Souravlas worries about timing of recovery and thus the segment's appeal to investors

A GREEK shipowner who has partnered with a private equity specialist to create a new fund for dry bulk acquisitions has admitted to reservations about the timing of a market recovery, and the industry's ability to attract investors until it does.

G2 Capital Partners has been established to provide a transparent structure for investors who may have no shipping background and may be seeking an alternative to "committing large amounts of capital or investing in listed vehicles, where transparency is low".

While G2 aims to diversify investments by sector, size, age and charter type, management has an existing presence in the smaller geared bulker sectors up to supramax size and is likely to want to make initial acquisitions in that area.

"Timing is everything due to the cyclicality of the market," said George Souravlas, G2's shipping expert and managing director of his own company, Load Line Marine.

"Acquisition prices are still low and I think it is a good time to enter; no doubt about it," he said.

This is evidenced by the fact that Load Line has just purchased two more bulkers for its own fleet.

The company is believed to have spent $15.6m on the seven-year-old *Bulk Providence*. The geared 30,500 dwt vessel was built in India to Japanese design and equipment and has been renamed *Horizon* .

It has also acquired the 34,500 dwt *Matisse* , built by SPP in 2011, to be renamed *Golf* after delivery later this month. Brokers suggest the deal is worth $23.5m.

Mr Souravlas described the handysize vessels as "low-risk".

He said: "These vessels have relatively low running costs compared to others so during the poor days with a little bit of effort you can balance the books."

The pair of acquisitions brings the company's fleet to six ships.

Nevertheless he questions whether the chartering market is on the cusp of a rebound.

"Unfortunately the recovery has so far failed to materialise.

"We are all puzzled why it has not. I am starting to be sceptical and I am not sure the recent optimistic predictions for the next three quarters will turn out to be justified."

Speaking exclusively to Lloyd's List, Mr Souravlas said that it was natural that funds were interested in shipping, seeing it as tax-free, geographically flexible and liquid compared with shoreside industry in the sense that a ship could be sold or a crew nationality changed.

However, the amount of interest from funds could “saturate” the market again, he said.

He founded G2 with private equity and distressed asset portfolio expert George Chatzidimitriou “because we want to raise capital and at the same time control the way the funds are deployed as well as the time we enter and the time we exit the investment”.

Mr Souravlas said G2 would rather go directly to private investors than to big funds but has been waiting for the right moment to activate.

“There is interest. But you can’t really say to the investor, ‘Buy now’, when everything is very low and when for six months to a year you may not see anything and may have to deploy additional funds to keep going.

”You have to show that at least the market has picked up a little bit.

”We think that in the second half of 2014 we will start if the market supports it,” said Mr Souravlas.

At the same time he warned that shipowners and investors had to remain vigilant to shipping’s risks.

“In the past, shipping has provided very good gains; the problem is that asset values increase as there are more buyers eager to buy assets,” he said.

“If prices continue to rise without being justified by the income, this is in effect a bubble. There could also be a good opportunity for owners to sell but re-enter the market later on when the bubble bursts.”

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