



Newsletter June 2016

Canadian Fire impacts Private ILS Cat bond returns continue to outperform

The average ILS fund was **up by 0.12% in May** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In the beginning of May, a wildfire hit Fort McMurray, Alberta, Canada. The fire, fueled by strong wind and dry air, spread rapidly and burnt over 1.4 bn acres. More than 2,400 buildings were destroyed and over 100,000 people were evacuated. The fire also caused significant decrease of oil production in that area. With insured loss estimated between USD 3.4bn and USD 6.9bn, the fire is the costliest natural disaster in Canada and wildfire event in the global insurance industry. At the end of the month, France, Germany and surrounding areas were hit by serious flooding. By preliminary estimation, the insured losses could be over EUR 2bn. Southeastern China suffered from heavy rainfall leading to more than 74,000 damaged structures. The U.S. Hurricane season started early this year. The second storm this year Bonnie made landfall in South Carolina and caused very limited impact. Active global events cast uncertainty over ILS performance.



David Yao, CFA, FRM
ILS Advisers

In May, issuance activity was more active compared to April. The largest deal came from the AIG amounting to about USD 300m. It covered the mortgage insurance risks. Another major issue come from USAA to provide USD 250m protection against multi perils. Munich Re came to the market with an issue of USD 190m to cover U.S. and European windstorms. The bond was finally priced at the lower end of price guidance. For cat bonds, price return was 0.11% and total return was 0.62% for the month of May as measured by the Swiss Re Cat Bond Indices. As a result, pure cat bond funds performed well and outperformed private ILS funds for 2 consecutive months. Private ILS have been impacted by the Canadian fire. A number of private ILS funds recognized losses from the positions affected.

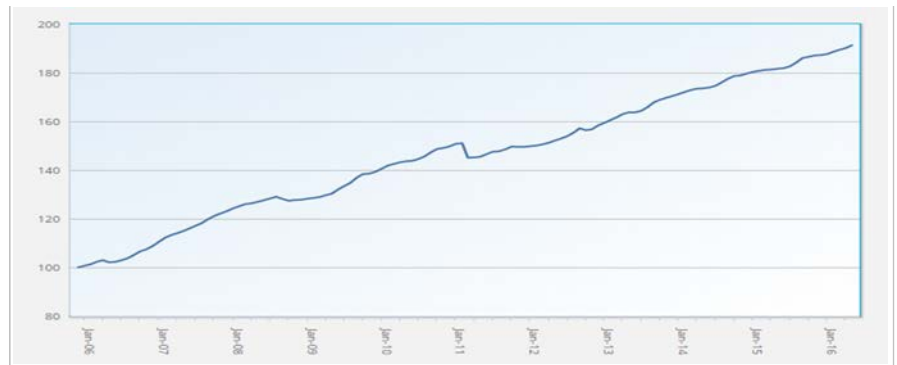
26 of the 33 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 6.12 percentage point, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.53% while the subgroup of funds whose strategies include private ILS decreased by 0.19%. Private ILS funds underperformed pure cat bond funds by 0.91 percentage points on annualized basis.



Newsletter June 2016

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 33 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 May 2016)			
Annualized Return (%)	6.38	Standard Deviation (%)	2.04
2016 Return (%)	1.67	Downside Deviation (%)	1.38
2015 Return (%)	4.24	Upside Deviation (%)	0.51
Last 3 Months (%)	0.91	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	90.40	Sharpe Ratio (X)	2.15
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.18
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.60

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.21	0.54	0.40	0.40	0.12								1.67
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