



Newsletter November 2016

Major hurricane Matthew caused limited losses ILS funds maintain stable returns

The average ILS fund was **up by 0.42% in October** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

Hurricane Matthew struck the U.S. in early October after a journey across the Western Atlantic. It was the costliest hurricane since HU Sandy and caused economic losses of USD 15 bn in total, among which about USD 10 bn in the U.S.. The insured loss was estimated to be about USD 5bn, much lower than previously anticipated. The protection gap was partly explained by the fact that some flooding which occurred inland was uninsured due to low insurance penetration by national and private programs. A few private ILS funds reported small impact on their portfolios. HU Nicole was next and made landfall in Bermuda causing minor damages. In Asia, super typhoon Haima affected the Philippines and China, leaving behind extensive damage. A magnitude 6.5 earthquake hit Central Italy at the end of October, resulting in major damage but no fatalities were reported. Overall ILS funds suffered limited impact from the above events.



David Yao, CFA, FRM
ILS Advisers

The primary market for the cat bonds was quiet for the month and no new issuance came to the market. It's quite common that during the hurricane season there is little issuing activity and it normally only picks up in the 4th quarter. Despite exhibiting strong volatility during the month due to HU Matthew, cat bond prices were up 0.04% by month end and total return was up by 0.54% (Swiss Re Cat Bond Indices). Private ILS contracts typically sit lower in the risk tower and are therefore more likely to be impacted by natural disasters and indeed some of them suffered losses from Hurricane Matthew. Other events during the month had little impact. There were concerns about additional losses from the Jubilee oil field FPSO, which was caused by a fault to a bearing on the turret in March. Insured losses from that event may increase due to longer loss in production than originally anticipated. However, ILS funds seem to have only limited exposure to the event if any.

32 of 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 1.81 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.31% while the subgroup of funds whose strategies include private ILS increased by 0.50%. Private ILS funds outperformed pure cat bond funds by 1.11 percentage points on annualized basis.

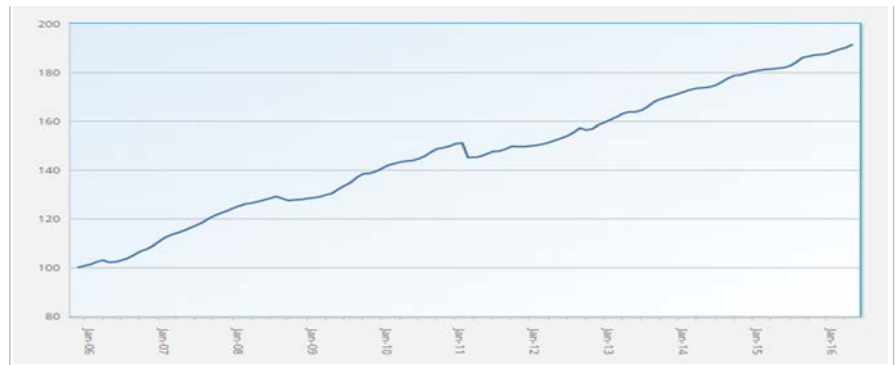
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The Eureka hedge ILS Advisers Index

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 October 2016)			
Annualized Return (%)	6.41	Standard Deviation (%)	2.01
2016 Return (%)	4.68	Downside Deviation (%)	1.35
2015 Return (%)	4.24	Upside Deviation (%)	0.62
Last 3 Months (%)	2.34	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	96.03	Sharpe Ratio (X)	2.20
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.26
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.85

	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	0.42			4.68
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