



Newsletter November 2014

Private ILS funds outperform pure cat bond funds for the 7th consecutive month

The average ILS fund was **up by 0.61% in October** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **up by 0.12% in October** for the **Swiss Re Cat Bond Price Index** and was **up by 0.69%** for the **Total Return Index**.

Yunnan province in China experienced an Mw 6.0 earthquake, causing damage to thousands of houses and affecting hundreds of thousands of people. India suffered from cyclone called Hudhud, which affected 2 million people, destroyed thousands of houses, and resulted in 68 deaths. The insured losses were reported to be USD 100-400m. A typhoon hit Japan and caused power outage to over 150,000 homes. Hurricane Gonzalo struck Bermuda in the middle of the month, causing significant property damage with trees and power poles pulled down. Luckily no fatalities were reported. The insured losses are expected to be USD 200-400m. All the events however had little impact on ILS funds.

The primary market in October was surprisingly quiet even though we are in the usually active 4th quarter. Only one private deal officially closed with a single investor. Several issuances were announced but will only be completed in November. Additional USD 2-3bn new issuance is anticipated till the yearend as the market is awaiting maturity of USD 3.7bn by the 1st quarter of 2015. Investors as well as cedents are interested to renew however protection buyers faced with ample capital will be inclined to transfer more senior and lower yielding risks to the capital markets. On the fund side, soft market conditions entice managers into special strategies to pursue alpha, such as e.g. run off business or participation in the Lloyd's marketplace, aiming to seize opportunities in special business lines.

All of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.46 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.56% while the subgroup of funds whose strategies include private ILS increased by 0.67%. Private ILS funds outperformed pure cat bond funds for the 7th consecutive month with performance gap up to 2.76% on annualized basis.



Stefan K. Kräuchi,
ILS Advisers



David Yao, CFA, FRM
ILS Advisers



Newsletter November 2014

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.



The Eureka hedge ILS Advisers Index is ILS Advisers and Eureka hedge's collaborative equally weighted index of 34 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who explicitly allocate to insurance linked investments and have at least 70% of their portfolio invested in non-life risk. The index is base weighted at 100 at December 2005, does not contain duplicate funds and is denominated in local currencies.

Statistics (as of Oct 2014)

Annualised Return (%)	6.79	Annualised Standard Deviation (%)	2.16
2014 Return (%)	4.83	Downside Deviation (%)	1.50
2013 Return (%)	7.61	Upside Deviation (%)	0.35
Last 3 Months (%)	2.29	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	78.66	Sharpe Ratio (X)	2.21
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.20
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.45

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	0.50	0.50	0.45	0.32	0.08	0.21	0.41	0.81	0.86	0.61	n/a	n/a	4.83
2013	0.67	0.74	0.64	0.85	0.44	0.00	0.40	0.92	1.20	0.61	0.48	0.42	7.61
2012	0.18	0.19	0.32	0.43	0.58	0.57	0.61	0.94	1.18	-0.51	0.27	1.01	5.93
2011	0.70	0.18	-3.94	0.06	0.21	0.72	0.68	0.13	0.54	0.74	-0.03	-0.04	-0.14
2010	0.92	0.94	0.45	0.49	0.28	0.16	0.51	0.75	1.16	0.90	0.29	0.42	7.52
2009	0.36	0.22	0.28	0.59	0.51	1.33	1.03	1.03	1.58	1.06	0.14	0.52	8.99
2008	0.93	0.75	0.67	0.27	0.46	0.53	0.56	0.59	-0.71	-0.59	0.25	0.06	3.83
2007	1.60	1.56	0.92	0.75	0.74	0.95	0.95	0.96	1.37	1.09	0.85	0.74	13.22
2006	0.65	0.63	0.93	0.70	-0.82	0.15	0.62	0.81	1.32	1.37	0.84	1.18	8.68