



Newsletter February 2017

Little loss from events at beginning of 2017 Cat bond issuance remained slow

The average ILS fund was **up by 0.36% in January** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In the beginning of the month, Thailand, Indonesia and Malaysia were hit by heavy rain which caused wide spread floodings. Hundreds of thousands of homes were damaged and economic losses were estimated to be over USD 800m. Given low penetration, the insured losses were still minimal. A series of wildfires broke out in Chile and burnt over 500 thousand hectares of lands. The fires were considered the most serious in recent years and the losses were still yet to confirm. Winterstorms hit western US and brought rains and snow to California and Nevada. A series of earthquakes hit central Italy. The magnitude was between 5.1 to 5.7. The quakes caused damaged and collapsed properties and led to power outage in some areas. 29 fatalities were reported. Southern US was hit by serious convective storms that triggered tornados, hailstorms and thunderstorms. The event caused 27 fatalities and insured losses of around USD 1bn. On whole, events in January had little impact on ILS.



David Yao, CFA, FRM
ILS Advisers

Cat bond issuance in January was relatively slow. Two major issues were observed. Repeat issuer Aetna came to the market with a transaction of USD 200m to cover the risk of rising medical benefit claims levels. The bond provides investors coupons between 1.75% and 2.00% against very low expected losses between 0.01% and 0.19%. The other deal came from XL Bermuda, USD 525m to cover storms and quakes in the U.S., Canada, and Australia. In the secondary market, cat bond prices were almost flat (-0.07%) and total return was +0.42%, as measured by Swiss Re Cat Bond Indices. For private ILS, some managers are monitoring potential impact from U.S. tornados. Otherwise no events in January are expected to have any impact. Some funds have loss reserve adjustment from Hurricane Matthew last year which affects their performance.

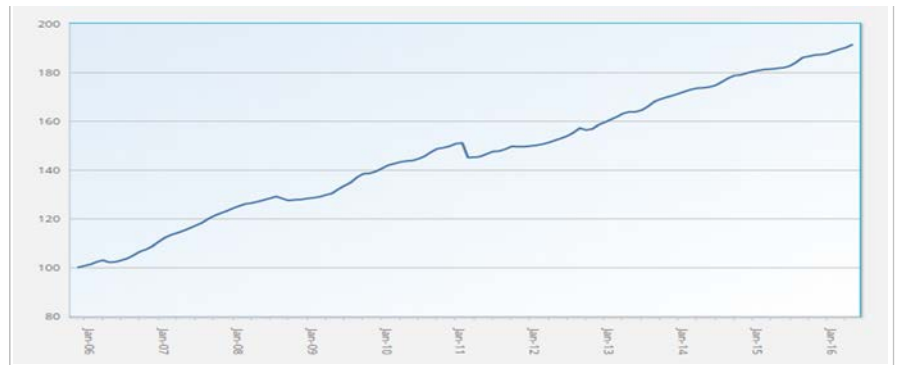
All of 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 0.80 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.30% while the subgroup of funds whose strategies include private ILS increased by 0.40%. Private ILS funds outperformed pure cat bond funds by 1.29 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 January 2017)			
Annualized Return (%)	6.34	Standard Deviation (%)	1.99
2017 Return (%)	0.35	Downside Deviation (%)	1.33
2016 Return (%)	5.18	Upside Deviation (%)	0.61
Last 3 Months (%)	0.83	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	97.66	Sharpe Ratio (X)	2.17
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.24
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	94.03

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.36												0.36
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