Baltic Tanker Investor Indices 3Q25

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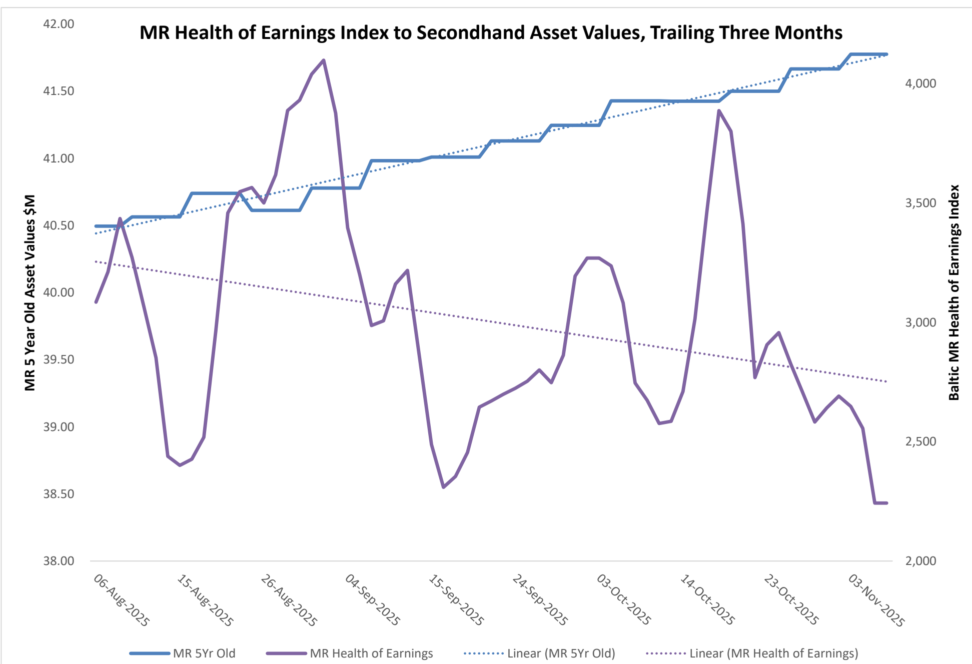
MR Rates, Values May Firm, Some Sanctions Impact

Over the last quarter, like crude tankers, product tankers have had fundamental support. The MR tanker supply outlook appears bullish and there have been recent hints that increasing sanctions on Russian cargos will be helpful for the non-sanctioned fleet. While asset values are down year-on-year, cashflows at today's prices remain quite healthy and MR resale prices have been increasing since the end of summer. We expect this trend to continue into the first half of 2026.



It may appear counterintuitive but over the past three months, the Baltic MR Health of Earnings Index[1] has trended lower while MR product tanker 5-year-old asset values have been trending higher. This is due to charter rates being fairly resilient, although volatile, over the last 12 months while asset values dropped over the first half of the year and remain 11% lower than a year ago. We estimate that if one purchased a 5-year-old MR today and added 65% leverage, the conservative cash breakeven per day

[1] Health of earnings is an index representing the ratio of earnings against running cost. A negative number indicates that earnings are below operating costs. This allows the investor to asses costs along with freight rates instead of simply one or the other.

would be about $17,500/day.[2] Indeed, over the last 12 months MR spot rates have averaged about $23,500/day. From the asset value to freight rate perspective, today's 5-year-old asset values are pretty attractive.

MR 5 Yr Old, 65% Leverage, 1st Year Cash Generation $M							
		MRTime Charter Equivalent/$Day					
		17,500	20,000	TTM Avg 23,526	25,000	27,500	30,000
SOFR	4.50%	(0.18)	0.72	1.99	2.52	3.42	4.32
	4.25%	(0.12)	0.78	2.05	2.58	3.48	4.38
	3.91%	(0.03)	0.87	***2.14***	2.67	3.57	4.47
	3.75%	0.01	0.91	2.18	2.71	3.61	4.51
	3.50%	0.08	0.98	2.25	2.78	3.68	4.58
	3.25%	0.14	1.04	2.31	2.84	3.74	4.64

Supply: Aging Fleet With Substantial "Dark Fleet"

The product tanker fleet is ageing. Clarksons estimates that 21% of the fleet will be 20 years of age or older in 2026, which is too old to be competitive for non-sanctioned cargoes. Further, Scorpio Tankers indicated that nearly 18% of the product tanker fleet was operating in the "sanctioned" class.[3] We believe that most of the sanctioned fleet will head to the recycling yards should sanctions be either enforced or lifted. In either case, most will be too old to make the investment to return to service in the compliant world and, even if such investment made sense, we do not believe insurers would be overly keen insure the formerly sanctioned ships.

Product tanker ordering increased markedly from the end of 2022 to the end of 2024 and represents 18% of the fleet. This percentage on order is well above the levels we have seen over the last decade, but those levels were near historic lows (between 5-10% of the fleet). Importantly, orders take time to deliver and the fleet is ageing in the meantime. In addition, product tanker ordering has significantly slowed this year with 44 product tankers reported ordered this year, the lowest order year since 2016 and down from 283 last year and 227 in 2023. [4] Given the ageing and sanctioned fleet, fleet growth may be rather slow in the coming years.

Demand: Solid, with Sanctions Possibly Supporting Ton-Mile Expansion

Refining margins and refined product exports have been trending higher throughout 2025. US distillate inventories are trending 5-10% below the five-year average.[5] OPEC product inventories are trending well below 2024 levels and in the lower third of the 10-year average.[6] Over the last five years net refining additions worldwide have trended farther from traditional demand locations, expanding tonne-

[2] For first year cash breakeven we assume a 5-year-old MR at $~42M, non-recourse, no cross default, 65% leverage, 17 year amortization profile, interest of 3% margin over SOFR of 3.91%, OPEX per the published Baltic OPEX Assessment (inclusive of drydock provision) and other G&A of $500/day

[3] Scorpio Tankers October 30th 2025 referencing OFAC, OFSI, European Commission, Vortexa and Clarksons Shipping Intelligence

[4] Clarksons Shipping Intelligence

[5] EIA October 2025

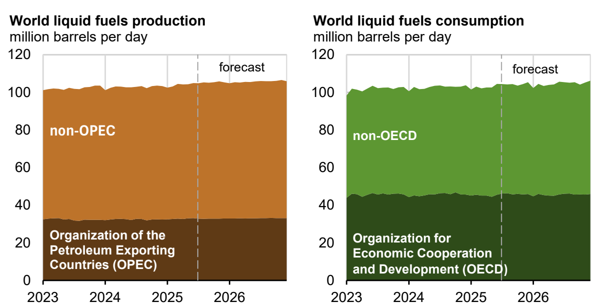
[6] OPEC, Vortexa, International Seaways 3Q25 earnings presentation November 6th 2025

mile demand. For example, US West Coast demand is anticipated to nearly double with the closing of the Valero and Phillips 66 refineries in the coming years. Finally, Russian refined product exports have been in decline, partly due to sanctions and partly due to war attrition, expanding tonne-mile demand, particularly from Brazil, to replace barrels.

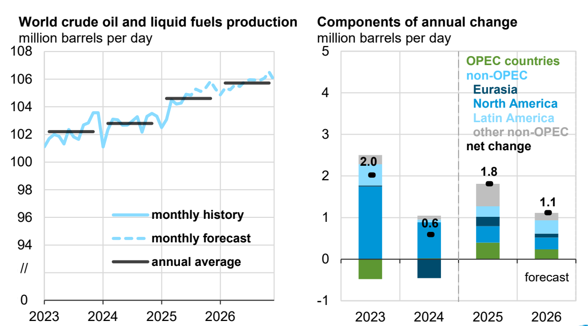
"A Bird In Hand"; Expect Buyers to Chase Cashflows on Existing Tonnage

The above discussed supply/demand and cashflow discussion are supportive of buyers seeking existing tonnage to chase attractive cashflows today and we expect asset values to have modestly upward pressure well into the first half of 2026.

Ordering and MR today, however, is rather challenging calculus. The Baltic MR Newbuild price estimate is $43-44 million, with delivery in 2028. On this vessel, we estimate that the cash breakeven would be nearly $19,000/day.[7] While ordering has slowed, the fundamentals of 2028 may well be solidly different from today's rather robust freight rates, particularly with today's elevated geopolitical risk and trade war risks.



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, July 2025



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, July 2025

7 For first year cash breakeven we assume a newbuild MR at $~44M, non-recourse, no cross default, 75% leverage, 20 year amortization profile, interest of 3% margin over SOFR of 3.91%, OPEX per the published Baltic OPEX Assessment (inclusive of drydock provision) and other G&A of $500/day