



Newsletter July 2017

First pandemic cat bond issued by World Bank ILS spared from Nat Cat events

The average ILS fund was **up by 0.40% in June** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

At the beginning of June, Texas was struck by some severe thunderstorms and hails. The estimated insured losses were over USD 100m. Further, Midwest of the U.S. suffered from similar events but with much worse consequences. The insured losses were estimated to be about USD 1bn and economic losses were USD 1.4bn. In the middle of June, central Portugal was hit by a series of wildfires which were considered the deadliest in the country. The event caused insured losses of USD 219m and economic losses of USD 565m. Southern China also suffered from severe flooding. Constant rainfall caused serious flooding that took away many lives and destroyed over hundred thousand homes. The economic losses were estimated to be USD 2.5bn but little was borne by the insurance industry.



David Yao, CFA, FRM
ILS Advisers

The YTD issuance of cat bonds reached a new record of USD 10bn, mainly fueled by strong investor demand for cat bonds. The biggest deal came from Tokio Millennium Re, amounting USD 430m. The bond mainly covers U.S. storms, earthquakes and thunderstorms. The 2 classes provide investors with coupon rates of 5.75% and 3.5%, against expected losses of 2.72% and 0.69%, respectively. Another noteworthy deal is the first issuance of USD 320m by World Bank's Pandemic Emergency Financing Facility (PEF) to cover pandemic risks. The bond was aimed to provide prompt liquidity and funding so the payout will be parametric based on the World Health Organisation (WHO)'s report. The 2 classes of the bond were priced at 6.9% and 11.5% against expected losses of 3.57% and 7.74%, respectively. On the private ILS side, we saw little damage from the natural catastrophes, although some of them suffered erosion of deductibles for some contracts.

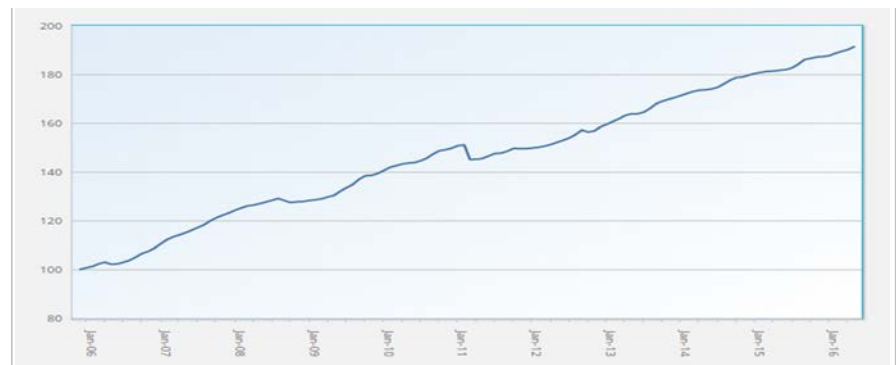
All of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 0.83 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.32% while the subgroup of funds whose strategies include private ILS increased by 0.45%. 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 June 2017)			
Annualized Return (%)	6.22	Standard Deviation (%)	1.96
2017 Return (%)	1.65	Downside Deviation (%)	1.31
2016 Return (%)	5.19	Upside Deviation (%)	0.61
Last 3 Months (%)	0.75	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	100.25	Sharpe Ratio (X)	2.15
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.22
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	94.20

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.36	0.32	0.23	0.15	0.19	0.40							1.65
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