



# **PREMIUM MARITIME FUND**

## **Fourth Quarter Report 2022**

**NRP**

**Prepared by: NRP Maritime Asset Management AS  
January 2023**

**Premium Maritime Fund AS**

<b>Fund Name:</b>	<b>Premium Maritime Fund AS</b>
<b>Inception:</b>	<b>February 2017*</b>
<b>Lifetime:</b>	<b>September 2025*</b>
<b>Fund Structure:</b>	<b>Alternative Investment Fund (AIF)</b>
<b>Company:</b>	<b>Premium Maritime Fund AS (Norwegian Limited Liability Company), Company Number (org.no) 914 218 985</b>
<b>Committed Fund Capital:</b>	<b>USD 60.3 million</b>
<b>Latest NAV:</b>	<b>USD 84.8 million</b>
<b>Dividend Distributed:</b>	<b>USD 49.6 million since inception</b>
<b>Fund Manager:</b>	<b>NRP Maritime Asset Management AS</b>

\* The above information is based on the post merger details following the merger between Premium Maritime Fund AS, Premium Maritime Fund II AS and Premium Maritime Fund III AS, with Premium Maritime Fund II AS as the surviving entity (renamed Premium Maritime Fund AS), which was completed in the first half of 2021.

\*\* The stated NAV's is an estimate based upon each project manager's budgets and evaluations, external public sources, and the Fund manager's examination and evaluations of the above-mentioned. The NAV is verified and documented by NRP Maritime Asset Management's Risk manager to the extent applicable and relevant as stated in section 7 (articles 67-74) of EU Regulation 231/2013, incorporated to Norwegian AIFM regulations. The quoted NAV is based on the merger being completed.

**DISCLAIMER**

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*The information contained herein has been obtained from sources believed to be reliable and in good faith. MAM can however not guarantee or be held financially or legally responsible for the accuracy, completeness or correctness of the information contained in this fund update. We underline that investing in shipping and/or offshore projects are associated with risk. All investors must be prepared that such investments might result in monetary losses. Anyone who uses this update as a basis for purchasing shares at a later time must make sure that all relevant and updated information is obtained. The information in this fund update is only valid per date of preparation. Possible investors are encouraged to go through the projects thoroughly before investing. All documentation and analyses can be explained by contacting our offices.*

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*Employees in the NRP Group and any related parties will from time to time own shares in projects arranged by NRP Project Finance, or in funds and companies managed by NRP Maritime Asset Management. A list of shares owned by employees in the NRP Group is available upon request to Ness, Risan & Partners' Compliance Officer.*

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## Managers Quarterly Comment

### Dear Investors

Premium Maritime Fund had another positive quarter in Q4 with a total return of 2.5% and the dividend adjusted NAV is 42% higher than 12 months ago.

Dividends of USD 0.50 per share was distributed during Q4 in addition to USD 0.20 in early January. The manager estimates distributions of another tranche(s) of further USD 0.60-0.70 towards the end of the current quarter.



The shares in the SPV owning Cape Tampa was sold during the quarter. The investment has since 2020 delivered an IRR of 31% and a total return of 108%.

### Market Developments

The shipping markets had an eventful and profitable year in 2022 characterized by global events such as the Ukrainian conflict, continued Covid-19 aftermath and inflation, leading to the Clarksea index reaching an all-time annual high. However, trends were largely divergent between segments throughout the year, with Q4 being no exception.

Container TC rates as well as box rates continued to fall through the quarter, although there are signs rates are flattening out –particular for the feeder vessels. With about 8% fleet growth expected in 2023, continued congestion easing and potential demand weakening due to recession fears, rates could very well fall back to below average levels since 2010.

Bulker TC and spot rates have also continued to soften through Q4 and expectations are asset values will follow. The reopening of China from its zero-Covid policy combined with a very low orderbook paints a more encouraging picture in the medium term and rates could well strengthen again towards the summer.

The Product Tanker segment have continued its strong performance in the 4<sup>th</sup> quarter although softened slightly in December and into the beginning of '23. The upcoming embargo on oil products (Feb 5<sup>th</sup>) could be a game changer although a lot of the potential is likely already priced into asset values. With the current orderbook of ~5%, things are set for a tight market in 2023.

Clarksons project a total trade growth in 2023 of 1.4% (2.6% tonne miles) and an overall fleet growth below 2.5% pre-demolition (lower for bulkers and tankers). 2023 will also see the impacts from “green” regulation and lower speed which will reduce the effective supply of tonnage.

### Portfolio development


The portfolio now consists of 18 vessels where one vessel is sold but not yet delivered to buyers. Further two vessels are also currently in the process of being sold. We are constantly reviewing the portfolio to take advantage of what we believe are the right sales opportunities.

### NAV and Dividend information

The NAV for the fund as of end 4<sup>th</sup> quarter is USD 2.99 per share, which corresponds to an increase of 2.5% since last quarter, when adjusting for dividends distributed. The board will conclude on further dividends in the quarter based on conclusion of abovementioned sales.

The next quarterly report will come in April.

  
Nicolai Heidenreich  
Fund Manager

  
Wilhelm Chr. Magelssen  
Fund Manager



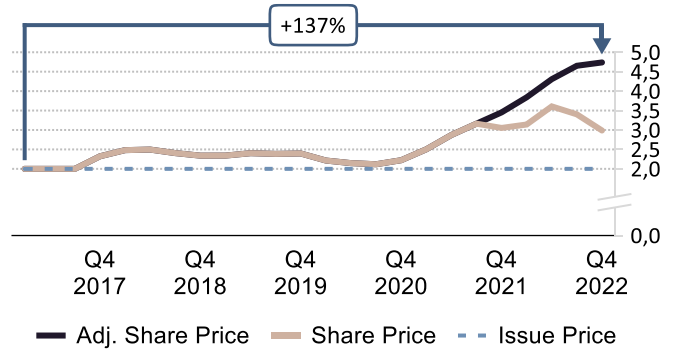
## Fund & Market Performance

### Quarterly Highlights

- The fund continues to deliver positive performance with an increase in the dividend adjusted NAV of 2.5%.
- The product- and chemical tanker investments continues to generate exceptional cash flow as most vessels have full market exposure in pools.
- Bulkers and containers have experienced a continued decline in values as well as earnings through the quarter.
- Three vessels delivered in Q4 with another committed for sale.
- Dividends of USD 14.2m or USD 0.5/share distributed through the quarter.

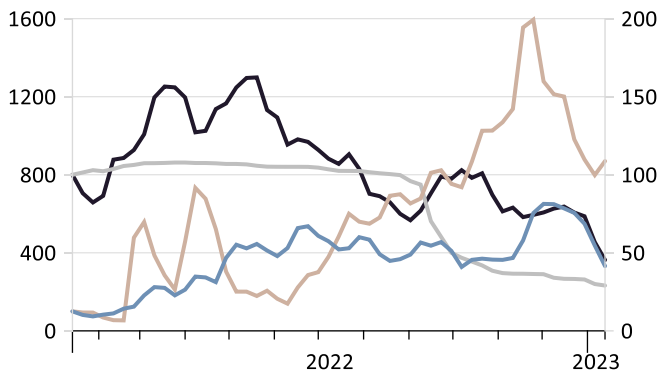
### Share Price – Premium Maritime Fund

Share Price - Q4 2022	USD 2.99	▲ 2.5%
Dividend per share - Q4 2022	USD 0.5	
Share Price - Q3 2022	USD 3.4	

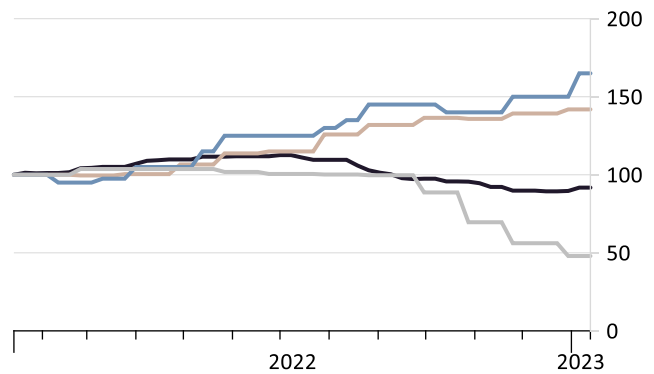


### Clarksons Market Data Last 12 months (indexed, base = 100)

#### Earnings

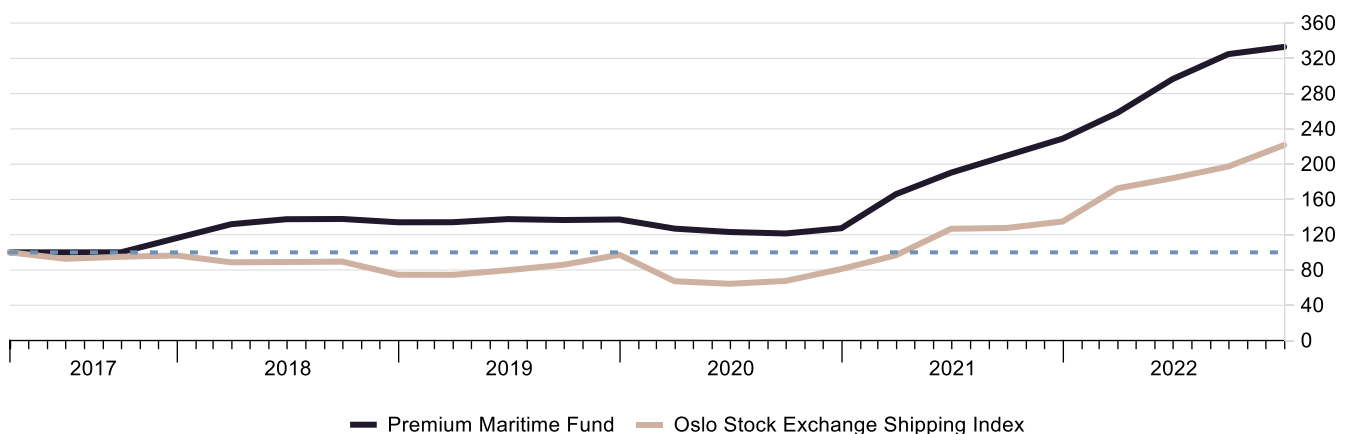


#### Secondhand Values



— Bulk (rhs) — Container (rhs) — Tanker — Products tanker

### Benchmark Performance - PMF vs. Oslo Stock Exchange Shipping Index





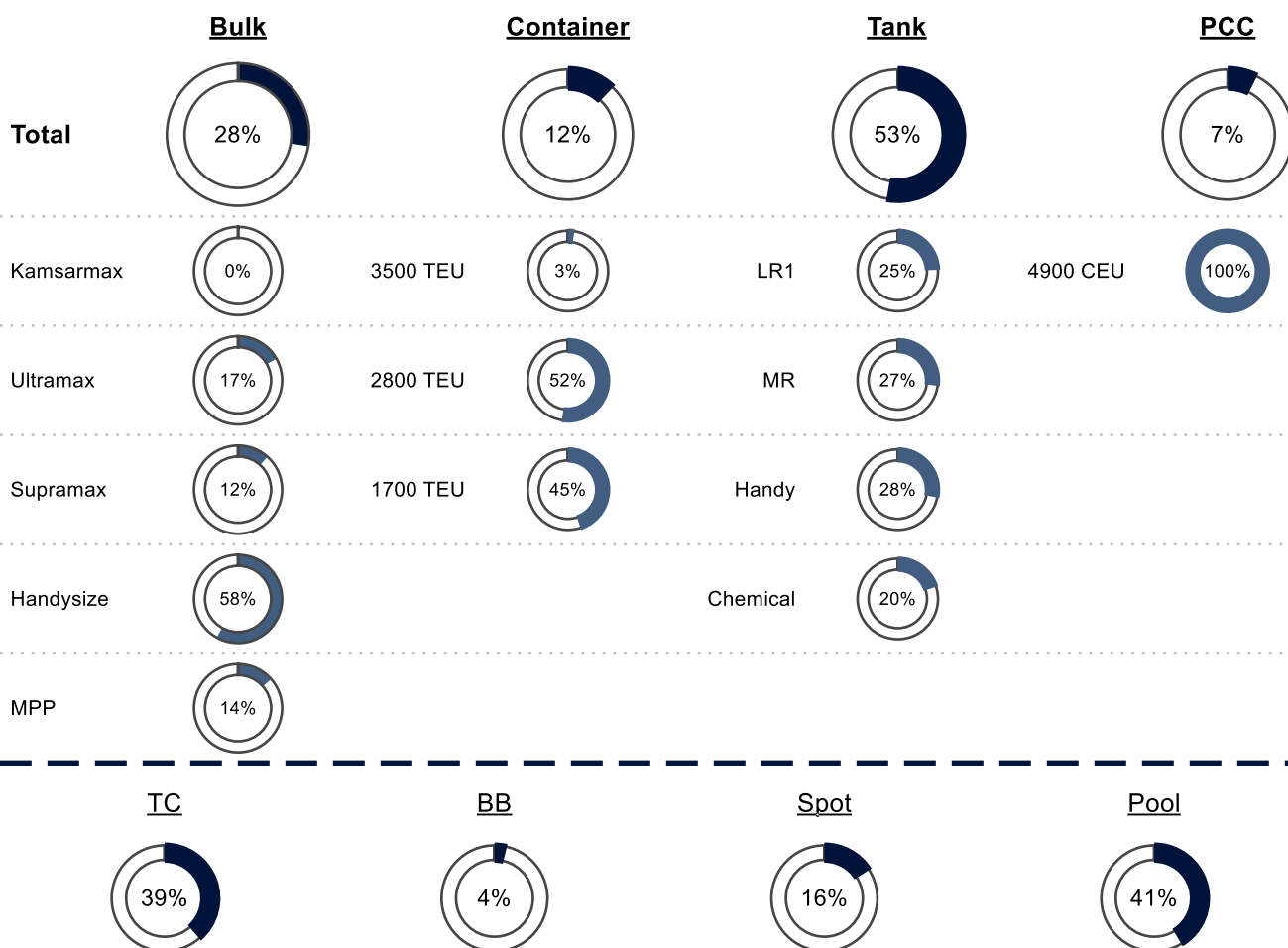
## Portfolio Overview

### Premium Maritime Fund Main Figures as of 31/12/2022

<b>NAV</b>	USD 84.8 million
<b>- Value of Investments</b>	USD 79.4 million
<b>- Working Capital*</b>	USD 5.4 million
<b>Net IRR since inception</b>	28.1%
<b>Net total return since inception</b>	122.8%
<b>Average Weighted Leverage</b>	29.4%
<b>Weighted Charter Coverage</b>	147 Days
<b>Weighted average age of fleet</b>	9.8 Years

\* Includes success fee

### Portfolio Segment & Charter Distribution



Above charts is based on % of the latest current value of the investments in the portfolio.



## Portfolio Overview

### Investment List

Investment Name	Ownership	Segment	Charter	Portfolio %
Njord Handy AS	34%	BULK - Handysize	Spot	10%
Voge Sophie	25%	BULK - Handysize	Spot	6%
Nippon Supra AS	30%	BULK - Supramax	TC	3%
Empros Ultra AS	25%	BULK - Ultramax	TC	5%
Atlantic MPP AS	15%	BULK - MPP 17k 950 teu	BB	4%
Atlantic Discoverer AS	35%	CONTAINER - 2800 TEU	TC	6%
London Trader Maritime Ltd.	25%	CONTAINER - 1750 TEU ECO	TC	5%
Songa Passage AS	31%	TANK - MR	Pool	8%
Hafnia LR1 JV	25%	TANK - LR1 ECO	Pool	12%
Roberto 16 Pte Ltd	31%	TANK - MR	TC	6%
Sunny Sky Shipping LLC	20%	TANK - Handy	Pool	4%
Sunny Star Shipping LLC	25%	TANK - Handy	Pool	5%
Macaw Shipping LLC	30%	TANK - Handy	TC	5%
MT Cape Tampa	25%	TANK - LR1	Pool	1%
Chemtank Invest AS	32%	CHEMICAL - 19k	Pool	6%
Chemtank III AS	21%	CHEMICAL - 33k	Pool	5%
Gramcar IS	20%	PCC - 4900 CEU	TC	7%

Sold = Partially Sold =

Portfolio weight is based on % of the latest current value of the investments in the portfolio.\*

**INVESTMENTS - BULK**

**Dry Bulk Market**

The dry bulk market have continued to soften during the quarter and average earnings are now at the lowest level since mid 2020, driven by easing congestion and demand headwinds.

Handy & Supra 2<sup>nd</sup> hand values weakened 10-15% during the quarter, but S&P volumes picked up in anticipation that the reopening of China might improve the segment outlook.

There is still very limited newbuilding activity with an orderbook across the sub-segments currently standing at ~7%. With 60% of the bulkcarrier fleet being older than 10 years, a significant portion of the fleet will have to implement speed limitations in order to comply with environmental regulations going into 2023, thereby reducing the supply side.

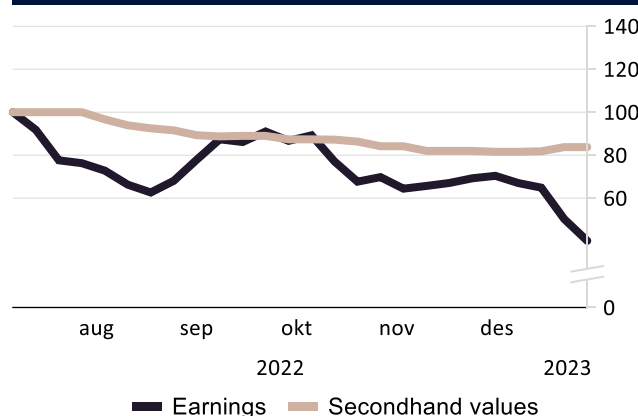
**PMF Bulk Investments**

**% of Portfolio**      **Quarterly Performance**

27.6 %      -4.3 %



**Values & Earnings Last 6 Months (Index)**



**Portfolio Investments**

Investment Name	Ownership	Segment	Charter	Portfolio %
Njord Handy AS	34%	BULK - Handysize	Spot	10%
Voge Sophie	25%	BULK - Handysize	Spot	6%
Nippon Supra AS	30%	BULK - Supramax	TC	3%
Empros Ultra AS	25%	BULK - Ultramax	TC	5%
Atlantic MPP AS	15%	BULK - MPP 17k 950 teu	BB	4%

**Quarterly News Highlights**

- Both vessels in Njord Handy are currently trading spot.
- Voge Sophie currently on short TC/trip charter receiving above cash break-even in a weak market.
- Nippon Supra fixed until March at break even levels.
- Almira currently fixed until March on index linked TC (114% of Baltic Supra index).
- Steady dividend flow from Atlantic MPP.

**Fleet list**

<b>MV Voge Emma</b>	<b>MV Voge Mia</b>	<b>MV Voge Sophie</b>	<b>MV Lista</b>	<b>MV Almira</b>	<b>MV Condor Bilbao</b>	<b>MV Valparaiso</b>
36,866 dwt	36,866 dwt	38,800 dwt	55,868 dwt	61,496 dwt	17,257 dwt	17,257 dwt
2011, Korea	2011, Korea	2019, China	2011, Japan	2011, Japan	2012, China	2011, China



## INVESTMENTS - CONTAINER

### Container Market

The drop the container market experienced post summer continued in Q4. TC- and spot freight rates have now fallen almost 80% from their record highs in 1H 2022. 2<sup>nd</sup> hand values have on average dropped ~40% during the quarter but still remain above historical levels.

Reported 2<sup>nd</sup> hand volumes for the quarter has plummeted to levels barely seen for the past decade and average fixture lengths now stand at pre-covid levels, both observations indicating that market participants are taking a wait-and-see approach.

The total orderbook as a percent of the fleet for containers are currently at 28%, although the number is significantly lower for feeders (13%). Considering that 10% of the feeder fleet is above 25 years old (TEU weighted), one should not be surprised to see recycling activity picking up at some point.

### PMF Container Investments

% of Portfolio

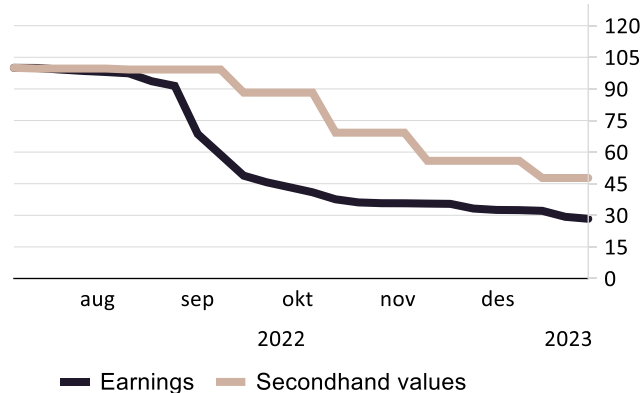
12,2 %

Quarterly Performance

-15,6 %



### Values & Earnings Last 6 Months (Index)



### Portfolio Investments

Investment Name	Ownership	Segment	Charter	Portfolio %
Atlantic Discoverer AS	35%	CONTAINER - 2800 TEU	TC	6%
London Trader Maritime Ltd.	25%	CONTAINER - 1750 TEU ECO	TC	5%

### Quarterly News Highlights

- Discoverer fixed on contract until Q2 '23. Debt free and recently docked.
- London Trader is fixed to Maersk until Q4 2024 but with floor and profit split based on rolling 3 month market.

### Fleet list



MV Discoverer

2800 TEU

2004, Poland



MV London Trader

1750 TEU ECO

2019, China





## INVESTMENTS - TANK

### Tanker Market

The tanker market had another quarter with exceptional earnings, even though it softened slightly in December. 1yr TC for LR1, MR and handy are currently in the range between USD 25,000-40,000 p.d, while spot earnings are even higher.

2<sup>nd</sup> hand values have steadily strengthened throughout the quarter and the latest rate drop (spot) does not seem to have affected buyer appetite for tonnage.

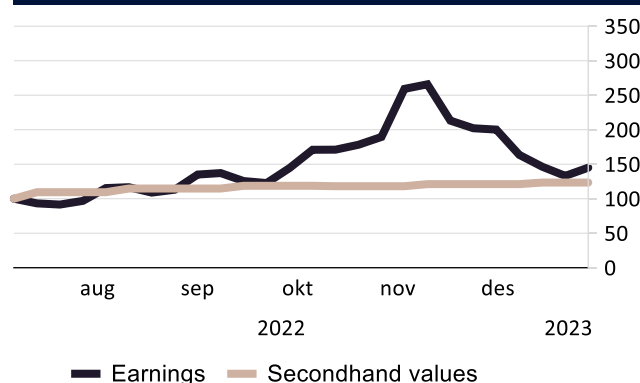
The upcoming embargo on Russian products has created huge expectations for tonne-mile growth (Clarksons forecast 10% in 2023 followed by 8% in 2024). With an orderbook-to-fleet barely over 5%, conditions are set for a tight market going forward.

### PMF Tanker/Product Investments

**% of Portfolio**      **Quarterly Performance**

42.1 %      12.1 % ↑

### Values & Earnings Last 6 Months (Index)



### Portfolio Investments

Investment Name	Ownership	Segment	Charter	Portfolio %
Songa Passage AS	31%	TANK - MR	Pool	8%
Hafnia LR1 JV	25%	TANK - LR1 ECO	Pool	12%
Roberto 16 Pte Ltd	31%	TANK - MR	TC	6%
Sunny Sky Shipping LLC	20%	TANK - Handy	Pool	4%
Sunny Star Shipping LLC	25%	TANK - Handy	Pool	5%
Macaw Shipping LLC	30%	TANK - Handy	TC	5%
MT Cape Tampa <span style="color: blue;">✔</span>	25%	TANK - LR1	Pool	1%

### Quarterly News Highlights

- Songa Passage are currently earning above USD 40 000 p.d. in pool. In the process of being sold.
- Hafnia LR1 earned abt 45 000 in Q4 with current sentiment even stronger.
- Roberto have only about 2 months left at current TC below market rate. In the process of being sold.
- Sunny Sky and Star are currently earning very strong rates in pool. Mount Kibo fixed until Oct 2024 at solid rate.
- The shares in Cape Tampa was sold during the quarter with settlement 31/12.
- Looking to sell/reduce exposure through a combination of fixing out on longer term contracts and vessel sales.

### Fleet list

Image	Investment Name	DWT	Year	Country
	MT Challenge Passage	48,658 dwt	2005	Japan
	Hafnia Guangzhou	75,000 dwt	2019	China
	MT Di Matteo	46,646 dwt	2009	Japan
	MT Sunny Sky	38,375 dwt	2008	China
	MT Sunny Star	37,857 dwt	2010	Korea
	MT Mount Kibo	37,843 dwt	2010	Korea
	MT Cape Tampa	73,600 dwt	2009	China

## INVESTMENTS - CHEMICAL

### Chemical Market

The chemical market performed very well in Q4, supported by chemical tankers swinging to the CPP market.

TC rates for 19k stainless steel tanker rose 34% during the quarter and are currently quoted at USD 21,500 p.d.

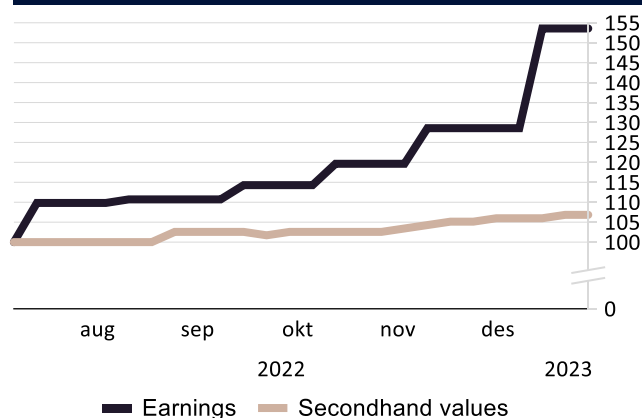
Long term outlook continues to be positive, very much due to the historically low orderbook, albeit with uncertainty on demand due to inflation and risk of recessions affecting industrial production.

### PMF Chemical Investments

**% of Portfolio**      **Quarterly Performance**

10.6 %      19.6 % ↑

### Values & Earnings Last 6 Months (Index)



### Portfolio Investments

Investment Name	Ownership	Segment	Charter	Portfolio %
Chemtank Invest AS <span style="color: blue;">✓</span>	32%	CHEMICAL - 19k	Pool	6%
Chemtank III AS	21%	CHEMICAL - 33k	Pool	5%

### Quarterly News Highlights

- Market for stainless steel tonnage was strong in Q4. Low break-even so expecting further dividends from Skarven (Chemtank III) in 2023. Current pool earnings in the low USD 30 000s for 33,000 dwt ships.
- Dreggen (Chemtank Invest) was committed for sale during the quarter with delivery scheduled in Q1 '23.

### Fleet list



**MT Dreggen**

19,994 dwt

2008, Japan



**MT Skarven**

33,625 dwt

2009, Japan

**INVESTMENTS – OTHER SEGMENTS**

**PCC Market**

The Car Carrier market continued to break new records in Q4, with the 1yr TC for 5000 CEU reaching USD 90,000 p.d. and 6500 CEU ships fixed at USD 110,000.

2nd hand values as well as newbuilding prices have been on the rise throughout the year, but are flat in the quarter. Ordering activity picked up during the year and the current orderbook as a percent of the fleet is now at 20% (weighted on vehicle capacity).

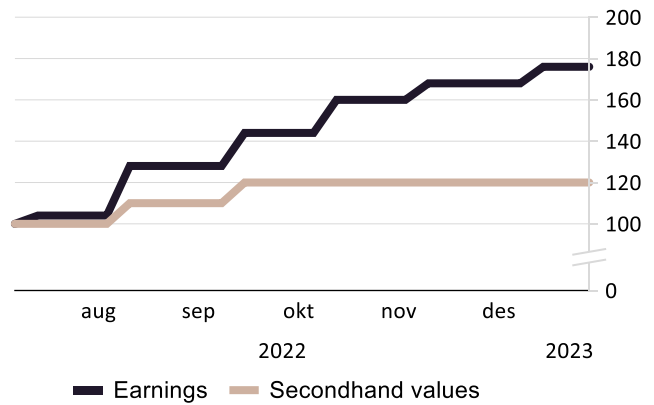
Clarksons forecast seaborne car trade to grow by 5% and 6% in 2023 and 2024 respectively vs expected supply growth of 1% and 6%. If this plays out, the market may remain tight for some time to come. If China keep growing their market share as a car exporter, it could even tighten, due to the tonne/car-mile effect.

Overall, we believe this market has promising medium term outlook, but the demand for car sales will most likely be sensitive to lower economic growth, hence there are downside risks.

**PMF PCC Investments**

% of Portfolio	Quarterly Performance
7.4 %	3.3 % <span style="color: green;">↑</span>

**Values & Earnings Last 6 Months (Index)**



**Portfolio Investments**

Investment Name	Ownership	Segment	Charter	Portfolio %
Gramcar IS	✓ 20%	PCC - 4900 CEU	TC	7%

**Quarterly News Highlights**

- Arabian Sea was delivered to Buyers end November.
- Mediterranean Sea fixed until mid 2025 at strong rates. Expect healthy dividends going forward.

**Fleet list**



**MV Arabian Sea**

4900 CEU

2010, China



**MV Mediterranean Sea**

4900 CEU

2010, China



## Risk Management – Fourth Quarter report 2022

**The Risk Management Function:** In the Alternative Investment Funds Act (AIFM Act) § 3-7 it is stated that the AIF manager shall have a risk management function that is separated from the manager's operational activities. In NRP Maritime Asset Management this is, among other things, carried out by having separate leaders for the Portfolio Management functions and the Risk Management functions. The Risk Management function shall not perform any tasks that may be in conflict with the operational activities. The Board of NRP Maritime Asset Management has also adopted instructions and a routine collection that all employees must be familiar with and comply with in their daily work.

The Risk Management function's aim is also to support the Management team in the identification and reduction of risk. Central to this work is to facilitate, follow up and control the manager's due diligence process in the implementation of new investments. With due diligence means review, evaluation and control of the investment object's legal, technical, financial and other essential elements before the investment decision.

**Risk Management:** NRP Maritime Asset Management establishes a Risk Policy for each AIF. Central to the Risk Policy is the AIF's investment mandate, and in addition the Risk Policy contains other qualitative and quantitative management frameworks. The risk-elements are divided into and considered as follows:

- **Market risk**

Market risk is the risk of losses or reduced future income and sales proceeds resulting from changes in market prices.

- **Credit and Counterparty risk**

Credit risk is the risk of financial loss due to charterer for each investment to meet their payment obligations.

- **Liquidity risk**

Liquidity risk is the risk that the company is unable to meet short term financial demands when due. This usually occurs due to the inability to convert an asset to cash without a loss of capital in the process.

- **Operational risk**

Operational risk is the risk of loss resulting from the operation of the investments or as a result of operational errors or weaknesses in the management of the Fund Company.

- **Risk associated with leverage in the Portfolio Companies**

Risks associated with leverage is the risk of financial loss as a result of leverage in the Portfolio Companies, including non-fulfillment of covenants, amended swap- terms and -conditions, etc.

**Reporting:** Ongoing reporting to the responsible functions is a key part of the Risk Management function. The purpose of these reports is to document compliance to the relevant commitments and mandates, to document non-compliance and to establish reporting lines for handling exceptions. The Risk Management function reports quarterly as follows:

- To investors in the AIF's (this report)
- To each Board of the AIF's
- To the Financial Supervisory Authority ("Finanstilsynet")

In addition, it is reported continuously to the Management team of NRP Maritime Asset Management and to the Depositary.

The routines contain rules for escalation of the issues that the Risk Management function may uncover, including breach of an AIF's investment mandate and risk policy.

**Conflicts of Interest:** AIF management entails several potential conflicts of interest that require transparency and information according to the AIF framework. The Investor presentation and subscription agreement forming the official documentation for Premium Maritime Fund describes such conflicts of interest and the management of these.

All entities in the NRP Group have guidelines for managing conflicts of interest in their rules and procedures.

All agreements involving Premium Maritime Fund and agreements between entities in the NRP Group are entered into on an arm's length principle.



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