



## Newsletter September 2015

### Losses from Tianjin Explosion unclear Strong monthly returns for ILS funds

The average ILS fund was **up by 0.84% in August** as measured by the **Eurekahedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

In August, Super Typhoon Soudelor swept Taiwan, crossed the strait and made landfall on the eastern coast of China. With the maximum wind speed up to 136 km/h, it brought about strong rainfall and in addition caused serious inland flooding. Moreover losses to infrastructures, crops and properties were incurred. Due to the low insurance penetration rate, only minimal insured losses were reported. Another typhoon Goni hit the Japanese island of Kyushu and caused heavy rainfall and flooding. Loss estimation for the man-made event Tianjin Explosion is still evolving. The latest figure for insured losses ranged from USD 1.64bn to USD 3.25bn. Given the great deal of complexity, the calculation of loss figure still needs time to be finalized. However, based on reports from ILS funds, we believe the impact will be very limited.



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

Issuance for cat bonds was low for the month, which is typical during the US hurricane season. One major transaction came from the TCIP (the Turkish Catastrophe Insurance Pool) covering Turkey earthquake. The size was USD 100m, priced at 3.25%, which is a multiple of 2.17 times the expected loss of 1.5%. Secondary market saw strong rebound. Price gained 0.78% and total return was up 1.27% (Swiss Re Cat Bond Indexes). Cat bond funds thus benefited from the gain. For the private ILS, more premiums were allocated while little losses were incurred to the month. The 59th Monte Carlo Reinsurance Rendezvous brought reinsurers from around the world together to discuss the prospects of reinsurance, insurance and ILS. We learnt that excessive capacity lead to moderate rate reduction for reinsurance but other products such as ILS, retrocession and ILW saw price stabilization.

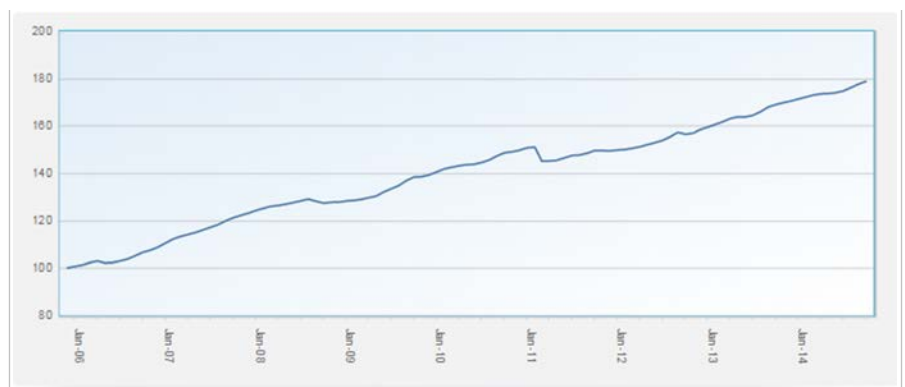
All of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 2.80 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.62% while the subgroup of funds whose strategies include private ILS increased by 1.05%. Private ILS funds outperformed pure cat bond funds by 3.60 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 August 2015 )

Annualized Return (%)	6.52	Annualized Standard Deviation (%)	2.09
2015 Return (%)	2.50	Downside Deviation (%)	1.43
2014 Return (%)	5.42	Upside Deviation (%)	0.42
Last 3 Months (%)	1.40	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	84.16	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.16
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.10

	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	0.84					2.50
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