



## Newsletter July 2012

### ILS Funds continue to deliver despite pause in price recovery in Cat Bonds



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The average ILS fund was **up by 0.62% in July and 2.94% year-to-date** as measured by the **Eurekahedge ILS Advisers Index**.

The cat bond market was up slightly in July by **0.05%** as measured by the Swiss Re Cat Bond **Price Index** and by **0.86%** in the **Total Return Index**.

In July, the strong price recovery we had observed since the middle of May came to a halt as we were approaching the period of the year with the highest historical frequency of large events for US Wind, Japan Typhoon and Mexico Wind. The peak season in the Atlantic lasts until September and until October for the West Pacific. However as the positive performance numbers show, the mark-to-market impact has been very limited which once more demonstrates the continued strength of the ILS market.

During the month three ILS transactions for a total of USD 575m, including a USD100m US Wind transaction were closed. The other two transactions were covering catastrophic mortality and California earthquake risk.

All 29 funds in the Eurekahedge ILS Advisers Index reported positive performances for July. The results reflect on one hand the halt in the recovery in the cat bond market and on the other hand seasonal factors. Cat bonds exposed to US hurricane risk saw slight prices decreases due to seasonality. As a result funds with higher allocation to cat bonds and especially US wind have shown in general a lower performance compared to funds with lower allocations. As a mirror image of this, funds with higher allocations to financial insurance contracts, which are typically not exposed to seasonal pricing factors, fared slightly better on average.

For the next two months primary market activity for cat bonds as well as for private transactions is expected to remain fairly quiet. Once the peak season is over, primary market activity will resume. Against a backdrop of strong demand and competitive pricing, issuance levels are expected to be high.

Absent a major event we expect August index performance to be similar to July.



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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 funds<sup>1</sup>. 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.

<sup>1</sup> As at 23 August 2012

#### Statistics (as at Jul 2012)

Summary Data		Risk/Return	
Annualised Return (%)	6.99	Sharpe Ratio (x)	2.04
Best Monthly Return (%)	1.66	Annualised Std Deviation (%)	2.45
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.72
2011 Return (%)	-0.12	Sortino Ratio (x)	2.90
2012 Return (%)	2.94	Maximum Drawdown (%)	-3.94
Return since Inception (%)	55.97	Percentage of Positive Mths (%)	92.41
Last 3 Months (%)	1.79		
Last 12 Months (%)	4.34		

#### 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	0.62*	n/a	n/a	n/a	n/a	n/a	2.94
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 Jul-2012 returns as at 23-Aug-2012