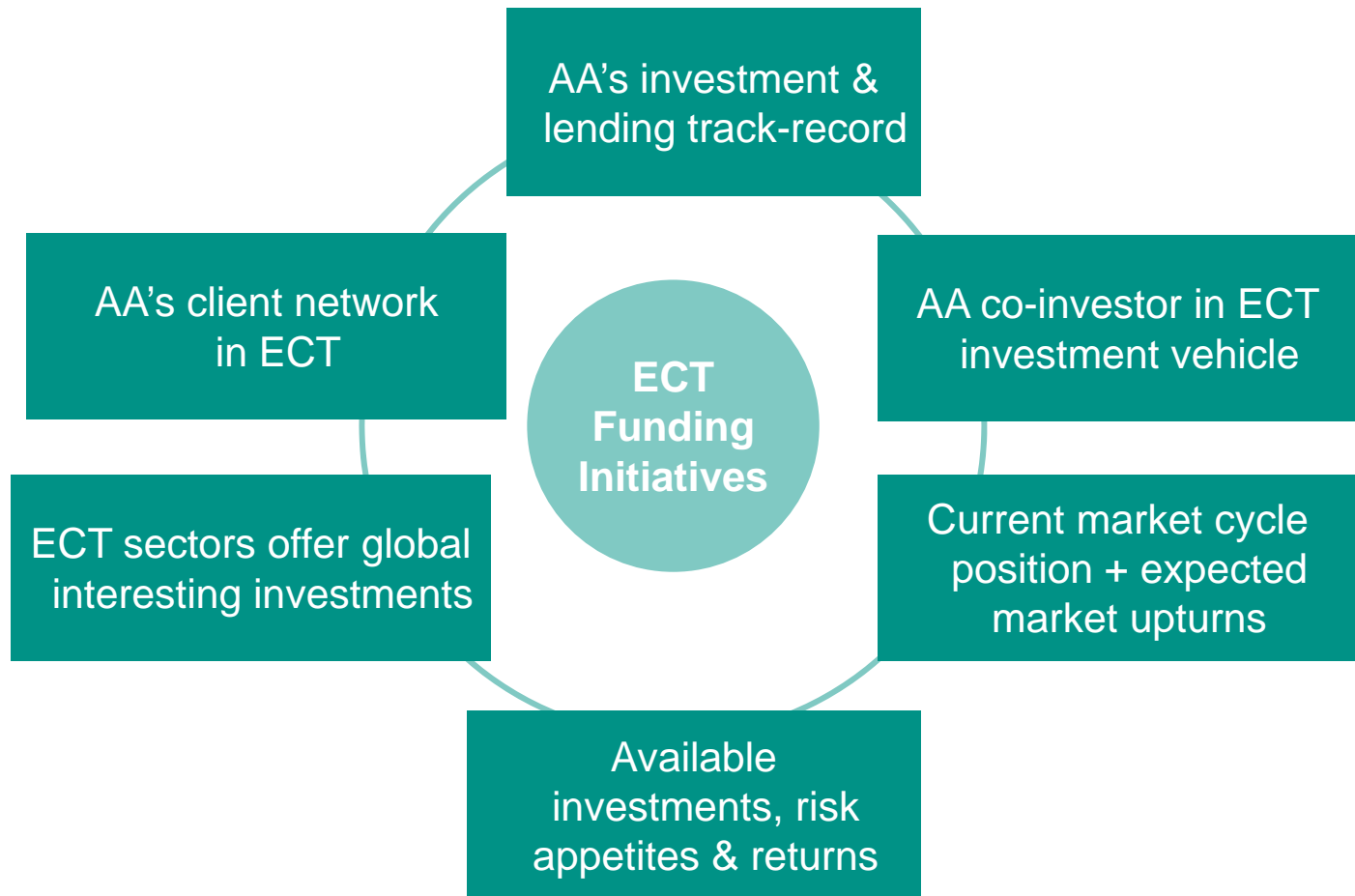
# ... but create attractive opportunities...



# Container market



# Our approach – Energy, Commodities & Transportation



# Equity funds

## Establishing (Shipping) Funds

- modern- and liquid assets
- only trusted and reputable counterparts and key clients of AA
- PF financial investor only
- Short- and long term alignment of interest
- Minimum USD 7.5 million max USD 40 million per transaction
- No majority stakes: targeted share 5% - 50%
- Investment Horizon: 3 – 7 years, however no “forced” exits in low market cycles.
- Exit strategy: self-liquidating (put-options), refinancing, trade sale or IPO

# Debt funds

## Investors will benefit from:

- carefully selected and diversified portfolio of new shipping loans
- Attractive risk - return profile.
- Limited risk exposure; financing of assets < 10 year historic average values; conservative leverage position of 0 – 45% of current market values.
- expertise in the global ship finance, client base and 200+ years of history in this sector.
- Direct participation is also a possibility.
- QInvest mezzanine fund

# Summary

## Market attractiveness

Global business

Current market cycle

Available  
investments, risk  
appetites & returns

## ABN AMRO's position

AA's client network

AA's investment &  
lending track-record

AA co-investor

Bridging  
opportunities

**THANK YOU**