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Research reveals senior shipping professionals believe now is a good time to invest in the dry bulk shipping market

- **TIME Investments recently launched a new asset backed EIS investing in dry bulk shipping**
 - **TIME:EIS targets a base case return of £1.27 from a net 70p invested**
 - **92% of those interviewed see the current price environment for buying dry bulk shipping vessels as ‘very attractive’ or ‘attractive’**

New research⁽¹⁾ amongst senior shipping professionals, reveals 83% of them believe the dry bulk shipping market has now hit its lowest point and is showing signs of improvement, making it a good time to invest in the sector.

Dry bulk shipping charter rates are represented by the Baltic Dry Index (BDI), which peaked in 2008 reaching 11,793 points but recently it has been below 500 points (although it has slowly been recovering since February this year). These low charter rates have resulted in many ship owners being unable to service their borrowing obligations and several have filed for bankruptcy. This has increased cancellation of new ship orders as well as the levels of both second hand vessel sales and vessels being sold early for scrap.

The research was commissioned by TIME Investments, which recently launched a new Enterprise Investment Scheme offering that will invest in dry bulk shipping, giving investors a unique asset backed opportunity. Shipping is a sector recently identified by the Government as vital to the UK economy and one it is keen to support. The base case targets a return of £1.27 from £1 invested along with the initial 30 pence income tax relief.

With advance assurance already received from HM Revenue & Customs, the TIME:EIS portfolio companies will buy a second-hand dry bulk ship that will be chartered to transport a wide range of cargo such as grain, coal or fertilizer across global trade routes. The minimum investment is £10,000 and the closing date for the current tax year is 5 April 2016. All investments must be made through an authorised intermediary.

Further findings from TIME Investments’ research reveals that with limited orders for new build Handymax and Supramax vessels being placed, and record levels of scrapping, 79% of the shipping professionals interviewed expect it to take three years or less for the supply and demand dynamic of these ships to adjust to support improved market conditions.

A number of large shipping companies have recently entered the dry bulk shipping market, and 92% of the industry professionals interviewed see this as evidence that now is a good time to buy second hand dry bulk vessels. 92% of those interviewed see the current price environment for buying dry bulk shipping vessels as 'very attractive' or 'attractive'. None of those interviewed see the market as unattractive.

In addition to this, 71% of the industry professionals interviewed expect dry bulk scrap values to increase over the next five years. Only 13% expect them to fall.

Nigel Ashfield, Managing Director and Partner, TIME Investments said ; “With renewable energy no longer qualifying for EIS, investors and their advisers are looking for new ways to invest in a non-contentious asset backed EIS and dry bulk shipping is just that. I have studied this market carefully over the last 15 years and believe now is a good time for investors to consider it. With the industry opinion predicting a positive outlook and the experience we have pulled together for this investment, we believe we have a very compelling proposition.”

“If you are going to invest in a dry bulk shipping vessel, we believe you should choose an investment vehicle that does not use debt to acquire the vessel – a view shared by 92% of the industry professionals we interviewed.”

Industry comment on the dry bulk shipping market

Alan Bekhor, Chief Executive Officer, British Marine: “With investment in second hand dry bulk tonnage so far this year recently passing the \$1bn mark and average asset prices at their lowest since the turn of the century (and back even further when adjusting for inflation), now really is an opportune time to buy into this cyclical market. With vessels of at least 15 years of useful life being sent to the scrap yard to avoid maintenance and debt costs, as long standing owner-operators, we believe that the supply demand imbalance will not last forever. We feel that the dry bulk ship owners will return to cash-flow breakeven over the next 12-18 months and normal trading conditions thereafter. The investment opportunity is even more interesting given the benefit of the tax reliefs of both the Enterprise Investment Scheme and the UK Tonnage Tax regime.”

Andy Fitz, of Oculus Wealth (Cotswolds) Ltd: “Given the recent changes in the rules, it looks likely that scalable EIS products will be in relatively short supply this year. An asset backed shipping EIS would definitely be of interest and may help some of my clients further diversify their portfolios. It is encouraging to see risks being mitigated where possible and EIS managers' earnings aligned with investor returns.”

TIME: EIS

TIME:EIS will not use debt to acquire ships, enabling it to act more nimbly and operate more economically than other shipping businesses. This should ensure that their investors are well placed to benefit from any market recovery.

Where possible, TIME has sought to mitigate risk. As well as avoiding borrowing on purchase of the vessel, this includes asset backing through owning the vessel which has a resale or scrap value, a focus on long term charters to provide a more predictable revenue stream and a hedging strategy for foreign currency.

Independent oversight is provided by an advisory committee of three industry heavyweights, including the CEO of the UK Chamber of Shipping and the founder and former CEO of a London Stock Exchange listed ship broker.

The interests of TIME Investments and the asset manager are aligned with Investors, as a significant part of their overall remuneration will be derived from a performance fee linked to the value returned to Investors.

The minimum investment size is £10,000 and applications must be made via an authorised intermediary.

For further information on TIME Investments, visit www.time-investments.com.

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⁽¹⁾ 24 senior shipping professionals were interviewed between 22 and 23 March 2016.

About TIME Investments

TIME provides tax efficient investment solutions and has more than £500 million of assets under management. We pride ourselves on offering real transparency around our products, what we invest in and what the risks are. Above all we always keep our clients at the forefront of our mind and their best interests at heart. Find out more at www.time-investments.com.

In October 2015, TIME Investments was named Best BPR Investment Manager. This award recognises the top performing fund manager specialising in investments qualifying for Business Property Relief (BPR). It's judged on investment volume and performance, impact on the investee company, product development and adviser outreach.

TIME Investments was selected ahead of finalists Octopus Investments, Triple Point, Blackfinch Investments and Fundamental Asset Management.

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