



## Newsletter October 2016

### ILS performance continued to be strong Potential losses due to Hurricane Mathew

The average ILS fund was **up by 1.03% in September** as measured by the **Eurekahedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

A major event, Hurricane Mathew, originated from the Atlantic on September 28<sup>th</sup>, 2016, developed quickly to a category 1 named hurricane on September 29<sup>th</sup> and reached the most intense category 5 on October 1<sup>st</sup>. It passed through the Caribbean and made landfall in Haïti, Cuba and the Bahamas before it headed towards Florida with category 4 intensity. The hurricane followed a track very similar to the coastline of Florida as a CAT 3 storm. It was considered the most powerful hurricane in the past decade and caused over 300 deaths and vast damages in Haïti. The early estimate for insured losses would be USD 4-8bn, much lower than previous estimates fearing a landfall in Florida. Cat bond prices immediately with a big drop. Some ILS funds have reported preliminary loss estimates. It will take more time for the final loss figures to develop and we will keep a close eye on the development. A Space X rocket exploded on a test and caused insured losses of around USD 300m, impacting slightly this specialty line of business.



**David Yao, CFA, FRM**  
ILS Advisers

As usual, September is a month with little issuing activity in the cat bond primary market. There was only one issue from the Japanese insurer Zenkyoren. The deal size finally reached USD 700m, triple the original amount. The bond was meant to provide protection against Japanese earthquakes. Secondary market was more active. The price index went up 0.56% and the total return index 1.05% (Swiss Re Cat Bond Indices). While the impact of Hurricane Mathew will be reflected in the October performance, private contracts were not impacted by any major event in September. On the other hand, as we move into the peak of the season, a large percentage of premiums were allocated. As a result, private ILS funds exhibited strong monthly performance across the board.

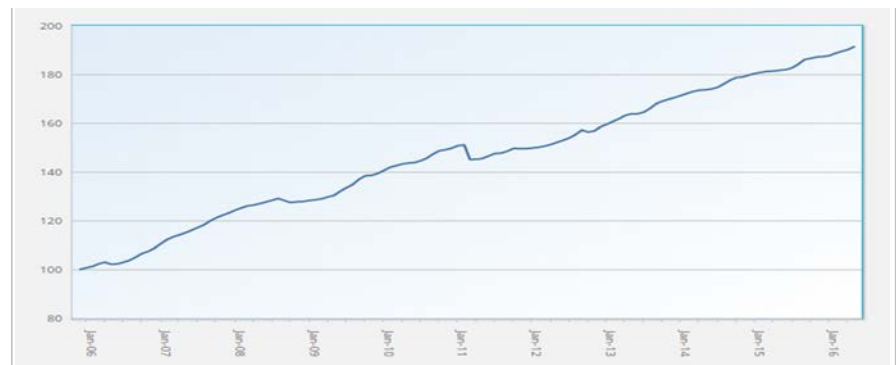
All of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.52 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.79% while the subgroup of funds whose strategies include private ILS increased by 1.20%. Private ILS funds outperformed pure cat bond funds by 0.96 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 September 2016)			
Annualized Return (%)	6.42	Standard Deviation (%)	2.02
2016 Return (%)	4.23	Downside Deviation (%)	1.36
2015 Return (%)	4.24	Upside Deviation (%)	0.61
Last 3 Months (%)	2.32	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	95.20	Sharpe Ratio (X)	2.19
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.26
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.80

	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	1.03				4.23
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