



## Newsletter July 2013

### ILS Funds held back by European Flood, Supply and Seasonal Factors

The average ILS fund was **flat -0.00% in June** as measured by the **Eurekahedge ILS Advisers Index**. For the first six months of the year the index was up by **3.38%**.

Meanwhile the cat bond market was **down by 0.47% in June** for the **Swiss Re Cat Bond Price Index** and **up by 0.17%** for the **Total Return Index**.

The most severe event during the month of June were the floods in central and eastern Europe that continued from May until mid-June and mainly affected Germany, Czech Republic and Austria. The resulting **economic loss** is expected to be slightly lower than the EUR 16.5bn in 2002. However compared to 11 years ago, a higher share of the losses was insured which will make this event costlier for the insurance sector. The estimates for **insured losses** currently range from EUR 1.5 to EUR 4.5bn, making it the most expensive event in 2013. The Atlantic hurricane season started with little activity while several tropical storms already occurred in the Pacific basin.

The weakness in the Swiss Re Cat Bond Price Index was on one hand the result of increased supply of new cat bonds and on the other hand due to price declines in cat bonds exposed to US hurricane risks, reflecting the typical seasonal pattern during the North Atlantic hurricane season, which officially started on June 1<sup>st</sup>.

With USD 700 million of new emissions, primary market activity in June was unseasonably strong. As a result the new issue volume for 2013 reached USD 4.4bn and the total outstanding issues increased to USD 17.1bn by the end of June, which is a new all-time high. By the time of this writing in July the sector has grown further to over USD 18bn.

20 out of the 30 funds represented in the Eurekahedge ILS Advisers Index reported positive numbers for June. While there were no cat bonds outstanding covering European Flood risk, some private transactions were exposed to flood losses and led to negative monthly performance numbers for the funds holding such positions. As a result pure cat bond funds as a group performed slightly better than the Eurekahedge ILS Advisers Index in June.



**Stefan K. Kräuchi,**  
ILS Advisers



## Newsletter July 2013

### 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.

Eureka hedge ILS Advisers Index



The Eureka hedge ILS Advisers Index is an equally weighted index of 30 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 30 July 2013

#### Statistics (as at Jun 2013)

Summary Data	Risk/Return
Annualised Return (%)	6.79
Best Monthly Return (%)	1.60
Worst Monthly Return (%)	-3.94
2012 Return (%)	5.93
2013 Return (%)	3.38
Return since Inception(%)	63.72
Last 3 Months (%)	1.29
Last 12 Months (%)	7.04
Sharpe Ratio (x)	2.07
Annualised Std Deviation (%)	2.32
Downside Deviation (%)	1.62
Sortino Ratio (x)	2.95
Maximum Drawdown (%)	-3.94
Percentage of Positive Mths (%)	91.11

#### Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	0.67	0.74	0.64	0.85	0.43	-0.00*	n/a	n/a	n/a	n/a	n/a	n/a	3.38
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-2013 returns as at 30-Jul-2013