

HEIRLOOM'S INITIATIVE:

- Especially late in the business cycle as we are today, portfolios require diversification of risk exposures. Dry Bulk Shipping is an excellent Alternative Investment, in our opinion, with low correlation to other asset classes.
- Dry bulk shipping involves the transport of iron ore, coal, agricultural goods, etc., but not finished goods (containers) or oil/gas. Our approach is to acquire dry bulk ships near the bottom of the cycle, lease/charter them out to A-grade counterparties for current income, and sell them for capital gains when the cycle recovers.
- Global dry bulk trade is not cyclical, having grown steadily since 1990. The economics of the industry are cyclical due to supply factors. An oversupply of bulk ships ordered before the 2008 economic crisis, have caused vessel prices and charter lease rates to fall. Supply/Demand is now back in balance, but with new ship orders below replacement needs, charter rates and vessel prices are expected to climb for at least the 3-4 years it takes to build new ships.
- Akin to real estate or aircraft-leasing, this initiative offers income, low-correlation, and strong return potential, all backed by hard assets. In our opinion, charter rates need only return to long-term averages over the next 5-7 years for this investment to deliver on expected returns.

CAPITAL APPRECIATION ON VESSELS	Vessel prices are highly dependent upon charter rates, albeit slightly less volatile. A return to long-term averages would add close to 5.0% to the return each year (after accounting for age-related depreciation) in our opinion.
ANNUAL INCOME VIA CHARTERING	At current charter rates, an annual income can be made after paying operating costs and depreciation replacement, and if charter rates return to long-term averages, this increases.
LEVERAGE	As with other hard assets, significant leverage can be obtained on vessels to further the impact. In our initiative, however, the leverage is capped to ensure the appropriate controls.

LEARNING MORE:

- This initiative has a degree of illiquidity, and requires specialized expertise to understand and to invest in. Heirloom is undertaking the above strategy, having spent approximately 2-2.5 years researching it. If you would like to discuss or learn more about this alternative strategy, please contact Beth at info@heirloominvesting.com.