



Newsletter December 2015

Limited impact from global events Off-risk cat bond price down

The average ILS fund was **up by 0.31% in November** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In the beginning of November, the strong storms and rainfall struck Southern Europe, causing limited damage to properties. Chile was struck by Mw6.8 earthquake and some thousands of houses were damaged. A widespread hailstorm hit South Africa and caused damages to thousands of homes. PCS set up investigation to Storm Nils as its industry losses were estimated to be over USD 200m. The loss estimation for UK flood earlier raised to GBP 1.5bn. The Paris attack caused 130 deaths and hundreds wounded. A dam burst in Brazil which killed 12 people and poured tons of waste water to the nearby region. The major brushfire in Southern Australia in November caused losses to some funds that have private contracts in the area. On the whole, the ILS industry suffered limited losses in light of the events above.



David Yao, CFA, FRM
ILS Advisers

In November, Everest Re came to the market with a deal of USD 625mil, covering US and Canada winds and earthquakes. Its tranche D was priced at 9.25% against the expected loss of 4.71% and the tranche E was priced at 6.75% with the expected loss of 2.7%. Another deal of USD 100m provided USAA protection on indemnity basis and was priced at the mid-range of the price guidance. The cat bond total return index was up 0.29% while the price index was down 0.20%, mainly due to the sale of off-risk bonds. For private ILS funds, monthly performance came down a little due to lower premium allocation, driven by seasonality. The widespread nature of private contracts means losses can be incurred even in absence of major events. This is in line with our observation that some private ILS funds suffered losses from regional and frequent events.

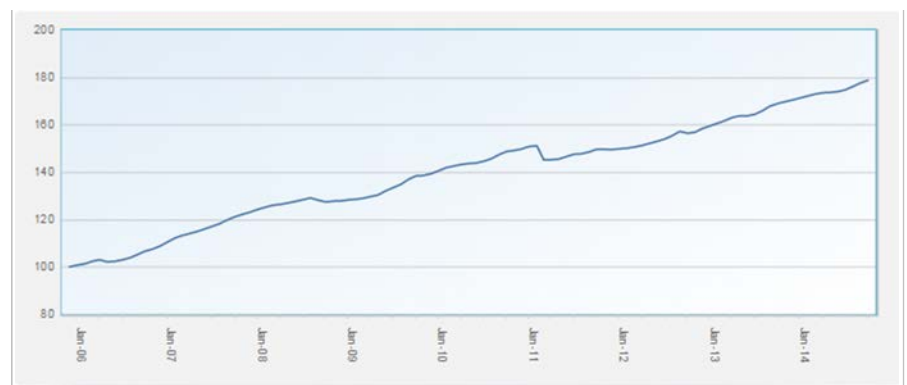
31 of the 32 funds represented in the Eurekahedge ILS Advisers Index were positive. The difference between the best and the worst performing fund was 0.94 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.17% while the sub-group of funds whose strategies include private ILS increased by 0.35%. Private ILS funds outperformed pure cat bond funds by 3.72 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 32 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 November 2015)			
Annualized Return (%)	6.52	Standard Deviation (%)	2.08
2015 Return (%)	4.15	Downside Deviation (%)	1.33
2014 Return (%)	5.42	Upside Deviation (%)	0.50
Last 3 Months (%)	1.57	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	87.04	Sharpe Ratio (X)	2.17
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.40
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93

	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	0.27	0.31		4.15
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