



## Newsletter October 2014

### Best month for ILS Funds this year despite losses incurred by Hurricane Odile

The average ILS fund was **up by 0.86% in September** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **up by 0.63% in September** for the **Swiss Re Cat Bond Price Index** and was **up by 1.23%** for the **Total Return Index**.

In September, the most notable disaster was Hurricane Odile which hit Baja California Su, Mexico. It was first a Category 4 hurricane which was downgraded to a Category 3 after landfall. This was the most serious hurricane in that area since 1967, affecting more than 200,000 people. The hurricane had a central pressure of 930 mb and triggered cat bond MultiCat Mexico Class C, causing 50% loss. However the impact to the whole asset class remained small. In addition, Japan experienced two typhoons for which insured losses are yet to be confirmed. Finally, northern India and Pakistan suffered from strong monsoons. Serious rainfall caused landslides and flooding that resulted in 440 fatalities and thousands of damaged houses. All events mentioned above had limited impact on ILS.

The primary cat bond market was quiet in September. Willis published an updated estimate, expecting a record new cat bond issuance of USD 9bn for 2014. Secondary market trading was modest as prices stabilized after the strong rebound last month. Lloyd's market reported a GBP 1.67bn profit for the first half year, despite soft market conditions. Competition from ILS was also one of the topics at the "Rendez-vous de Monte Carlo", an annual gathering of the reinsurance industry. The general view at the event was that the pressure on rates will continue due to the ongoing influx of alternative capital and the absence of major events. A few pure cat bond funds were impacted by Hurricane Odile. Private ILS funds outperformed pure cat bond funds by 0.69% in September. The performance gap continued to widen to 2.90% on an annualized basis.

30 of the 33 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 3.31 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.48% while the subgroup of funds whose strategies include private ILS increased by 1.17%.



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### The Eureka hedge ILS Advisers Index

The Eureka hedge ILS Advisers Index tracks the performance of the participating Insurance Linked Investment funds. It is the first benchmark that allows a comparison between different insurance-linked investment funds in the insurance-linked securities, reinsurance and catastrophe bond investment space. The index is calculated and maintained by Eureka hedge. It includes funds that allocate at least 70% of their assets to non-life risk. The index was base weighted at 100 in December 2005. It does not contain duplicate funds and is denominated in local currencies.

