



Newsletter November 2017

Cat bond issuance hits new record Severe California Wildfires hurt private ILS

The average ILS fund was **up by 0.35% in October** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

At the beginning of October, a series of fierce wildfires broke out in California U.S.. The cause of the fires is still under investigation. The fires burnt over 245 thousand acres, destroyed ten thousand structures, and took 43 lives. With an estimated loss of the USD 10bn to 15bn to the insurance industry, it was the costliest wildfire event ever recorded in the California. Winter storms Xavier and Herart struck Europe and incurred estimated losses of USD 350m. According to brokers, USD 20bn to 40bn capital might be lost or trapped due to hurricane losses. This would amount to 25%-50% of the total ILS market AUM. As result, according to industry estimates, reinsurance premiums especially for loss affected contracts and retrocessions could see increases of up to 30%.



David Yao, CFA, FRM
ILS Advisers

In the primary market of cat bonds, issuing activities have picked up since the beginning of the third quarter. Especially after hurricanes HIM, quite a number of new bonds came to the market. The year-to-date cat bond issuance amounted to a record high USD 11.45bn and the outstanding cat bonds also reached the historical high level of USD 30.68bn. In the secondary market, we observed strong improvement in the total return of U.S. windstorm cat bonds, with plus 3.35%. On average, cat bond total return for October is up 1.80% while the price return increased 1.28% (Swiss Re Cat Bond Indices). On the private ILS side, performances diverge among different managers. Due to the short interval and extreme complexity of the three devastating major hurricanes, managers are still in the process of gathering loss information. The record breaking California Wildfires also add more uncertainty to the loss reserves. As a result, the final actual losses for some ILS managers could be significantly different from their loss reserves today.

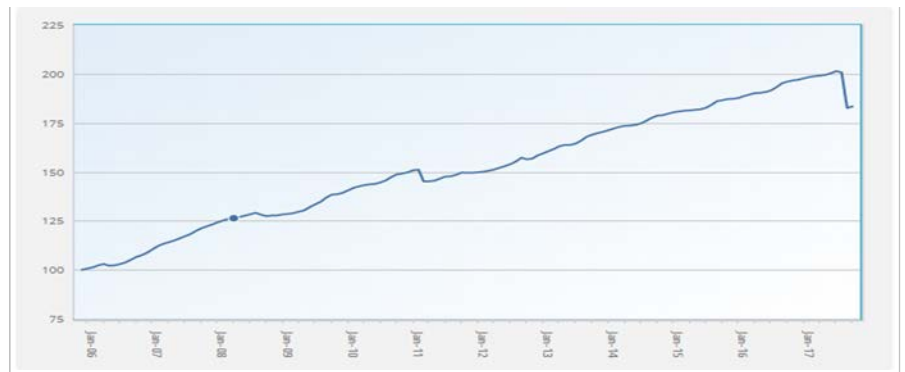
24 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 5.45 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.78% while the subgroup of funds whose strategies include private ILS increased by 0.05%. Private ILS funds underformed pure cat bond funds by 10.67 percentage points on annualized basis year-to-date.



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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 October 2017)

Annualized Return (%)	5.25	Standard Deviation (%)	3.40
2017 Return (%)	-7.02	Downside Deviation (%)	2.98
2016 Return (%)	5.19	Upside Deviation (%)	0.61
Last 3 Months (%)	-9.04	Maximum Drawdown (%)	-9.36
Return Since Inception (%)	83.18	Sharpe Ratio (X)	0.96
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.09
Worst Monthly Return (%)	-9.08	Percentage of Positive Months (%)	92.96

	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	-0.31	-9.08	0.35			-7.02
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