



Newsletter June 2017

Record new issued and outstanding cat bonds Global events had little impact on ILS

The average ILS fund was **up by 0.19% in May** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In the beginning of May, severe weather hit several states in the U.S. such as Colorado, Texas and New Mexico. The event also led to major hailstorms in the area which resulted in estimated economic losses of about USD 2.5bn. In the middle of May, serious thunderstorms hit central U.S.. Around 27 tornados were reported and caused total economic losses and insured losses of closed to USD 1 bn and USD 700m respectively. Although the number of storm events in the U.S. year to date is running high and about 25% more than that of 2016, the insured losses are still slightly lower than the same period last year. The latest insured losses of Cyclone Debbie in Australia surpassed USD 1bn. On the whole, the events in May has some slight impact to ILS funds.



David Yao, CFA, FRM
ILS Advisers

The YTD volume of new issuance is over USD 9.14bn, already exceeding the issuance for the whole of last year by nearly USD 2bn. Already after the second quarter 2017, the issuance already broke the old record of USD 9.09 bn for the whole year 2014. Such huge issuance also brings the total outstanding cat bonds above USD 28.6bn, an all time high number as well. The total return for cat bonds was up 0.30% while the price return was down 0.21% (Swiss Re Cat Bond Indices). There were as many as 11 deals in place during the month. The biggest deal came from California Earthquake Authority, with USD 925m to cover California earthquake. On the private ILS side, the severe weather in the U.S. caused slight impact to some contracts. Some ILS funds suffered direct losses while others faced erosions to their deductibles. The U.S. hurricane season officially starts at the end of May and extends through the 3rd quarter. In the coming months, we will keep monitoring closely the hurricane activity and the potential impact to the funds as well.

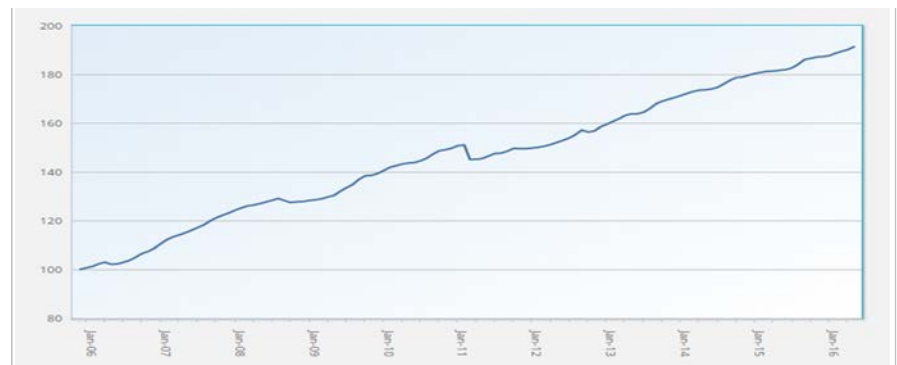
33 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.20 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.17% while the subgroup of funds whose strategies include private ILS increased by 0.20%. Private ILS funds outperformed pure cat bond funds by 1.22 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 May 2017)			
Annualized Return (%)	6.23	Standard Deviation (%)	1.97
2017 Return (%)	1.24	Downside Deviation (%)	1.32
2016 Return (%)	5.19	Upside Deviation (%)	0.61
Last 3 Months (%)	0.55	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	99.44	Sharpe Ratio (X)	2.15
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.22
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	94.16

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.36	0.32	0.23	0.15	0.19								1.24
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