



Newsletter January 2017

Highest insured losses since 2012 Year end outstanding cat bonds over USD 26bn

The average ILS fund was **up by 0.16% in December** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In the beginning of the month, Southeast of the US was struck by tornadoes, accompanied by hails. The event caused extensive power outages, disruption to public transportation and damage to buildings. The estimated insured losses reached millions of dollars. Sumatra, Indonesia was hit by an earthquake of Mw 6.5. Over ten thousand homes were damaged. However due to low insurance penetration, insured losses were estimated to be very limited. A very strong cyclonic storm hit India, causing significant damage to properties, crops, transportation and power facilities. The event caused economic losses of about USD 1bn. According to yearly data from Aon Benfield, the global economic loss for Nat Cat in 2016 was USD 210 bn, 21% higher than the 16-year average. The insured loss was USD 54bn, 7% above the 16-year average and the highest since 2012. The Japanese earthquake and Hurricane Matthew were the two costliest in terms of insured losses in 2016. Hurricane losses for last year were USD 6.5bn, 15% lower than the 10 year average of USD 8bn.



David Yao, CFA, FRM
ILS Advisers

Cat bond primary market was active where we saw over USD 1.2bn new bonds issued. Three deals contributed. The largest deal came from XL Bermuda, USD 750m. It is a multi peril bond and covers storms and earthquakes in U.S., Europe and Australia. The total issuance for the whole year 2016 reached USD 7bn, making the outstanding bonds exceeding USD 26bn. Secondary market was also active partly due to rebalancing by fund managers. The total return for cat bonds is 6.94%, higher than previous year figure of 4.45% (Swiss Re Cat Bond total return index). Cat bond funds as a result was up 4.31% for the year. Private ILS contracts incurred some losses from natural disasters during the year. The whole year return is 5.68%.

27 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 3.19 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were down by 0.03% while the subgroup of funds whose strategies include private ILS increased by 0.30%. Private ILS funds outperformed pure cat bond funds by 1.37 percentage points on annualized basis.

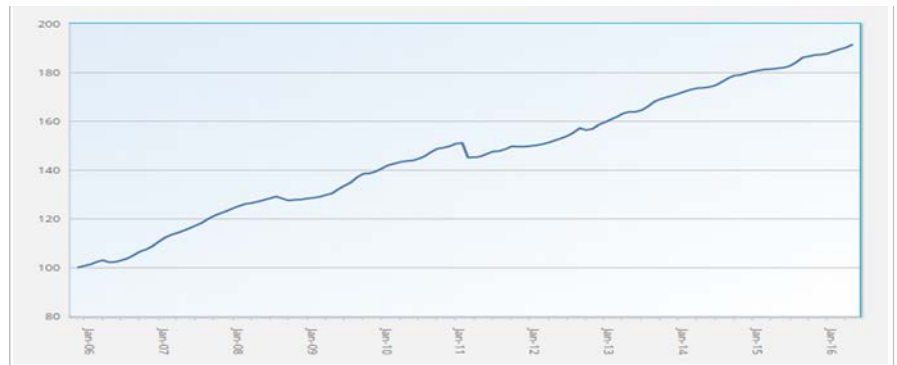
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The Eureka hedge ILS Advisers Index

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 December 2016)			
Annualized Return (%)	6.36	Standard Deviation (%)	2.00
2016 Return (%)	5.18	Downside Deviation (%)	1.34
2015 Return (%)	4.24	Upside Deviation (%)	0.61
Last 3 Months (%)	0.90	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	96.97	Sharpe Ratio (X)	2.18
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.25
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	93.94

	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	0.31	0.16	5.18
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