Container Market Report August 23rd

The boxship segment is not immune to summer doldrums, although on the longterm graphs, the market has begun to move up in the direction of its strength of two years ago. Beyond the more traditional KG markets, best known for financing the containership owners, listed companies that are operating ships, and some that are running money, have re-discovered the sector, particularly after its longish seasonal torpor in the Summer of 2006.

Fortress, the fund manager that failed to acquire Stelmar in 2004 and OMI Corporation in early 2007, has recently been an investor in boxes, through a "privitization" of box lessor Interpool. Early last year, Fortress- with its listed real estate units are known as "Castles", had gained a controlling interest in Carlisle Leasing, a specialist in refrigerated boxes. Furthering its shipping franchise, where barriers to entry, with moats, appeal to private equity investors, Fortress entities have made investments in the ships themselves- through the iconically named "Seacastle" arm.

The synergies of the box and ship businesses extend beyond the theoretical, Mediterranean Shipping Corp (MSC), Carlisle's largest customer, has now reportedly sold four recently built 5,000 TEU vessels to Fortress companies, and taken them back on four year charters. Market talk put the rates up to near $40,000 / day, with analysts citing one comparable fixture- CSAV's five year charterm at $34,000/day of the 1998 built *Northern Grandour*, 4787 TEU. CSAV was also linked to charters of the German owned sisters *Northern Defender* and *Northern Debonair* at $27,350/day for five years.

Euroseas, (on the Nasdaq, with symbol "ESEA") with a fleet divided between drybulk and medium size containerships. According to CEO Aristidis Pittas, recently interviewed, "both are part of the dry sector, but where there lately has been a divergence between the two…there have been attractive opportunities in the containership market. We have been trying to capitalize on that by shifting our investment focus into the container vessels, where we think that there is quite a bit of upside potential."

Euroseas has recently taken delivery of two ships from Chinese sellers, *Jonathan P* (ex *Honor River*) and ***Despina P*** (ex *Beauty River*) both fully gearless cellular 1,932 TEU, blt 1990 in Korea. Both ships, capable of 18 knots, have been placed on short term charters at levels of $17,000 / day. Euroseas' fixtures are in line with reported fixtures of slightly smaller 1700 TEU vessels. Brokers implicitly endorse the short term term chartering strategy- expected a firming tone once liner executives are back at their desks.

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Euroseas' fixtures are comparable to the slightly faster Northern Fortune, 1900 TEU (including 190 reefer plugs) blt 1991, which went to Pacific International Lines (PIL) for two months of inter-Asian loops, at $19,750 /day. PIL was also linked with a 24 month charter of Nordeutsche Vermogen linked H. Schuldt's geared *Troyburg* (1797teu, built 1988, 3 cranes at 40 tons) at $17,150/day. In similar sized tonnage, feeder operator Seacon is paying $18,000/day for the 2007 built Blohm & Leonhardt owned *Hansa Marburg* (1740teu, 21 knot capability, 2 cranes at 40 tons). Samudera Indonesia's name was tied to a five year charter, at $15,000/day on the 1795 TEU *Madison Strait*, a geared ship with 319 reefer positions, which will deliver from its building yard into the charter.

In smaller sizes, Harper Peterson were reporting fixtures on a quartet of Dutch owned geared 2006-2007 built 1,118 TEU vessels to various charterers all at rates around $13,500/day. Other brokers had CMA CGM taking the 1012 TEU *R.C. Rickmers*, a geared vessel built 1992, for 12 months at $10,500/day.