



Newsletter February 2015

ROL down in January renewals USD 800m new cat bond issuance

The average ILS fund was **up by 0.40% in January** as measured by the **Eurekahedge ILS Advisers Index**, lower than the 10 year average January return, which is 0.69%.

Meanwhile the cat bond market was **down by 0.02% in January** for the **Swiss Re Cat Bond Price Index** and was **up by 0.48%** for the **Total Return Index**.

In January, Ireland and United Kingdom were struck by windstorms Elon and Felix. Little damage was caused. Northeastern part of the US suffered from severe snowfall and heavy wind. It caused power shortage and interruptions for large transportations. The economic losses were estimated to be between USD 0.5bn to USD 1.26bn. Up to now we haven't seen any losses to ILS by the events above.

In the January renewals 2015, average Rate-on-Line (ROL) globally fell by 11 percent. Renewals continued to be characterized by lower rates, excess capacity and broader terms and conditions. By regions, US market was down by 7.5% to 15%. Rates for European Windstorm were down by 10-15%. UK cat was down more than 15%. Asia Pacific encountered even more severe declines. Cat bond issuance for January was active with a total USD 800m. Two major deals came into market. One was USD 200m from Aetna for the coverage of medical benefit claim levels, priced in the middle of the original price guidance. Another transaction came from returning issuer Catlin to cover U.S. named storms and earthquakes, Canada earthquakes and European windstorms. The deal was upsized by 50% to USD 300m. It was priced at the lowest end of guidance, 13.5%, against an expected loss of 7.93%, one of the highest cat bond ELs on record.

Two funds were removed from the Eurekahedge ILS Advisers Index after they were closed by their investment manager in January. 2 private ILS funds were added as replacement. 33 of the 34 funds represented in the Index were positive. The difference between the best and the worst performing fund was 1.33 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.24% while the subgroup of funds whose strategies include private ILS increased by 0.50%. Private ILS funds outperformed pure cat bond funds by 3.15 percentage points on annualized basis.



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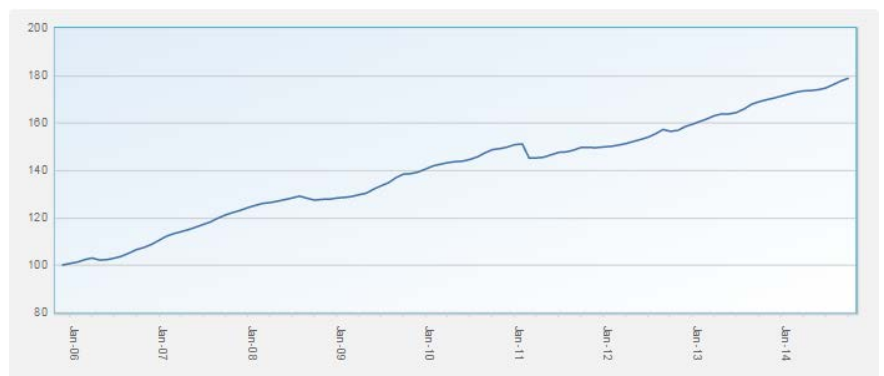
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The Eureka hedge ILS Advisers Index

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 Jan 2015)

Annualised Return (%)	6.65	Annualised Standard Deviation (%)	2.14
2015 Return (%)	0.40	Downside Deviation (%)	1.47
2014 Return (%)	5.42	Upside Deviation (%)	0.36
Last 3 Months (%)	0.93	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	80.48	Sharpe Ratio (X)	2.18
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.17
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.73

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	0.40												0.40
2014	0.50	0.50	0.45	0.32	0.08	0.21	0.41	0.81	0.86	0.60	0.14	0.42	5.42
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