



Newsletter December 2017

ILS funds continue to improve Loss development is still ongoing

The average ILS fund was **up by 0.38% in November** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

At the beginning of November, typhoon Damrey struck Vietnam. It is considered the strongest typhoon in over a decade in the country. Thousands of homes were destroyed and hundreds of thousands are damaged. The economic losses were estimated to be USD 1bn. The border area of Iran and Iraq was hit by an earthquake of Mw. 7.3. Over 500 people were killed and thousands were injured. The quake also caused vast damage to infrastructure and buildings. Estimated economic losses were hundreds of million USD, while insured losses were minor due to low insurance penetration. Another earthquake of Mw 5.4 took place in Pohang, South Korea. Thousands of buildings were damaged and tens of million USD were lost in economic terms. Additionally California wildfires broke out in early December, which could lead to another few billion dollars of insured losses, adding to the USD 10bn plus insured loss from the October wildfires.



David Yao, CFA, FRM
ILS Advisers

Primary cat bond market continued to be active after a series of events this year. The most updated issuance amount for the year reached a record level of USD 12bn, 44% more than the second highest in 2007, bringing the outstanding volume to well above USD 30bn. In the secondary market, cat bonds that are deemed to be fully or partially paid out faced significant price mark downs. Yet the total return for cat bonds in November was up 1.10% while the price return increased 0.61% (Swiss Re Cat Bond Indices). The events from the previous months still have some impact on ILS funds as losses develop over time. Some private ILS funds adjusted their loss reserves for hurricanes and wildfires from August to October. At the same time, we also observed some funds setting up side pockets due to the high uncertainty of losses in their portfolio.

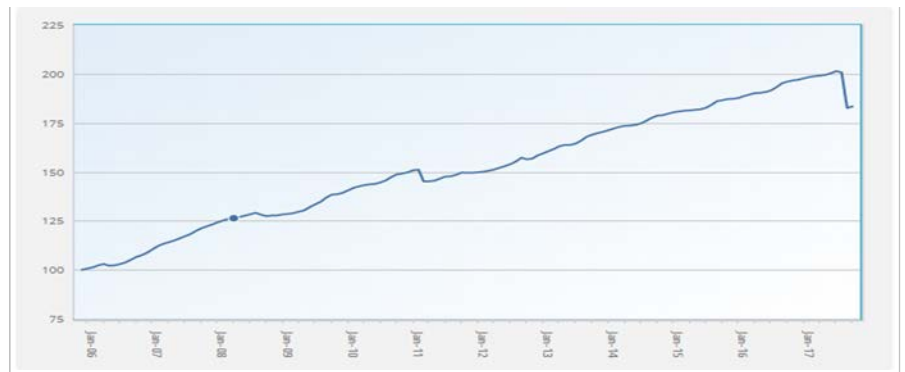
28 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 7.82 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.48% while the subgroup of funds whose strategies include private ILS increased by 0.31%. Private ILS funds underperformed pure cat bond funds by 9.10 percentage points on annualized basis year-to-date.



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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 34 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who explicitly allocate to insurance linked investments and have at least 70% of their portfolio invested in non-life risk. The index is base weighted at 100 at December 2005, does not contain duplicate funds and is denominated in local currencies.

Statistics (as at November 2017)

Annualized Return (%)	5.29	Standard Deviation (%)	3.28
2017 Return (%)	-6.14	Downside Deviation (%)	2.85
2016 Return (%)	5.19	Upside Deviation (%)	0.62
Last 3 Months (%)	-7.89	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	84.91	Sharpe Ratio (X)	1.01
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.15
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	93.01

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.36	0.32	0.23	0.15	0.19	0.40	0.56	-0.31	-8.61	0.40	0.38		-6.14
2016	0.21	0.54	0.40	0.40	0.04	0.26	0.41	0.86	1.03	0.42	0.31	0.16	5.18
2015	0.39	0.24	0.21	0.08	0.16	0.15	0.40	0.84	1.03	0.27	0.31	0.07	4.24
2014	0.50	0.50	0.45	0.32	0.08	0.21	0.41	0.81	0.86	0.60	0.14	0.42	5.42
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