



Newsletter April 2012

April best month for ILS funds in 2012



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The average ILS fund was **up by 0.42% in April and 1.09% year to date** as measured by the **Eurekahedge ILS Advisers Index**. April was the strongest month for the index so far this year.

The cat bond market was down over the month by -0.31% as measured by the Swiss Re Cat Bond **Price Index**. Like in the previous months the main reason for the negative performance were mark-to-market losses on the outstanding cat bonds as a result of the record amount of new cat bond issuances. Moreover seasonality starts to come into play since we approach the hurricane season. The Swiss Re Cat Bond **Total Return Index** was up by +0.46% as coupon returns were able to compensate softening prices.

In terms of new cat bond issuances April set a new all time record with USD 1.2bn. Especially noteworthy was “Everglades Re”, with USD 750m, which was the largest single cat bond issue ever. Mythen Ltd. of Swiss Re with USD 400m was another large transaction bringing the volume of non-life transactions for 2012 to over USD 3bn. As a result the amount of outstanding ILS risk capital raised to USD 14.7bn based on an industry report.

Comparing the volume of new issuances with the net new asset inflows into the dedicated ILS funds, it becomes clear that buyers from outside the space must have picked up a fair share of the new paper in April. The reason for this are the risk premiums for cat bonds, which now are relatively attractive in comparison to other fixed income investments. Anecdotal evidence suggests that a number of pension and hedge funds have been among the buyers.

97% of the constituent ILS funds in the Eurekahedge ILS Advisers index delivered a positive performance in April. In general we observed that managers with higher allocations to reinsurance contracts showed a stronger performance relative to their peers as they were less affected by mark-to-market losses on the outstanding cat bonds.



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The Eurekahedge ILS Advisers Index

The Eurekahedge 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 securities funds in the insurance-linked securities, reinsurance and catastrophe bond investment space. The index is calculated and maintained by Eurekahedge. 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.

