



Newsletter October 2013

Quiet Hurricane Season lifts ILS funds to best Monthly Performance in 2013

The average ILS fund was **up by 1.16% in September** and **5.90% year to date** as measured by the **Eurekahedge ILS Advisers Index**.

Meanwhile the cat bond market was **up by 0.94% in September** for the **Swiss Re Cat Bond Price Index** and **up by 1.64%** for the **Total Return Index**.

The extraordinarily quiet North Atlantic hurricane season with only two category 1 hurricanes until the end of September lead to a continuation of the uptrend in secondary market cat bond prices primarily for US hurricane cat bonds, on relatively small trading volumes. It seems that the market has already begun to price in the end of the hurricane season even though it officially only ends at the end of November. We sincerely hope history does not repeat itself as we had a similar situation last year with the secondary market discounting the end of the hurricane season early only to be surprised by HU Sandy right at the end of October.

The first new issuance for the last quarter of the year was announced by Axa in late September. It was a transaction covering European windstorm risk. The second transaction was a multi-peril cat bond covering US and European windstorm as well as US and Canadian earthquake risk. The issue met strong investor demand and was upsized twice from originally USD 175m to USD 300mn and the pricing was set at the lower end of the initial guidance. The two new transactions brought the total amount of newly issued cat bonds for 2013 to USD 6.7bn.

With an average of 0.94%, the month of September is traditionally one of the strongest for the Eureka Hedge ILS Advisers Index. This year was not different and almost reached the level of last year. All 30 funds represented in the Eurekahedge ILS Advisers Index reported positive performance numbers with a difference of 3.76 percentage points between the best and the worst performing fund, which is 2.71 percentage points lower than last month. Pure cat bond funds as a group were up by 1.10% while the subgroup of funds whose strategies include private ILS increased slightly more by 1.19%.



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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 30 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 24 October 2013

Statistics (as at Sep 2013)

Summary Data		Risk/Return	
Annualised Return (%)	6.90	Sharpe Ratio (x)	2.14
Best Monthly Return (%)	1.60	Annualised Std Deviation (%)	2.29
Worst Monthly Return (%)	-3.94	Downside Deviation (%)	1.60
2012 Return (%)	5.93	Sortino Ratio (x)	3.07
2013 Return (%)	5.90	Maximum Drawdown (%)	-3.94
Return since Inception(%)	67.70	Percentage of Positive Mths (%)	91.40
Last 3 Months (%)	2.43		
Last 12 Months (%)	6.71		

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	0.86	1.16*	n/a	n/a	n/a	5.90
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 100.00% of funds which have reported Sep-2013 returns as at 24-Oct-2013