Newsletter August 2016

Strong performance for private ILS
Cat bond return stable in quiet month

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The average ILS fund was **up by 0.40% in July** as measured by the **Eurekahedge ILS Advisers Index**.

In early July, the first named typhoon, Typhoon Nepartak made land fall in Taiwan and mainland China and caused massive damage to properties and agriculture. Economic losses were estimated at USD 1.5bn. A man drove a truck through the crowd celebrating the National Day of France in the city of Nice on July 14th. 85 people were killed and hundreds were injured in the attack. Heavy and long lasting rainfall since mid-July hit China and caused widespread floods along the Yangtze River and in the Northeast. Over 800,000 homes and structures were destroyed. The economic losses for the event are USD 33bn, the highest since 1998. However, insured losses were less than 2% of the economic losses due to low insurance penetration in China. The U.S. suffered from the outbreak of convective storms and floods. Insured losses were estimated to be USD 1bn. Howver global events have no impact to ILS funds this month.

The primary market warmed a bit in July. One major deal came from Allianz who sought protection from U.S. named storms and U.S. earthquake. The size of the deal was more than doubled to USD 225m, due to strong investor demand. It will be triggered based on an industry loss index and was priced at 8.25% versus an expected loss of 3.99%. Secondary market was heated by investors who are eager to place cash but feel it hard to find supply. As a result, cat bond prices were up by 0.12% and total return was up by 0.60% based on the Swiss Re Cat Bond Indices. Private ILS was mostly unaffected by the events during the month. As a result, they performed strongly. As we enter the main part of the U.S. hurricane season, private ILS funds start to earn the majority of their premiums. Absent any major event, we expect the reasonably strong performance to persist in the second half of the year.

30 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 2.71 percentage point, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.38% while the subgroup of funds whose strategies include private ILS increased by 0.42%. Private ILS funds underperformed pure cat bond funds by 0.50 percentage points on annualized basis.

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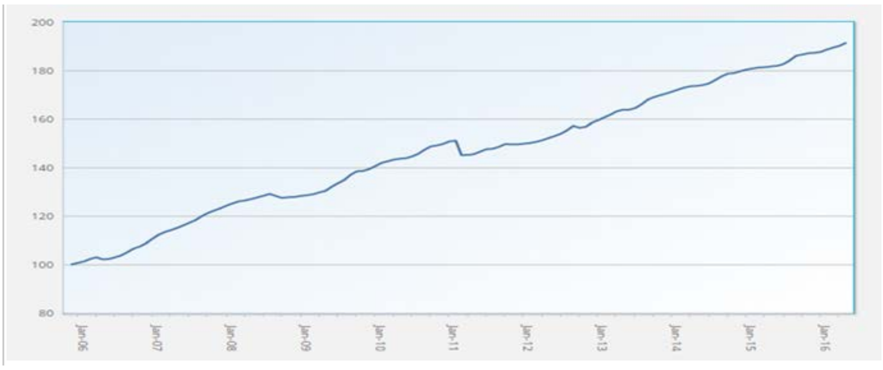
The Eurekahedge ILS Advisers Index

The Eurekahedge 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 Eurekahedge. 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 Eurekahedge ILS Advisers Index is ILS Advisers and Eurekahedge'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 July 2016)			
Annualized Return (%)	6.33	Standard Deviation (%)	2.02
2016 Return (%)	2.25	Downside Deviation (%)	1.37
2015 Return (%)	4.24	Upside Deviation (%)	0.52
Last 3 Months (%)	0.69	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	91.50	Sharpe Ratio (X)	2.14
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.17
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	0.04	0.25	0.40						2.25
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

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