



Newsletter September 2016

Strong return in the hurricane season Global events had little impact

The average ILS fund was **up by 0.86% in August** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In mid August, two wildfires broke out in California and spread across more than 30,000 acres. However, the loss was limited due to little property damages. A slow moving system caused heavy rainfall and floods in Louisiana for about one week. It was considered a 1-in-1000 year rainfall event and caused massive damage that amounted to estimated economic losses of USD 10-15 bn. However, insured losses were estimated to be much lower. This gap is the result of the low participation of both the National Flood Insurance Program (NFIP) as well as private programs in the area. An earthquake of 6.2 magnitude struck the middle part of Italy and caused 296 death and massive damage to buildings and properties. The economic losses, estimated by local authority, reached USD 11bn. However, because of the low insurance penetration, the estimated insured losses were just about EUR 200m. Over all, very limited losses were caused to ILS by the above mentioned events.



David Yao, CFA, FRM
ILS Advisers

The primary market cooled down with almost no supply. Only one bond was issued. It was a small deal that covers the temperature risks on parametric triggers. In the secondary market cat bond prices went up by 0.73% and the total return was 1.27% (Swiss Re Cat Bond Indexes). Such a strong return resulted in the superior performance of the pure cat bond funds. Private ILS funds were up as well, thanks to the lack of major events during the month. However, we still saw losses from Ghana's Jubilee oil field leaking to the portfolios of one private ILS fund. Some managers estimated the California wildfires and Louisiana floods may cause some erosion on their aggregate covers, but no direct losses were incurred. Performance for private ILS funds continued to be robust.

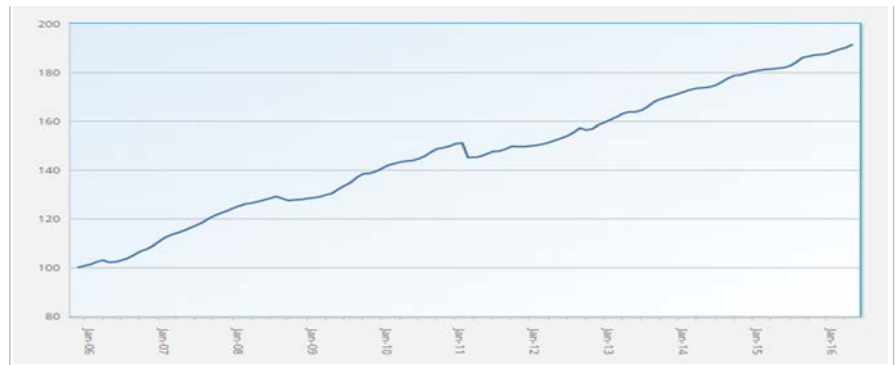
33 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.64 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.64% while the subgroup of funds whose strategies include private ILS increased by 0.99%. Private ILS funds outperformed pure cat bond funds by 0.43 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 34 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 August 2016)			
Annualized Return (%)	6.37	Standard Deviation (%)	2.02
2016 Return (%)	3.16	Downside Deviation (%)	1.36
2015 Return (%)	4.24	Upside Deviation (%)	0.56
Last 3 Months (%)	1.55	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	93.20	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.21
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.75

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.21	0.54	0.40	0.40	0.04	0.26	0.41	0.86					3.16
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