



# **PREMIUM MARITIME FUND**

## **Second Quarter Report 2023**

**NRP**

Prepared by: NRP Maritime Asset Management AS  
July 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 62.4 million</b>
<b>Dividend Distributed:</b>	<b>USD 78.0 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 a strong quarter in Q2 with a total return of 5.8% and the dividend adjusted NAV is 18% higher than 12 months ago.

Dividends of USD 0.3 per share, representing 12.7% of the Q1 NAV, was distributed during Q2. The manager estimates distributions of USD 0.7 per share during Q3.

### Market Developments

The shipping markets have continued to weaken in the current quarter, following an initial slowdown observed at the beginning of the year. Although the Clarksea index has declined by 23% since March, it still retains a 40% advantage over the ten-year trend. Conversely, secondhand values have remained relatively stagnant throughout the quarter, reflecting sellers' reluctance to reduce prices in anticipation of improved market conditions.

The container market has sustained its positive sentiment, with box rates, TC rates, and secondhand values demonstrating resilience at their current levels and even experiencing some additional gains. Nevertheless, with demand for containerized goods facing headwinds and a substantial increase in supply due to record deliveries in the second half of 2023, particularly for larger container ships, there is a likelihood of downward pressure on rates in the short term.

During the second quarter, the bulker markets have maintained a moderate state. Spot earnings have dropped below USD 10,000 per day, and vessel values have decreased by around 5-10%, varying based on age and size. Although the reopening of the Chinese economy has offered some support, its pace of progress has been slower than initially expected. Additionally, weaker trends in other significant regions have played a role in delaying the market's recovery.

Product tanker earnings have continued to decline since reaching their peak in December 2022, but they are still at historically healthy levels. Voluntary production cuts from Saudi Arabia and seasonal trends have resulted in a volatile quarter. However, increased sailing distances and shifting trading patterns, stemming from the EU embargo on Russian products, coupled with a positive supply outlook, continues to support the markets.

Overall, Clarksons projects a total trade growth of 1.8% (3.2% in tonne-miles) and an overall fleet growth of 3.1% (excluding demolitions) in 2023.

### Portfolio development

Following a dynamic quarter in terms of sales, the current portfolio comprises 11 ships that have not been sold or committed for sale. 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 2<sup>nd</sup> quarter is USD 2.2 per share, which corresponds to an increase of 5.8% since last quarter, when adjusting for dividends distributed. The manager estimates that the fund will be able to distribute a further USD 0.7 per share during Q3.

The next quarterly report will come in October.



The fund's stake in MT Hafnia Guangzhou was sold during the quarter. The investment has since 2018 delivered an IRR of 37% and a total return of 247%.

  
Nicolai Heidenreich  
Fund Manager

  
Wilhelm Chr. Magelssen  
Fund Manager





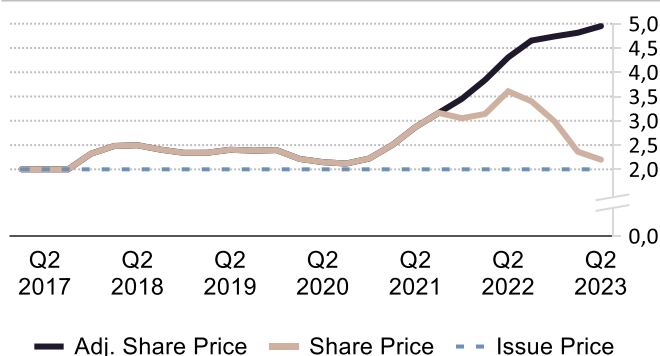
## Fund & Market Performance

### Quarterly Highlights

- The fund continues to deliver strong performance with an increase in the dividend adjusted NAV of 5.8%.
- The product- and chemical tanker investments continues to generate strong cash flow, while the bulkers experienced a decline in values.
- Three vessels were sold and delivered to new owners during the quarter and additional two vessels were committed for sale with delivery in July.
- Dividends of USD 8.5m or USD 0.3 per share were distributed to shareholders through the quarter. Manager expects to be able to distribute further USD 0.7 per share in Q3.

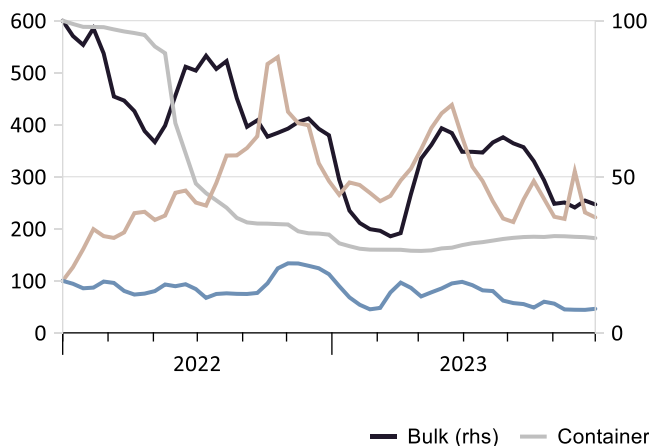
### Share Price – Premium Maritime Fund

Share Price - Q2 2023	USD 2.2	▲ 5.8%
Dividend per share - Q2 2023	USD 0.3	
Share Price - Q1 2023	USD 2.36	

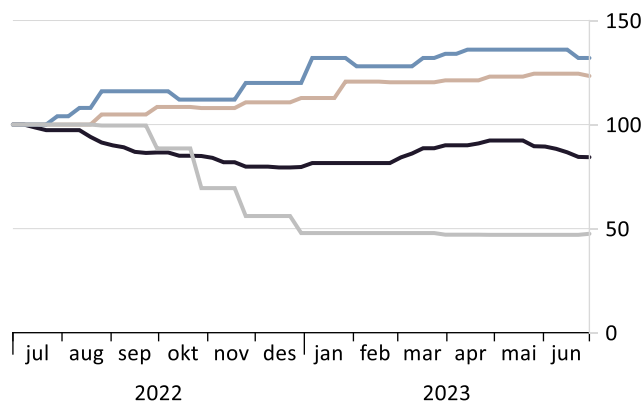


### Clarksons Market Data Last 12 months (indexed, base = 100)

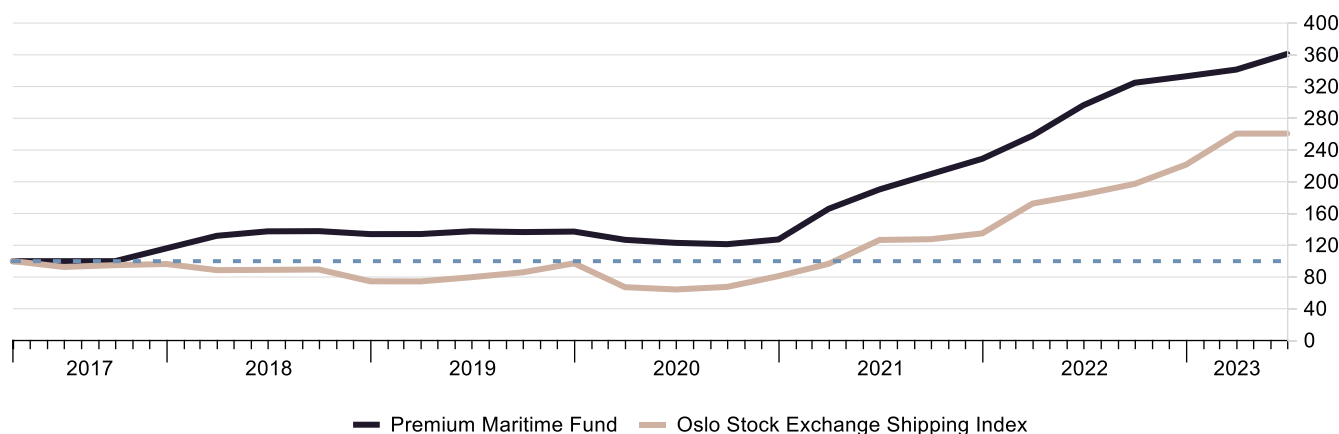
#### Earnings



#### Secondhand Values



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





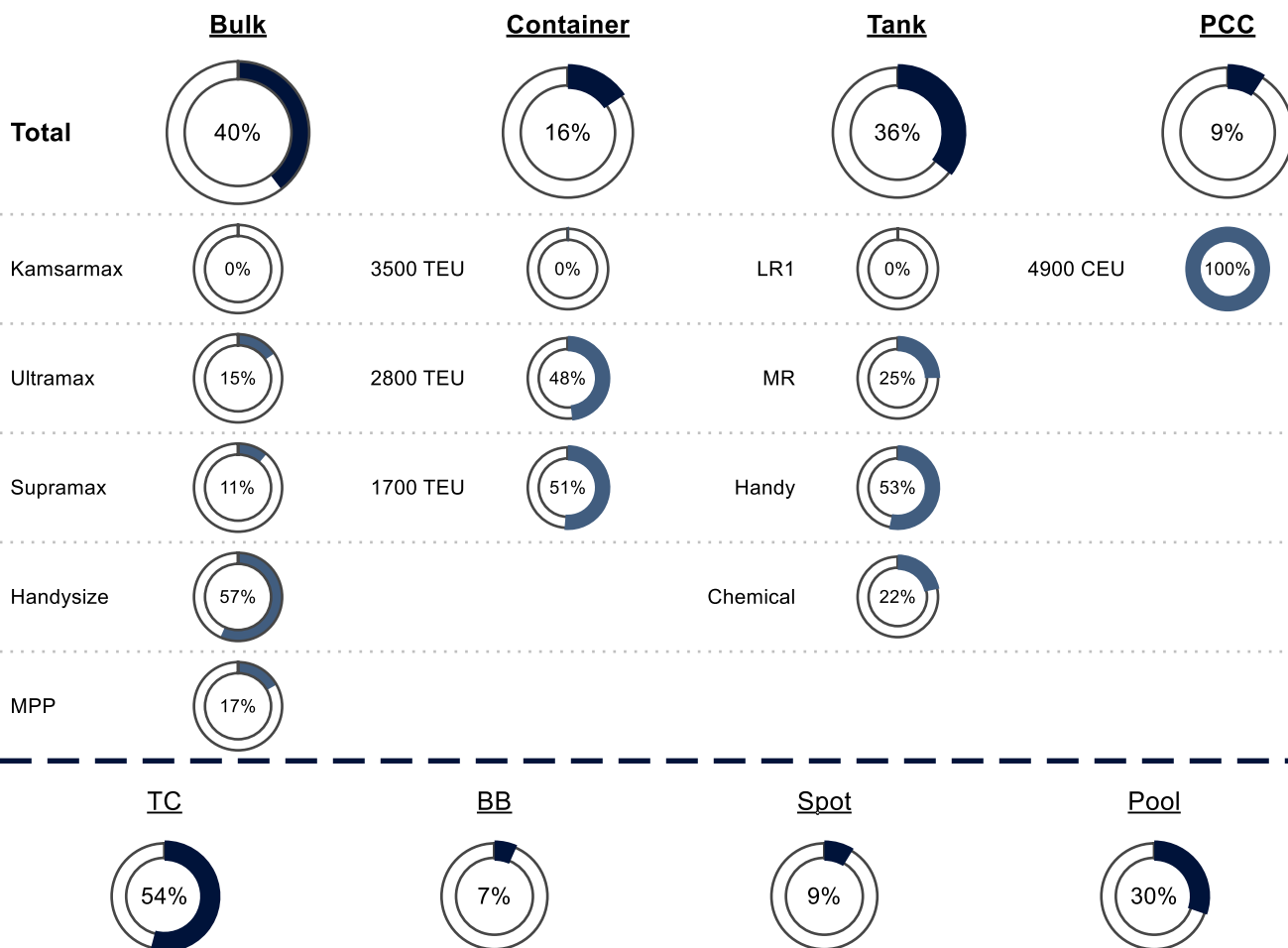
## Portfolio Overview

### Premium Maritime Fund Main Figures as of 30/6/2023

<b>NAV</b>	USD 62.4 million
<b>- Value of Investments</b>	USD 58.7 million
<b>- Working Capital*</b>	USD 3.7 million
<b>Net IRR since inception</b>	27.4%
<b>Net total return since inception</b>	132.8%
<b>Average Weighted Leverage</b>	29.6%
<b>Weighted Charter Coverage</b>	128 Days
<b>Weighted average age of fleet</b>	10.7 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	TC	14%
Voge Sophie	25%	BULK - Handysize	Spot	9%
Nippon Supra AS	30%	BULK - Supramax	TC	4%
Empros Ultra AS	25%	BULK - Ultramax	TC	6%
Atlantic MPP AS	✓ 15%	BULK - MPP 17k 950 teu	BB	7%
Atlantic Discoverer AS	35%	CONTAINER - 2800 TEU	TC	8%
London Trader Maritime Ltd.	✓ 25%	CONTAINER - 1750 TEU ECO	TC	4%
Madrid Trader Maritime Ltd.	✓ 25%	CONTAINER - 1750 TEU ECO	TC	4%
Songa Passage AS	✓ 31%	TANK - MR	Pool	1%
Hafnia LR1 JV	✓ 25%	TANK - LR1 ECO	Pool	0%
Roberto 16 Pte Ltd	✓ 31%	TANK - MR	Pool	8%
Sunny Sky Shipping LLC	20%	TANK - Handy	Pool	6%
Sunny Star Shipping LLC	25%	TANK - Handy	Pool	8%
Macaw Shipping LLC	30%	TANK - Handy	TC	5%
Chemtank III AS	21%	CHEMICAL - 33k	Pool	8%
Gramcar IS	⊕ 20%	PCC - 4900 CEU	TC	9%

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's positive momentum following Chinese New Year was short-lived. In May, sentiment declined due to a weaker trend in Europe and the ongoing reduction of port congestion, which has now fallen below pre-COVID averages.

1-year TC rates for geared vessel sizes have declined from USD 15-18,000 per day to USD 9-13,000, indicating a decrease in confidence regarding a swift recovery in the short term. Although secondhand values have remained relatively stable, they did weaken by 5-10% across different ages and sizes towards the end of the quarter.

Looking ahead, the outlook for the bulker market appears relatively balanced for the remainder of 2023. However, several factors could exert pressure on the upside. These include increased demand from China, environmental regulations, shifting trade patterns and a limited order book, which is historically low at 7% of the existing fleet.

### PMF Bulk Investments

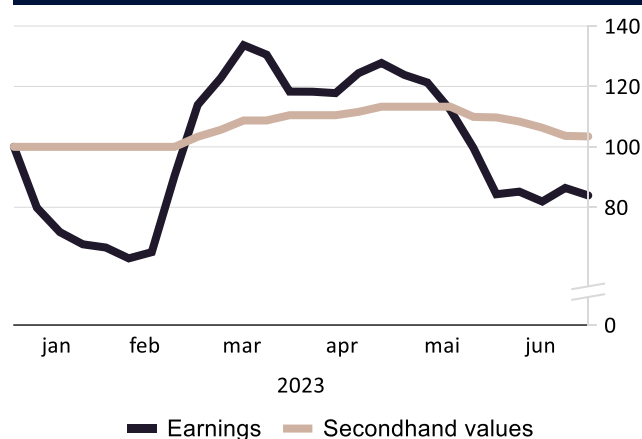
**% of Portfolio**      **Quarterly Performance**

39.6 %

-2.4 %



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



### Portfolio Investments

Investment Name	Ownership	Segment	Charter	Portfolio %
Njord Handy AS	34%	BULK - Handysize	TC	14%
Voge Sophie	25%	BULK - Handysize	Spot	9%
Nippon Supra AS	30%	BULK - Supramax	TC	4%
Empros Ultra AS	25%	BULK - Ultramax	TC	6%
Atlantic MPP AS	✓ 15%	BULK - MPP 17k 950 teu	BB	7%

### Quarterly News Highlights

- Emma & Mia are currently trading spot / short TC.
- Almira fixed until Aug/Sept.
- Voge Sophie currently on short TC/trip charter.
- Condor Bilbao and Valparaiso sold to BB charterer at prices significantly exceeding the put options. Delivered in June, but liquidation proceeds not yet distributed.
- Lista fixed until Sept/Oct.

### 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

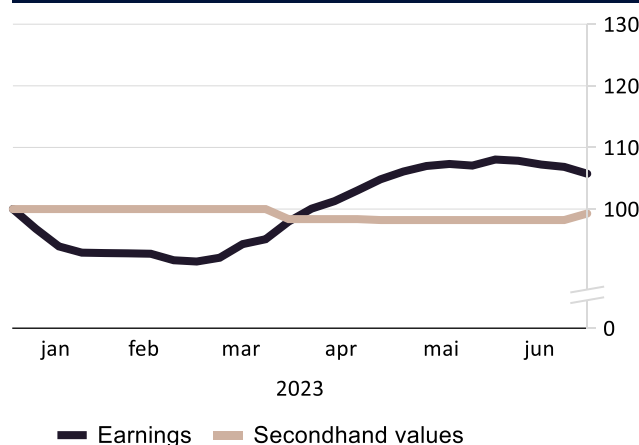
Following last year's significant decline, the container market has now stabilized and even witnessed slight gains. The 6-12-month time charter (TC) rates for feeders below 3,000 TEU are still being quoted in the mid-teens, and the average charter lengths have shown an upward trend. Secondhand values have increased by 0-10% during the quarter, depending on the age and size.

Headwinds in the western economies combined with substantial deliveries of larger tonnage and subsequent cascading effects, are expected to exert pressure on rates in the short and medium term. However, there are positive factors to consider. The orderbook for feeders currently represents 11.6% of the fleet, while over 25% of the fleet is over 20 years old. In a scenario where demand for tonnage decreases, it is natural to expect the market to self-regulate, leading to an increase in recycling activity. Environmental regulations are also anticipated to amplify this trend.

### PMF Container Investments

% of Portfolio	Quarterly Performance
15,6 %	8,1 % <span style="color: green;">↑</span>

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



### Portfolio Investments

Investment Name	Ownership	Segment	Charter	Portfolio %
Atlantic Discoverer AS	35%	CONTAINER - 2800 TEU	TC	8%
London Trader Maritime Ltd. <span style="color: green;">✓</span>	25%	CONTAINER - 1750 TEU ECO	TC	4%
Madrid Trader Maritime Ltd. <span style="color: green;">✓</span>	25%	CONTAINER - 1750 TEU ECO	TC	4%

### Quarterly News Highlights

- Discoverer fixed on contract until Q2 '24. Debt free and recently docked.
- London & Madrid Trader was sold during the quarter and are scheduled for delivery in mid-July.

### Fleet list

<b>MV Discoverer</b>	<b>MV London Trader</b>	<b>MV Madrid Trader</b>
2800 TEU	1750 TEU ECO	1750 TEU ECO
2004, Poland	2019, China	2019, China





## INVESTMENTS - TANK

### Tanker Market

The tanker market has experienced a volatile second quarter, with some pressure stemming from the voluntary production cuts by Saudi Arabia.

Despite the softer trend, 1-year TC rates for MRs and Handies have remained at elevated levels around low to mid-20s, which still can be considered very strong when viewed from a historical perspective. In contrast, secondhand values have remained relatively unchanged and flat throughout the quarter.

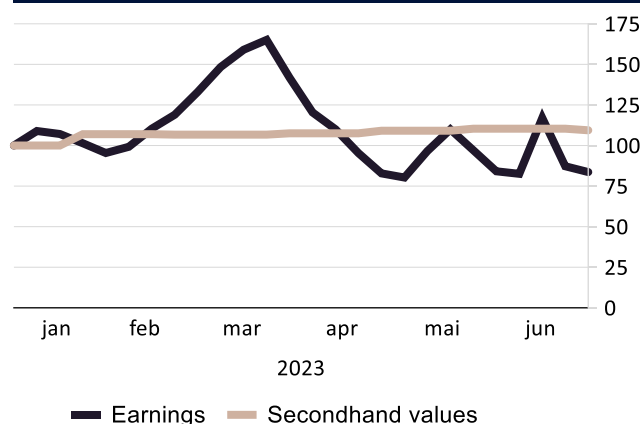
Forecasters maintain an optimistic outlook for product tanker fundamentals moving forward. They anticipate product ton-mile growth to exceed 10% for 2023 and 6% for 2024. Contracting activity in the segment has picked up in Q2, although the current orderbook represents only about 9% of the fleet (compared to 6% back in March), suggesting limited fleet growth in the near future.

### PMF Tanker/Product Investments

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

27.8 %      11.6 % ↑

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




### Portfolio Investments

Investment Name	Ownership	Segment	Charter	Portfolio %
Songa Passage AS	✓ 31%	TANK - MR	Pool	1%
Hafnia LR1 JV	✓ 25%	TANK - LR1 ECO	Pool	0%
Roberto 16 Pte Ltd	✓ 31%	TANK - MR	Pool	8%
Sunny Sky Shipping LLC	20%	TANK - Handy	Pool	6%
Sunny Star Shipping LLC	25%	TANK - Handy	Pool	8%
Macaw Shipping LLC	30%	TANK - Handy	TC	5%

### Quarterly News Highlights

- Challenge Passage was sold and delivered in Q1.
- Our stake in Hafnia was sold and settled during the quarter.
- Sunny Sky and Star are still earning strong rates in pool. Mount Kibo fixed until Oct 2024 at solid rate.
- Delivery of Di Matteo scheduled in July

### Fleet list

 <b>SOLD</b>	 <b>SOLD</b>	 <b>SOLD</b>			
<b>MT Challenge Passage</b>	<b>Hafnia Guangzhou</b>	<b>MT Di Matteo</b>	<b>MT Sunny Sky</b>	<b>MT Sunny Star</b>	<b>MT Mount Kibo</b>
48,658 dwt	75,000 dwt	46,646 dwt	38,375 dwt	37,857 dwt	37,843 dwt
2005, Japan	2019, China	2009, Japan	2008, China	2010, Korea	2010, Korea

**INVESTMENTS - CHEMICAL**

**Chemical Market**

The chemical tanker market has experienced a decline from the previously high levels observed towards the end of last year and in January. However, despite this downturn, the market continues to perform well.

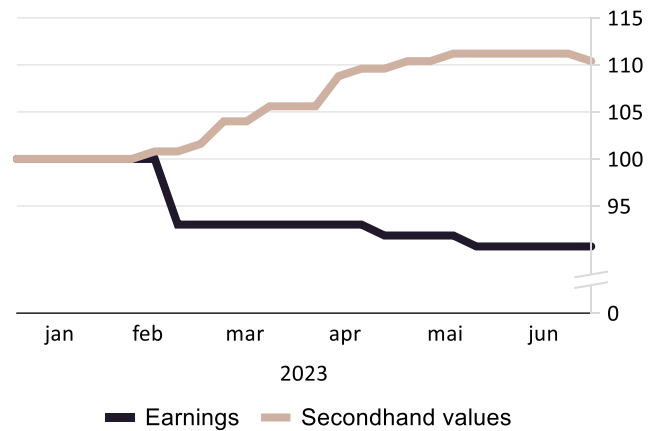
Currently, the 1-year time charter rate for 19k stainless tonnage stands at USD 19,000 per day, which aligns well with the current spot market. Additionally, secondhand values have increased by approximately 5-10% during the quarter.

The chemical tanker segment holds a favorable outlook, with an expected ton-mile growth of around 4% in 2023 and 3.5% in 2024, while the orderbook for stainless tankers remains limited, representing only about 6% of the existing fleet. Chemical tankers are also anticipated to benefit from the strong outlook for the CPP market, as it reduces swing trading between the segments.

**PMF Chemical Investments**

% of Portfolio	Quarterly Performance
7.8 %	15.4 % <span style="color: green;">↑</span>

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



**Portfolio Investments**

Investment Name	Ownership	Segment	Charter	Portfolio %
Chemtank III AS	21%	CHEMICAL - 33k	Pool	8%

**Quarterly News Highlights**

- Current pool earnings for Q2 came in higher than corresponding TC market
- Low break-even so expecting further dividends going forward (next in July)

**Fleet list**



MT Skarven

33,625 dwt

2009, Japan



## INVESTMENTS – OTHER SEGMENTS

### PCC Market

The car carrier market continues to thrive, driven by growth in long-haul Chinese car exports. Unlike for other segments where congestion has eased significantly over the past year, the PCC segment is experiencing record-high levels of fleet occupancy in ports, resulting in reduced available tonnage.

1-year TCs for 6,500 and 5,000 CEU vessels are still quoted at USD 110,000 and 90,000 per day, respectively, a rate that has remained consistent over the past six months.

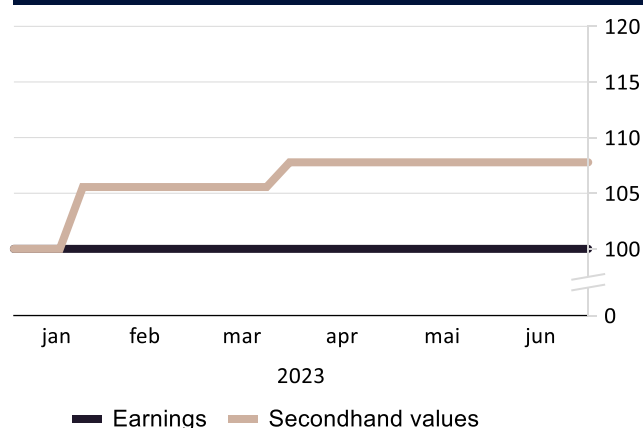
Global seaborne car trade is forecasted to grow by approximately 8% in 2023, indicating a return to pre-COVID levels. However, the orderbook for the car carrier segment currently represents 29% of the existing fleet. This substantial orderbook, coupled with the potential easing of congestion, could potentially exert pressure on the market in the future.

### PMF PCC Investments

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

9.2 %      1.7 % ↑

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



### Portfolio Investments

Investment Name	Ownership	Segment	Charter	Portfolio %
Gramcar IS	📍 20%	PCC - 4900 CEU	TC	9%

### Quarterly News Highlights

- Mediterranean Sea fixed until mid 2025
- Expect healthy dividends going forward

### Fleet list



MV Mediterranean Sea

4900 CEU

2010, China





## Risk Management – Second Quarter report 2023

**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.

- **Sustainability risk**

Sustainability risk is defined as "an environmental, social or governance event that, if it occurs cause an actual or potential material impact on the value of the investment".

**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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