



Newsletter May 2016

Limited impact to ILS from global events Cat bond performance improved

The average ILS fund was **up by 0.39% in April** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In April, a foreshock of Mw6.4 and the main shock of Mw7.0 hit the Japanese island of Kyushu. Both quakes occurred in a short time, together caused 49 deaths and affected more than 700,000 people. The insured losses were estimated to be between USD 1.7bn and USD 2.9bn. Another earthquake of Mw 7.8 hit Ecuador later on. It was destructive and led to 650 deaths and 4,600 injured. Although huge economic losses, insured losses were estimated to be low, USD 325m-USD 850m. Hurricane Fantala hit Seychelles and became the most powerful storm in the area. Severe weather outbreaks in the US this year caused insured losses of USD 7.4bn so far. This has been the April with highest global insured losses since 2011, according to brokers, with the storms in Texas and quakes in Japan being the main contributors. However, losses to ILS funds should be very limited, based on our preliminary estimation.



David Yao, CFA, FRM
ILS Advisers

In April, issuance activity was relatively quiet after high volume in the first quarter. USAA came to the market for an aggregate cover over its nationwide portfolio on multi-peril basis. The short new supply versus strong demand formed solid support for cat bond prices. As a result, cat bond fund performed well with decent marked to market gain. Private ILS experienced couple of frequency events in April. Although erosions on some aggregate contracts and quota share contracts were observed, no direct and meaningful losses were reported at the moment. Seasonality factor traditionally causes lower premium allocation in April as the European wind season has ended and the U.S. wind season hasn't started yet. Typically private ILS funds show about two thirds of their returns in the second half of the year due to seasonality.

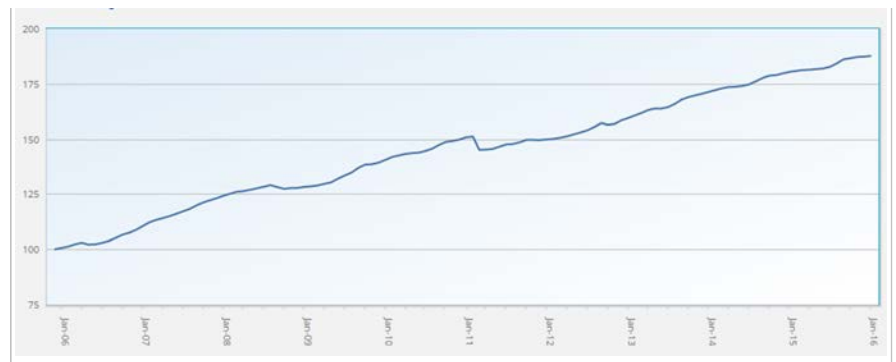
29 of the 31 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.26 percentage point, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.50% while the subgroup of funds whose strategies include private ILS increased by 0.28%. Private ILS funds outperformed pure cat bond funds by 1.12 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 April 2016)			
Annualized Return (%)	6.42	Standard Deviation (%)	2.04
2016 Return (%)	1.53	Downside Deviation (%)	1.38
2015 Return (%)	4.24	Upside Deviation (%)	0.51
Last 3 Months (%)	1.32	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	90.15	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.19
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.55

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.21	0.54	0.40	0.39									1.53
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