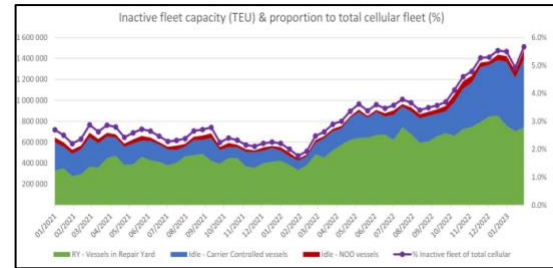




CURRENT STATE

- The rapid increase in schedule reliability in the second half of 2022 has abated with the M/M increase in December 2022 of a marginal 0.1 percentage points to 56.6%. On a Y/Y level, however, schedule reliability was up by 24.8 percentage points. Moreover, the average delay for late vessel arrivals has been dropping consistently even though the average delay increased slightly in December 2022 by 0.34 days M/M and reached 5.43 days. Despite the increase, December 2022 late vessel arrival is still below the 2020 level and -2.31 days below the 2021 level.
- In 2022 container volume growth started to decline, and congestion at ports began to ease, which consequently caused container volume growth and freight rates to drop. Drewry World Container Index declined by 77.5% in 2022, and it seems liners want to prioritize maintaining their market share over arresting the free fall in freight rates. The latest Drewry WCI composite index per 40-foot container is now 81% below its peak in September 2021. It is 26% lower, indicating a return to more normal prices, but remains 41% higher than average 2019 (pre-pandemic) rates.
- The global fleet of inactive container ships was back on an upward trajectory by the end of January. Over the past fortnight, the number of container ships counted as inactive rose by 78 units to reach 338 vessels, and inactive fleet capacity increased by 15%. Vessel inactivity increased across all ship size classes except for very large and ultra-large ships above 12,500 TEU portion, where it remained stable. Even with slow steaming and the deferment of newbuilding deliveries,

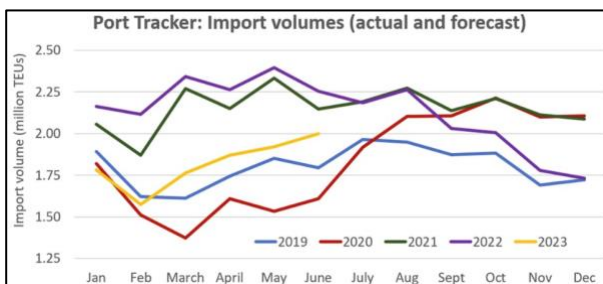
the falling freight rates and crumbling cargo volumes continue to push the amount of commercially idle tonnage up. However, this unemployed fleet grows somewhat slower than expected.



- A magnitude 7.8 earthquake struck Turkey and Syria on February 6, 2023, followed hours later by a powerful aftershock. The magnitude of the earthquake caused significant damage to logistics and transport infrastructure around the Pazarcik, Kahramanmaraş, epicenter, including at the Port of Iskenderun. Unfortunately, the port is subject to severe structural damage, leading to a complete stop of all operations until further notice. Operations at Ceyhan Marine Terminal in Adana Province have been suspended. There is no damage to the Mersin port. However, the workforce at the port and customs offices is significantly reduced. Moreover, roads have also been severely affected, and currently, vendors are not moving any trucks in and around the area.

MARKET FORECAST

- U.S. container import volumes in January 2023 increased by 7.2% compared to December 2022. Versus January 2022, TEU volume was down 16.1% and 0.3% lower than pre-pandemic January 2019. Port transit delays continued to improve, but only for the top East Coast ports, and COVID continues to be a factor and the West Coast labor situation. With such metrics and the current port situation, challenging global supply chain performance in 2023 is expected. February TEU volume is forecasted at 1.57 million TEU, down 25.6% from the same month last year for the slowest month since 1.53 million TEU in May 2020. After February, import volume is expected to increment. March is forecast at 1.76 million TEU, down 24.8% year over year, April at 1.87 million TEU, down 17.3%, and May at 1.92 million TEU, down 19.9%. June is forecast at 2 million TEU.



- Maersk and MSC (Mediterranean Shipping Co.) will terminate their 8-year 2M Alliance in January 2025 as the carriers plan to pursue individual strategies and focus on integrated networks. While Maersk, in recent years, has focused on investment in integrated offerings and held off on expanding its fleet, MSC has done the opposite to become the most extensive container line by tonnage.

Based on the current orderbook, MSC is set to dwarf the other major carriers in tonnage. The carriers' individual strategies consist of controlling their own ocean, land, and air networks. MSC has the largest fleet in the world and a significant orderbook and has been developing its inland network and logistic offerings. In contrast, Maersk has taken a different approach over the past few years, focusing on building its logistics operations with a series of significant acquisitions. Both carriers stated they will work with their respective clients during the phase-out of the 2M alliance to ensure as little disruption is caused to their customers as possible in the lead-up to the discontinuation in January 2025.

Carriers are pouring capacity into the trans-Atlantic trade lane to take advantage of rate levels that remain comparatively high despite declining sharply since the beginning of January. That has resulted in a difficult balancing act as liners are simultaneously withdrawing vessels through blank sailings to balance the new excess supply with slowing demand. Between week 51 of 2022 and week three of 2023, 23% of scheduled trans-Atlantic westbound sailings were canceled. Rates on the trans-Atlantic westbound route are expected to fall 15% in February and March. Moreover, average contract rates are forecasted to be 30% lower this year than in 2022.

Sources: Alphaliner, Container-News, Drewry, Freightwaves, gCaptain, Sea-Intelligence