



Newsletter January 2016

Global events caused some attritional losses ILS funds returned 4.22% in 2015

The average ILS fund was **up by 0.07% in December** and **4.22% in 2015** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In December, typhoon Melor made several landfalls in the Philippines. It was quite fierce and caused damages to hundreds of thousands of homes while the insured losses were low. A convective storm hit Australia and brought hailing, heavy rain and tornados in the Sydney area. A major landslide took place in the Southern part of China, causing collapse of several factory buildings. A series of tornados, storms and floods hit several states of the U.S. and caused estimated economic losses of USD 1bn. The 3 storms that hit the UK (Desmond, Eva and Frank) resulted in industry losses up to GBP 1.5 bn. Although some funds suffered attritional losses, the impact of the above events to the whole ILS industry was still small.



David Yao, CFA, FRM
ILS Advisers

The cat bond primary market was active as we saw about USD 1.5 bn new issuance, making the annual figure for 2015 USD 7.90 bn. Everest Re returned to the market with a cat bond issue of USD 625m that covers storms in U.S. and Canada. The tranche D provides a coupon of 9.25% with an expected loss of 4.71% while the tranche E provides a coupon of 6.75% with an expected loss of 2.7%. Cat bond prices were down by 0.33% as measured by Swiss Re Cat Bond Price Return Index. The falling price impacted negatively pure cat bond funds. UK floods and storms, Australian bushfire and cyclones and U.S. severe weather jointly affected the December performance of some private ILS funds. Since private ILS funds write aggregate covers, it's more likely these contracts to be hit nearing expiration due to losses accumulated over the year. As a result, private ILS funds was up only 0.03%. Some funds set up side pockets for uncertain positions affected. The process of releasing side pockets can take several months to more than one year.

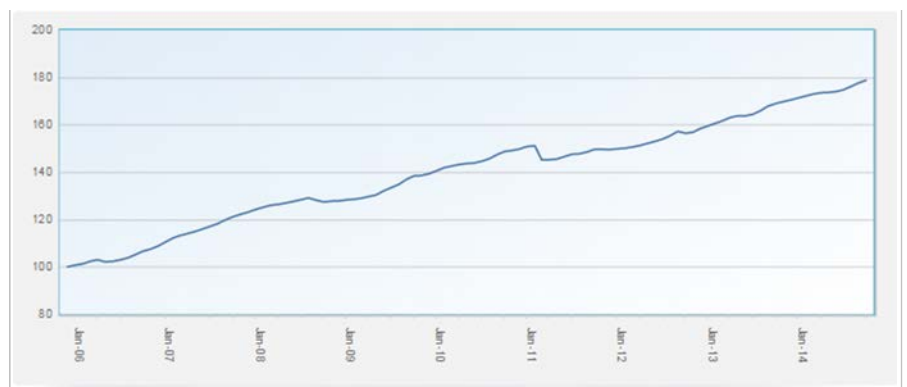
20 of the 31 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.52 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.13% while the subgroup of funds whose strategies include private ILS increased by 0.03%. Private ILS funds outperformed pure cat bond funds by 3.47 percentage points for the year 2015.



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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 31 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 December 2015)

Annualized Return (%)	6.47	Standard Deviation (%)	2.07
2015 Return (%)	4.22	Downside Deviation (%)	1.41
2014 Return (%)	5.42	Upside Deviation (%)	0.50
Last 3 Months (%)	0.65	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	87.25	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.18
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.33

	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	0.07	4.22
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