



Newsletter June 2013

New issue volume surpasses 2012

The average ILS fund was **up by 0.42% in May** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.32% in May** for the **Swiss Re Cat Bond Price Index** and **up by 0.41%** for the **Total Return Index**.

There were several events during the month of May: a tropical cyclone hit Bangladesh, then the severe Tornadoes near Oklahoma City (see also May edition of our newsletter) and record flooding in Central and Eastern Europe caused by heavy rains.

Secondary market activity was very high again across the board, with price appreciations early in the month being offset towards the end. The strong activity right before June 1st, which is a key date for reinsurance renewal for US wind and hurricane covers, is due to the fact, that any capital not allocated before May 31st can hardly be put to work any more on the traditional reinsurance market for US wind risk this year. The slight weakness in the Swiss Re Cat Bond Price Index seems to reflect the typical seasonal pattern as we are going into the North Atlantic hurricane season and the spreads on some hurricane related bonds widened.

Primary market activity in May continued to be strong with almost USD 1bn of new issue volume, which brings the total of new emissions for 2013 to USD 3.7bn, surpassing the level at the end of May 2012. All new transactions were significantly oversubscribed and subsequently upsized by up to 30%. The flip side of the strong demand are falling risk premiums.

All funds represented in the Eurekahedge ILS Advisers Index reported positive numbers for May. As a result of the weakness in the secondary cat bond market towards month end, funds with lower allocation to catbonds and higher allocation to private transactions performed slightly better.

The flooding in Germany and Central Europe will not affect the cat bond market as there are no cat bonds outstanding, covering this particular peril. However some private transactions could be exposed to potential losses. At the time of this writing it is however too early to quantify the impact on the June performance.



Stefan K. Kräuchi,
ILS Advisers



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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.

Eureka hedge ILS Advisers Index



The Eureka hedge ILS Advisers Index is an equally weighted index of 29 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 was base weighted at 100 in December 2005, does not contain duplicate funds and is denominated in local currencies.

¹ As at 27 June 2013

Statistics (as at May 2013)

Summary Data		Risk/Return	
Annualised Return (%)	6.87	Sharpe Ratio (x)	2.10
Best Monthly Return (%)	1.60	Annualised Std Deviation (%)	2.32
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.63
2012 Return (%)	5.93	Sortino Ratio (x)	2.99
2013 Return (%)	3.37	Maximum Drawdown (%)	-3.94
Return since Inception (%)	63.70	Percentage of Positive Mths (%)	92.13
Last 3 Months (%)	1.93		
Last 12 Months (%)	7.64		

Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	0.67	0.74	0.64	0.85	0.42*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3.37
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	1.58	1.06	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 May-2013 returns as at 27-Jun-2013