



Newsletter October 2015

Slight impact to ILS from global events Best cat bond fund monthly return in 2 years

The average ILS fund was **up by 1.03% in September** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In September a wildfire broke out in central and north California and destroyed 2,800 buildings. The insured losses were estimated to be USD 1.15bn while the economic losses reached USD 2bn. Tropical storm Etau made the landfall over the Japanese Island of Honshu and caused serious rainfall and flooding. Another storm Vamco brought strong rainfall in South East Asia. Although serious flooding was caused, insured losses remained minimal. At the end of September, Typhoon Dujan hit Taiwan and Fujian, China. An mw 8.3 earthquake hit 46 km off the coast of Coquimbo, Chile which destroyed about 23,000 homes. The insured losses were estimated below USD 1bn. Some ILS funds report immaterial, if not none, impact to their portfolios by the events above.



David Yao, CFA, FRM
ILS Advisers

As usual in the hurricane season, the issuing activity was quiet in September. A major deal came from California Earthquake Authority covering California earthquake. Being well accepted, the deal was sized up by 2/3 to USD 250m finally. The coupon rate was fixed at the upper end of the price guidance of 5%, which is a multiplier of 1.91 by the expected loss of 2.62%. Secondary trading continued to be active. Cat bonds were up by 1.48% in total return and 0.93% in price return. As a result, pure cat bond funds made the highest monthly return in the past 24 months. Private ILS funds continued to deliver strong performance because of seasonality. The strong hurricane Patricia at the end of October was very likely to trigger full payment of cat bond MultiCat Mexico Class C notes. Several funds reported the impact and estimated loss reserves to us but it needs more time for the losses to be clear.

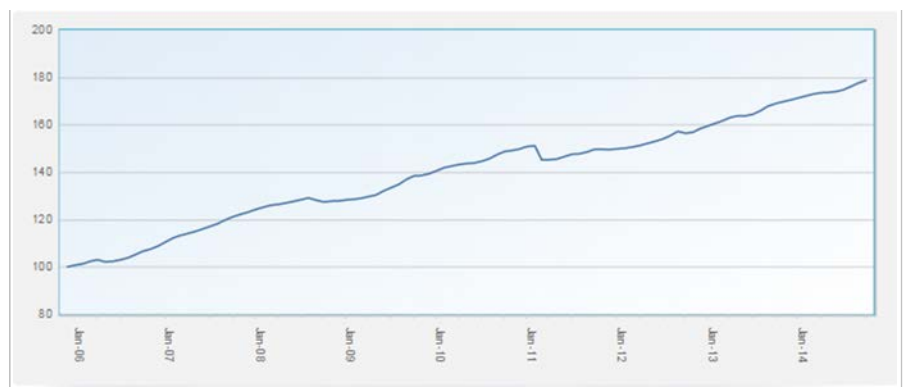
All of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 1.98 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.86% while the subgroup of funds whose strategies include private ILS increased by 1.15%. Private ILS funds outperformed pure cat bond funds by 3.63 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 September 2015)

Annualized Return (%)	6.57	Annualized Standard Deviation (%)	2.09
2015 Return (%)	3.55	Downside Deviation (%)	1.42
2014 Return (%)	5.42	Upside Deviation (%)	0.50
Last 3 Months (%)	2.29	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	86.05	Sharpe Ratio (X)	2.19
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.21
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.16

	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	1.03				3.55
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