Tsirigakis-led fund targets wide swathe of equity investors

Run by Greeks and regulated in Luxembourg, SevenSeas offers investors a fresh play on shipping markets

March 7th, 2018 23:00 GMT by **Harry Papachristou**

A new shipping fund hopes to entice investors of all stripes, promising a combination of debt-free, capital-protected acquisitions producing steady dividend streams.

SevenSeas Investment Fund is the brainchild of its chief executive Prokopios "Akis" Tsirigakis and chief operating officer Stefanos Michalis.

The two men are conducting the first fundraising rounds for their Luxembourg-registered venture. They are expecting to tap investors for about $20m by the middle of this month, with up to $80m to follow.

“Since it’s an open-ended fund, we can and will do other closings as well,” Tsirigakis told TradeWinds.

The fund is supervised by Fuchs Asset Management and administered by EFG Bank (Luxembourg).

SevenSeas will initially focus on bulkers of 35,000 dwt to 65,000 dwt between four and 10 years old.

“We’re thinking about ships from Japanese, Korean and first-class Chinese yards,” said Tsirigakis, former chief executive of Star Bulk Carriers and Nautilus Marine Acquisition Corp.

SevenSeas targets all kinds of backers — from retail investors putting up a minimum $250,000 to bet on a rising dry bulk market, to more sophisticated players such as traditional family offices and institutional investors.

A key ambition is to convince major banks to include SevenSeas in the investment products they recommend to their wealthy private clients.

Tsirigakis said he and Michalis are “already in talks with two such institutions" to make that happen.

A couple of the fund’s unique features were tailored to attract high-end customers, they said.

Firstly, the fund’s investments are to be fully insured via capital protection cover and backed by investment-grade reinsurers.

Secondly, the fund promises a steady flow of dividends, since its acquisitions will mainly be funded by equity only.

“Absence of lending allows us to have credible dividends,” said Michalis, who is also managing director at Diamantis Pateras Maritime — a Greek company that traces its shipping origins back to the middle of the 19th century.

All the companies that suffered during the latest dry bulk downturn did so because of high borrowing, explained Michalis.

Diamantis is to take over commercial management of the fund’s vessels, leaving Nautilus in charge of the technical management.

Operating revenues of the types of ships SevenSeas sets out to manage have traditionally exceeded their operating expenses, the two men argued. Therefore, the absence of finance costs ensures annual dividend distributions, they added.

The fund managers will be compensated with a fee of 1.5% of net asset value annually, plus a share of profits when investors exit their investments after a lock-in period of three years. However, unit holders are allowed to sell their stakes on the secondary market to other investors at any time.

SevenSeas' structure as an umbrella fund allows it to accommodate several potential sub-funds for other types of vessels, such as tankers and containerships. Its first and foremost focus, however, is on bulkers. “We don't want to miss the opportunity,” Tsirigakis said. “The sooner one buys [dry bulk] ships, the better.”

Tsirigakis shrugged off the notion that the most profitable time to invest in dry bulk has passed.

“For us, it’s more important to feel sure we’re on an upward trajectory, rather than to think about how much upside we might have missed. The market has still some way to climb,” he said.

Dry bulk asset values are still below historical averages, said Michalis, who added: “We don’t think the window has closed.”

Tsirigakis has overseen several initial public offerings in his 35 years in shipping.

The latest one was Stellar Acquisition III Inc, a US-listed special-purpose acquisition company he floated in 2016, which he is still heading.

However, the SevenSeas approach is entirely different.

“As a private vehicle, SevenSeas allows us to be driven from the right fundamental factors and not quarterly results as public entities eventually are,” Michalis said.

Public dry bulk companies still find it difficult to attract investors and often trade below net asset value, according to Tsirigakis.

“It was partly because it was so difficult to invest in ships that Stellar is now investing in blockchain technology,” he added.