

MOORE STEPHENS

# Shipping Funds: What next?

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# Introduction



- Geoff Woodhouse is a Partner in the International Business Group of Moore Stephens LLP, London, specialising in assurance and advisory assignments for family offices and investment funds, particularly shipping investment funds.
- He is a Fellow of the Institute of Chartered Accountants in England and Wales and an Associate of the American Institute of Certified Public Accountants

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# Shipping Investment Funds



## Today's programme:

- The state of play
- Key drivers
- Fund structures
- Taxation
- Jurisdiction
- The future

## The state of play



**Shipping pools have been a feature of the shipping industry for some time, but the first decade of the new millennium has been characterised by:**

- Shipping hedge funds designed to provide investors with alternative investments in highly volatile markets
- An explosion of the forward freight agreement markets
- Private equity funds established to buy distressed tonnage at the low point in the market as an asset play

# The Baltic Dry Index



# Key drivers



## In good times:

- Investors seeking alpha
- Investors seeking alternative asset classes
- Explosion of FFA market
- Trading infrastructure:
  - Inter-dealer brokers
  - Clearing

## and in bad times:

- Volatile market opportunities for hedge funds
- Distressed asset opportunities for private equity funds
- Frozen credit markets
- Defaults and breaches of covenants

# Fund structures



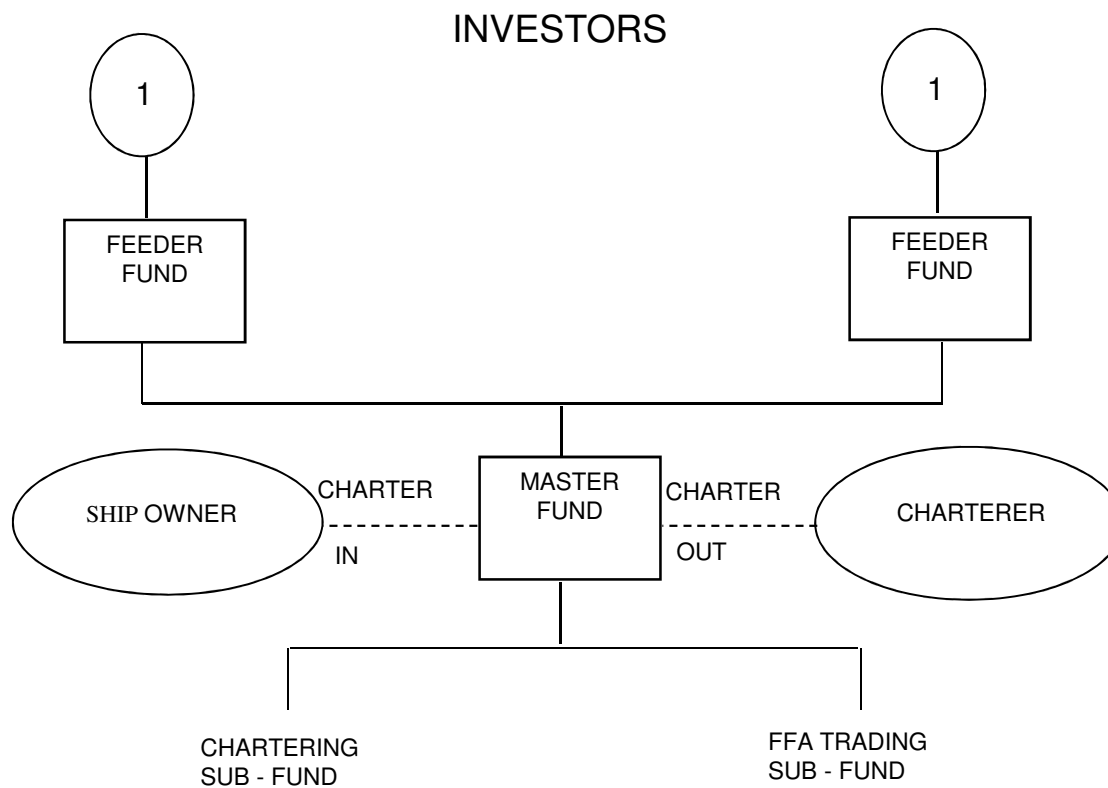
## Hedge funds

- Primary focus on trading
- Chartering tonnage in and out
- FFA trading
- Corporate fund vehicle

## Private equity funds

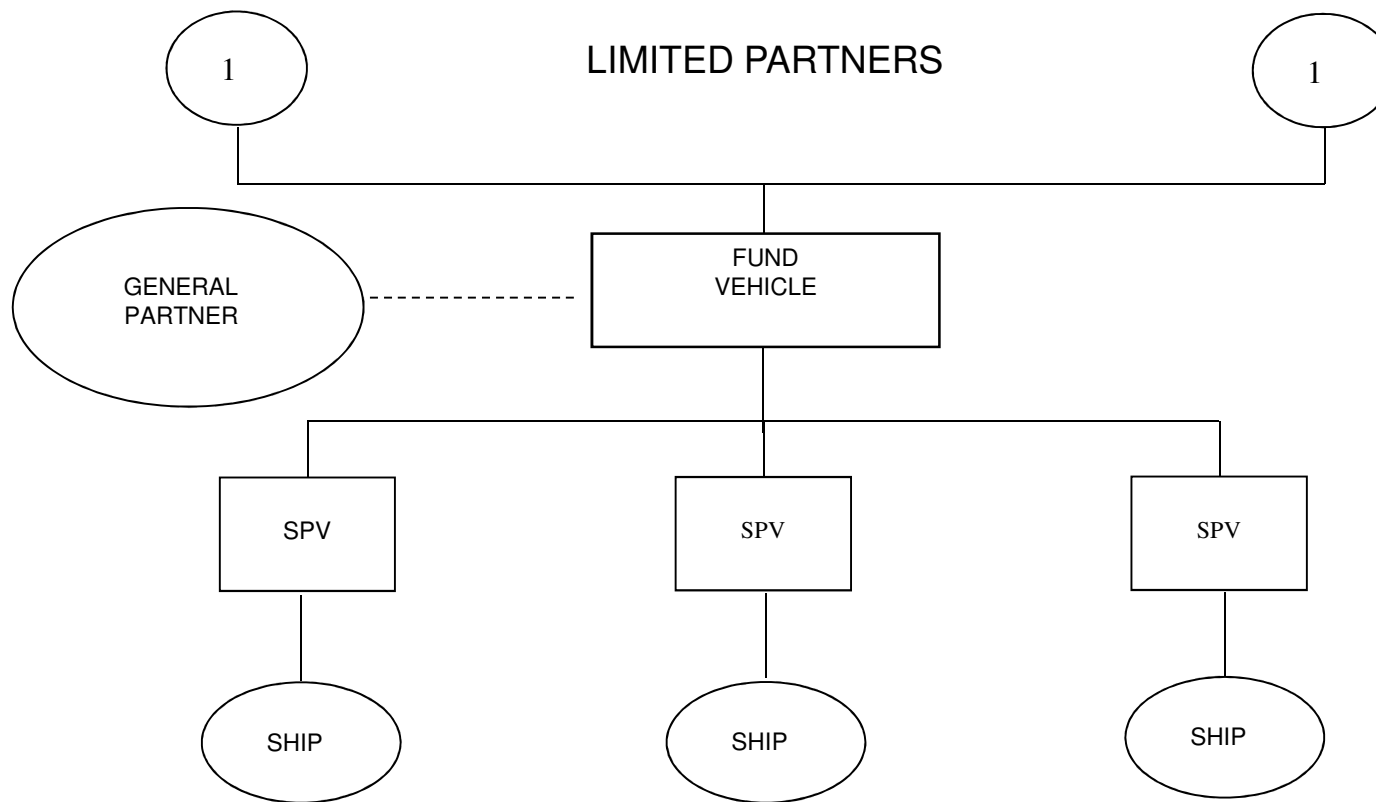
- Primary focus on asset play
- Owned tonnage
- SPV owning vehicles
- Tax transparent fund vehicle

# Hedge fund structure





# Private equity fund structure



# Taxation



## Taxable entities

- Investor
- Fund manager
- Corporate fund vehicles
- Vessel owning SPVs

## Issues

- Capital gain -v- income
- Management and control
- Law 89
- Investment manager exemption
- Freight taxes

# Jurisdiction – case studies



## Corporate fund vehicles

- Cayman Islands
- Luxembourg

## Corporate management

- Monaco
- Bermuda

## Vessel management

- Greece Law 89
- Singapore

## Investment managers

- United Kingdom
- Switzerland

# The future



## The Bulls

- Market volatility
- Investors seeking alternative asset classes
- Partially thawed credit markets
- Owners seeking alternatives to bank finance

## The Bears

- Depressed freight markets
- Closed credit markets
- Failed investment rounds
- Lock-ups
- Regulation

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