



Newsletter March 2017

Little impact on ILS funds from various events Stable cat bond performance

The average ILS fund was **up by 0.32% in February** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

At the beginning of the month, a significant outbreak of tornados hit several states in the U.S. and caused damage to over 1,000 homes. An earthquake of Mw 6.5 struck the southern Philippines and destroyed over six thousand houses. New South Wales was hit by a series of fierce thunderstorms that brought strong rains, winds and hails in some areas. The estimated insured losses reached USD 250m. Storm Doris or Thomas struck the northwest of Europe. It is the 4th named storm that hit the area this year and caused widespread disruption to transportation, such as flights and railway. The total losses for the event is still unknown but it caused insured losses of over USD 100m in Germany and the UK. At the end of the month, there was another outbreak of about 60 confirmed tornados in the U.S.. Hundreds of homes were damaged and losses were estimated to be several hundred million USD.



David Yao, CFA, FRM
ILS Advisers

Primary issuance for cat bonds was slightly lower than in January. Cincinnati Insurance Company came to the market with a USD 180m transaction to provide cover from U.S. earthquake and severe thunderstorms. Repeating issuer Heritage issued its 5th cat bond, amounting to USD 125m. The bond covers U.S. named storms and provides a coupon of 6%, the bottom of end of the original price guidance, against an expected loss of 3.08%. In a rare case, Lloyd's of London catastrophe lines focused syndicate ICAT 4242 issued a cat bond with an amount of USD 164.5m which covers U.S. storms and earthquakes. The bond was also priced at the lower end of the price guidance. Cat bond price return was minus 0.11% and total return was 0.32% (Swiss Re Cat Bond Indices). For private ILS funds, we didn't see material impact from events during the month and the returns were determined by premium allocation according to seasonality.

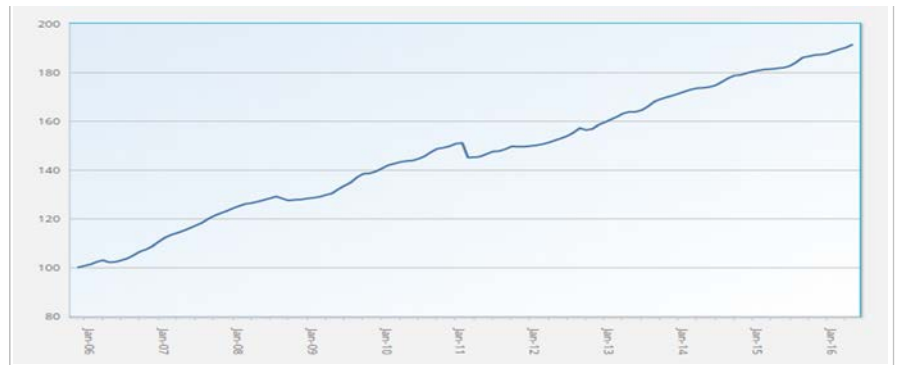
All 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 0.99 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.24% while the subgroup of funds whose strategies include private ILS increased by 0.38%. Private ILS funds outperformed pure cat bond funds by 1.57 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 February 2017)			
Annualized Return (%)	6.33	Standard Deviation (%)	1.98
2017 Return (%)	0.68	Downside Deviation (%)	1.33
2016 Return (%)	5.19	Upside Deviation (%)	0.61
Last 3 Months (%)	0.87	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	98.35	Sharpe Ratio (X)	2.18
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.25
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	0.32											0.68
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