



Newsletter August 2012

Strong investor demand compensates seasonal factors



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The average ILS fund was **up by 0.95% in August and 3.92% year-to-date** as measured by the **Eurekahedge ILS Advisers Index**.

The cat bond market was up in August by **0.94%** as measured by the Swiss Re Cat Bond **Price Index** and by **1.85%** in the **Total Return Index**.

The strong performance in the secondary cat bond market in the month preceding the peak of the Atlantic hurricane season is very unusual. The reason for this was continuous strong investor demand at a time of the year when there are very few alternatives in the private market and ILWs were deemed to be priced too aggressively. Another reason might have been that some managers were positioning themselves for the possibility of lower pricing at the next US Wind renewals in the absence of a major event.

As shown by the index performance above, cat bond prices went up strongly during the month. One notable exception were the Pelican Re notes, a USD 125m issuance providing the Louisiana Citizens Property Insurance Corporation protection against hurricanes in the coastal regions of Louisiana. These notes were traded at around 102.5 prior to the formation of the hurricane Isaac. After the landfall of Isaac on August 28th, exactly seven years to the day after Katharina, as a category 1 hurricane, the bond was trading below par.

During the month only one new cat bond deal closing in September was announced.

All funds in the Eurekahedge ILS Advisers Index reported positive performances for August. As potentially negative seasonal factors in the cat bond market were compensated by strong investor demand, there was no clear trend with regards to performance difference between pure cat bond funds and funds with higher allocations to private contracts.

For September the market is focused on the developments on the weatherfront, as this is the most active month for the North Atlantic for the development of hurricanes, accounting historically for almost 50% of all storm formations. Absent any major event in September we expect another strong month for the ILS funds.



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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 securities 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.

Eureka hedge ILS Advisers Index



The Eureka hedge ILS Advisers Index is an equally weighted index of 29 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 was base weighted at 100 in December 2005, does not contain duplicate funds and is denominated in local currencies.

¹ As at 28 September 2012

Statistics (as at Aug 2012)

Summary Data		Risk/Return	
Annualised Return (%)	7.05	Sharpe Ratio (x)	2.07
Best Monthly Return (%)	1.66	Annualised Std Deviation (%)	2.44
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.71
2011 Return (%)	-0.12	Sortino Ratio (x)	2.95
2012 Return (%)	3.92	Maximum Drawdown (%)	-3.94
Return since Inception(%)	57.45	Percentage of Positive Mths (%)	92.50
Last 3 Months (%)	2.16		
Last 12 Months (%)	5.19		

Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	0.19	0.19	0.32	0.43	0.59	0.57	0.61	0.95*	n/a	n/a	n/a	n/a	3.92
2011	0.71	0.18	-3.94	0.06	0.22	0.72	0.68	0.13	0.54	0.74	-0.03	-0.04	-0.12
2010	0.91	0.94	0.46	0.49	0.29	0.16	0.51	0.75	1.17	0.91	0.29	0.42	7.54
2009	0.37	0.31	0.28	0.59	0.51	1.33	1.04	1.03	1.58	1.06	0.14	0.52	9.11
2008	0.96	0.77	0.68	0.28	0.47	0.53	0.56	0.59	-0.71	-0.58	0.25	0.06	3.92
2007	1.66	1.64	0.98	0.81	0.75	1.01	1.01	0.98	1.42	1.13	0.97	0.78	13.93
2006	0.69	0.67	1.02	0.77	-0.95	0.15	0.65	0.85	1.39	1.44	0.91	1.26	9.20

* Based on 100.00% of funds which have reported Aug-2012 returns as at 28-Sep-2012