



## Newsletter August 2015

### Minimal impact on ILS by disasters globally Alternative capital grew over 3% in 2015

The average ILS fund was **up by 0.40% in July** as measured by the **Eureka hedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

In July, several disasters happened around the globe. Typhoon Chan-hom made landfall on the eastern part of China with high wind speed and strong rainfall. Over 1,000 houses were damaged and over 200,000 hectare crops were affected. The resulting economic losses were estimated at CNY 9.1Bn while the insured losses were much lower. Papua of Indonesia was hit by an earthquake of 7.0 Mw. It was felt by 38,000 people but no meaningful losses were reported. A rocky fire took place 100 miles from San Francisco. More than 13,000 people were ordered to evacuate but damage was limited. Latest update for the explosion of Tianjin Port of China, the man-made disaster that caused over 100 deaths and more missing, says the insured losses could be around USD 1.5bn. Some ILS funds report the potential exposure to the event but their loss estimates are very attritional, if not nil. All the event above had minimal impact on ILS funds.



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

The issuance activity of cat bonds cooled down further in July. Total issuance year to date reached USD 6bn and the outstanding volume is nearing USD 25bn. One of the major transactions came from Hannover Re, a USD 300m deal to cede US Earthquake risk. The cat bond was priced at 3.4%, the mid-point of initial price guidance, with an expected loss of 0.74%. Secondary market was more active in July. Portfolio rebalancing and seasonality effect drove the price performance of cat bonds. Based on broker's, alternative capital for reinsurance has increased by more than 3% to USD 66bn in the first quarter, where private ILS made up 50%, cat bonds 33% and ILW and sidecars 17% together.

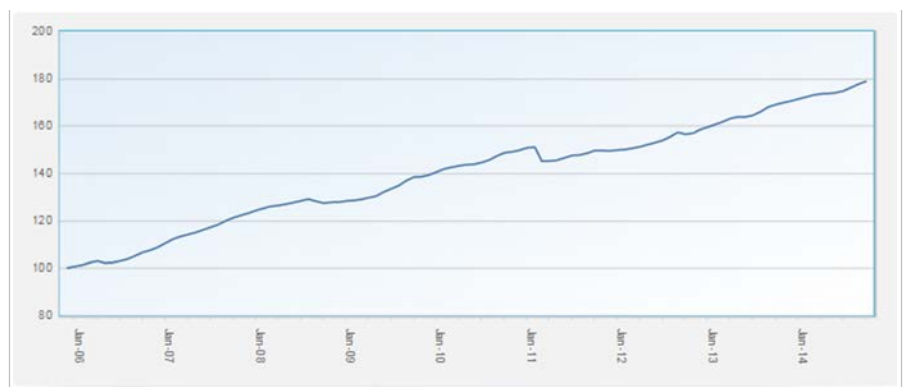
31 of the 34 funds represented in the Eureka hedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 1.10 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.28% while the sub-group of funds whose strategies include private ILS increased by 0.48%. Private ILS funds outperformed pure cat bond funds by 3.32 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 at July 2015 )

Annualized Return (%)	6.49	Annualized Standard Deviation (%)	2.10
2015 Return (%)	1.64	Downside Deviation (%)	1.44
2014 Return (%)	5.42	Upside Deviation (%)	0.36
Last 3 Months (%)	0.71	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	82.61	Sharpe Ratio (X)	2.14
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.12
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.04

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015	0.39	0.24	0.21	0.08	0.16	0.15	0.40						1.64
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