



Newsletter June 2018

Early start into the season with storm Alberto Cat bond market reaches new high at USD 35bn

The average ILS fund was **up by 0.19% in May** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In May, Alberto, the first subtropical storm, signaled an earlier than normal start of the North Atlantic hurricane season. The maximum wind speed reached 65mph. The storm finally weakened slightly before landing near Laguna Beach in Florida. Due to its relatively small scale, the industry losses were estimated to be minor. Several outbreaks of severe weather swept through the U.S. The widespread hail and winds caused damages that resulted in economic losses estimates of over USD 2.3bn. Asia and Africa suffered from flooding and landslides caused by heavy rainfall. Combined economic losses were estimated to be over USD 400m. Volcano activities in Hawaii destroyed quite a number of buildings but the losses were minimal. Average hurricane activity forecasted by different institutions tends to be near or below average, mainly due to low sea surface temperatures and neutral to weak El Nino conditions. Investors need to keep in mind though that these forecasts do not indicate the number of landfalls which is more relevant for industry losses.



David Yao, CFA, FRM
ILS Advisers

The May issuance of cat bonds reached USD 2.5bn. The outstanding volume surpassed USD 35bn for the first time. The biggest deal came from the Travelers with USD 500m, which covered U.S. storms and earthquakes and is based on indemnity trigger. Due to strong investor interest, the coupon rate fell to the bottom of the already reduced price guidance at 2.75%, resulting in a multiple of 2.3 times. The secondary market was also active due to the need of some ILS investors to re-balance their portfolios. On the private ILS side, events in May had little impact but we still saw some adjustments due to previous events. The Mid year renewal are coming to finalization. Although the initial rate increase expectations are unlikely to be fulfilled, Florida contracts are expected to improve on risk adjusted basis, according to some managers.

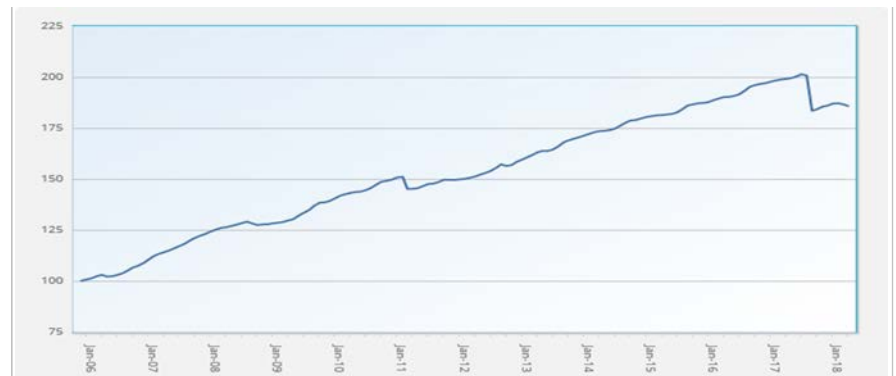
29 of the 34 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 1.81 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.27% while the subgroup of funds whose strategies include private ILS increased by 0.13%. Private ILS funds underperformed pure cat bond funds by 4.75 percentage points on annualized basis year-to-date.



Newsletter June 2018

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 May 2018)			
Annualized Return (%)	5.15	Standard Deviation (%)	3.22
2018 Return (%)	0.27	Downside Deviation (%)	2.80
2017 Return (%)	-5.60	Upside Deviation (%)	0.63
Last 3 Months (%)	-0.34	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	86.48	Sharpe Ratio (X)	0.98
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.12
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	91.95

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.54	0.08	-0.24	-0.28	0.19								0.27
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