

## In this issue

- 01 *Impact of the TPP on Container Shipping*
- 02 *CEO's Message | Market Outlook*
- 03 *Operations Update | Financial Performance*
- 04 *Hands on Deck | Glossary*

## Cover Story

# Impact of the TPP on Container Shipping



*The Trans-Pacific Partnership could fuel container trade growth within the region if successfully passed.*

The Trans-Pacific Partnership (TPP), one of the most ambitious free trade agreements (FTA) ever discussed, is finally becoming a done deal after five years of negotiations.

Aimed at strengthening economic ties among 12 countries – Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States of America, and Vietnam, the TPP promotes trade and investment by cutting trade barriers, and granting duty-free concessions on most goods traded between the countries.

### Potential boon for trade and container shipping

If successfully passed, the TPP could boost the volume and value of world trade. The 12 TPP countries account for around 40% of the world economy and one-third of world trade, and comprises a population of 800 million, making it the largest regional trade agreement to date. It is estimated that the amount of goods traded between these countries sums up to around US\$1.5 trillion a year. According to a study by the Peterson Institute for International Economics with

the TPP, exports by the 12 countries could increase by about US\$305 billion per year, and their economies could be enlarged by around US\$285 billion by 2025.

The global seaborne container trade has presented a picture of varying performances in 2015. While container trade stagnated or even contracted on some mainline routes, container trade on the peak leg transpacific route is expected to grow by 7.4% in 2015, and 5.9% in 2016, according to Clarksons Research. Total transpacific container volumes increased 2.3% year-on-year to 22.2 million TEU in 2014, and is projected to rise to 22.9 million TEU in 2015 and 24.0 million TEU in 2016, representing year-on-year growth rates of 3.2% and 4.8% respectively.

As 90% of world trade is carried out by the international shipping industry, the potential increase in transpacific trade could further fuel container trade growth within the region.

In addition, the TPP complements other developments within the transpacific

region, such as the expansion of the Panama Canal, which is expected to be completed by April 2016. The wider canal will accommodate ultra large container vessels, which in turn necessitates the increased deployment of larger feeder vessels for intraregional trade and at transshipment hubs. So while the widened canal will likely lead to some "old Panamax" vessels being redeployed elsewhere, there will also be positive consequences for Panamax vessels, such as those owned by Rickmers Maritime.

### Outcome remains to be seen

The TPP is not set for take-off yet. The deal has to be ratified by the parliaments of the 12 member nations and signed off by their leaders. This process is expected to continue into early 2016, and the deal could encounter obstacles in some countries. The key proponent of the TPP, US President Barack Obama, is faced with stiff opposition back home. Multiple political and industry groups across all 12 countries will make their stands in the coming months, shaping the way this could develop. Stakeholders will certainly keep their eyes peeled to watch how this pans out.



CEO Message

## Dear Investor,

Looking back at the year thus far, 2015 has been a mixed success for the container shipping industry.

In the first half of the year, the charter market for modern container panamax vessels improved significantly. Daily charter rates for 4,400 TEU panamax vessels recovered by about 50% to about US\$15,000 as at end-June 2015. While not at historical averages, the rates were at their best levels in recent years.

However, towards the end of the third quarter, an acute imbalance between global supply and demand triggered widespread capacity reduction by liner companies. Charter rates for 4,400 TEU panamax vessels dropped to about US\$6,000 in late October 2015, and there are currently around 60

vessels in the range of 3,000–5,000 TEUs without employment

Despite this very weak market, we have managed to employ all our vessels with minimal idle time. Our fleet of 16 containerships continued to perform well in 3Q2015, with utilisation rate of 99.9%.

In the fourth quarter of 2015, two of our vessels could be redelivered following the expiry of their current charters and 11 of our vessels will be trading in the spot market in 2016. Our plan at present is to put these vessels out on short term charters, in order to be able to fix them for longer periods when the market improves.

To weather further volatility, we need to take prudent steps to conserve cash. As a result, we have made the difficult decision to suspend distributions for the time being to conserve cash and be better positioned for growth when the shipping market improves.

We have been committed and working hard to maintain distributions. In fact, we have been paying out distributions per unit of 0.6 US cents every quarter since 4Q2010.

By conserving cash today, our goal is to emerge in a substantially stronger financial position once market conditions improve. We will review our decision on distributions every quarter, with the aim to resume when we are confident that the Trust is in a position to do so sustainably.

We will continue to actively manage Rickmers Maritime's finances on sound stewardship

principles. We remain committed to creating value for unitholders.

Our growth plans remain intact. We still want to grow our fleet, and as a Trust, we actively evaluate suitable acquisition opportunities. Strengthening our balance sheet amid the current environment will better position us to pursue such opportunities as they arise.

In the medium- to long-term, I believe there are promising prospects in the shipping market, and have conveyed these sentiments in recent interviews with The Business Times and The Edge Singapore. Demand is expected to grow in the medium- to long-term, as vessels the size of ours will be needed to serve as feeders for the world's growing fleet of ultra large container vessels that call only at a few major hub ports. Furthermore, the order book for this type of vessel is virtually non-existent.

We remain vigilant and will continue to keep you informed about the industry outlook and the Trust's plans.

Thank you for your support.



**Soeren Andersen**  
Chief Executive Officer  
Rickmers Trust Management Pte. Ltd.

Market Outlook

### 3Q 2015

The estimated global container trade growth for 2015 has been revised downwards from 4.3% to 3.7% amid weaker shipping market conditions.

According to Clarksons Research Services, mainlane freight rates remain under acute pressure, exacerbated by rapid supply growth, which is expected to increase by 7.1% in 2015. The charter market for modern container panamax vessels deteriorated as container lines took the consequence of weak demand growth to shut down services and redeliver vessels to non-operating owners. The average daily charter rate of 3,500 TEU vessels fell

from US\$12,500 in July 2015 to US\$7,900 in October 2015, while the average daily charter rate of 4,400 TEU vessels fell from US\$15,000 in July 2015 to US\$6,700 in October 2015.

The proportion of the idle containership fleet reached 4.0% of total capacity of around 0.8m TEU by early October, according to Alphaliner, doubling the 2% level throughout the first half of 2015.

The weak time charter rates for container panamax vessels are expected to continue into 2016.

## Operations Update

## Fleet Operations

The Trust's fleet of 16 containerships continued to perform well in 3Q2015, achieving close to full utilisation rate at 99.9%. During the quarter, three vessels commenced new charters - CMA CGM extended the charters for Laranna Rickmers (ANL Warrain) at a net daily charter rate of US\$13,028, as well as CMA CGM Jade and CMA CGM Onyx at a net daily charter rate of US\$12,497.

As at 30 September 2015, the Trust's fleet is fully chartered with secured revenue of US\$163.3 million until the expiry of its last charter party contract in 2019. The fleet is 97% employed for 2015.



*Laranna Rickmers will start its charter with Simatech, one of the market leaders in the feeder industry in the Gulf.*

In early November 2015, Maersk Line extended its charters for Henry Rickmers and Richard Rickmers for three to 12 months at the same rate of US\$7,125 from 26 November 2015. Laranna Rickmers will also be starting her short-term charter with Simatech from 22 November 2015 for two to five months at a net daily charter rate of US\$6,256.

## Financial Performance

## 3Q 2015

FINANCIAL HIGHLIGHTS In US\$ million	3Q2015	3Q2014	Change	9M2015	9M2014	Change
Charter revenue	27.36	33.01	(17%)	84.46	98.46	(14%)
Cash flow from operating activities	16.90	22.21	(24%)	52.81	67.07	(21%)
Net profit/(loss)	8.99	(53.02)	NM	0.36	(27.15)	NM
Cash flow available for distribution (before payment to debt capital providers)	18.33	23.13	(21%)	53.80	66.99	(20%)
Distribution per unit (US cents)	-	0.6	NM	1.20	1.80	(33%)

Rickmers Trust Management Pte. Ltd. reported charter revenue of US\$27.4 million and net profit of US\$9.0 million for the Trust in 3Q2015. The lower revenue was due mainly to lower market charter rates of seven vessels which commenced new charters over the course of the year.

Vessel operating expenses increased 3% year-on-year (y-o-y) to US\$9.6 million in 3Q2015, primarily due to a contractual increase in fixed operating expenses and vessel management fees which came into effect from 1 January 2015. Finance expenses decreased 45% y-o-y to US\$3.4 million in 3Q2015, due mainly to the expiry of interest rate swaps, reduced outstanding bank loan balances, partially offset by higher interest expense on the Trust's medium-term notes. Consequently, Rickmers Maritime recorded a net profit of US\$9.0 million in 3Q2015.

As part of its focus to deleverage its balance sheet, the Trust repaid US\$12.8 million of secured bank loans in 3Q2015, reducing its outstanding secured bank loans to US\$326.7 million as at 30 September 2015. Rickmers Maritime ended the quarter with a cash balance of US\$51.7 million.

As the slowdown in the charter market has direct impact on the Trust's business, the Trustee-Manager has taken the prudent step to suspend its distributions to conserve cash and be better positioned for growth when the shipping market improves.

The Trustee-Manager is in discussion with its lenders to extend the Trust's value-to-loan covenant waiver, which is expiring on 31 December 2015.

To access the results announcement and presentation, please visit <http://www.rickmers-maritime.com>

Hands On Deck

# MOL Devotion



1. *Wai Yan Hein*  
(Assistant Electrical Officer)  
Most determined



2. *Nyi Min Tun (Deck Rating)*  
Most self-taught



3. *Si Thu Soe (Messman)*  
Most well-groomed

In this instalment, the captain of MOL Dedication introduces the most determined, the most self-taught, and the most well-groomed members of his crew.

## 1. The most determined crew member: WAI YAN HEIN (Assistant Electrical Officer)

Wai Yan Hein is no stranger to failure, but he is also not one to resign himself to it.

Singing is Wai Yan Hein's greatest passion. He aggressively took part in singing competitions in his teenage years, but was disheartened when he failed to make it past several auditions. Despite the failed attempts, he diligently practised his vocal skills, while balancing demanding school work at the tertiary level. Gradually through the years, Wai Yan Hein expanded his repertoire of songs to include various genres, and ventured into English songs. His determination paid off when he emerged as the champion at his university's Welcome Singing Competition.

Now, he performs regularly at onboard parties and seeks to impress his crewmates.

## 2. The most self-taught crew member: NYI MIN TUN (Deck Rating)

Nyi Min Tun wanted to learn how to play the guitar since he was a teenager. However, he did not have the finances to purchase a guitar back then, nor did he have access to professional lessons.

However, these obstacles did not stop him from pursuing his passion. Setting aside a small sum each month after remitting funds back to his family,

Min Tun finally saved enough for a guitar and started to turn his dreams into reality. Despite having a job that requires him to spend most of his time at sea, Min Tun is undeterred in mastering the instrument. Picking up techniques on his own and learning through trial and error, Min Tun works hard and practices up to 10 hours a week on board.

These days, his crew mates often praise him for his guitar skills.

## 3. The most well-groomed crew member: SI THU SOE (Messman)

With precisely parted hair that falls perfectly on each side, one might wonder how Si Thu Soe manages to keep his hair in such immaculate condition amid the strong sea winds. Yet, this is no surprise.

After all, Si Thu Soe's crew mates know him as the best groomed crew member due to the amount of care and effort he puts into his grooming routine each morning.

Thu Soe believes that portraying a good image is essential for fostering a stronger sense of self-esteem, which in turn gives him greater confidence in his daily interaction with peers and superiors. It also impacts the way he is perceived by others.

Accompanied with neat and tidy dressing, Thu Soe feels that a well-kept appearance projects more professionalism, and also conveys a sense of trustworthiness.

## Glossary

### Letters of Credit (Part 2)

A letter of credit is a document from a bank, commonly used in shipping transactions, which typically guarantees that a seller receives full payment when certain conditions are met.

#### Straight

A letter of credit that contains a limited engagement clause which states that the issuing bank will pay the beneficiary upon presentation of required documents at selected bank counters.

#### Restricted

A letter of credit that only allows the beneficiary to redeem payment at a selected bank and restricts negotiation to a bank nominated by the issuing bank.

#### Revolving

A special letter of credit which is structured such that its terms regarding value or time are fluid, covering multiple shipments over long periods under a single document.

#### Transferable

A letter of credit that permits the primary beneficiary to transfer some or all of the credit available to another party, thereby creating a separate beneficiary.

#### Unconfirmed

A letter of credit which has not been guaranteed or confirmed by any bank other than the bank that opened it, leaving only one avenue for the beneficiary to seek recourse if required.

#### Revocable

Rarely used as it offers little protection to the seller. This letter of credit can be modified or cancelled at any moment without notice to the beneficiary.