



## Newsletter January 2015

### Significant drop of insured losses in 2014 Record Cat Bond market size at the year end

The average ILS fund was **up by 0.39% in December** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.50% in December** for the **Swiss Re Cat Bond Price Index** and was **up by 0.11%** for the **Total Return Index**.

In December, we observed various nat cats. A very fierce super typhoon Hagupit (Cat.4) struck Philippines and brought strong winds (up to 210 km/h) and rainfalls. A M6.6 earthquake hit offshore Panama. An Airbus A320-216 of Air Asia crashed into the Java Sea. 162 people on board were killed. No impact was incurred for ILS funds from above events. As a sum up of 2014, a total of 258 natural disasters or catastrophes struck globally, incurring insured losses of \$39 billion, a 38% significant drop compared to the 10 year average of \$63 billion. The total yearly economic losses were USD 132bn, far lower than 10 year average of USD 211bn (broker's data). Meanwhile cat losses in U.S. rose by 20% in 2014 from the year before to reach USD 15.4bn, but still 1/3 blow 10 year average of USD 22.7bn.

The issuance in December became much more active. Several new issues brought over USD 1.57bn of capital to the market. The largest deal was from AIG, a USD 500m multi-peril cat bond to cover named storms and earthquakes in U.S., Canada, Mexico and Caribbean area. It had 3 tranches, average priced at the top end of the price guidance of 6.55% with an average expected loss of 1.99%, perceived attractive by the market. Total new issue for the year reached USD 8.25bn and pushed the cat bond market size to USD 25bn at the end of the year.

For the last month of 2014, 25 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The major contributor to the index is the strong return of over 5% from one single fund, resulted from the positive reserve developments on its portfolio. The difference between the best and the worst performing fund was 5.82 percentage points monthly and 13.85 percentage points yearly. Pure cat bond funds as a group were up by 0.26% monthly and 3.70% yearly while the subgroup of funds whose strategies include private ILS increased by 0.49% monthly and 6.85% for the whole year. Private ILS funds outperformed pure cat bond funds by 3.15 percentage points in 2014.



**Stefan K. Kräuchi,**  
ILS Advisers



**David Yao, CFA, FRM**  
ILS Advisers



## Newsletter January 2015

### 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 Dec 2014)

Annualised Return (%)	6.72	Annualised Standard Deviation (%)	2.15
2014 Return (%)	5.38	Downside Deviation (%)	1.48
2013 Return (%)	7.61	Upside Deviation (%)	0.36
Last 3 Months (%)	1.13	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	79.59	Sharpe Ratio (X)	2.20
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.19
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.59

	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	0.14	0.39	5.38
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