



Newsletter May 2013

Best April Performance since 2007

The average ILS fund was **up by 0.83% in April** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **up by 0.46% in April** for the **Swiss Re Cat Bond Price Index** and **1.01%** for the **Total Return Index**.

Several events during the month of April, such as earthquakes in Iran and in China's Sichuan Province and flooding in Argentina, had no impact on ILS funds' performance. April 2013 was the best April performance for the Eurekahedge ILS Advisers Index since 2007. The reason for the extraordinary performance were significantly lower coupons on newly issued cat bonds which provided an extra boost to secondary market prices.

The strong primary market activity continued in April with almost USD 1bn of new issuance bringing the total volume of new cat bonds until the end of April to USD 2.7bn. Most notably among the newly issued cat bonds was "Bosphorus 1 RE", issued on behalf of the Turkish Catastrophe Insurance Pool (TCIP). The issue was upsized significantly from originally USD 100m to USD 400m despite a rather low coupon of 250bp, showing investors' appetite for diversification as this was the first new cat bond this year covering non-US risk.

All funds represented in the Eurekahedge ILS Advisers Index reported positive numbers for April.

Two tornados of the highest and second highest category on the Fujita scale hit south of Oklahoma City between May 18th and 20th and damaged about 13,000 buildings. The death toll from these two tornado touchdowns is 26 people. Additionally hundreds of injuries were reported. First estimates put the damage from the May tornados between USD 2bn and 5bn.

There are no tornado specific cat bonds outstanding in the market at this point and in order for cat bonds that cover tornado risk among other perils to trigger, the damage would have to be in the several tens of USD billions.

From the ILS managers that have provided a first assessment of the damage, none of them expects this event to have an impact on their funds.



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.

