



Newsletter April 2015

Active cat bond issuance in March ILS funds in pursuit of specialty line exposure

The average ILS fund was **up by 0.20% in March** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.56% in March** for the **Swiss Re Cat Bond Price Index** and was **down by 0.01%** for the **Total Return Index**.

In March, an airbus A320 of Germanywings crashed in the French Alps. The total insured losses were estimated to be USD 400m. Several cyclones struck Australia but caused minor damages. Tropical cyclone Pam struck some islands in the Pacific Ocean then the northeast of New Zealand. Extensive damages were caused but insured losses were low. At the month end, winter storms Mike & Niklas hit Central Europe. 11 deaths and estimated insured losses of Euro 500-800m were reported. The total 1st quarter insured losses for the U.S. were USD 2.2bn, slightly below the 10 year average. ILS funds have suffered minimal impact from above events.

In March, the primary market was still active, making the total issuance for 1st quarter over USD 1.7bn, the highest Q1 figure in history. A major issuance came from State Farm, total USD 300m, covering U.S. New Madrid earthquakes. The tranche was priced at the top end of price guidance, 2% against the expected loss of 0.41%. Tokio Marine & Nichido Fire came to the market with a cat bond issuance of around USD 290m covering Japan earthquakes. Secondary trading was active due to the rebalance of portfolios to the new but lower yielding bonds. Owing to the currently low rates in traditional property cat reinsurance, we are also observing more funds either adopting niche strategies or moving/expanding into specialty lines.

27 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 0.83 percentage points, which was lower than previous month's figure. Negative cat bond price return dragged down pure cat bond funds. Pure cat bond funds as a group were up by 0.02% while the subgroup of funds whose strategies include private ILS increased by 0.31%. Private ILS funds outperformed pure cat bond funds by 3.37 percentage points on annualized basis.



Stefan K. Kräuchi,
ILS Advisers



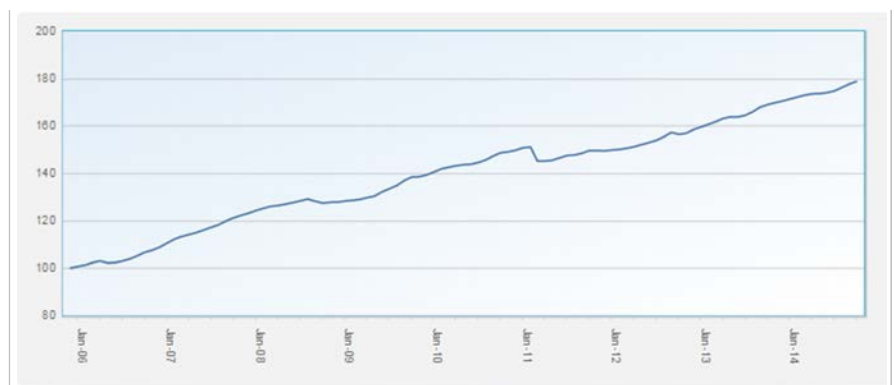
David Yao, CFA, FRM
ILS Advisers



Newsletter April 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 March 2015)

Annualized Return (%)	6.64	Annualized Standard Deviation (%)	2.12
2015 Return (%)	0.84	Downside Deviation (%)	1.46
2014 Return (%)	5.42	Upside Deviation (%)	0.36
Last 3 Months (%)	0.84	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	81.16	Sharpe Ratio (X)	2.18
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.17
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.79

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	0.39	0.24	0.20										0.84
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