



Newsletter May 2014

Largest cat bond issuance in history Spread compressed by capital inflow

The average ILS fund was **up by 0.31% in April** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **down by 0.26% in April** for the **Swiss Re Cat Bond Price Index** and was **up by 0.36%** for the **Total Return Index**.

In April, the most significant event was the largest earthquake this year, with a magnitude of 8.2M, which rattled the northern coast of Chile, causing tsunamis of 2.1 meters. Another 7.2M earthquake struck the Pacific coast of Mexico, southwest of Mexico City, followed by power outage and landslides. A 6.1M earthquake hit western Nicaragua and a 6.6M one shook western Canada during the month. Despite its frequency, no casualties or insured losses were reported from these earthquakes. Meanwhile, the Category 5 cyclone Ita swept the northern part of Queensland, Australia, with insured losses no more than AUD 10m. In the U.S., a series of severe weather including tornados, hails and flooding between April 27th and May 1st, killed at least 39 people and injured 250. Although insured losses were estimated hundreds of millions, impact remained limited on the ILS.

The market activity for the month continued to heat up with USD 2.4bn inflow of capital. A major deal this month was the 3rd Everglades Re-issuance from Citizens Property Insurance, with a record breaking USD 1.5bn, covering on season peril Florida hurricanes. The issue had an expected loss of 2.3% and offered a coupon rate of 7.5%, a significant cut off in price compared to previous 2012 deal at 17.75% and 2013 deal at 10%. Other transactions include the Heritage issuance of USD 200m, after one upside, against Florida windstorms, Everest's first cat bond protection of USD 450m against U.S. perils, and Generali's EUR 190m against European windstorms. All the issuance saw double digit decline in pricing as a result of softening condition and investor's continued enthusiasm for the asset class.

32 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 1.19 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.26% while the subgroup of funds whose strategies include private ILS increased by 0.40%.



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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 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 4 June 2014

Statistics (as at May 2014)

Summary Data		Risk/Return	
Annualised Return (%)	6.80	Sharpe Ratio (x)	2.18
Best Monthly Return (%)	1.60	Annualised Std Deviation (%)	2.20
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.53
2013 Return (%)	7.61	Sortino Ratio (x)	3.14
2014 Return (%)	2.12	Maximum Drawdown (%)	-3.94
Return since Inception(%)	74.04	Percentage of Positive Mths (%)	92.08
Last 3 Months (%)	1.11		
Last 12 Months (%)	6.30		

Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2014	0.50	0.50	0.45	0.31	0.34*	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.12
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 15.15% of funds which have reported May-2014 returns as at 4-Jun-2014