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New SevenSeas fund targets bulkers up to ultramax size

SEVENSEAS INVESTMENT FUND has been launched with the backing of two Greek shipmanagement companies as an open-end new Luxembourg investment vehicle aiming to buy modern dry bulk carriers.

The fund, which stresses a high degree of protection for investors, starts with an initial target of raising $100m to acquire handysize, supramax and ultramax bulk carriers of four to 10 years old although opportunistic purchases of younger tonnage would be considered.

The initiators of the fund are Diamantis Pateras Maritime (DPML), which has a family history in shipping going back 150 years, and Nautilus Energy Management, led by Akis Tsirigakis (pictured), a past chief executive of Star Bulk Carriers and Combine Marine, among others. The fleet will be commercially run by DPML and technically managed by Nautilus.

Diamantis Pateras was recently active in the liquefied petroleum gas market with a fleet of pressurised vessels under the Pantheon Inc joint venture with DVB Bank. In 2012, the fleet was merged with Epic Shipping to form Epic Gas, which is trading on the Oslo Merkur market.

Meanwhile, Mr Tsirigakis is a co-sponsor of Stellar Acquisition III, the Nasdaq-listed blank cheque company that this week unveiled a merger with mobile tech company Phunware.

In addition to the pedigree of the management, the fund is differentiating itself from other funds targeting bulker buys by aiming for equity-only purchases and a no-debt structure.

This, say the managers, should ensure low break-evens for vessels and distribution of a meaningful dividend to investors.

Without banking red tape, the strategy should also enhance the fund's ability to do timely deals.

A unique aspect of the fund is that it is providing 100% capital protection cover for investments to protect the downside.

The cover, provided by Klapton Insurance and reinsured by investment-grade reinsurers, kicks in only when the total assets of SevenSeas' holding company fall below the value of the initial investment.

SevenSeas is registered as a reserved alternative investment fund (RAIF), a new flexible and quickly marketable style of alternative investment fund introduced in 2016.

Such funds are overseen by an external authorised alternative investment fund manager, in SevenSeas' case Fuchs Asset Management, regulated by Luxembourg's CCSF. EFG Bank (Luxembourg) is listed as administrator.

As general partner, SevenSeas Capital Management will be remunerated based on 1.5% of net asset value yearly and with a profit share at exit.

SevenSeas says that it will concentrate on shorter charters for acquired vessels to capture market improvements, with period charters for consideration at a later stage as rates rise.

Mr Tsirigakis will serve as SevenSeas' chief executive, with DPML managing director Stefanos Michalis, formerly vice-chairman of Epic Gas, as chief operating officer.

WHAT TO WATCH

D'Amico remains positive despite wider losses

D'AMICO International Shipping has maintained a bullish stance on product tanker markets, saying a rate recovery is arriving with low fleet growth and the forecast completion of product destocking.

"I am firmly convinced the product tanker market is finally heading towards a positive cycle," chief executive Marco Fiori said in the company's quarterly report. "All the fundamentals are pointing in the right direction, with all the variables aligned for rate improvements."

Data from the Milan-listed owner of handysize, medium range and long-range-one product tankers shows net fleet growth in those segments is expected to be 2.1% in 2018 and 1.7% in 2019, which are among the lowest in the past 15 years.

Also, Mr Fiori said the high level of product inventories seemed to be "finally coming to a more manageable level". The completion of destocking can often trigger more movements of products in seaborne trades.

"The global refining industry has undergone a structural shift during the past few years with refining capacity moving far from some of the key consuming centres and toward some of the main points of extraction, mainly in the Middle East," he added. "This trend has been driving ton-mile demand for product tankers and is expected to continue with new export oriented refinery capacity coming on line."

His optimism came in spite of DIS' full-year net losses widening to $38.1m in 2017 from $12.8m in 2016, plagued by weak freight earnings and impairment costs of $10.9m booked on three ships under sale negotiations.

The DIS fleet achieved average daily time-charter-equivalent rates of $13,150 in 2017, down from $14,534 in 2016.

Revenues grew to $391m from $347.1m amid fleet expansion, but the increase failed to make up for incremental voyage and time charter hire costs.