



## Newsletter June 2014

### Limited impact on ILS from Nat Cats globally Cat bond price compression continued

The average ILS fund was **up by 0.09% in May** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.83% in May** for the **Swiss Re Cat Bond Price Index** and was **down by 0.25%** for the **Total Return Index**.

In the beginning of May, 2 Mw6.0 earthquakes shocked Japan and Thailand respectively. Little damage was reported. Another Mw5.8 earthquake, with a second quake, hit the county of Yingjiang, China, damaging over 9,000 structures, injuring 13 people. In the U.S., 11 tornados were reported in Missouri and Kansas, along with large hail and strong wind, causing damage to over 300 homes. Significant flooding spread Serbia, Bosnia and neighboring countries, affecting nearly 1 million people. Another flooding affected millions of people in 9 provinces of Southern China, destroying over 25,000 homes. As we observed, impact from the above events on cat bonds remained limited.

After great absorption of capital in April, issuance remained active. The market was filled with 7 issues. Two placements were from Allstate, totaled USD 950m, covering US windstorms and earthquakes. Huge supply of new bonds (USD 5.7bn) year to date, previous appreciation and the seasonality factor combined depressed the price further on the secondary market. Especially prices on US wind cat bonds went down about 0.8%, right before the hurricane season. As the result of influx of alternative capital, the average yield of outstanding cat bonds has been decreasing to low level of nearly 5%. However, it is worth pointing out that cat bonds still enjoy over 2% surplus in yield compared with BB rated corporate bonds of the same maturity. This would explain why cat bonds remain attractive to yield seeking investors. As the hurricane season approaches, cat bonds are likely to pick up some momentum in the coming months, as the seasonality indicates.

14 of 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 1.65 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were down by 0.10% while the subgroup of funds whose strategies include private ILS increased by 0.25%.



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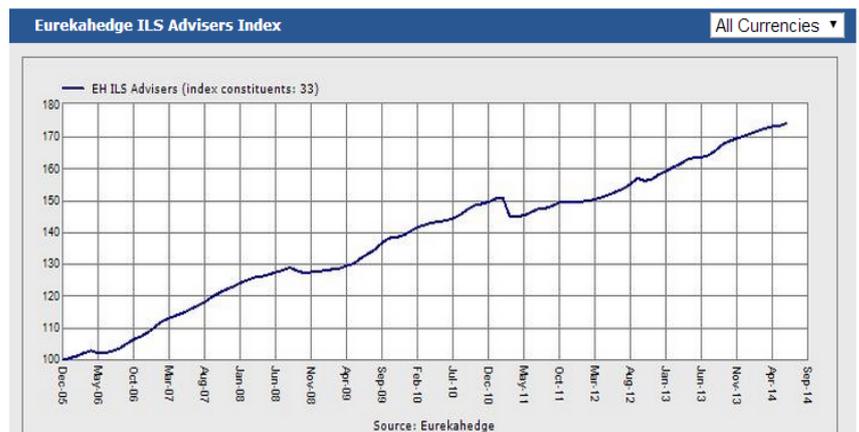
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### The Eureka hedge ILS Advisers Index

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 33 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 is base weighted at 100 at December 2005, does not contain duplicate funds and is denominated in local currencies.

<sup>1</sup> As at 4 July 2014

#### Statistics (as at Jun 2014)

Summary Data		Risk/Return	
Annualised Return (%)	6.77	Sharpe Ratio (x)	2.17
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)	3.13
2014 Return (%)	2.41	Maximum Drawdown (%)	-3.94
Return since Inception(%)	74.53	Percentage of Positive Mths (%)	92.16
Last 3 Months (%)	0.94		
Last 12 Months (%)	6.60		

#### Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	0.50	0.50	0.45	0.32	0.09	0.53*	n/a	n/a	n/a	n/a	n/a	n/a	2.41
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 9.09% of funds which have reported Jun-2014 returns as at 4-Jul-2014