



Newsletter August 2013

Positive but historically weak July for ILS Funds New peril introduced to the market

The average ILS fund was **up by 0.39% in July** as measured by the **Eurekahedge ILS Advisers Index and 3.78% year to date.**

Meanwhile the cat bond market was **down by 0.11% in July** for the **Swiss Re Cat Bond Price Index** and **up by 0.65%** for the **Total Return Index.**

While the month was relatively benign with regards to hurricane activity, the most severe events were two earthquakes. The first one of Mw 6.5 shook the Cook Strait between the North and the South islands of New Zealand on July 21st. Fortunately it seems to have caused very little damage and no material loss for the insurance industry. The second earthquake of Mw 5.9 struck only one day later in Northwestern China and killed at least 100 and leaving over 600 people injured.

The weakness in the Swiss Re Cat Bond Price Index in a loss free month was the result of spread widening across the board with the exception of US hurricane only and Japanese typhoon bonds.

Two new cat bonds came to the market in July: The first one is a storm surge bond called Metrocat Re and the second one is a US hurricane and earthquake bond. Both bonds were upsized from originally USD 150 to USD 200 million and settled at the lower end of the pricing range. Metrocat Re is especially noteworthy as it not only introduced a new sponsor (New York Metropolitan Transportation Authority (MTA)) but also a new peril to the ILS market. It is the first cat bond to cover storm surge. The deal carries a parametric trigger based on storm surge levels recorded in various areas of New York. Hurricane Sandy from October 2012 is the only historic event that would have been able to trigger the bond.

This was the weakest July performance for the Eurekahedge ILS Advisers Index since its inception. 29 out of the 30 funds represented in the Eurekahedge ILS Advisers Index reported positive numbers. Pure cat bond funds as a group were up by only 0.29% reflecting the relatively weak performance of the cat bond market in July. As a result cat bond only funds underperformed the Eurekahedge ILS Advisers Index and the group of funds which include private transactions. The latter group was up by 0.46% for the month.



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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 investment 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.

Eurekahedge ILS Advisers Index



The Eurekahedge ILS Advisers Index is an equally weighted index of 30 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 August 2013

Statistics (as at Jul 2013)

Summary Data		Risk/Return	
Annualised Return (%)	6.77	Sharpe Ratio (x)	2.07
Best Monthly Return (%)	1.60	Annualised Std Deviation (%)	2.30
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.61
2012 Return (%)	5.93	Sortino Ratio (x)	2.96
2013 Return (%)	3.78	Maximum Drawdown (%)	-3.94
Return since Inception(%)	64.35	Percentage of Positive Mths (%)	91.21
Last 3 Months (%)	0.82		
Last 12 Months (%)	6.80		

Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	0.67	0.74	0.64	0.85	0.44	-0.00	0.39*	n/a	n/a	n/a	n/a	n/a	3.78
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-2013 returns as at 28-Aug-2013