Investment Opportunities in Shipping

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Investment Opportunities in Shipping: The Good, The Bad and The Ugly…

The Good: Returns Favor LNG & Offshore

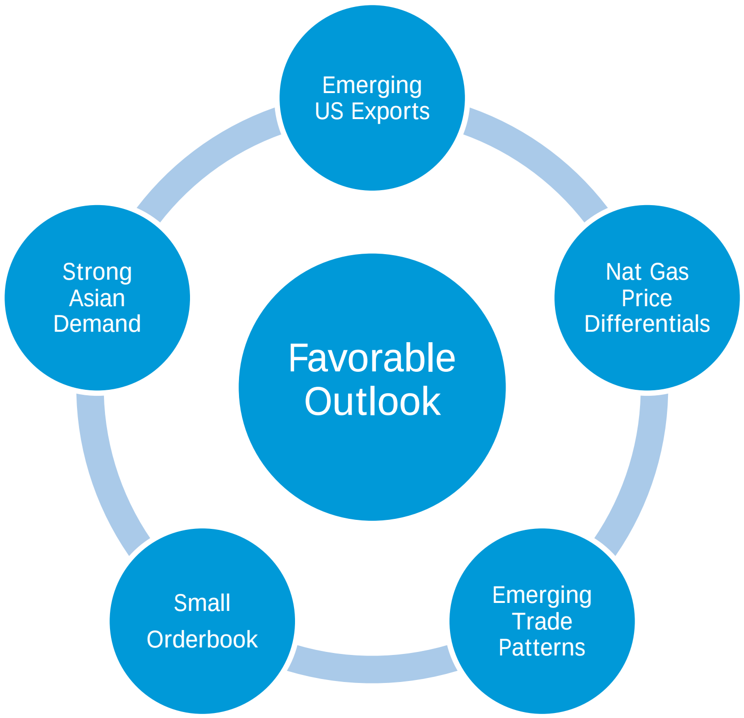
Vessel Type	Newbuild Cost (USD mm)	Clarkson 3-yr TC rates	Payback Period (# of yrs)
Drillship	550.0	$540,000/day	4.7
LNG	202.0	$140,000/day	5.1
Jackup	200.0	$150,000/day	6.4
MR	33.5	$14,500/day	12.1
Capesize	47.5	$17,000/day	12.9
VLCC	98.0	$25,000/day	18.5
Panamax (4,800 TEU)	58.5	$14,500/day	20.8

Source: CRS, CCM

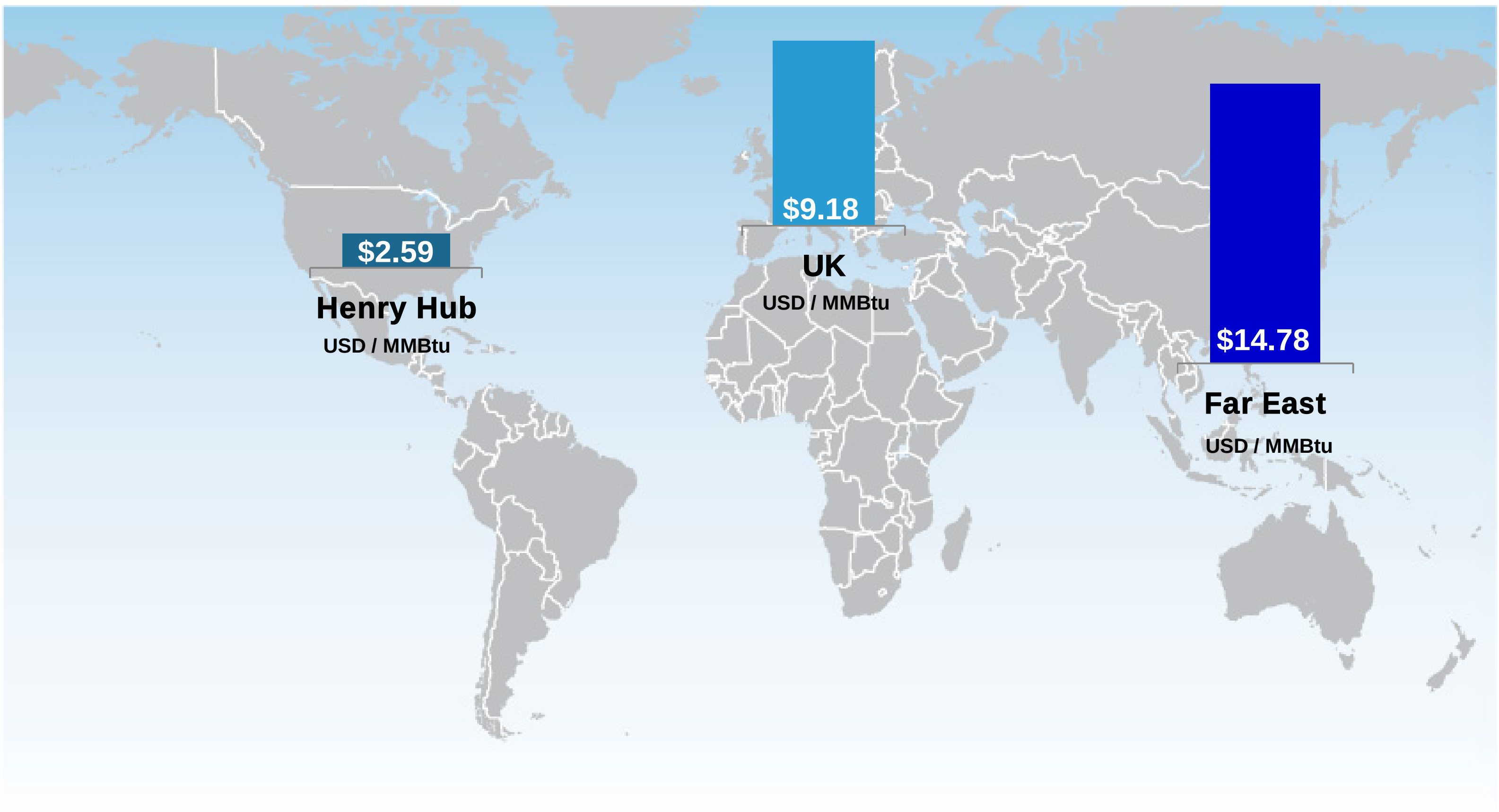
LNG Shipping

Favorable Long-term Outlook

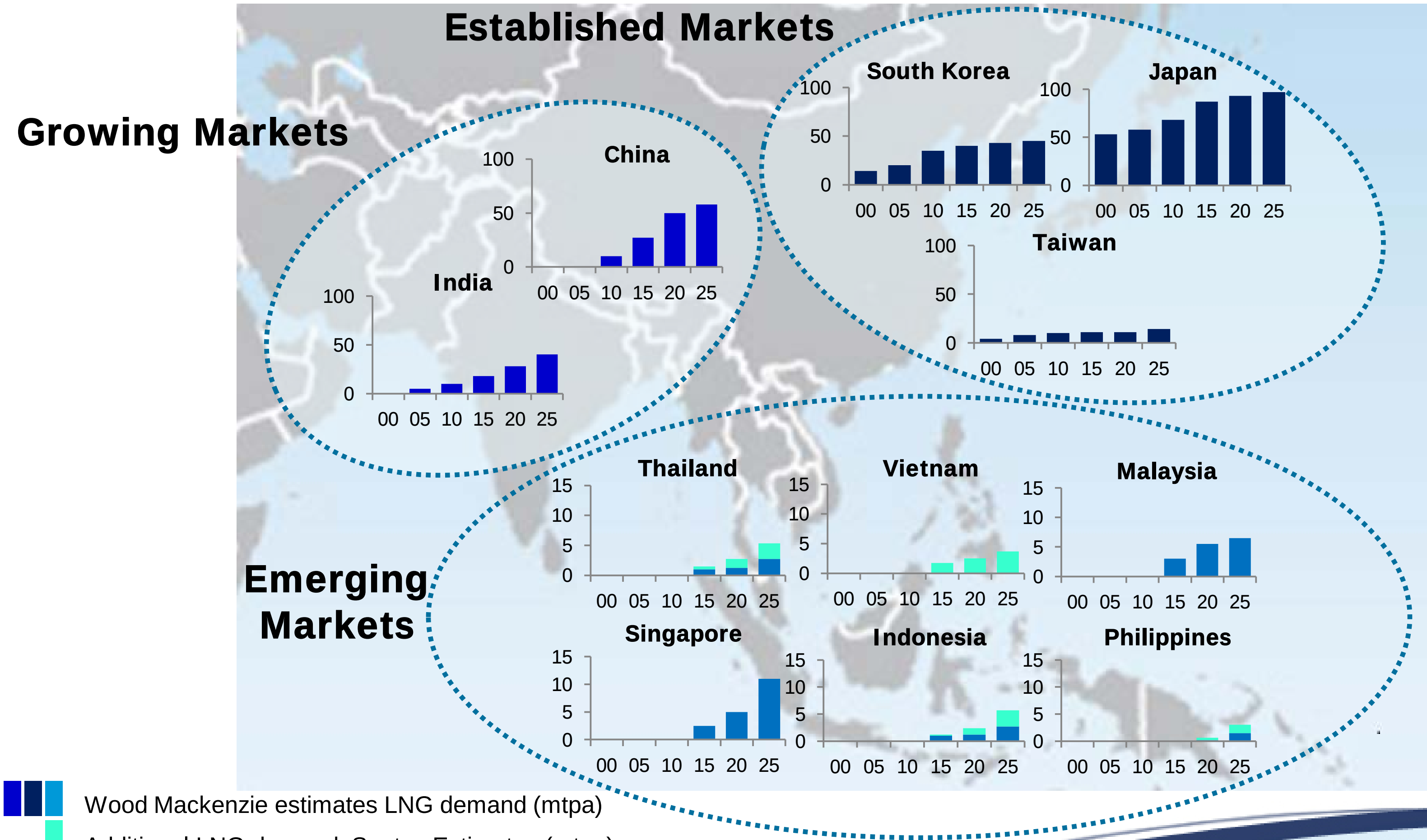
- Supply-demand balance to remain tight through 2014
- Emerging trade patterns driven by arbitrage opportunities and strong Asian demand
- Strong growth in liquefaction capacity driven by new projects in Australia
- Lucrative Floating Regas (FSRU) opportunities ahead
- U.S. emerging as a LNG net exporter by 2015 – a potential game changer
- Small Orderbook



Natural Gas – Positive Price Differentials



Strong Asian Demand

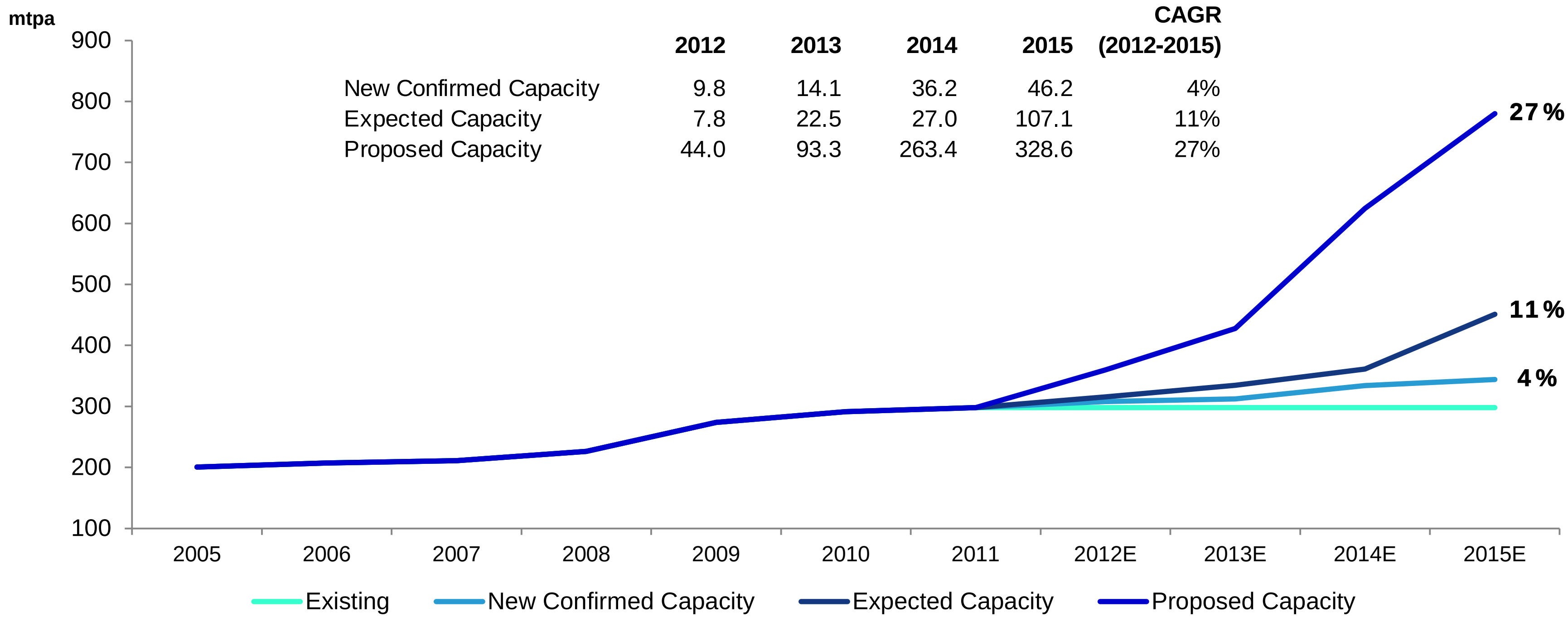


Wood Mackenzie estimates LNG demand (mtpa)

Additional LNG demand, Santos Estimates (mtpa)

Growth in Liquefaction Capacity

LNG Capacity Growth could potentially translate to approx. 50-70 LNG vessel demand, 2012-15

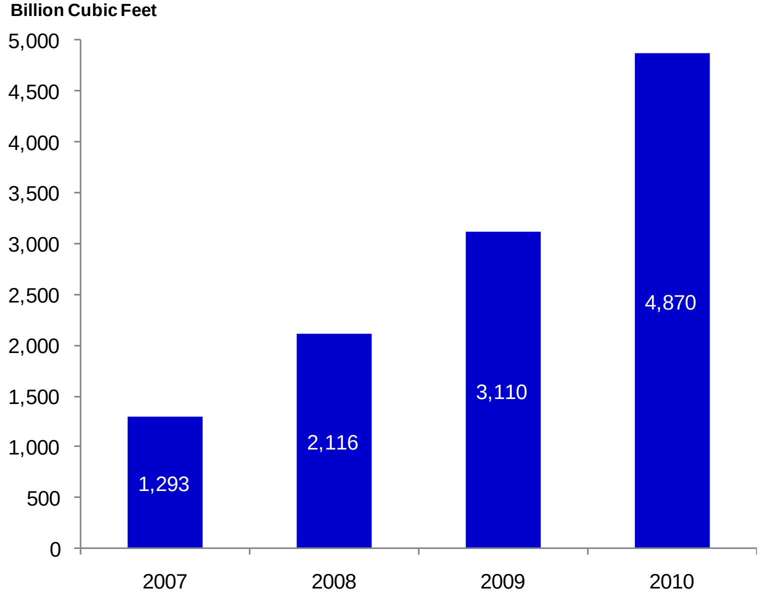


	2012	2013	2014	2015	CAGR (2012-2015)
New Confirmed Capacity	9.8	14.1	36.2	46.2	4%
Expected Capacity	7.8	22.5	27.0	107.1	11%
Proposed Capacity	44.0	93.3	263.4	328.6	27%

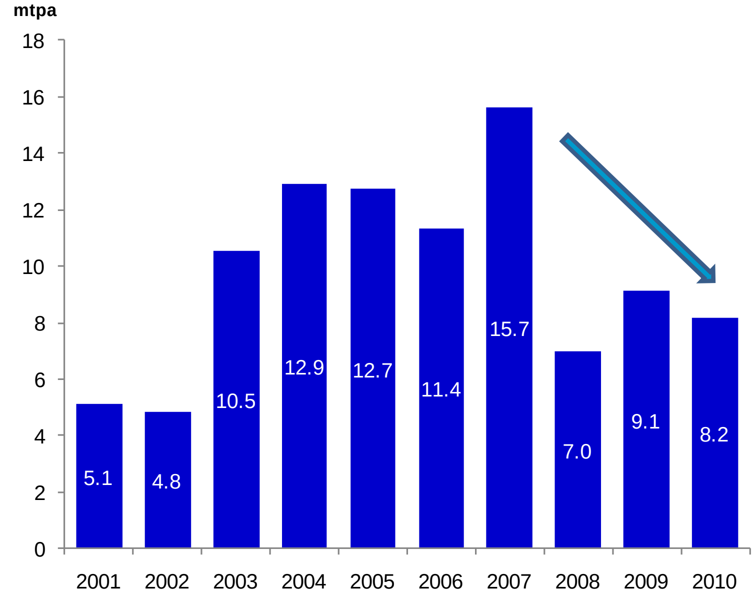
Source: Clarkson LNG Analyst Team

US Emerging as a LNG Exporter

Production from shale more than tripled



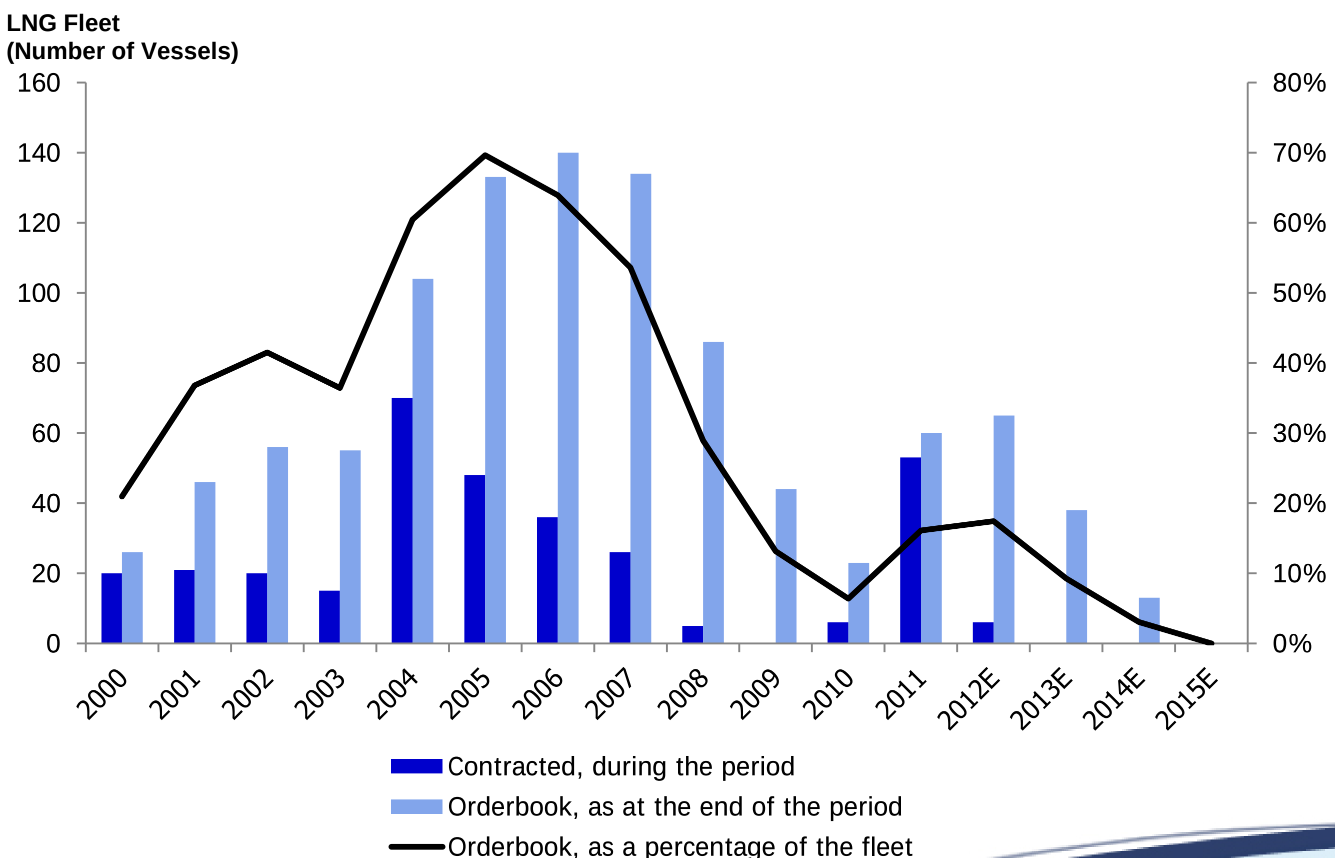
US LNG imports drop 50%



Source: EIA, GIIGNL

Orderbook – Small but Growing

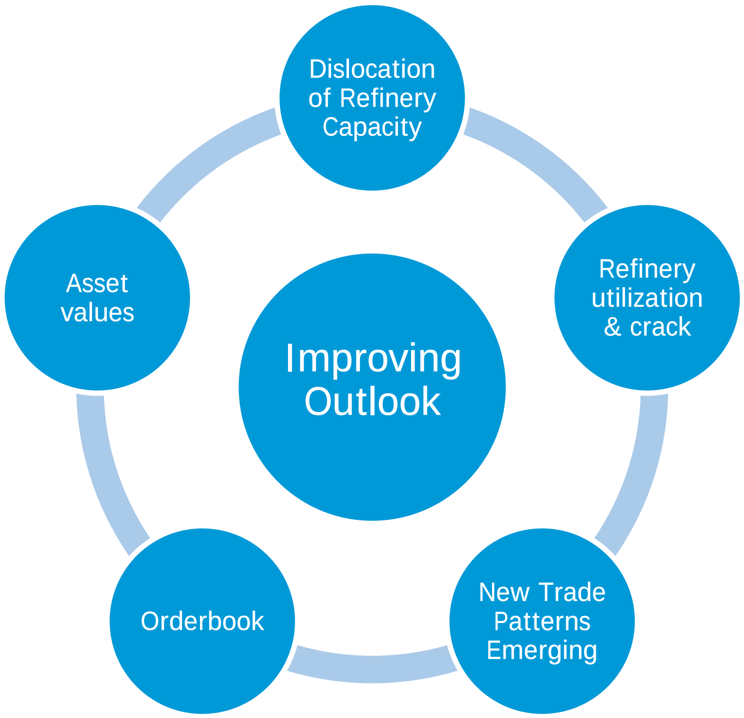
Orderbook remains long-tailed, 2014-15



Product Tankers

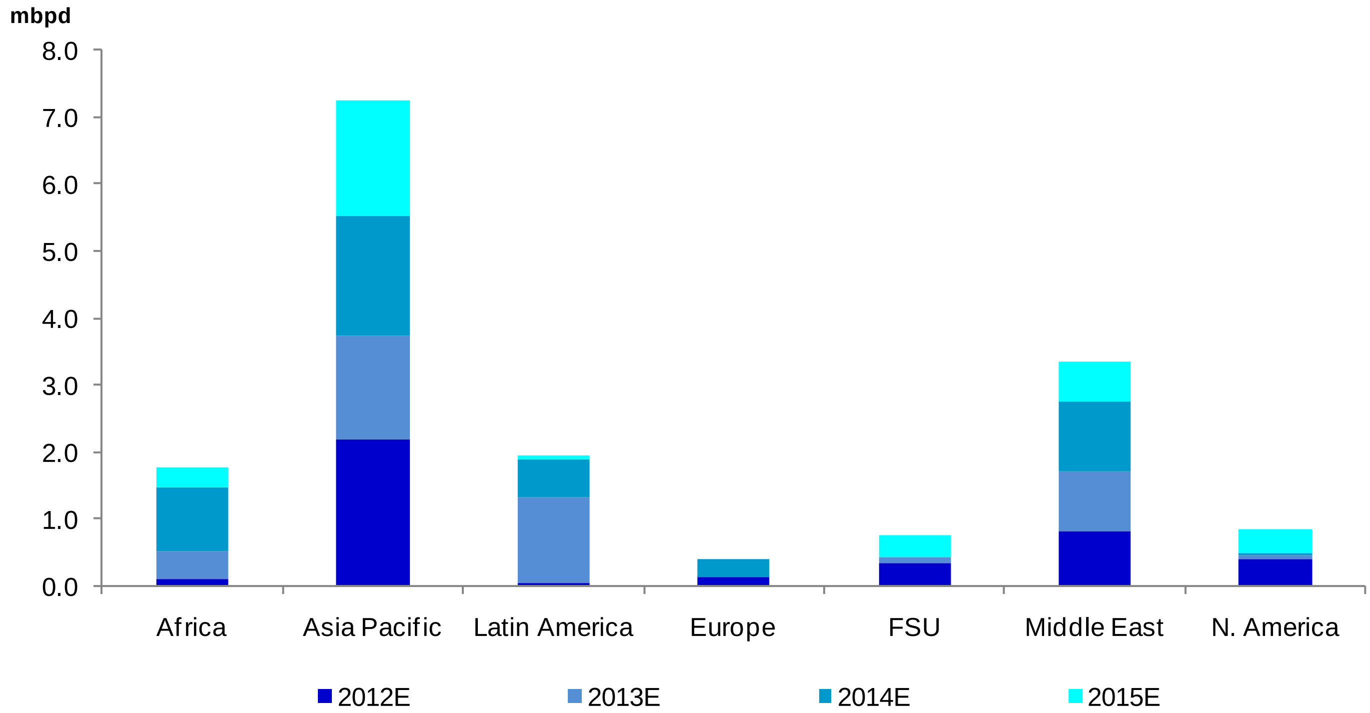
Structural Changes Create Opportunities

- Dislocation of capacity as refineries move closer to the feedstock
- Closures of refineries in the US and Europe
- New trade patterns emerging driven by structural imbalances and arbitrage
- Balanced Supply/Demand profile heading into 2012 as orderbook is declining
- Asset values provide downside support as a price floor is forming



Dislocation of Refinery Capacity

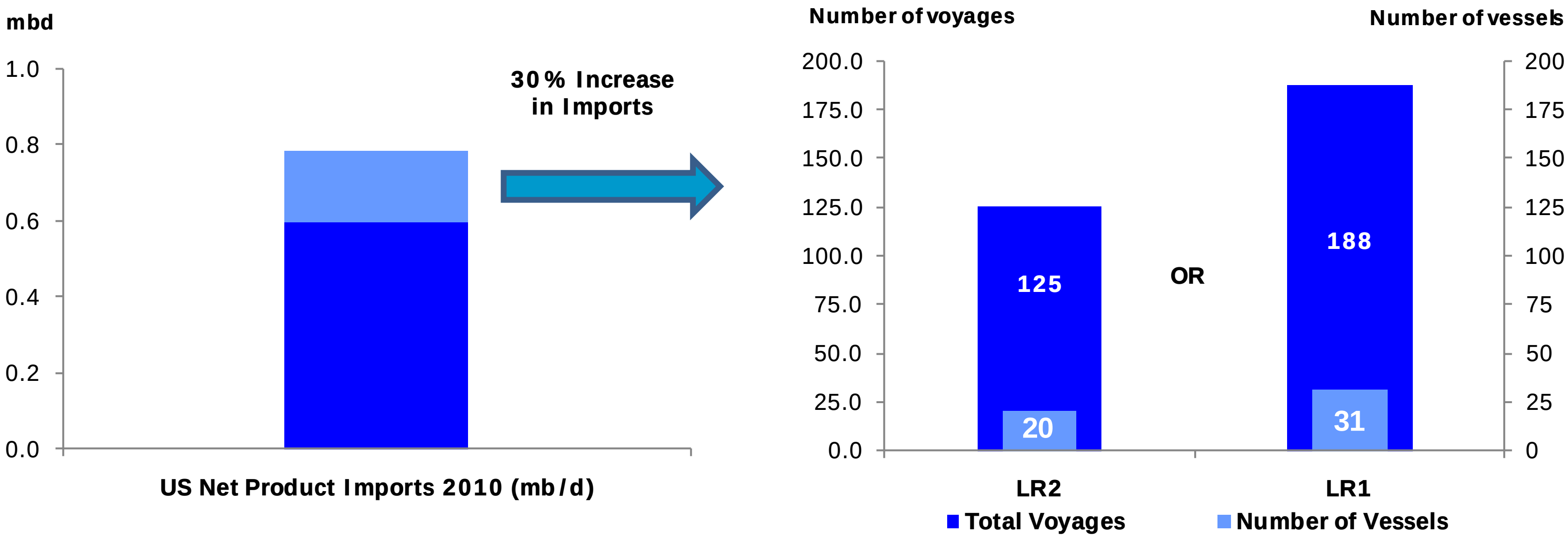
Planned Refinery Capacity Additions, 2012E-2015E



Source: Clarkson Tanker Analyst Team

Impact of Higher US Product Imports

If U.S. refinery closures were to result in a 200,000 bpd throughput decline, we estimate a 30% increase in imports or about 31 LR1 or 20 LR2 vessel demand

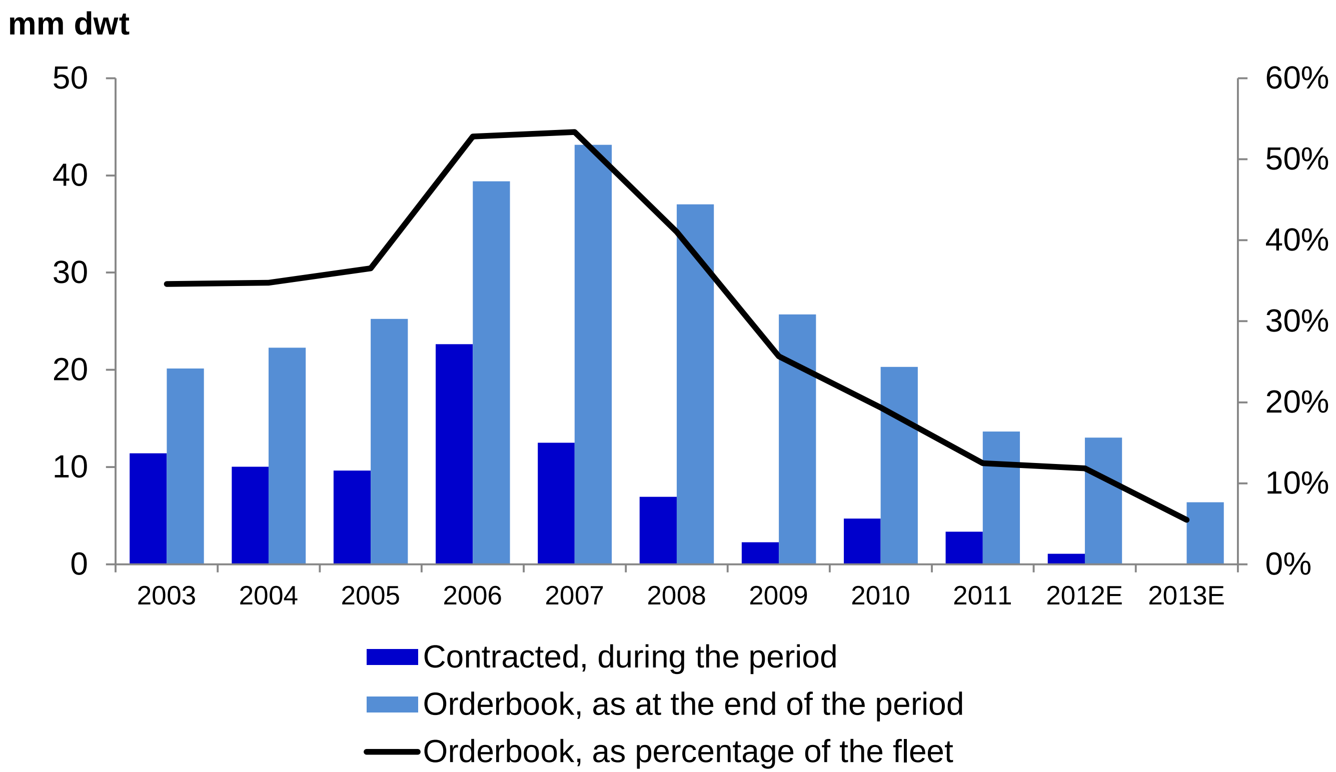


Source: Clarkson Tanker Analyst Team

Note: assumes all incremental imports are RV India to USG

Orderbook Continues To Decline

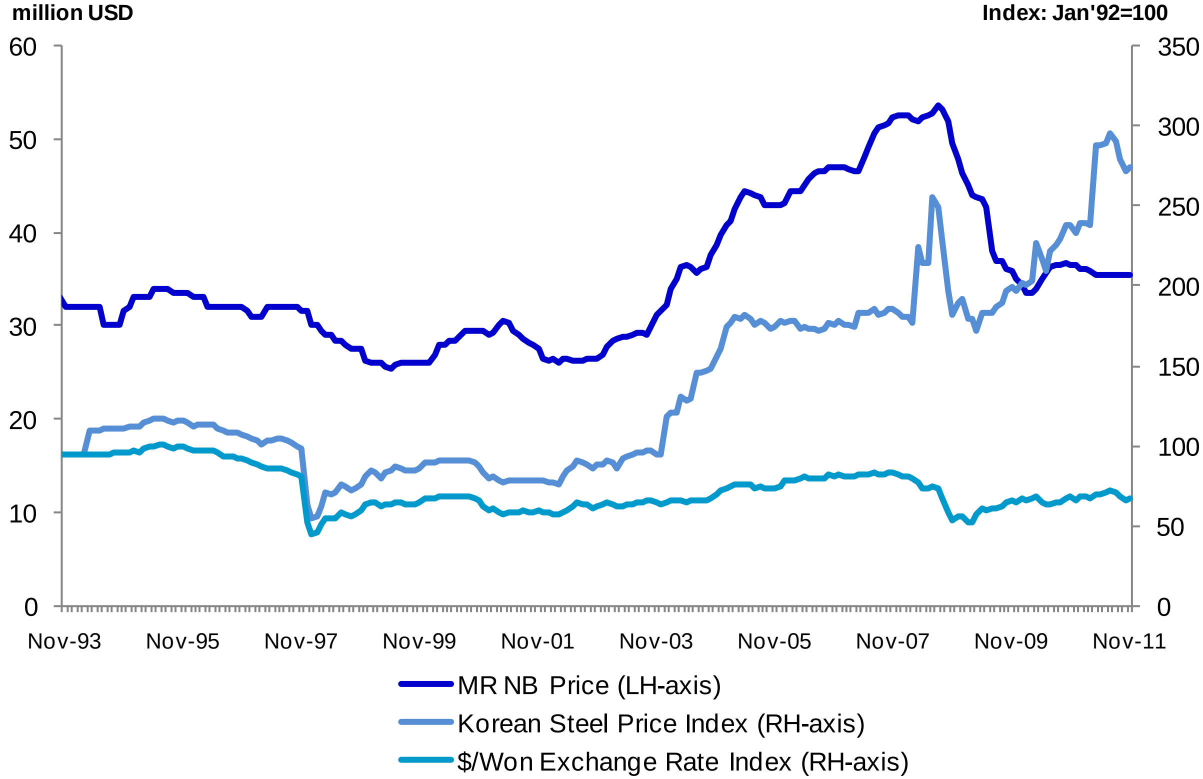
Orderbook vs. Fleet, 2003-2014



Source: Clarkson Tanker Analyst Team

Asset Values Provide Support

Newbuilding Dynamics vs. MR Newbuild Price

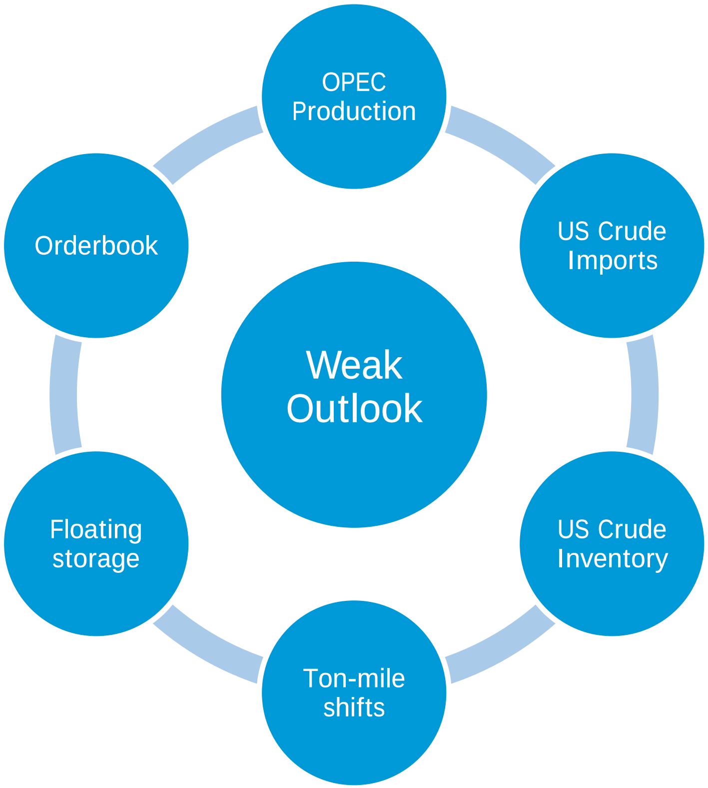


Source: Clarkson Research Services, Clarkson Tanker Analyst Team

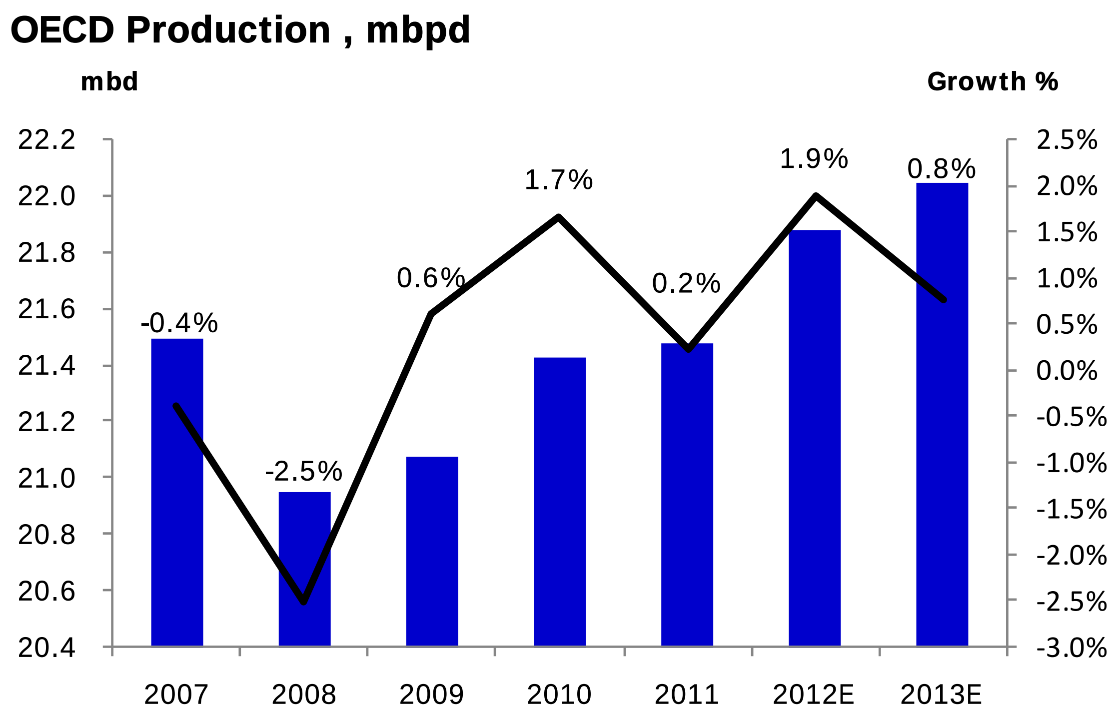
Crude Tankers

Structural changes having a negative impact on demand growth

- OECD production increasing driven by increases in NA light crude supply.
- Refinery closures on the US East Coast
- Call on OPEC production expected to remain flat in 2012
- Oil demand growth in China offset by anemic growth in the US and Europe
- Orderbook—significant deliveries expected in 2012



Strong Growth in OECD Production

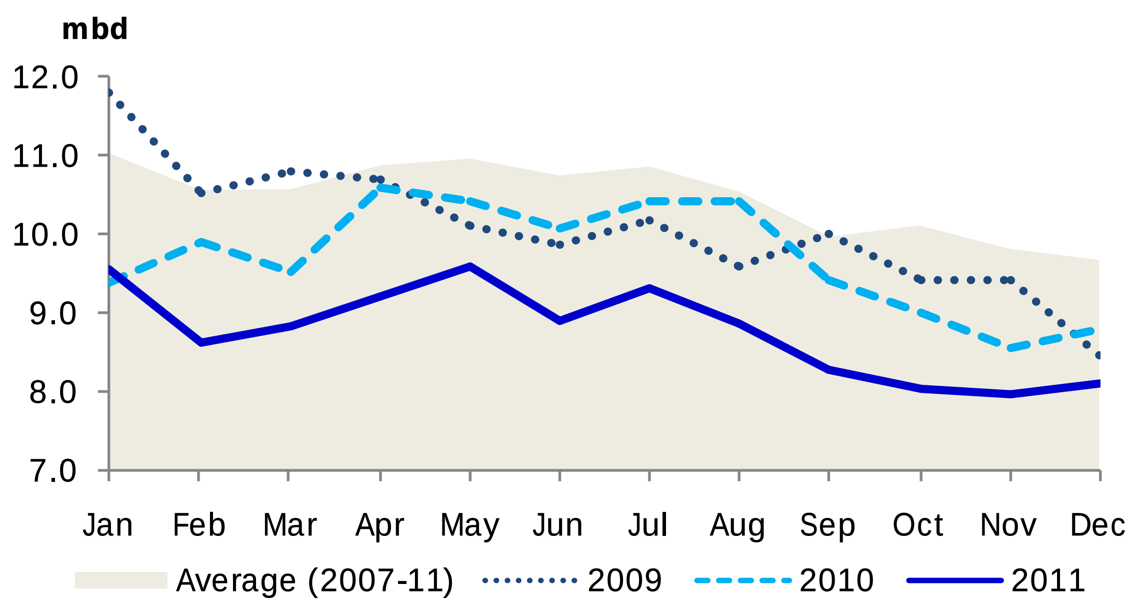


Source: US Department of Energy, IEA and EIA

US Crude Imports Declining

The US is still an important demand factor, but import/inventories are unsupportive

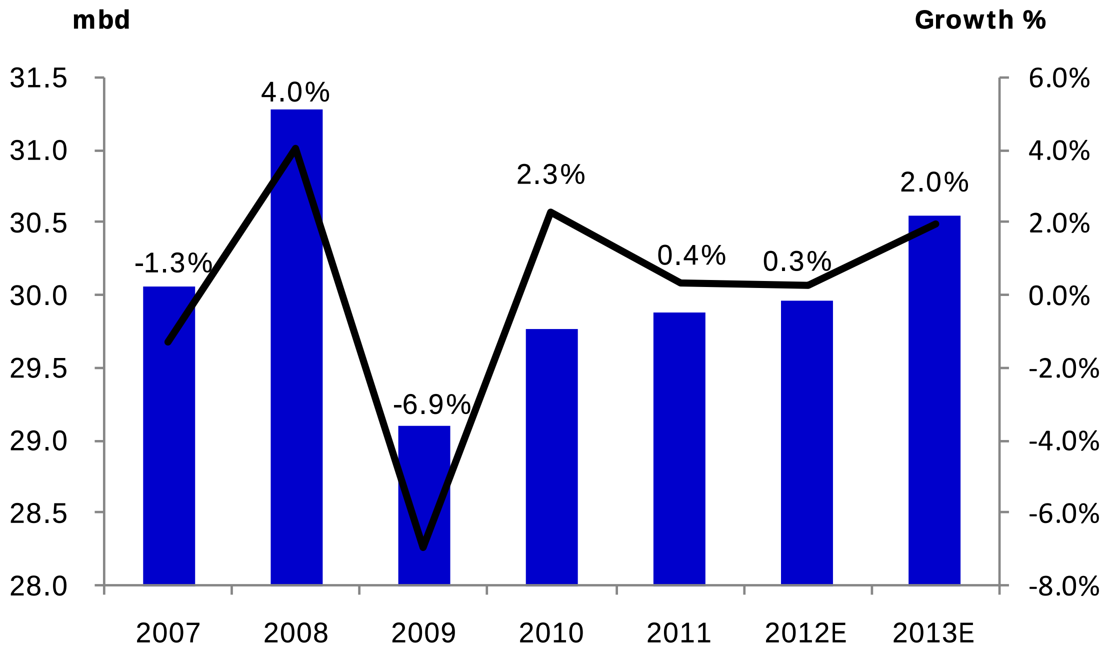
Net Import of Crude Oil and Petroleum Products , mbd



Source: US Department of Energy

Call on OPEC Production Expected to Remain Flat

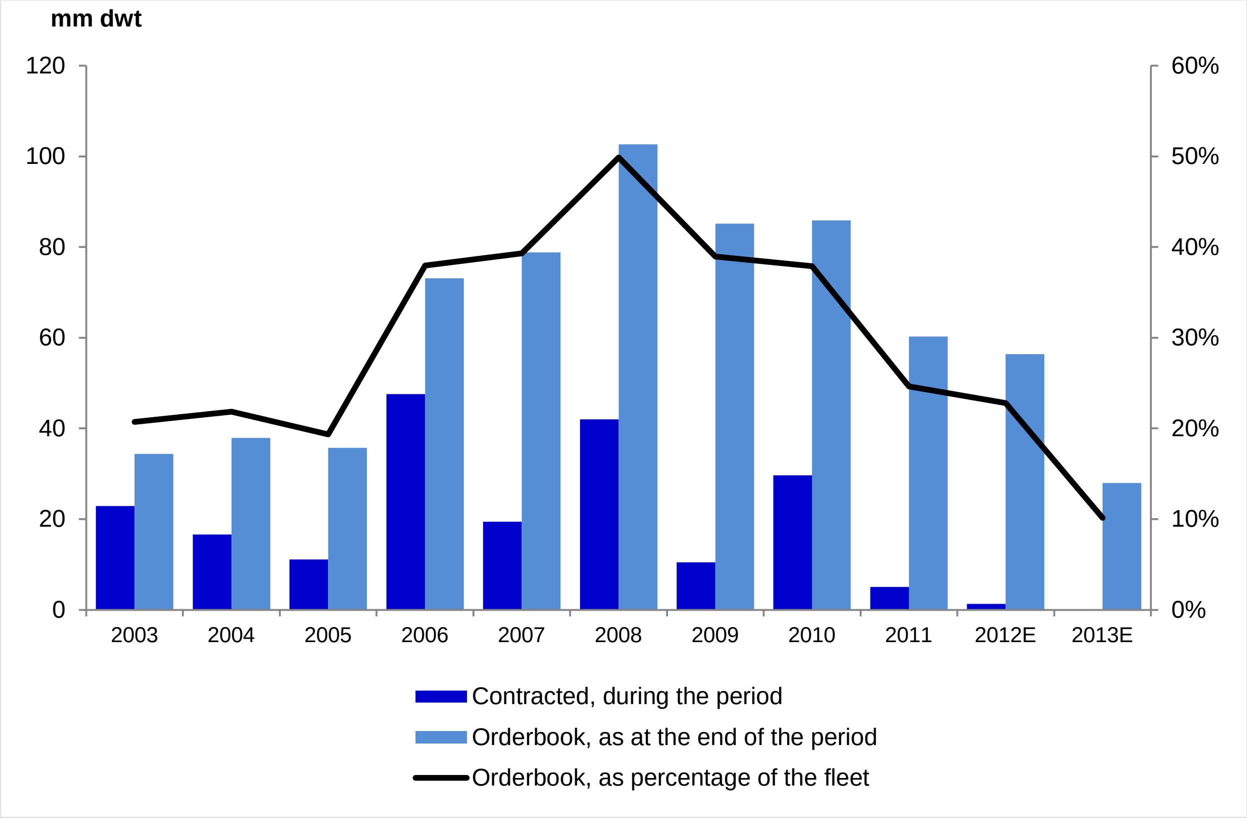
OPEC Production , mbpd



Source: US Department of Energy, IEA and EIA

Crude Tanker Orderbook

Orderbook vs. Fleet, 2003-2011

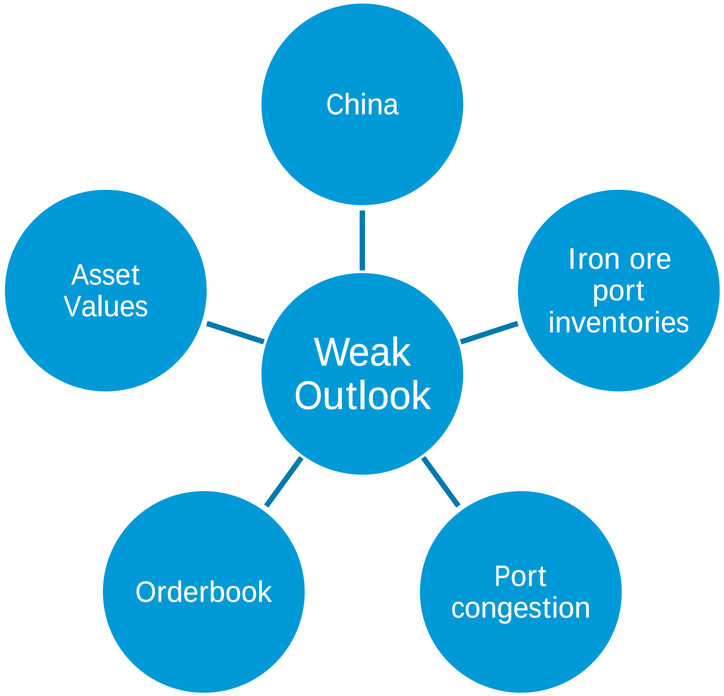


Source: Clarkson Research Services, Clarkson Capital Markets

Drybulk Shipping

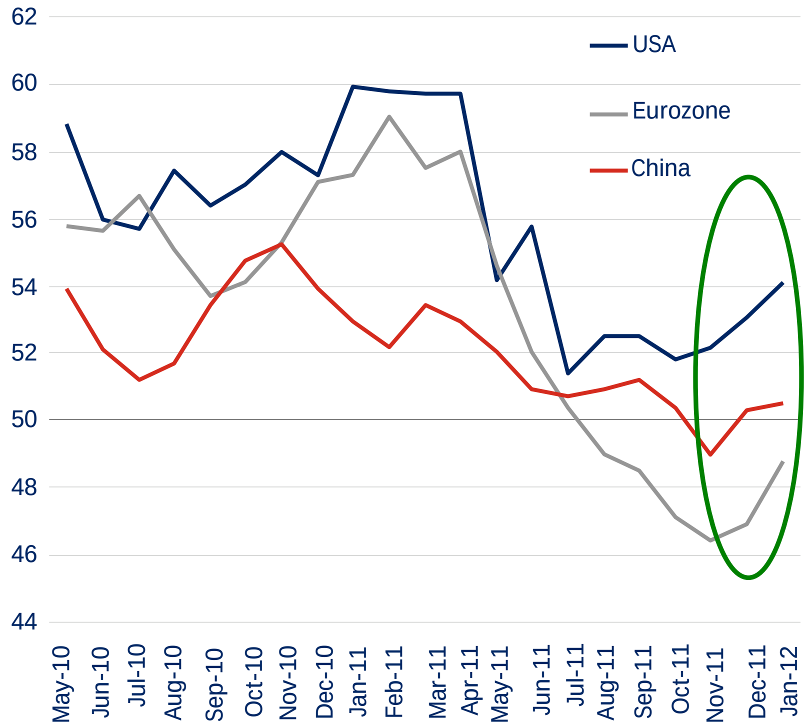
Drybulk vessel supply is still risk, possible bottoming by the end of 2012

- Supply-demand imbalance in 2012
- China is growing but there are still headwinds facing the world economy
- Weak demand and high inventories put pressure on steel production
- Drybulk fleet growth is peaking in 2012
- Bulk carrier values—are we near a bottom?

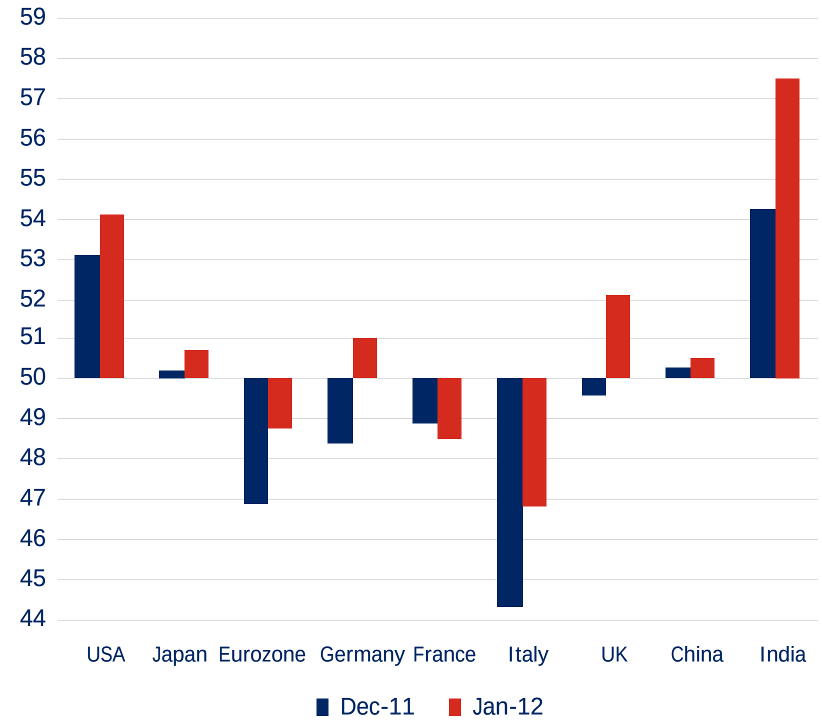


China is growing but there are still headwinds facing the world economy

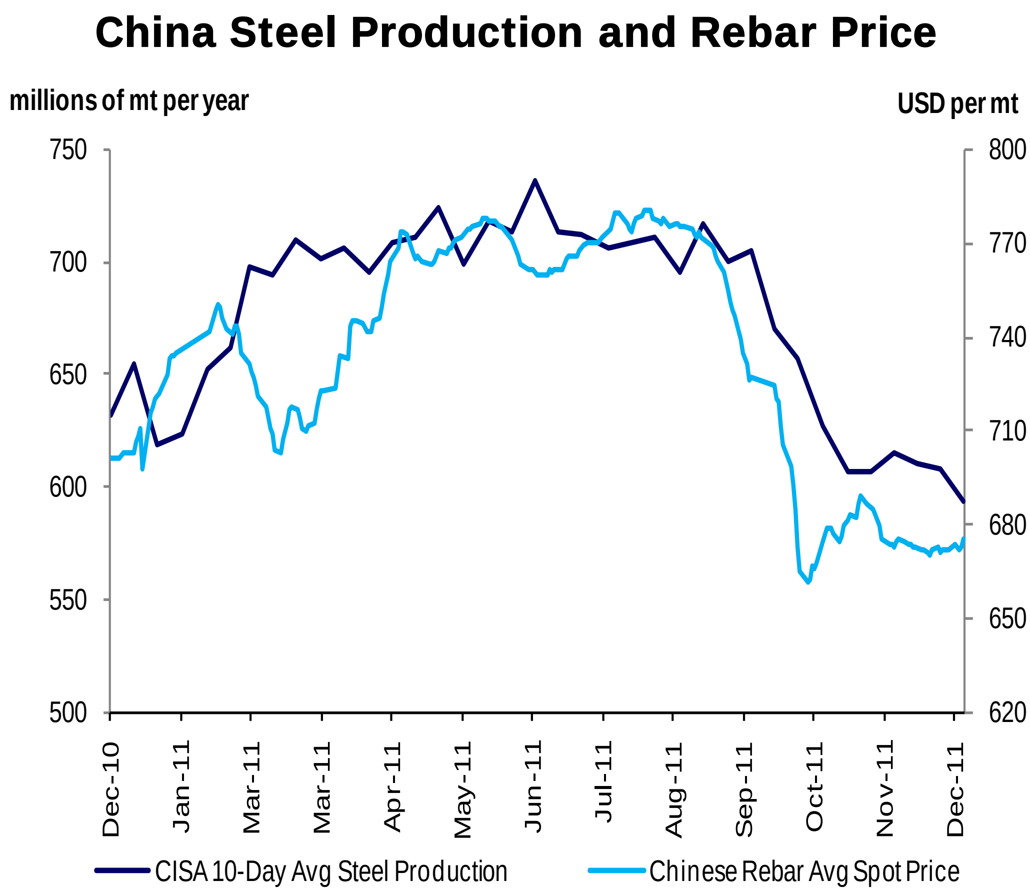
Major economies seem to have broken the long-term trend...



...as the latest PMIs showed meaningful improvement



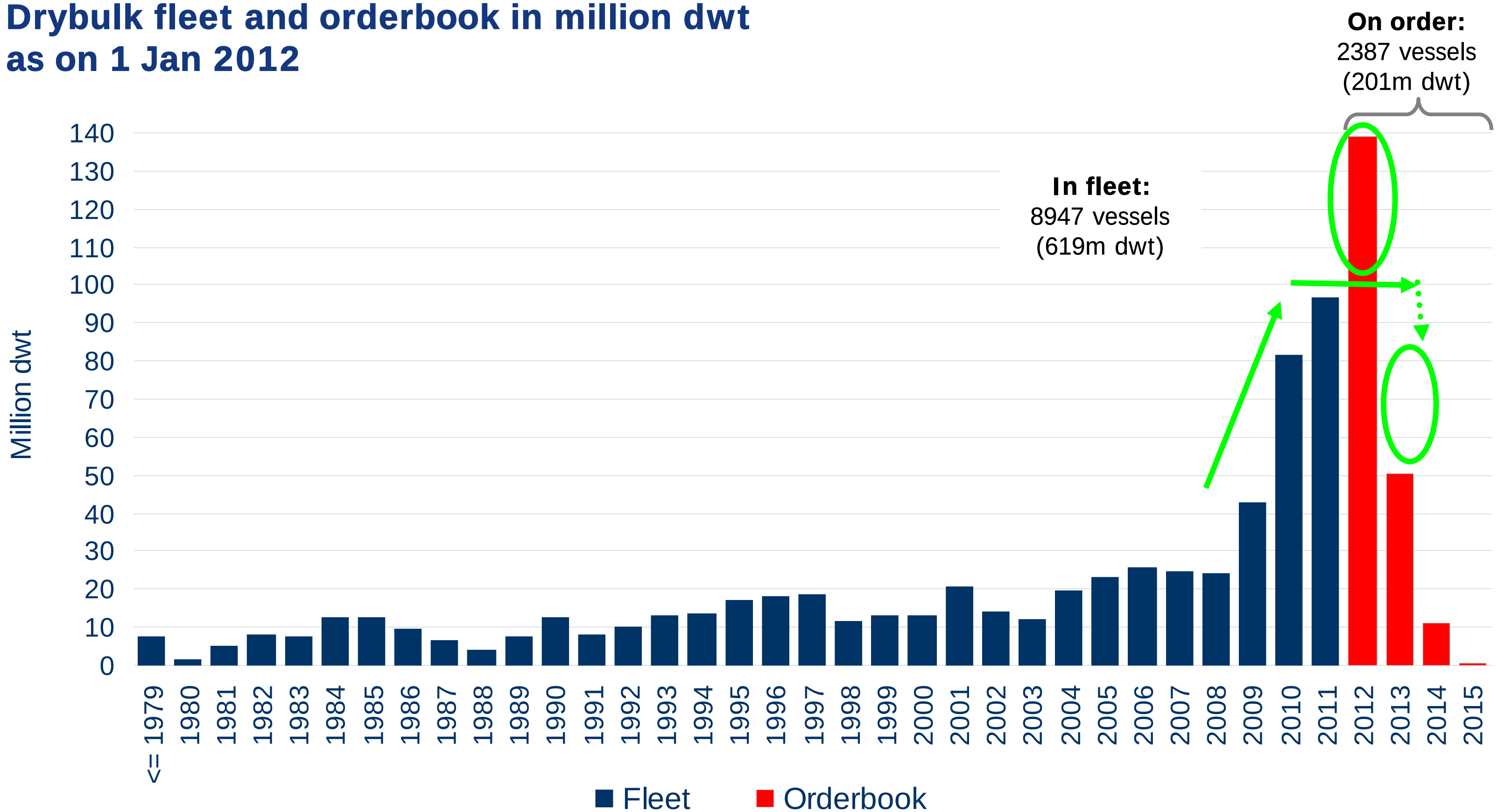
Weak demand and high inventories put pressure on steel production



Source: CISA, Bloomberg

Drybulk fleet growth is peaking

Drybulk fleet and orderbook in million dwt as on 1 Jan 2012



Conclusion

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