



Newsletter December 2014

Benign Hurricane season officially ends Investor demand for ILS remains strong

The average ILS fund was **up by 0.13% in November** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.50% in November** for the **Swiss Re Cat Bond Price Index** and was **up by 0.03%** for the **Total Return Index**.

The second fiercest tropical cyclones of the year, Typhoon Nuri nearly struck Japan but finally turned away from the coastline. Several storms hit Europe and caused serious rainfall, flooding and landslides. Some transportation was affected. Thousands of buildings were damaged and nearly 18 people were reported to be killed. A M6.2 earthquake hit Japanese prefecture of Nagano and another one of M6.6 hit offshore of New Guinea islands. Given little population, the impact was minimal. A powerful storm swept Queensland, Australia. Hails and rains damaged a lot of facilities and caused power outage. The insured losses were estimated to be around AUD 300m. Some funds have made provisions for the event but we believe the impact is limited since it is not a hotspot for ILS.

The Atlantic hurricane season officially ended on 30th November quietly. In terms of primary market, one cat bond from the reinsurer Everest Re was brought to the market. It was the second issuance of the cedent for the year covering U.S and Canada earthquake. It offered investors a coupon of 3.75%, in the middle of the offering range, against an expected loss of 1.46%. It was upsized by 40% to USD 500m, mainly driven by strong demand. Secondary market was slightly down as some short dated bonds were sold by investors looking for longer maturities and making space for new issues. Most recent news indicates that Hurricane Odile may not have triggered MultiCat Mexico C bonds which were first considered to lose 50% and led to loss provisions at some funds.

24 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 1.61 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were down by 0.07% while the subgroup of funds whose strategies include private ILS increased by 0.29%. Private ILS funds outperformed pure cat bond funds for the 8th consecutive month with performance gap up to 2.92% on annualized basis.



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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.



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 (%)	6.74	Annualised Standard Deviation (%)	2.16
2014 Return (%)	4.97	Downside Deviation (%)	1.49
2013 Return (%)	7.61	Upside Deviation (%)	0.35
Last 3 Months (%)	1.60	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	78.89	Sharpe Ratio (X)	2.20
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.19
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.52

	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	0.60	0.13	n/a	4.97
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