



## Newsletter April 2016

### Cat bond price return improved Private ILS continued to be robust

The average ILS fund was **up by 0.42% in March** as measured by the **Eurekahedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

In March, a slow moving system caused long lasting rainfall and widespread flooding in some southern states of the U.S. The event is considered to be one in 50 to one in 200 year return period. The country was also hit by hailstorms and tornadoes. Severe weather and flood together caused economic loss USD 13.05bn and insured loss USD 7.4bn in the U.S. in 2016, according to a broker. A storm system brought heavy rainfall and hailstorms in provinces of southern China. Windstorm Katie hit the UK and France, carried heavy rains and caused property damages and power outages. In a serious terrorist attack in Brussels, two bombs exploded in the airport and metro station, resulting in 35 fatalities and 316 injuries. On whole, global events caused limited impact to ILS funds.



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

In March, a cat bond issue from Zurich Insurance Co. Ltd. started to be marketed. It provides CHF 630mil capital to cover operational risks on indemnity basis. It is the first transaction for operational risk and its success will encourage more issuances for broader coverage in the future. Other issuances mainly covered Japanese and U.S. windstorm perils. In the secondary market, the price index was up slightly by 0.12%, ending the 5 month downturn and the total return index was up 0.62% (Swiss Re Cat Bond Indices). Premium allocation for private contracts was relatively low for March but performance continued to be strong, thanks to the low level of loss. Global Nat Cat events only caused limited impact to private contracts although some erosions were recorded to aggregate covers. Latest forecast number of Atlantic hurricanes is higher than last year. However, hurricane origination is considered to have fairly weak linkage to the ultimate insured losses.

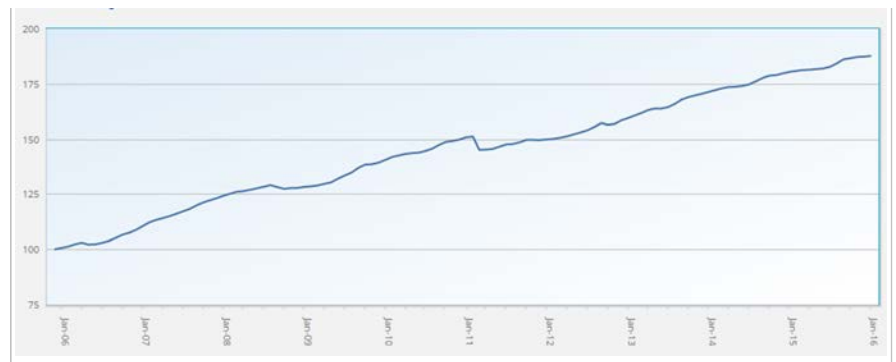
All of the 31 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.00 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.37% while the subgroup of funds whose strategies include private ILS increased by 0.45%. Private ILS funds outperformed pure cat bond funds by 2.41 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 March 2016 )			
Annualized Return (%)	6.43	Standard Deviation (%)	2.05
2016 Return (%)	1.17	Downside Deviation (%)	1.39
2015 Return (%)	4.24	Upside Deviation (%)	0.51
Last 3 Months (%)	1.17	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	89.48	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.19
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.50

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.21	0.54	0.42										1.17
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