



## December 2011 and future outlook

2011 was another challenging year for the maritime sector. Most subsegments entered 2011 with overcapacity of vessels. Throughout the year macroeconomic uncertainty and higher oil prices made things even worse. Bunker prices increased, the credit market got considerably tougher and demand growth slowed. Freight rates, second hand prices and prices on newbuilds continued to decline, especially in commodity shipping segments like crude and dry bulk. Several companies ran into financial difficulties and bank covenant breaches resulting in restructuring, refinancing and chapter 11 filings.

Despite all the doom, some segments continue to do well like seaborne transportation of LNG, cars and chemicals.

### Actions

We have not added any new large positions to the portfolio as outlook for many segments became weaker throughout the year. We had big exposure to segments such as transportation of LNG, cars and chemicals at the beginning of 2011. As the outlook for LNG transportation strengthened in 2011 due to shut-downs of nuclear power stations in Japan after the tragic earthquake, we bought shares in Awilco LNG, a company that owns three LNG carriers and have two newbuilds on order.

On the sell side, we exited our position in Golar LNG as valuation became too stretched. We also sold our holdings in Asian shipyards after strong performance caused by strong order intake during recent years. With higher commodity prices, we concluded that market consensus had too high expectations for margins going forward and combined with strong share price performance, we decided to take profit on strengthen other holdings with better prospects going forward.

### Contributions

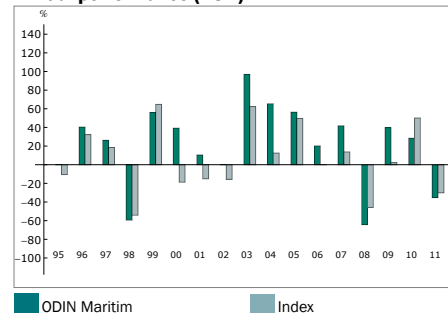
Our strongest performer in 2011 has been Golar LNG, the best performer in the shipping sector. Our second best performer is our new position in Awilco LNG, which have also had strong performance since we bought our position.

Worst performers in ODIN Maritim are mainly holdings in crude and dry bulk companies. Our position in DS Torm, an owner of product tankers, has not performed as expected. The company has too much debt and is struggling to obtain new liquidity. Weak product rates have made investors in doubt whether the company will be able to refinance in current market conditions. DHT Holdings, a crude carrier owner, has had weak share price development in 2011. The company has strong contract coverage, but a fall in secondhand values forced the company to take large impairment costs in 2011. In addition, a reduction in dividend was not appreciated by the market.

### Outlook

Development in 2012 will depend largely on macroeconomics. Global growth, in particular Chinese growth, is the single most important driver

## Annual performance (EUR)



### ODIN Maritim

#### Portfolio manager

Jarle Sjo

#### Benchmark index

MSCI World Gross Marine Index

Annual management fee:	2%
Established:	10/31/1994
Assets u. Man. (mill. EUR):	83

#### Performance per 12/31/2011

Last month	4,41%
Year to date	-35,29%
Last 12 months	-35,29%
Last 5 years	-10,05%
Last 10 years	13,68%
Since inception	11,46%

#### Geographic allocation

Oslo	66,73%
København	12,13%
New York	7,76%
Tokyo	3,49%
Singapore	2,80%
Other	7,09%

#### 10 largest holdings

Stolt Nielsen	8,69%
A.P. Møller - Maersk B	8,56%
Wilh. Wilhelmsen Holding	7,84%
Ganger Rolf	5,28%
TTS Group	4,00%
Odfjell	3,87%
Bonheur	3,15%
I.M. Skaugen	3,01%
Fairstar Heavy Transport	3,00%
Neptune Orient Lines	2,80%
Other	49,80%

## Fund commentary ODIN Maritim



for shipping. Second hand prices are low in many segments in a historical perspective, now barely above scrap prices, creating huge opportunities for longer term return. Near term, we think 2012 will continue with low freight rates for commodity shipping, still under pressure from overcapacity of vessels and further delivery of newbuilds. Industrial shipping is likely to be more resilient. Low freight rates and financing challenges have led to increased scrapping and halt of newbuilding orders. We have for example seen a crude carrier built as recently as 1998 scrapped. Rebound in global growth combined with fewer newbuilds and low asset prices creates an attractive longer term picture.

### **About ODIN Maritim**

ODIN Maritim can only invest in companies that are primarily engaged in global maritime transport. The long-term aim of the fund is to give a higher return than the equity market for maritime transport.

### **We would like to remind you that...**

In this report ODIN has referred to sources that are regarded as reliable. ODIN can however not guarantee that the information derived from these sources is either accurate or complete. Statements made in this report reflect ODIN's market view when the report was produced.

Employees in ODIN are entitled to trade on own account in several financial instruments. This implies that employees in ODIN may hold securities in companies mentioned in this report as well as units in ODIN's funds. Employees' own account trading shall comply with ODIN's internal guidelines. These guidelines are prepared in accordance with the Norwegian Act on Securities Trading and business standards issued by the Norwegian Mutual Fund Association.

Past performance is no guarantee for future performance. Future performance will depend, among other things, on movements in the market, the manager's skills, the fund's level of risk and the subscription, management and redemption costs. The value of the fund may decline as a result of a general fall in share prices.

*For further information please visit [www.odinfundmanagement.com](http://www.odinfundmanagement.com)*

### **About ODIN**

ODIN is a boutique manager specializing in focused, bottom-up value investing. Our 20 years of experience in asset management have taught us valuable lessons.

### **Lesson 1: Focus on the horizon**

In ODIN, we focus on fundamentals, basing our expectations on competitive advantages, product development, financial viability, leadership and strategic positioning of individual companies. These factors tend to be consistent across short term business cycles. Our confidence in the long term viability of our investments means that we are prepared to stay invested for a long time, and engage actively in corporate governance. Sound and sustainable value creation is a slow and steady process, not a get rich quick-scheme. But we find it is worth the wait.

### **Lesson 2: Think independently**

Unlike passive investors, insights gained through thorough analysis enable us to form an independent view of the fundamental value of a company. This is key in order to identify companies where strong companies are available with compelling value propositions. And in our experience opportunities abound, especially in periods where fear and panic are driving the markets. Under such circumstances many investors fail to maintain focus on the fundamental value of individual companies.

### **Lesson 3: Stay on target**

Strategy drift is an expression used to describe how some asset managers try to adjust their investment process according to what the market currently seems to favour. We do not adjust our philosophy to the latest fads or fashions in the investment industry. We are constantly on alert to avoid letting fear or greed cloud our judgment and steal our attention away from the fundamentals of individual companies.