



Newsletter July 2014

Issued & outstanding cat bonds break record Investors cautious as hurricane season starts

The average ILS fund was **up by 0.22% in June** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.25% in June** for the **Swiss Re Cat Bond Price Index** and was **up by 0.34%** for the **Total Return Index**.

In southern Brazil and northern Argentina, serious flooding affected millions of people and thousands were evacuated. A tropical storm called Hagibis caused heavy rainstorms and flooding in southern China, where 35.6 million people were affected. Meanwhile, a convective storm in Colorado caused hailstorms and tornados that interrupted many sectors including power supply. In Europe, similar weather caused insured losses of around EUR 650m. ILS funds declared no impact from these events.

The continued heat of the cat bond market in previous months pushed the issued amount of cat bonds to over USD 6bn, with record breaking USD 9bn p.a., predicted by industry sources. The outstanding cat bonds also reached the record high of USD 21bn. As a result, cat bond prices declined further in June. Average price performances by perils were, 0.8% down for U.S. Hurricane, 0.2% down for U.S. earthquake, 0.5% down for Japan typhoon and earthquake, 0.4% down for Europe windstorm and flat for Europe earthquake. New Issues in June cooled down a little to USD 533m. USAA returned to the market with its Res Re 2014-1 series to cover U.S. perils. The USD 130m issue comprised of two tranches. Class 13 tranche was priced at 3.5% with expected loss of 0.54%. Class 10 tranche, with expected loss of 9.86%, was priced at 15%, making it the highest returning tranche this year. Alamo Re came to the market with a USD 400m issue to cover the Texas named storms. Interestingly Munich Re withdrew its issue of U.S. hurricane and Australian cyclone coverage due to insufficient interest. This indicates investors have become more selective and risk averse as the hurricane season has officially started.

30 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.34 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.10% while the subgroup of funds whose strategies include private ILS increased by 0.32%.



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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 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 34 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 24 July 2014

Statistics (as at Jun 2014)

Summary Data		Risk/Return	
Annualised Return (%)	6.73	Sharpe Ratio (x)	2.15
Best Monthly Return (%)	1.60	Annualised Std Deviation (%)	2.20
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.52
2013 Return (%)	7.61	Sortino Ratio (x)	3.10
2014 Return (%)	2.08	Maximum Drawdown (%)	-3.94
Return since Inception(%)	73.97	Percentage of Positive Mths (%)	92.16
Last 3 Months (%)	0.62		
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	0.22*	n/a	n/a	n/a	n/a	n/a	n/a	2.08
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 Jun-2014 returns as at 24-Jul-2014