



Newsletter March 2016

Cat bond issuance remained strong Quiet month with no material impact to ILS

The average ILS fund was **up by 0.54% in February** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

February is a relatively quiet month, with the wind season in Europe coming to the end. In the beginning of the month, a Mw 6.4 earthquake occurred in the Tainan, Taiwan. The earthquake was not very strong but relatively shallow and caused 117 deaths and widespread power outage. Although we don't have the final loss report yet, it's believed that some ILS funds suffered losses. Windstorm Imogen hit Europe, causing minimal property damage. Tropical cyclone Winston hit Fiji, making it the strongest hurricane in the Southern Hemisphere. At month end, unexpected and powerful severe weather happened in some U.S. states causing property damage and power outage. In all, no meaningful losses were observed in the ILS universe.



David Yao, CFA, FRM
ILS Advisers

In February, primary market was quite active with several new issues. The biggest deal came from a repeating cedent Nationwide Mutual Insurance Co., covering tropical storms, earthquake, winter storms and thunderstorms. The bond pays a coupon of 5.5%, the lower band of the price guidance, against an expected loss of 1.58%. The secondary market price went down mildly 0.05% and the total return was up 0.45% (Swiss Re Cat Bond Indices). Since the loss payout for cat bond MultiCat Mexico Ltd. finally turned out to be only partial compared to 100% initially anticipated, its price picked up a lot, which resulted in a considerable mark to market gain for some cat bond funds. Private ILS performance was robust even with various regional events. Some funds started releasing side pockets from events incurred in past few months with loss reserves marked down and thus the performance improved correspondingly.

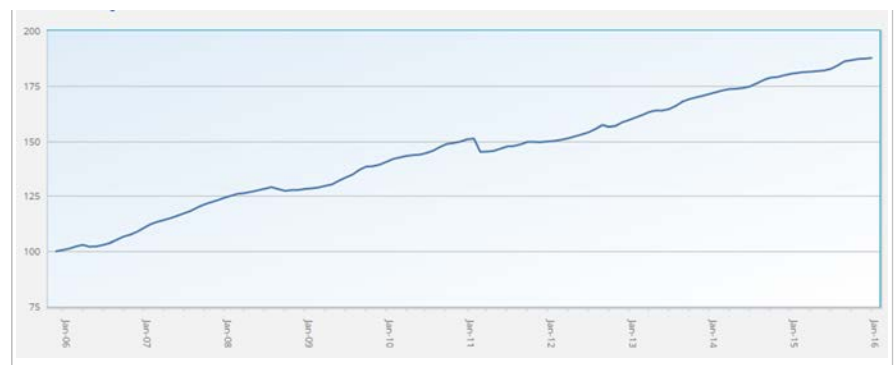
All of the 31 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.99 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.40% while the subgroup of funds whose strategies include private ILS increased by 0.65%. Private ILS funds outperformed pure cat bond funds by 3.11 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 February 2016)

Annualized Return (%)	6.44	Standard Deviation (%)	2.06
2016 Return (%)	0.76	Downside Deviation (%)	1.39
2015 Return (%)	4.24	Upside Deviation (%)	0.51
Last 3 Months (%)	0.84	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	88.69	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.19
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.44

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.21	0.54											0.76
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