



Newsletter July 2015

Record breaking issuance for cat bond lite ILW market witnessed hardening signal

The average ILS fund was **up by 0.17% in June** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In June, the second named storm of the season Bill hit the US. It made landfall in Texas and caused minor damage to the region. Combined with the flooding caused by the earlier low pressure storms there, losses of USD 350m were incurred. For the 1st half 2015, the total U.S. insured losses (USD 8.1bn) are down by 36% from the same period last year. New Zealand was struck by massive rainfall that triggered flooding and landslides, causing insured losses of USD 140m. Tropical storm Kujira made landfall in Hainan, the southmost province of China. Other strong monsoons impacted the east central region of the country and damaged more than 63,000 homes. 10 mil people had to be evacuated. All events above caused minor impact to ILS funds.



David Yao, CFA, FRM
ILS Advisers

A total of USD 550m cat bond was issued last month, one third of May's figure. The major deal was the debut of Italian insurer UnipolSai Assicurazioni S.P.A., with EUR 200m to transfer its European earthquake risk, a new diversifier to the market. It was priced at 2.15% with the expected loss of 0.31% and well accepted. While the cat bond issuance cooled down a little, cat bond lite embraced its record breaking issuance of USD 537m for the 1st half of the year. Cat bond lite is a private placement smaller in size and less robust in documentation than traditional cat bond. Its low friction and cost efficiency gained growing acceptance among issuers and investors. In terms of private transactions, RoL on ILW increased substantially from last year, roughly 20% of price pickup in the U.S. region. This could be another signal of hardening market conditions, mainly resulting from the increase on the demand side and ease of overcapacity due to the exit of some major players.

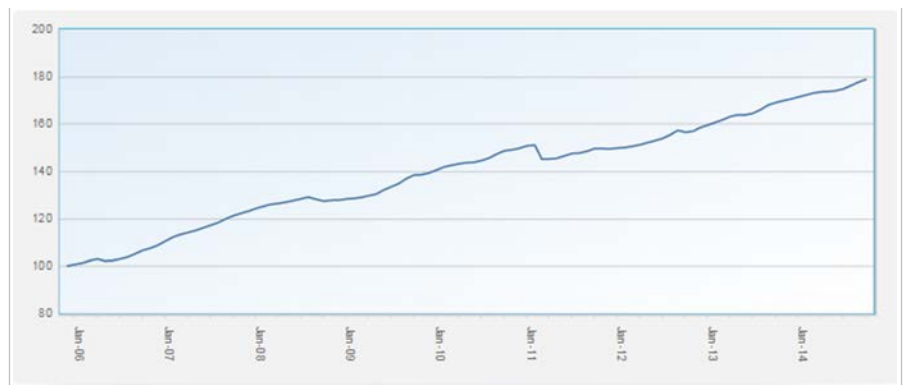
19 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 1.30 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were down by 0.11% while the subgroup of funds whose strategies include private ILS increased by 0.37%. Private ILS funds outperformed pure cat bond funds by 3.52 percentage points on annualized basis.



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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 June 2015)

Annualized Return (%)	6.50	Annualized Standard Deviation (%)	2.11
2015 Return (%)	1.27	Downside Deviation (%)	1.44
2014 Return (%)	5.42	Upside Deviation (%)	0.36
Last 3 Months (%)	0.42	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	81.94	Sharpe Ratio (X)	2.14
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.12
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	92.98

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	0.39	0.24	0.21	0.08	0.16	0.17							1.27
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