



Newsletter June 2015

First Chinese cat bond will come to market U.S. hurricane season starts earlier than usual

The average ILS fund was **up by 0.16% in May** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.36% in May** for the **Swiss Re Cat Bond Price Index** and was **up by 0.29%** for the **Total Return Index**.

In May, a strong aftershock (Mw 7.8) struck Nepal and another one struck 185 KM away from Ogasawara, an island off Japan in the Pacific Ocean. Severe weather spread over states in the U.S. Tornado and rainfall caused quite a lot of damage to homes, business and infrastructures in that area. The economic losses were estimated to be over USD 2.2bn. A first named storm this year called “Ana” brought U.S. wind season earlier than usual. Fortunately no damage was made. Heavy rainstorms caused serious flooding in some provinces of China, where nearly 50 thousand houses were damaged. Despite various events, ILS funds didn’t suffer any material losses.

The primary cat bond market was active. Alamo Re returned to the market with a USD 700m deal to cover the Texas named storms, making up half of the total issuances of May. The issuance had two tranches, both priced at the top end of price guidance, 4.6% and 5.9%, with a multiple of 3.2x and 2.4x respectively. Regarding trading activity, the price pressure mainly existed in the low risk cat bonds. A new cat bond peril—Chinese earthquake from China Re may be available in July, which is the first Chinese cat bond in the history. In terms of private ILS, while ROLs declined on recent renewals, it was on moderating pace, even hardening in some sectors. The AUM deduction of some large ILS players signaled the mitigation of over capacity. Similarly weakening support from the capital market and increasing demand lead to development in retro market.

26 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 0.90 percentage points, which was lower than previous month’s figure. Pure cat bond funds as a group were flat while the subgroup of funds whose strategies include private ILS increased by 0.27%. Private ILS funds outperformed pure cat bond funds by 3.04 percentage points on annualized basis.



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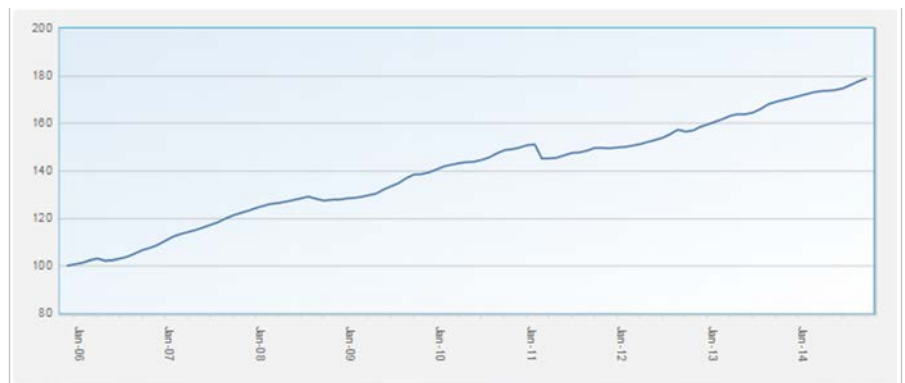
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The Eureka hedge ILS Advisers Index

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 May 2015)

Annualized Return (%)	6.54	Annualized Standard Deviation (%)	2.11
2015 Return (%)	1.09	Downside Deviation (%)	1.45
2014 Return (%)	5.42	Upside Deviation (%)	0.36
Last 3 Months (%)	0.45	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	81.62	Sharpe Ratio (X)	2.15
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.14
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.92

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	0.39	0.24	0.21	0.08	0.16								1.09
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