



Newsletter May 2015

Cat bond issuance remained strong Risk bundling as return enhancing strategy

The average ILS fund was **up by 0.11% in April** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.30% in April** for the **Swiss Re Cat Bond Price Index** and was **up by 0.20%** for the **Total Return Index**.

In April, Nepal was hit by a very strong and shallow earthquake, measuring M7.8 in magnitude, 15 km in depth. The earthquake caused serious damages to infrastructures, buildings including heritage sites, and 7,276 fatalities. The economic losses were estimated to be USD 6.97bn, 1/3 of the country's GDP. Given the low insurance penetration, insured losses were very limited. New South Wales was affected by hailstorms and low pressure storms. Insured losses were estimated to be AUD 249m. The frequency of events in Australia had eroded layers of some aggregate contracts and slightly affected the NAVs of some ILS funds. However, overall the impact to the asset class was very small.

In the primary market, supply of new issuance continued in April. Total USD 1bn was brought to investors. One major deal came from MPIUA, USD 300m, covering named US storms. It provides 3.8% coupon over the expected loss of 1.38%. Axa Global Life came to the market with a diversifying cat bond issuance with EUR 285m, the largest extreme mortality issuance since 2007. Secondary trading was active and there may be a price rebound as the hurricane season starts. In private ILS, to enhance return, some funds are using risk bundling where they package multiple lines of business in an aggregate reinsurance contract. This requires fund managers to have more sophisticated modeling skills and reinsurance expertise to understand their risks.

25 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 1.30 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.01% while the subgroup of funds whose strategies include private ILS increased by 0.17%. Private ILS funds outperformed pure cat bond funds by 2.99 percentage points on annualized basis.



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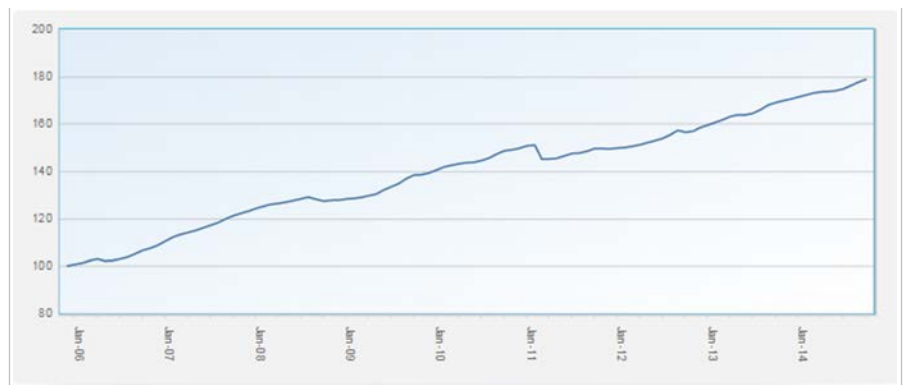
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The Eureka hedge ILS Advisers Index

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 April 2015)

Annualized Return (%)	6.59	Annualized Standard Deviation (%)	2.12
2015 Return (%)	0.95	Downside Deviation (%)	1.45
2014 Return (%)	5.42	Upside Deviation (%)	0.36
Last 3 Months (%)	0.56	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	81.37	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.15
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.86

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	0.39	0.24	0.21	0.11									0.95
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