



Newsletter April 2018

Upward revision of loss data impacts ILS Investor appetite pushed cat bonds to new record

The average ILS fund was **down by 0.24% in March** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In early March, winter storms struck the Northeast of the U.S.. Heavy snowfalls, freezing rains, strong winds and coastal flooding caused severe damages. The insured losses were estimated to be around USD 1.4bn. Later in the month, tornados hit the Midwest and Southeastern states. The severe weather was estimated to result in 170,000 claims and USD 1.1bn of insured losses. The numbers are expected to rise. Australia was struck by a series of bushfires and Tropical Cyclone Marcus. Both events were considered small, each costing less than AUD 100m to the industry. On the other hand, loss development of previous events continued. Data agency PCS increased the loss estimate of Hurricane Irma from USD 15.0bn to USD 17.2bn while broker Aon Benfield increased the loss estimate for the CA wildfires from about USD 10bn to USD 13bn. The ILS market overall has been negatively impacted.



David Yao, CFA, FRM
ILS Advisers

The primary market of cat bonds was very active. The total new issuance amounted to USD 1.7bn, with the majority covering Japanese perils such as earthquakes, typhoons and floods. These bonds received strong interest due to their diversification benefits. This also brought the outstanding bonds to around USD 33bn. The cat bond total return was up 0.51% while the price return was down 0.23%. U.S. windstorm bond price return was further down 0.48% after the 2.21% loss in February (Swiss Re Cat Bond Indices), reflecting the worsened Irma loss figure. On the private ILS side, greater than expected risk appetite of investors, along with abundant conventional capital dampened the momentum of rate uplifting. As a result, 2018 renewal only saw flat to moderate rate improvements. The premium of unimpacted U.S. contracts were up single digit while the loss affected contracts went up by 15%-20%.

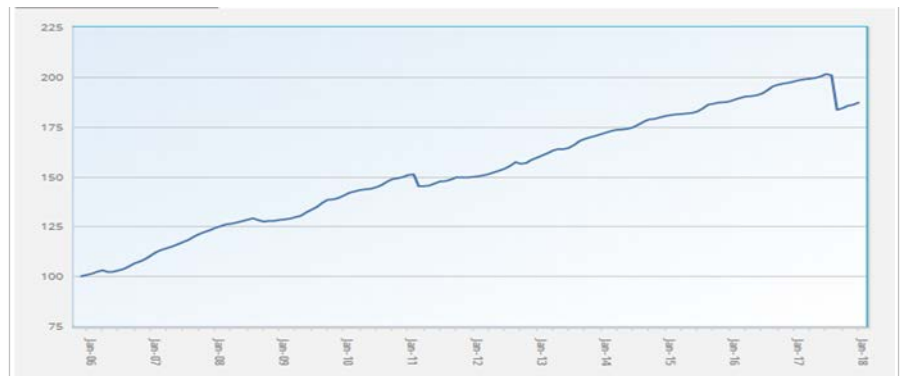
21 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 4.05 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.01% while the subgroup of funds whose strategies include private ILS decreased by 0.43%. Private ILS funds underperformed pure cat bond funds by 3.65 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 March 2018)			
Annualized Return (%)	5.23	Standard Deviation (%)	3.24
2018 Return (%)	0.37	Downside Deviation (%)	2.82
2017 Return (%)	-5.60	Upside Deviation (%)	0.63
Last 3 Months (%)	0.37	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	86.67	Sharpe Ratio (X)	1.00
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.15
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	92.52

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.54	0.08	-0.24										0.37
2017	0.36	0.32	0.23	0.15	0.19	0.40	0.56	-0.31	-8.61	0.40	0.68	0.27	-5.60
2016	0.21	0.54	0.40	0.40	0.04	0.26	0.41	0.86	1.03	0.42	0.31	0.18	5.19
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