



## Newsletter January 2012

### Positive start into the New Year: ILS funds up 0.22% for the month of January

ILS funds were off to a positive, albeit slow start for the year with the average manager adding 0.22% in January. In contrast the broader cat bond market was down for the month by 0.15% as measured by the Swiss Re Cat Bond Total Return Index and by 0.56% for the Swiss Re Cat Bond Price Index. The reason was again widening spreads in the secondary market as a result of the strong new issuance pipeline.



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As expected the activity in the primary cat bond market was very strong with approximately USD 800 millions being placed in the first month of the year. In line with expectations yields in natural catastrophe perils continued their upward trend as new issuances were priced at the high end of expectations. Of the new issuances USD 300 millions covered Japan Earthquake risk, USD 200 million US Wind risk and USD 150 million each covered California Earthquake and mortality risk.

The new issue pipeline will bring along a strong emphasis on USA and especially US windstorm risks. Furthermore increasing ILS issuances are expected for Japanese risks as a result of last year's event and from European sponsors in anticipation of Solvency II requirements.

Higher yields and a well diversified new issuances pipeline continue to provide an attractive environment for the insurance linked investment space.