

From: GIO Group JP Morgan <[REDACTED]>

To: Undisclosed recipients;

Subject: GIO Trade Alert: Shipping Containers

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Inline-Images: image007.png; image008.png; image009.png

Global Investment Opportunities Group (GIO) Opportunistic Investments

February 18, 2011

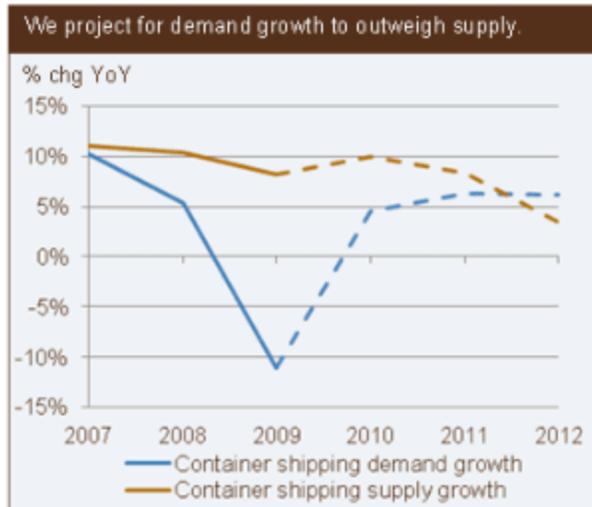
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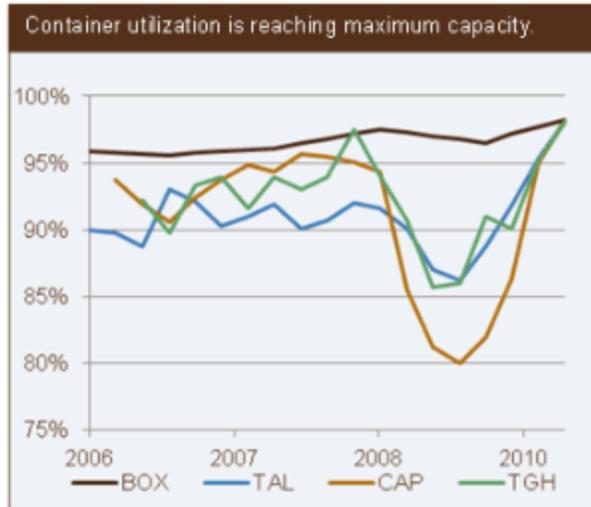
SHIPPING CONTAINERS

We believe the shipping container space offers an attractive opportunity given the industry's strong demand and supply dynamics. While Baltic Dry has been weak due to oversupply of ships, global trade remains strong with robust demand for end goods: US retail sales have recovered nicely and are growing at a 5-7% pace since mid-2010 and there are similar trends in capital goods orders. This has led to a sharp recovery in demand for shipping containers as evidenced by the 97% utilization rates for the industry. Furthermore, container supply remains tight as orders for and production of new containers came to a halt through the downturn and production has been slow to ramp up. This year, container supply is only expected to increase 6% versus a replacement rate of typically 8% and companies still have to make up for the dearth of new container production in 2010. Not helping supply is an increase in slow steaming, a reduction in travel speeds to save on fuel, which is keeping containers at sea for longer.

These market dynamics are garnering more attention in the news as GE recently announced they are looking to sell their GE SeaCo container leasing business, taking advantage of increased interest in the space from both financial and strategic buyers. These leasing companies have healthy asset bases which are benefiting from high commodity prices and tend to pay healthy dividends of 3-5%. As fundamentals are not expected to change soon, we believe valuations will remain supported in the container space over the near and medium term. Please call your [REDACTED] Morgan representative to discuss investment strategies.



Source: [REDACTED] Morgan



Source: Company reports

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