



## Newsletter November 2013

### Cat Bond Rally running out of steam (Updated Version as of December 9<sup>th</sup>)

The average ILS fund was **up by 0.62% in October** and **6.65% year to end of October** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **up by 0.17% in October** for the **Swiss Re Cat Bond Price Index** and **up by 0.86%** for the **Total Return Index**.

The strong rally which we had witnessed since July was running out of steam and returns for October were driven mainly by yield rather than price appreciation. This was the result of the cat bond market having priced in the expectation of a mild hurricane season earlier than usual.

While the Atlantic hurricane season saw another month with little activity, it was quite the opposite in the Eastern Pacific with HU Raymond only 140 miles off the coast from Acapulco. During the month several typhoons were threatening Japan luckily avoiding large onshore losses. At the end of October Windstorm Christian was the first serious European windstorm affecting mostly England along with Germany, Netherlands and Denmark. Current loss estimates are below EUR 2.5bn (Lothar 1999: EUR 4.6bn) and none of the funds in the index seems to be affected.

Two new cat bonds were announced since our last newsletter: A USD 150m bond covering tropical storms, US earthquakes, severe thunderstorms, winterstorms and wildfires in California and an indemnity deal for USD 100m, which provides coverage for US/Caribbean and Gulf of Mexico named storms and US and Canadian earthquakes. It is noteworthy that the second issue was the first deal in a longtime to be modeled on RMS as opposed to AIR. The total amount of newly issued cat bonds for 2013 is now close to USD 7bn.

In October three funds have been added to the index bringing the coverage up to 33 funds. With an average of 0.62%, the month of October was above the historical average. All 33 funds represented in the Eurekahedge ILS Advisers Index reported positive performance numbers with a difference of 1.89 percentage points between the best and the worst performing fund, which is 1.87 percentage points lower than last month. Pure cat bond funds as a group were up by 0.57% while the subgroup of funds whose strategies include private ILS increased slightly more by 0.64%, reflecting the slightly higher yields.



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

<sup>1</sup> As at 9 December 2013

#### Statistics (as at Nov 2013)

Summary Data		Risk/Return	
Annualised Return (%)	6.93	Sharpe Ratio (x)	2.17
Best Monthly Return (%)	1.60	Annualised Std Deviation (%)	2.27
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.58
2012 Return (%)	5.93	Sortino Ratio (x)	3.12
2013 Return (%)	7.32	Maximum Drawdown (%)	-3.94
Return since Inception (%)	69.96	Percentage of Positive Mths (%)	91.58
Last 3 Months (%)	2.46		
Last 12 Months (%)	8.40		

#### Performance Table

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013	0.67	0.74	0.64	0.85	0.44	-0.00	0.40	0.92	1.19	0.62	0.63*	n/a	7.32
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 18.18% of funds which have reported Nov-2013 returns as at 9-Dec-2013