



Newsletter July 2016

Global events caused limited losses to ILS Cat bond issuance slowed down

The average ILS fund was **up by 0.25% in June** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In early June, France and Germany were hit by severe flooding and estimated insured losses were USD 2.3bn and USD 1.14bn respectively. Flooding and severe weather hit Texas, causing substantial damage to infrastructure. The East coast of Australia also suffered from strong winds and heavy rainfall. The estimated insured loss was USD 173m. Strong monsoon and typhoon struck China from the middle of June and caused heavy rainfall and extensive flooding. Tens of thousands of homes were damaged. At the end of the month, a severe tornado struck Jiangsu Province in eastern China. The event is reported as the worst tornado in China since 1966. Massive damage was caused but the final loss report is not available yet. Global events caused some impact to ILS funds but the losses remained limited.



David Yao, CFA, FRM
ILS Advisers

In June, issuance activity slowed down. Only a few small tickets came to the market, mostly under USD 100m. The biggest deal came from Allianz to cover the U.S. named storms and U.S. earthquakes. The deal size was up 23% due to strong investor interest, totaling USD 185m. The bond was finally priced at the upper band of initial price guidance, a signal of further rate stabilization. On the other hand, the secondary market was active. Price level was almost flat while the total return was stable. Flooding in Europe caused impact to some private contracts. The losses resulting from a malfunctioning vessel in the Jubilee oil field of Ghana also caused impairment to some funds. According to one broker, the insured losses for the first half of the year is around USD 30bn, just slightly below the recent 10-year average of USD 31bn, but 25% higher than the recent 16-year average of USD 24bn and 58% higher than the last year figure of USD 19bn.

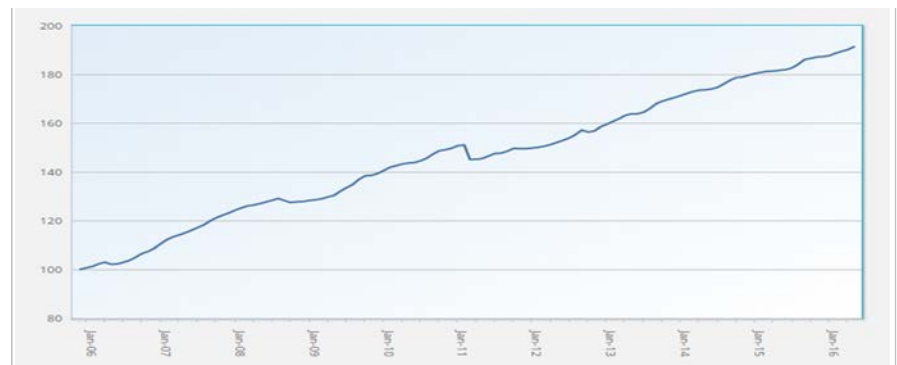
31 of the 33 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.56 percentage point, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.24% while the subgroup of funds whose strategies include private ILS increased by 0.28%. Private ILS funds underperformed pure cat bond funds by 0.67 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 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 June 2016)			
Annualized Return (%)	6.35	Standard Deviation (%)	2.03
2016 Return (%)	1.93	Downside Deviation (%)	1.37
2015 Return (%)	4.24	Upside Deviation (%)	0.52
Last 3 Months (%)	0.78	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 (%)	93.70

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.21	0.54	0.40	0.40	0.12	0.25							1.93
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	4.24
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