MARKET UPDATE

MARCH 2022

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EXECUTIVE SUMMARY

Container shipping bunker (fuel) surcharges rose 15% over the last month and are expected to spike with crude oil hitting new highs and ripples from Russia's invasion of Ukraine are already disrupting air freight operations, particularly from Asia to Europe.

Beyond rising oil prices, Russia's air cargo fleet has been withdrawn from the Asia market, fighting has grounded much of the Ukrainian freighter fleet and Japanese carriers have halted services to Europe, removing that capacity from the market.

Off the back of newly imposed sanctions, the biggest service operators have suspended new intercontinental rail bookings without exception both east and westbound between Asia and Europe until further notice.

Ocean Freight

Asia equipment shortages and capacity constraints will continue into March and remain an industry-wide challenge, while port congestion will further delay vessel schedules, adding to more skipped ports and blank sailings.

US west coast ports continue to see record volumes month after month and while the number of vessel at anchor was down to around 75 in the middle of February, it is expected to increase again in March.

- Bunkers on the rise, with the barrel pricing hitting an all time high
- Freight rates saw slight reduction post-CNY
- Fewer ships waiting, but port congregations and delays remain
- Ongoing pandemic impacting key global trades
- Space and equipment remains tight
- UK Driver shortages still ongoing

Air Freight

The EU and UK ban on Russian aircraft in their airspace encouraged quick moves by Volga-Dnepr's, AirBridgeCargo, to remove all its aircraft from Europe.

With 15, 747Fs, and one 777F in its fleet, ABC's withdrawal represents a very large amount of capacity, particularly given the current marketplace.

EU airlines associated with Volga-Dnepr – Cargologicair in the UK and Cargologic Germany – continue to operate normally, and all aircraft are currently in the EU or UK.

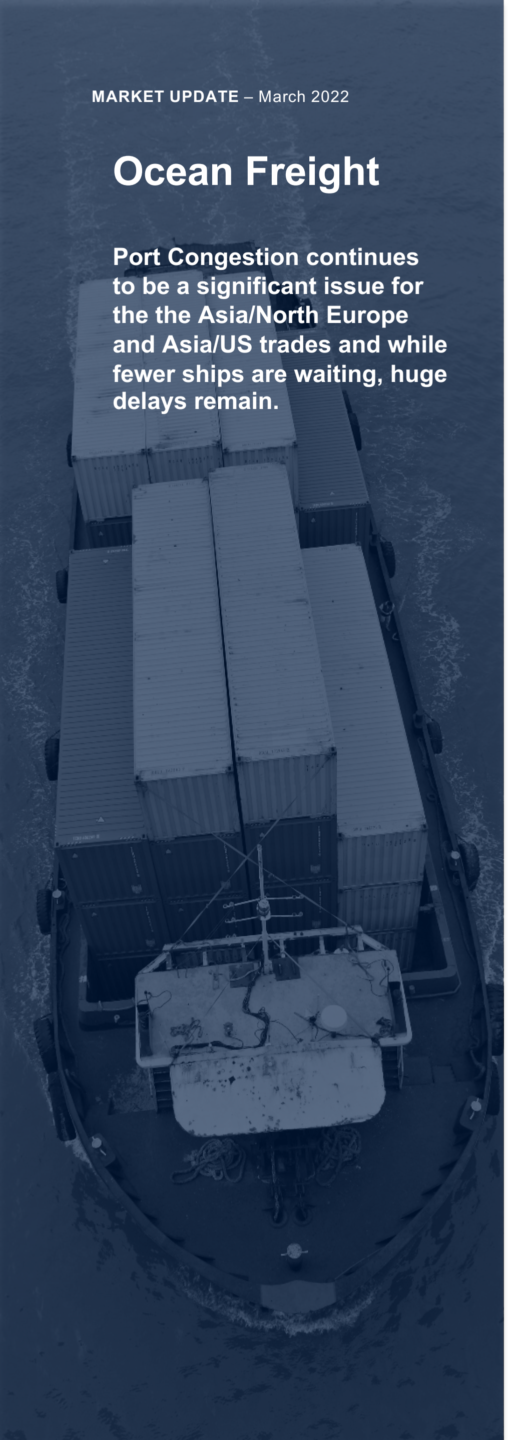
- Rates have softened slightly post-CNY
- Big increases expected due to Russia/Ukraine situation
- Fuel costs spiking
- War risk surcharges appearing
- Capacity reduced due to Russia/Ukraine situation
- Carriers suspending services

Overland (Road/Rail)

China to Europe rail operations are continuing, though press reports suggest that routes through Russia and Belarus are closed and being used by militaries.

Major service providers have added Moscow ally Belarus to their booking suspensions, which effectively blocks rail shipments on much of the Asia-North Europe network amid tightening sanctions against Russia for its invasion of Ukraine.

- China to Europe rail services operate, but booking suspensions in place
- Shippers cancel bookings ahead of suspension
- Road haulage rates still high
- Road fuel surcharges on the rise
- Crude oil prices spiking
- Despite rising number truck driver shortages continue



MARKET UPDATE – March 2022

Ocean Freight

Port Congestion continues to be a significant issue for the the Asia/North Europe and Asia/US trades and while fewer ships are waiting, huge delays remain.

With surface and air routes between Asia and Europe that traverse Russia unavailable for commercial cargo movement - for months or possibly longer - those volumes will be forced to ship by ocean, placing further demand on already tight vessel and equipment capacity.

That increase in demand for ocean services could increase shortages of empty containers and further congestion at ports, that are already struggling, even though fewer ships are waiting.

Overall, the situation for container availability could worsen and will vary by port and region, but central and northern Europe is already congested, so any further disruption to cargos flow will only worsen the state of container pileups.

We had seen rates soften from Asia post-CNY and although space has often been tight due to the carriers implementing multiple blank sailings, there has been some space and equipment easing, but how long this will remain in place will depend on the Ukraine/Russia situation.

Vessel delays remain a significant problem on the Asia/North Europe and Asia/US trades, with no improvement since last November. Labour shortages due to COVID-related reasons continue to impact terminal operations and deliveries are still heavily delayed due to operational disruption and the shortage of drivers.

Market

Port congestions persist in Asia, Europe and US, though number of ships waiting to enter Los Angeles and Long Beach has seen a reduction from 109 to 76.

Ocean schedule reliability continues its seemingly endless decline, with vessels the Far East/North Europe trade requiring an average of 17 days more than their proforma schedules to reach Central China, skipping port calls to avoid or limit lengthy delays.

The situation in Ukraine is expected to cause increased transit times, fuel surcharges, and shipping rates.

Rates

Freight rates saw a reduction post CNY, but bunkers surcharges are on the rise, with the price of a barrel pricing hitting an all time high and UK fuel surcharge is also on the increase.

The leading container shipping lines have suspended new bookings to or from Russia, which is already resulting in large numbers of loaded containers held at origin ports, possibly causing congestion and increasing rates on these lanes.

Higher fuel costs from climbing oil prices caused by the hostilities are expected to filter through to increased bunker surcharges and ocean carriers who continue to service ports in the region may introduce War Risk Surcharges for these shipments.

Over 40k TEU travel across Russia by rail from Asia to Europe each months, so if sanctions shifts significant volume from rail to ocean, it will add more pressure on Asia-Europe rates as shippers compete for scarce capacity.

Though the war in the Ukraine is expected to impact ocean freight rates, it has not yet hit container prices, which were largely stable in February.

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Ocean Freight

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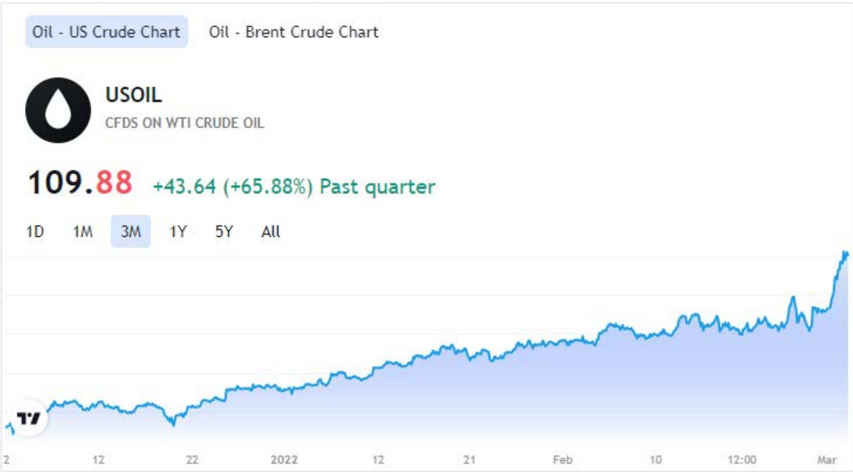
WTI AND BRENT CRUDE OIL PRICES



Shipping lines

The container charter market has been particularly quiet, with very little fixing taking place and hopes that activity would pick up after CNY have been frustrated by the continued shortage of prompt ships, with supply unable to meet the persistently high demand.

Carriers have used their massive windfall profits, to renew their fleets with modern, high-spec tonnage, with everyone rushing to get ships into the water as soon as possible.

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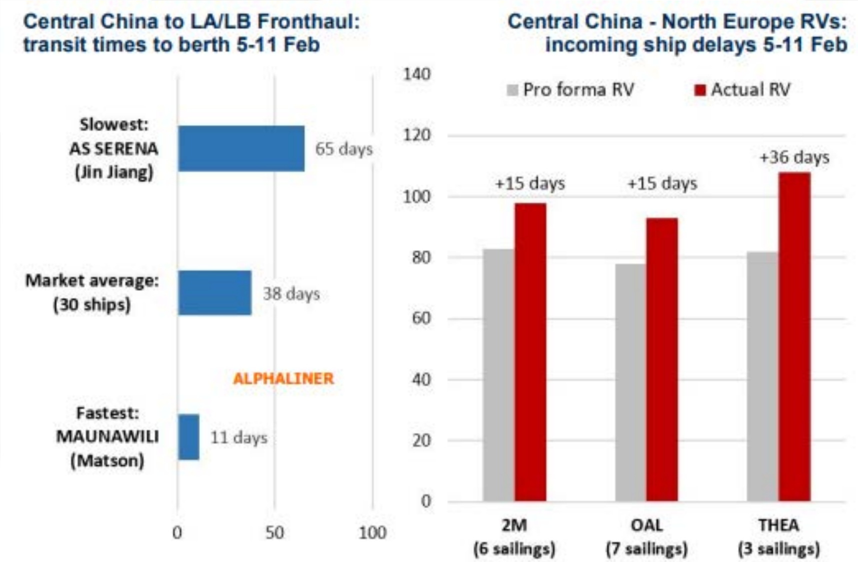
As per February, the global orderbook-to-fleet ratio has risen to 25% of a baseline fleet that exceeds 25 Mteu, at 6.22 Mteu.

The uptick in orders commenced in mid-2020, when the order- book-to-fleet ratio was only 9%, with new build deliveries this year forecast at around 1.10 Mteu, which is roughly in line with the average in 2016 - 2021.

For a fleet size of 25 Mteu, and assuming a realistic usable service life of 25 years for a container vessel, this year's projected 1.10 Mteu additions is essentially a zero-growth replenishment rate and will only slightly alleviate port congestion and equipment shortage.

The vast majority of container ships ordered in the recent boom will not join active service until 2023 and 2024, when we will see record deliveries of close to 2.40 Mteu



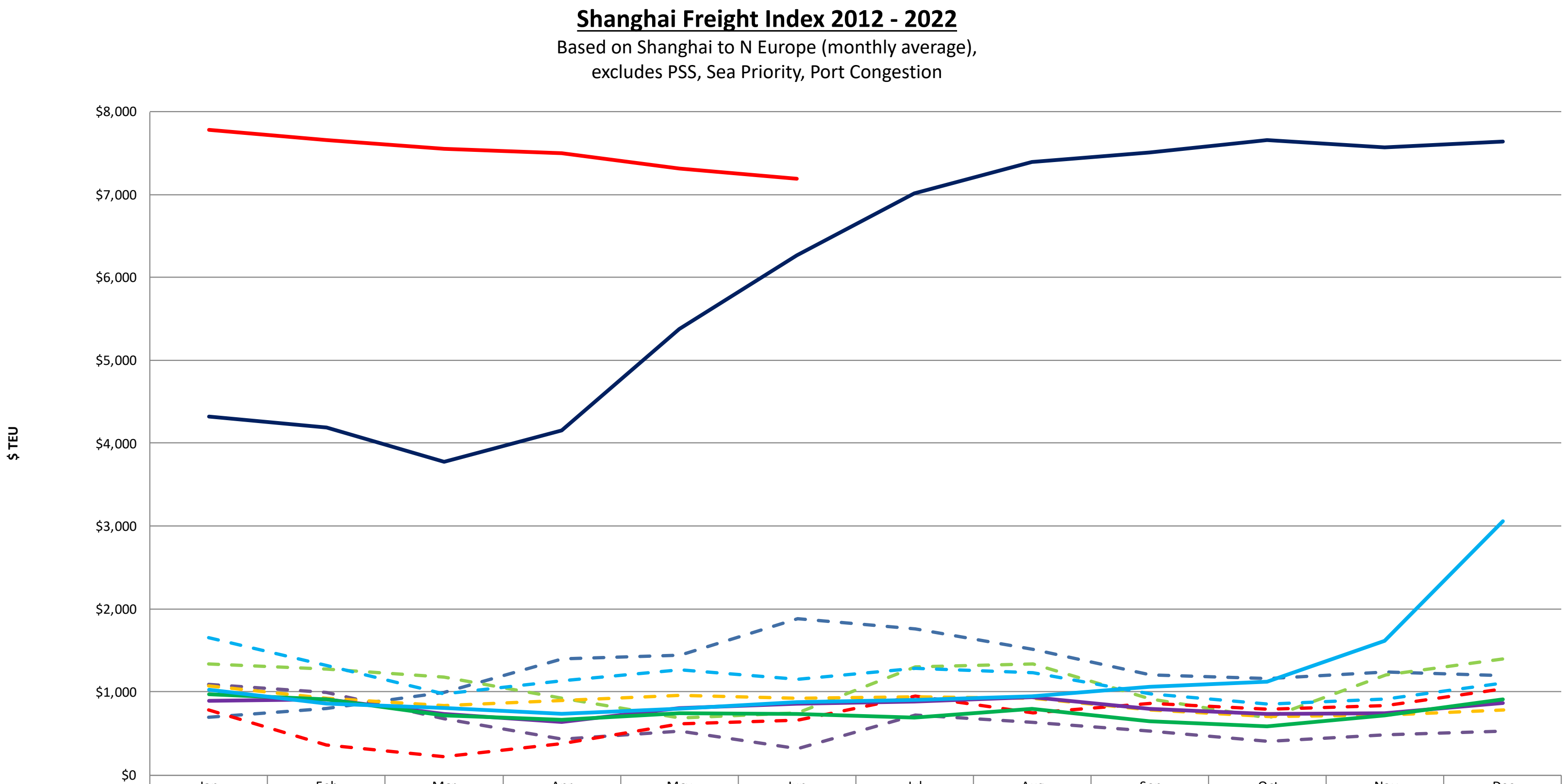
Ocean Freight

Published schedules Vs Current reliability

Alliance Group	Carrier	Origin Port	Port of Destination	Port to Port Transit (Blended Average Published)	Port to Port (Blended Average Actual)	POD Waiting Time (Actual)	Difference between Published & Actual
	Ocean Alliance	Hong Kong	Southampton	No Data	No Data	No Data	No Data
			Felixstowe	No Data	No Data	No Data	No Data
	Ocean Alliance	Shanghai	Southampton	33 Days	37.50 Days	0.632 Days	5.132 Days
			Felixstowe	32 Days	39.85 Days	0.634 Days	8.484 Days
	Ocean Alliance	Yantian	Southampton	28 Days	30.12 Days	0.632 Days	2.752 Days
			Felixstowe	24 Days	31.50 Days	0.636 Days	8.136 Days
	Ocean Alliance	Chittagong	Southampton	34 Days	39.68 Days	0.614 Days	6.294 Days
			Felixstowe	29 Days	39.68 Days	0.614 Days	11.294 Days
	2M Alliance	Hong Kong	Southampton	N/A	N/A	N/A	N/A
			Felixstowe	43 Days	49.97 Days	2.56 Days	9.53 Days
	2M Alliance	Shanghai	Southampton	N/A	N/A	N/A	N/A
			Felixstowe	35 Days	46.15 Days	1.50 Days	12.65 Days
	2M Alliance	Yantian	Southampton	N/A	N/A	N/A	N/A
			Felixstowe	33 Days	45.52 Days	1.05 Days	13.57 Days
	2M Alliance	Chittagong	Southampton	N/A	N/A	N/A	N/A
			Felixstowe	35 Days	39.52 Days	0.495 Days	5.015 Days
							
	The Alliance	Hong Kong	Southampton	No Data	No Data	No Data	No Data
			Felixstowe	No Data	No Data	No Data	No Data
	The Aliance	Shanghai	Southampton	33 Days	47.26 Days	0.78 Days	15.04 Days
			Felixstowe	38 Days	49.82 Days	0.98 Days	12.80 Days
	The Alliance	Yantian	Southampton	28 Days	42.28 Days	0.57 Days	14.85 Days
			Felixstowe	30 Days	47.94 Days	0.88 Days	18.82 Days
	The Alliance	Chittagong	Southampton	33 Days	42.73 Days	0.71 Days	10.44 Days
			Felixstowe	45 Days	42.73 Days	0.71 Days	1.56 Days

Ocean Freight

SCFI (excludes 'Priority' surcharge)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
SHFI 2012	$700	$800	$1,000	$1,400	$1,450	$1,888	$1,763	$1,517	$1,208	$1,165	$1,241	$1,201
SHFI 2013	$1,341	$1,279	$1,184	$926	$687	$754	$1,309	$1,338	$920	$693	$1,207	$1,403
SHFI 2014	$1,659	$1,322	$983	$1,140	$1,267	$1,153	$1,288	$1,237	$979	$855	$914	$1,113
SHFI 2015	$1,095	$1,000	$683	$431	$530	$320	$721	$633	$530	$405	$483	$527
SHFI 2016	$784	$363	$224	$381	$622	$660	$950	$755	$864	$793	$836	$1,040
SHFI 2017	$1,074	$929	$841	$901	$965	$929	$948	$927	$783	$706	$723	$789
SHFI 2018	$896	$912	$739	$640	$804	$861	$888	$941	$802	$739	$745	$869
SHFI 2019	$976	$914	$720	$663	$746	$735	$698	$796	$654	$587	$722	$916
SHFI 2020	$1,026	$864	$805	$741	$801	$883	$906	$948	$1,064	$1,128	$1,622	$3,061
SHFI 2021	$4,325	$4,190	$3,771	$4,151	$5,378	$6,268	$7,014	$7,397	$7,509	$7,660	$7,575	$7,642
SHFI 2022	$7,784	$7,657	$7,550	$7,500	$7,313	$7,188						

Air Freight

Air cargo shippers on Asia to Europe lanes should be anticipating a hike in prices as a substantial amount of capacity has come out of the market, as a direct result of Russia's move on Ukraine

Ripples from the war are already disrupting air cargo, oil prices are spiking, Russian carriers are sanctioned, fighting has grounded much of the Ukrainian freighter fleet and destroyed the world's largest freight aircraft, removing much-needed capacity from the market.

The European Union, US, and other countries have banned Russia air carriers from using their airspace and without being able to fly over Russia, it is possible that some carriers may cancel their Asia-Europe services, further restricting already tight supply.

Carriers that do continue to fly from Asia will take alternative, longer and more costly routes, which will incur additional fuel costs and many are already introducing War Risk Surcharges, in light of costs of adjusting operations.

Market

Air freight capacity is plummeting, due to Ukraine/Russia situation, with carriers including Virgin ex HKG suspending their services and prices are soaring, but sea/air services are operating and could help alleviate the problem.

Main air freight options are still via freighters and regional hubs like the Middle East, though congestion and delays at main hubs are still in play.

Rates

The factors outlined here are reducing capacity and increasing costs, with freight indexes showing rates from China to Europe climbing more than 30% since the outbreak of the war.

Freight costs are likely to increase further, as are fuel costs and many carriers are introducing War Risk Surcharges to compensate for the costs of adjusting operations.

Air Freight

Main air freight options are still via freighters and regional hubs like the Middle East.

Carriers

Japan's ANA and JAL ability to continue to fly to Europe and the UK is 'in the air', as their government considers taking steps against Russia, which could restrict their ability to overfly the country.

While Japanese flights are operating normally, the government may ban Russian airlines, and while they could fly south, they would need approval to do so and it's a really uncertain situation.

A significant number of air cargo carriers have ceased flights from Asia to Europe, UK and US, which will put unprecedented pressure on capacity and rates, which are already at record highs.

Our sea/air products will offset a lot of the impact from these geopolitical developments and we have dedicated space and equipment via long-term charter parties, with options on routes, transits and rates.

Overland

Major service providers have added Moscow ally Belarus to their booking suspensions, which effectively blocks rail shipments on much of the Asia-North Europe network amid tightening sanctions against Russia for its invasion of Ukraine.

Ukraine have destroyed all rail lines connecting Ukraine to Russia and though rail services between China and Europe is still possible, press reports suggest that routes through Russia and Belarus are closed and being used by militaries.

While there is no ban on transport via Russia, shippers have been cancelling China-Europe rail freight bookings amid intense speculation that sanctions could prevent cargo transiting Russia and major service providers have added Belarus to their booking suspensions, which effectively blocks rail shipments on much of the Asia-North Europe network.

Europe and China use the standard 1,435-mm gauge, while Russia, Kazakhstan, and other former Soviet states use a 1,524-mm gauge, which means containers must be transferred to new trains at China's border and again upon entering Europe, with the busiest crossing at the Małaszewicze-Brest reloading area on the Poland-Belarus border.

A surge in testing by the Driver and Vehicle Standards Agency (DVSA) means that 27,144 HGV vocational tests were undertaken in the last quarter of 2021, with a further 30,000 qualified drivers entering or re-entering the profession.

Hopes are rising that we may have reached a turning point in the UK's HGV driver shortage crisis, but immediate action is needed to improve employment conditions, to prevent the continued churn of HGV drivers.

Overland

Despite numbers increasing, driver shortages continue to challenge transport operations, while rail services from Asia are effectively closed to European shippers.

Market

China-Europe rail freight has become increasingly popular over the past two years, given the COVID crisis impact on sea and air freight and last year volumes surged 29%, to 1.46m teu.

The displacement of such volumes will have a profound impact on other modes from Asia.

European road freight transport should be benefitting from a strong economic recovery in 2022, but the shortage of drivers, delays in the delivery of heavy goods vehicles, inflationary trends and now the impact of Russia's actions will all weigh on activity.

Rates

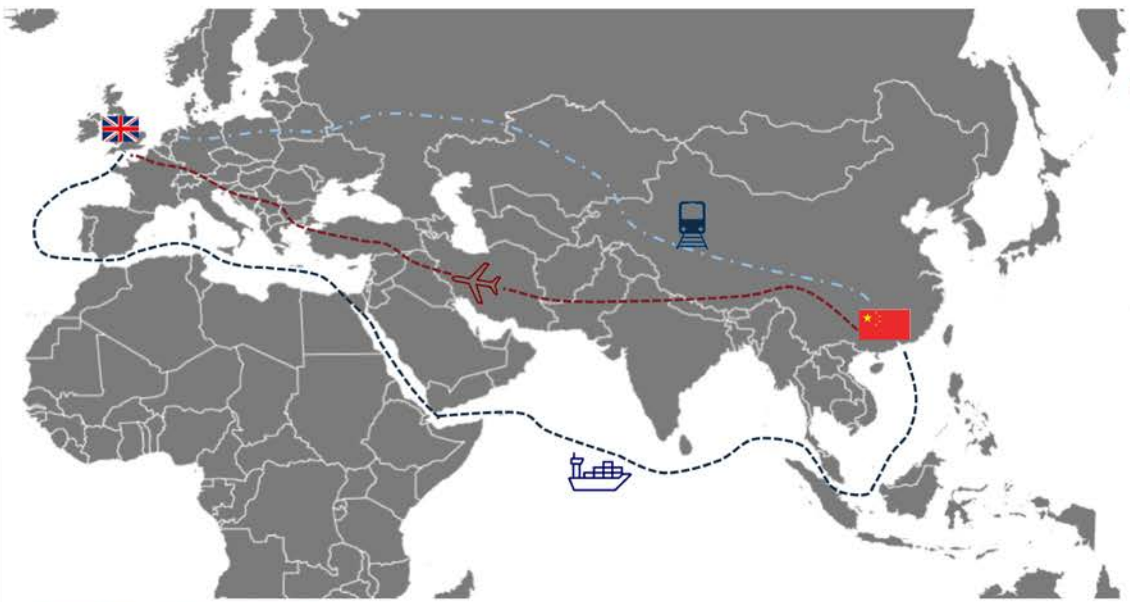
Domestic and international haulage rates are still high and likely to harden.

Climbing oil prices translate directly to higher diesel prices, which are up significantly from last year and are likely to go higher as sanctions are mounted against Russia, the third-largest oil producer in the world.

These costs could be passed down to shippers, making international shipping even more expensive.

The conflict is already impacting overland transport in Europe, with logjams reported throughout the region.

Rail service is likewise disrupted by border closures, sanctions and service suspensions.



*based on Shanghai base ports

AIR

Pre Covid Port to Port Transit	Pre Covid Dwell at Origin	Current Port to Port Transit	Current Dwell at Origin
1 – 2 Days Direct	1 – 2 Days	7 – 10 Days No Direct	3 – 5 Days

OFR

Pre Covid Port to Port Transit	Pre Covid Dwell at Origin	Current Port to Port Transit	Current Dwell at Origin
32 Days	4 – 5 Days	35 – 40 Days	1 – 2 Weeks

+ Additional 5 - 7 Days Dwell at destination

RAIL

Pre Covid Ramp to Ramp Transit	Pre Covid Dwell at Origin	Current Ramp to Ramp Transit	Current Dwell at Origin
20 - 22 Days	4 – 5 Days	25 – 30 Days	1 Week

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