



## Newsletter March 2015

### Positive months for ILS funds Focus on Japanese renewal

The average ILS fund was **up by 0.24% in February** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.39% in February** for the **Swiss Re Cat Bond Price Index** and was **up by 0.10%** for the **Total Return Index**.

In February, wide spread flooding in Indonesia caused serious damage to infrastructure and transportation. An Mw 6.5 earthquake hit the north eastern part of Honshu, Japan. Two fierce tropical cyclones struck Australia and caused severe damage to residential homes and traffic. The industrial losses were estimated to exceed AUD 200m. The US winter weather, starting from January, caused quite serious damage to buildings and public services such as power supply and transportation. 72 people were killed. The total insured losses were estimated to be over USD 1bn. Actual losses to the funds were small however some funds reported an erosion of their aggregate deductibles.

In February, new issuance slightly lagged behind compared to the USD 2.6bn that matured in the first quarter. A major transaction came from SCOR Global P&C SE, with a total amount of USD 150m to cover U.S. named storms, U.S. and Canada earthquake. The cat bond was priced at the lowest end of guidance, at 7%, over the expected loss of 3.43%. Secondary market was quiet and prices fell for many perils. Some pure cat bond funds delivered flat performance as a result. Many ILS funds were preparing for the Japanese renewals in April. Japanese risk is an important diversifier for ILS portfolios. As the European windstorm season drew to a close, premium allocation for this peril dropped as a result, which negatively impacted the returns of some funds. One listed fund declared dividend payment in the middle of the month.

33 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 0.92 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.07% while the sub-group of funds whose strategies include private ILS increased by 0.34%. Private ILS funds outperformed pure cat bond funds by 3.30 percentage points on annualized basis.



**Stefan K. Kräuchi,**  
ILS Advisers



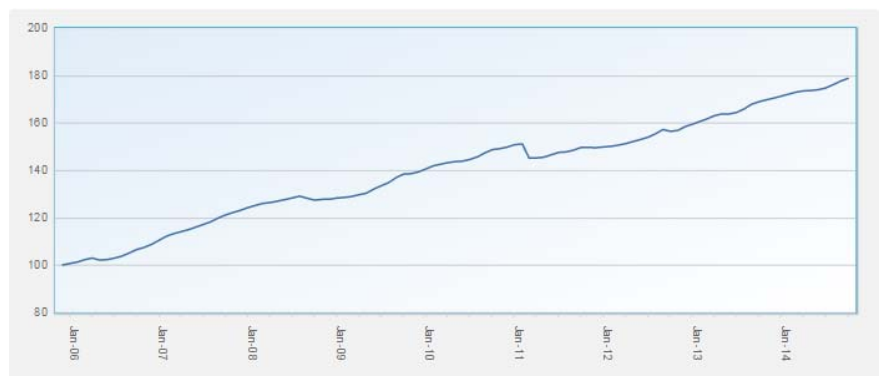
**David Yao, CFA, FRM**  
ILS Advisers



## Newsletter March 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 Feb 2015)

Annualized Return (%)	6.67	Annualized Standard Deviation (%)	2.13
2015 Return (%)	0.64	Downside Deviation (%)	1.47
2014 Return (%)	5.42	Upside Deviation (%)	0.36
Last 3 Months (%)	1.06	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	80.81	Sharpe Ratio (X)	2.19
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.18
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	0.24											0.64
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