



## Newsletter May 2017

### Various events caused small impact to ILS Outstanding cat bonds reached USD 28bn

The average ILS fund was **up by 0.15% in April** as measured by the **Eurekahedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

From the end of March to the beginning of April, Cyclone Debbie struck Eastern Australia and New Zealand. The cyclone brought strong winds, widespread rainfall and floods. Significant damage was caused to properties, transportation and infrastructure. The losses to the insurance industry were estimated to be over USD 1bn in Australia and tens of millions of dollars in New Zealand. The severe weather continued in the Southeast of the U.S. Total insured losses were estimated to be USD 425m. In mid April, a temperature drop in central Europe resulted in severe damage to crops, leading to insured losses of about USD 100m. Later on, blizzard like weather, thunderstorms and record tornado activity in central U.S. caused 18 deaths and thousands of houses were damaged. Total economic losses were estimated to be over USD 1bn.



**David Yao, CFA, FRM**  
ILS Advisers

Cat bond issuance activities picked up very quickly entering the 2<sup>nd</sup> quarter. The largest deal of the month was USD 480m from repeated player Sompo Japan Nipponkoa Insurance to cover Japanese typhoons. It offered investors a coupon rate of 2% against an expected loss of 1.14%. U.S. insurer Allstate also returned to the market with an issuance of USD 375m. The bond covered both US earthquake and hurricanes and was priced at 3% with an expected loss of 0.86%. With robust issuance continuing into May, the outstanding cat bond reached the record level of USD 28bn. In the cat bond secondary market, the total return was +0.23% while the price return was -0.20% (Swiss Re Cat bond Indices), partially due to managers switching from old bonds to new issuance. On the private ILS side, thunderstorms, tornadoes and blizzards in the U.S. this month had slight impact to some private contracts which, however, came from either loss reserve or erosions to deductibles. Other events of the month had little material impact to ILS.

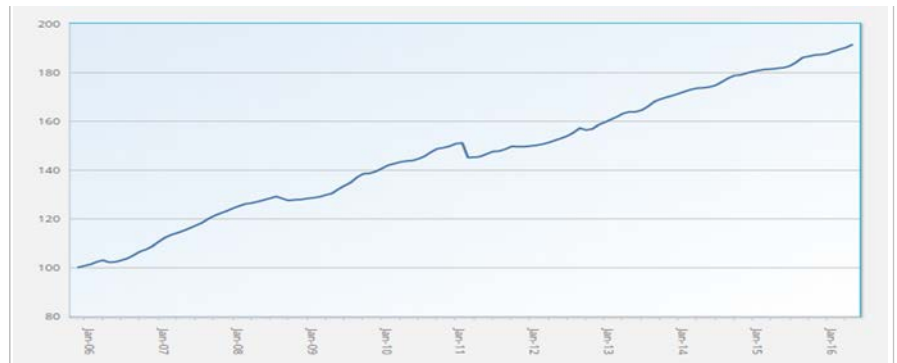
29 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.19 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.09% while the subgroup of funds whose strategies include private ILS increased by 0.20%. Private ILS funds outperformed pure cat bond funds by 1.42 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 April 2017)			
Annualized Return (%)	6.26	Standard Deviation (%)	1.97
2017 Return (%)	1.05	Downside Deviation (%)	1.32
2016 Return (%)	5.19	Upside Deviation (%)	0.61
Last 3 Months (%)	0.69	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	99.07	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.23
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	94.12

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.36	0.32	0.23	0.15									1.05
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