



Newsletter December 2016

New Zealand Quake had limited impact to ILS Outstanding cat bonds reach historical high

The average ILS fund was **up by 0.27% in November** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

On November 13th, an earthquake of Mw 7.8 struck New Zealand. Kai-koura and Wellington are most affected. Buildings and infrastructures were damaged. Based on preliminary estimates, the quake caused industrial losses of around USD 3.5bn. At the month end, Angus, the first winterstorm in UK brought strong winds and heavy rainfall and caused floods and disruption to public utility. Tennessee suffered from severe wildfires that burnt over 17,000 acres of land and 1,700 properties. The economic losses were estimated to be over USD 100m. Wildfires also caused widespread damage in Israel. Hurricane Otto made landfall in Nicaragua and caused economic losses. Italy, Corsica and France were hit by continued rainfall and flooding. Roads, bridges and homes were reported to be damaged but no clear loss figures were available. Global events caused limited impact to ILS funds.



David Yao, CFA, FRM
ILS Advisers

In November, the U.S. hurricane season officially ended. So did the silence in terms of primary market activity of the past two months when three new issues came to the market. We saw over USD 7bn new issuance this year and the outstanding cat bond reached the historical USD 26bn. One major issue for the month was a multi peril transaction of USD 500m from USAA that covers U.S. tropical cyclones, earthquakes and other perils. The average coupon rate is 5.5% and the average expected loss is 3.3%. Another major deal came from California Earthquake Authority. The deal was upsized by 67% to USD 500m. It also provides investors a 4% yield, which was at the top-end guidance, versus expected loss of 2.18%. The cat bond price index was down 0.09% while the total return index was up 0.39%. Private ILS funds are doing well with the exception of some funds with considerable exposure to New Zealand Earthquake, who recorded losses from the event.

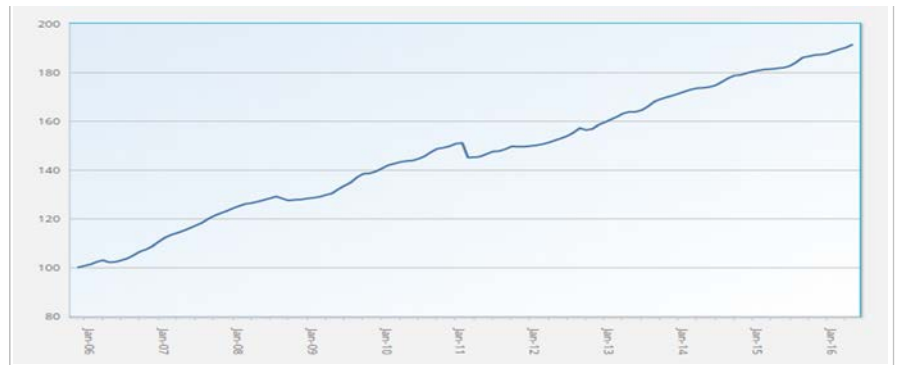
31 of 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 3.43 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.21% while the subgroup of funds whose strategies include private ILS increased by 0.32%. Private ILS funds outperformed pure cat bond funds by 1.13 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 November 2016)			
Annualized Return (%)	6.39	Standard Deviation (%)	2.00
2016 Return (%)	4.96	Downside Deviation (%)	1.35
2015 Return (%)	4.24	Upside Deviation (%)	0.62
Last 3 Months (%)	1.74	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	96.57	Sharpe Ratio (X)	2.19
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.26
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.89

	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	0.27		4.96
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