



## Newsletter February 2016

### Strong El Nino extended to 2016 Private ILS made steady gain

The average ILS fund was **up by 0.23% in January** as measured by the **Eurekahedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

The strongest El Nino in decades extended its impact into 2016. The U.S. was hit by floods from a large-scale system. Water level of the Mississippi river rose to record high. At the month end, a major winter storm called Jonas hit mid Atlantic U.S. states. Daily levels of snowfall were record breaking and it also caused huge storm surge. As a result, 46 people were dead and a wide range of property damage was incurred. However, reports from ILS funds showed no material losses to their exposure at the moment. Another bushfire in Western Australia burned down a large area but fortunately it caused limited losses. Windstorm Gertrude hit Scotland and Ireland, which brought strong wind and rainfall, causing power shortages and disruptions. Loss estimates from Tianjin Explosion increased to USD 5-6bn. Given the slow process of claim reporting, it's yet too early for funds to recognize the final losses.



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

In January, the primary market was active with total USD 800m issuance. 3 major transactions all came from repeating players. Among them, SCOR came to the market with a USD 300m transaction to cover U.S. Storms and Earthquakes. The issue was finally priced at 7.5%, the top end of guidance, against an expected loss of 3%. We noticed further stabilization of rates of cat bonds into the new year. The secondary price was down 0.31% due to the selling of short dated bonds, but this was compensated by coupon allocation so the total return was up 0.15% (Swiss Re Cat Bond Index). Even though attritional losses from regional events, private ILS kept growing steadily. The January renewal of private contracts was pretty in line with our prediction earlier, with U.S. seeing more discipline and Europe wider rate reduction.

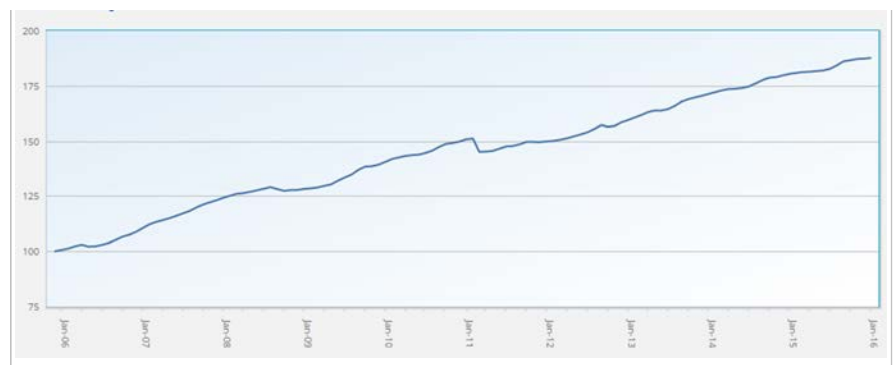
27 of the 31 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.61 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.09% while the subgroup of funds whose strategies include private ILS increased by 0.34%. Private ILS funds outperformed pure cat bond funds by 3.15 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 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 January 2016 )

Annualized Return (%)	6.44	Standard Deviation (%)	2.06
2016 Return (%)	0.23	Downside Deviation (%)	1.40
2015 Return (%)	4.24	Upside Deviation (%)	0.50
Last 3 Months (%)	0.63	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	87.71	Sharpe Ratio (X)	2.15
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.17
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.39

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.23												0.23
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