



Newsletter January 2018

Full year insured loss estimate at USD 135bn ILS market grew despite disastrous year

The average ILS fund was **up by 0.31% in December** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

Another outbreak of California wildfires in early December burnt over 300 thousand acres, damaged or destroyed over 1,000 buildings and caused estimated insured losses of USD 2.5bn. Typhoon Tembin struck the Philippines. The heavy rains, landslides and flooding it brought killed 230 people and caused one hundred thousand to evacuate. Insured losses were minor due to the low penetration in the area. In 2017, we experienced record-breaking severe weather, three major hurricane landfalls in the U.S. and the Caribbean, two big earthquakes in Mexico, a series of historical wildfires in California as well as other events. The extreme year caused record high insured losses estimated to be USD 135bn, comparable to 2011 Japan/New Zealand earthquakes and 2005 Hurricane Katrina. The losses were also double of the 10 year average among which hurricane only insured losses were about USD 83bn, 5.33 times as much as the 10 year average and 2.44 times that of the second highest year in 2012 (Hurricane Sandy).



David Yao, CFA, FRM
ILS Advisers

Primary issuance activity was modest turning into the New Year. The largest transaction came from Validus, USD 400m to protect itself from windstorms and earthquakes in the U.S., Canada and the Caribbeans. Meanwhile, some bonds have matured and slightly reduced the total outstanding volume to just below USD 30bn. On the secondary market, the cat bond price return was down by 0.53% while the total return was up 1.02% in December (Swiss Re Cat Bond Indices). On the private ILS side, the increase of loss reserves in the past events along with the second California wildfires added pressure to some private ILS funds. Due to considerable inflows, the ILS market grew to a new high USD 82bn in 2017. It demonstrates strong investor interest and the ability of the asset class to sustain historic losses.

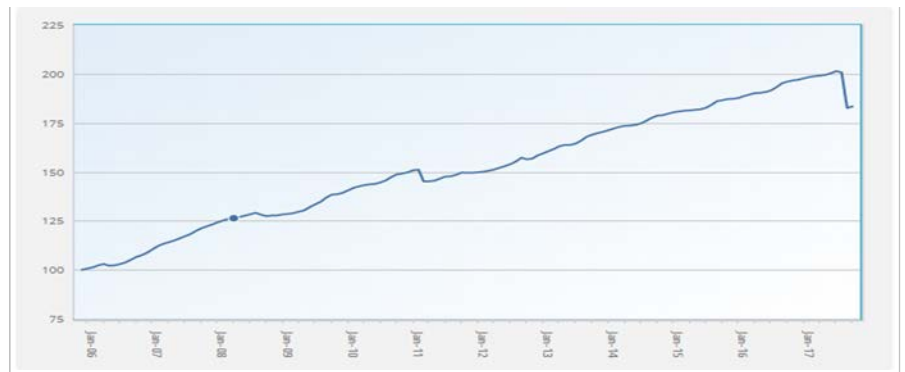
24 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 26.09 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.88% while the subgroup of funds whose strategies include private ILS decreased by 0.09%. Private ILS funds underperformed pure cat bond funds by 9.33 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.

(as at December 2017)			
Annualized Return (%)	5.31	Standard Deviation (%)	3.27
2017 Return (%)	-5.57	Downside Deviation (%)	2.84
2016 Return (%)	5.19	Upside Deviation (%)	0.63
Last 3 Months (%)	1.40	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	86.04	Sharpe Ratio (X)	1.01
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.16
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	93.06

	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	0.43	0.68	0.31	-5.57
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