



## Newsletter November 2012

### Cleaning up the numbers after Hurricane Sandy



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The average ILS fund was **up by 0.21% in November** and by **4.82% year-to-date** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **up in November by 0.80%** for the Swiss Re Cat Bond **Price Index** and **1.57%** for the **Total Return Index**.

In November the indices first continued their slide from October based on a high degree of uncertainty about the actual insured losses from Sandy and constant upward revisions of loss estimates by the major modelling agencies. In the second half of the month however, helped by a first official loss estimate by the industry loss data provider PCS, which was significantly below the numbers from the modeling firms, sentiment started to change and a partial recovery of the ILS market from the strong mark to market drop started to set in. At the time of this writing insured loss estimates range between USD 10bn to USD 25bn with a strong consensus around USD 20bn.

The new issuance activity seemed to slow down somewhat as a result of Sandy until USAA came to the market with the first transaction after Sandy, a cat bond covering U.S. hurricane, U.S. earthquake, U.S. severe thunderstorm, U.S. winter storm and California wildfire. The fact that the issue was upsized from its original USD 250m to USD 400m is another proof of the strong investor appetite for the asset class regardless of events such as Sandy. This issue brought the total cat bond issuance in 2012 to USD 5.6bn making it the second largest in terms of new issuances after 2007.

Only 4 out of the 29 funds reported negative performances for November. Interestingly all four funds had shown positive numbers for October. On the other hand, all funds that were negative in October showed positive numbers for November and were able to recover part or all of their losses from the previous month. This means in order to assess the impact of Sandy, the numbers for October and November for the individual funds have to be looked at in combination. It is very likely that some additional impact will only be reflected in the performance data over the coming months as the numbers for the insured losses from HU Sandy are finalized.



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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 securities 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 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 21 December 2012

**Statistics (as at Nov 2012)**

Summary Data		Risk/Return	
Annualised Return (%)	6.92	Sharpe Ratio (x)	2.01
Best Monthly Return (%)	1.66	Annualised Std Deviation (%)	2.44
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.70
2011 Return (%)	-0.12	Sortino Ratio (x)	2.89
2012 Return (%)	4.82	Maximum Drawdown (%)	-3.94
Return since Inception (%)	58.81	Percentage of Positive Mths (%)	91.57
Last 3 Months (%)	0.88		
Last 12 Months (%)	4.78		

**Performance Table**

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	0.19	0.19	0.32	0.43	0.59	0.57	0.61	0.94	1.19	-0.52	0.21*	n/a	4.82
2011	0.71	0.18	-3.94	0.06	0.22	0.72	0.68	0.13	0.54	0.74	-0.02	-0.04	-0.12
2010	0.91	0.94	0.46	0.49	0.29	0.16	0.51	0.75	1.17	0.91	0.29	0.42	7.54
2009	0.37	0.31	0.28	0.59	0.51	1.33	1.04	1.03	1.58	1.06	0.14	0.52	9.11
2008	0.96	0.77	0.68	0.28	0.46	0.53	0.56	0.59	-0.71	-0.58	0.25	0.06	3.92
2007	1.66	1.64	0.98	0.81	0.75	1.01	1.01	0.98	1.42	1.13	0.97	0.78	13.93
2006	0.69	0.67	1.02	0.77	-0.95	0.15	0.65	0.85	1.39	1.44	0.91	1.26	9.20

\* Based on 100.00% of funds which have reported Nov-2012 returns as at 21-Dec-2012