



## Newsletter March 2018

### Largest Q1 cat bond issuance on record ILS still impacted by previous events

The average ILS fund was **up by 0.08% in February** as measured by the **Eurekahedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

After European winter storm season, February was a relatively quiet month. At beginning of the month, a magnitude 6.4 earthquake hit Taiwan. The quake caused damages to the infrastructure and buildings but insured losses are believed to be minor. Another earthquake happened in Mexico in the middle of the month. The magnitude is 7.2mw but very little damage is expected. Cyclone Kevin made landfall in Australia but few losses were reported. PCS raised its insured loss estimate for Hurricane Maria from previous USD 22.4bn to USD 24bn, which caused some pressure on ILS market.



**David Yao, CFA, FRM**  
ILS Advisers

The primary market of cat bonds has been heated since January. The total issuance in the 1<sup>st</sup> quarter will well surpass a record level of USD 3.8bn, nearly USD 1 bn more than in Q1 2017. The biggest deal came from a repeat Japanese issuer Nakama Re to cover their Japan earthquake peril. Due to its diversification feature, huge investor interest was fostered. The bond was finally almost tripled to USD 700mil and priced at the bottom of price guidance. The outstanding cat bonds now stay well above USD 31bn. Secondary market trading is relatively still due to massive supply of new bonds. At the same time, some of the bonds dropped in value due to higher losses estimates from previous events. The ResRe aggregate bonds are one step closer to trigger as the winter storm striking the U.S. at the beginning of March is likely to bring the loss to attachment level. Cat bond price return was down 0.24% while the total return was up 0.25%, according to the Swiss Re Cat Bond Indices. On the private side, some private ILS funds continued to adjust their valuation on the side pocket positions based on updated loss estimates from their cedents. The adjustment is likely to persist in coming months.

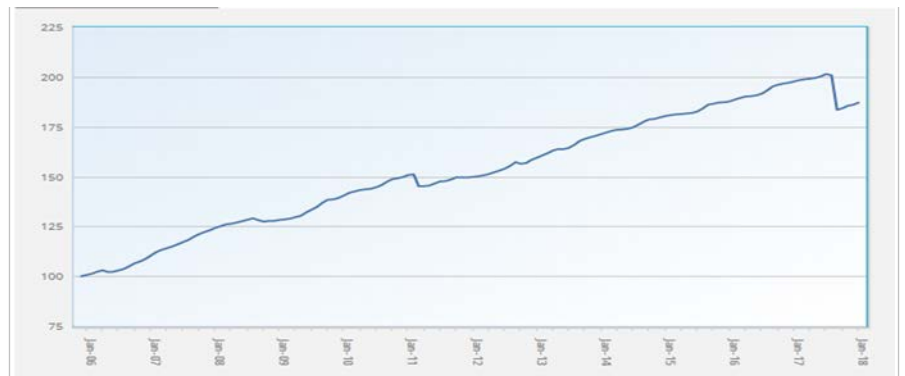
24 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.01 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were down by 0.12% while the subgroup of funds whose strategies include private ILS increased by 0.21%. Private ILS funds underperformed pure cat bond funds by 2.82 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 February 2018)

Annualized Return (%)	5.29	Standard Deviation (%)	3.24
2018 Return (%)	0.62	Downside Deviation (%)	2.74
2017 Return (%)	-5.59	Upside Deviation (%)	0.64
Last 3 Months (%)	0.89	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	87.11	Sharpe Ratio (X)	1.02
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.15
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	93.12

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.54	0.08											0.62
2017	0.36	0.32	0.23	0.15	0.19	0.40	0.56	-0.31	-8.61	0.43	0.68	0.28	-5.59
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