



## Newsletter August 2017

### Natural disasters cost China USD 20bn Cat bond issuance cooled down in July

The average ILS fund was **up by 0.57% in July** as measured by the **Eureka Hedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

At the beginning of July, China was hit by serious flooding in the Yangtze River area. Agriculture and properties were widely damaged. Hundreds of thousands of homes and millions of hectares of crops were impacted. Economic losses were as high as USD 6.4bn. In total, China reported USD 20bn economic losses, over 230 fatalities, and 2.8m people displaced due to the various natural disasters in July. Southern Japan also suffered from flooding resulting from tropical storm Nanmadol. More than 2,000 homes were damaged and economic losses were estimated to be over USD 1bn. India was hit by heavy monsoon rains, which caused damage to 2,500 villages and economic losses of at least USD 450m. Terrible thunderstorms impacted Midwest U.S. The hails and rainfalls caused economic losses of about USD 170m and insured losses of USD 125m. Hail storms and floods struck Turkey and caused extensive damages and the insured losses were estimated to be USD 200m. All the events during the month have limited impact on ILS market.



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

After heated issuing activities in the first half of the year, the cat bond primary market cooled down significantly in July. It is typical in the cat bond market that issuance is lower in the 3<sup>rd</sup> quarter. The new issuance in July is about USD 400m. The biggest transaction came from AmTrust Financials which covered U.S. named storms, U.S. earthquake and Canada earthquake. The bond offered a coupon of 3.75% against an expected loss of 1.11%. In the secondary market, seasonality factor started to impact the prices of cat bonds. As a result, the cat bond total return is 0.66% and the price return is 0.29% (Swiss Re Cat Bond Return Indices). In terms of private ILS, we saw some funds incurred erosion of deductibles from the U.S. severe weather but no material losses were reported.

All of the 34 funds represented in the Eureka Hedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 0.91 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.52% while the subgroup of funds whose strategies include private ILS increased by 0.61%. Private ILS funds outperformed pure cat bond funds by 1.28 percentage points on annualized basis.

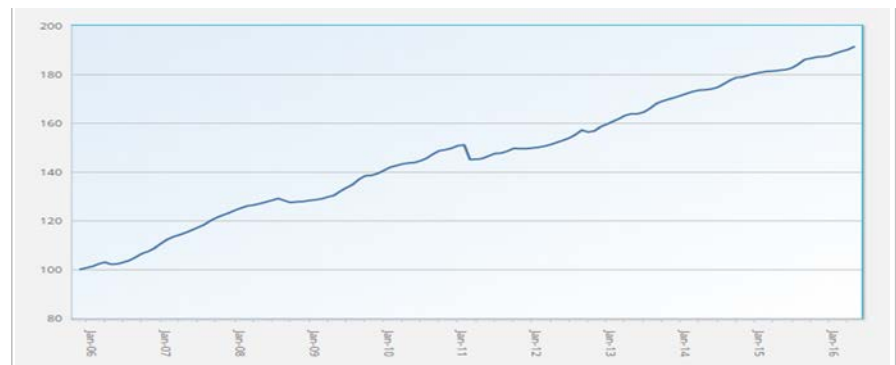
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### The Eureka hedge ILS Advisers Index

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 July 2017)			
Annualized Return (%)	6.23	Standard Deviation (%)	1.95
2017 Return (%)	2.23	Downside Deviation (%)	1.31
2016 Return (%)	5.19	Upside Deviation (%)	0.62
Last 3 Months (%)	1.17	Maximum Drawdown (%)	-3.94
Return Since Inception (%)	101.40	Sharpe Ratio (X)	2.16
Best Monthly Return (%)	1.60	Sortino Ratio (X)	3.24
Worst Monthly Return (%)	-3.94	Percentage of Positive Months (%)	94.24

	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	0.57						2.23
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