



Newsletter August 2014

Typhoons and several aviation disasters ILS funds well positioned for the Season

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

Meanwhile the cat bond market was **down by 0.10% in July** for the **Swiss Re Cat Bond Price Index** and was **up by 0.49%** for the **Total Return Index**.

July was dominated by several typhoons and aviation disasters. Hainan Island of China was struck by Typhoon Rammason where 40,000 houses were destroyed and RMB 1bn insurance loss was incurred. Another typhoon called Neoguri attacked Japan and caused insured losses of USD 1bn. A Malaysia Airlines flight was shot down by a missile and caused nearly 300 deaths, followed by an airplane crashed in Taiwan and an Algerian aircraft in Mali. 20 planes were destroyed during the attack on Tripoli (Libya) airport. Some funds reported to have small positions in aviation, but the impact would unlikely be material. However losses have to be confirmed with further investigation. Up to now, no impact was incurred by ILS funds. We will keep monitoring the situation.

China has published its favorable policies including tax incentives for supporting the insurance industry development. It targets increasing insurance penetration (premium/GDP) to 5% by 2020 (2013: 3%), and density (premium per capita) to Rmb3500. We see huge potential for catastrophic insurance/reinsurance in this giant market, and possibly for ILS. The cat bond market had a slight rebound in July. As a result some funds are speculating on the rebound and made short term profit. The issuance was rather slow. Only a small transaction Hoplon covering Lottery Jackpot was observed. Most of the ILS funds are fully deployed at the moment and have increased exposure to the U.S. windstorm peril in their portfolio over recent months. At the same time, we have observed some funds actively writing ILWs to hedge their tail risks, at fairly low costs.

32 of the 33 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.40 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.26% while the subgroup of funds whose strategies include private ILS increased by 0.53%.



Stefan K. Kräuchi,
ILS Advisers



David Yao, CFA, FRM
ILS Advisers



Newsletter August 2014

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 33 constituent funds¹. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who exclusively allocate to insurance linked investments. The index is base weighted at 100 at December 2005, does not contain duplicate funds and is denominated in local currencies.

¹ As at 28 August 2014

Statistics (as at Jul 2014)

Summary Data		Risk/Return	
Annualised Return (%)	6.71	Sharpe Ratio (x)	2.15
Best Monthly Return (%)	1.60	Annualised Std Deviation (%)	2.19
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.52
2013 Return (%)	7.61	Sortino Ratio (x)	3.11
2014 Return (%)	2.48	Maximum Drawdown (%)	-3.94
Return since Inception (%)	74.65	Percentage of Positive Mths (%)	92.23
Last 3 Months (%)	0.69		
Last 12 Months (%)	6.26		

Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	0.50	0.50	0.45	0.32	0.08	0.21	0.40*	n/a	n/a	n/a	n/a	n/a	2.48
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

* Based on 100.00% of funds which have reported Jul-2014 returns as at 28-Aug-2014