



Newsletter August 2018

1st half year insured losses below average July events with little impact on ILS

The average ILS fund was **up by 0.57% in July** as measured by the **Eureka Hedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In early July Japan suffered from serious flooding resulting from the record breaking rainfall during the monsoonal weather. The flood caused over 230 deaths and was considered the most devastating weather event in the past 30 years. It also inundated around 50,000 homes. Latest estimate for industry losses stands at USD 4bn. Typhoon Maria hit China at the beginning of July. The maximum wind gusts reached 160 mph, equivalent to a Cat 4 storm. Over 580,000 people were evacuated before the landfall, nearly 15,000 houses were destroyed and vast cropland was affected. The economic losses were estimated to be USD 500m. Insured losses were expected to be much lower. The Carr Fire ranked among the top ten most serious wildfires in California on record. It burnt around 200,000 acres of land and over 1,600 buildings. Economic losses were currently estimated to be over USD 1bn. The first half of the year saw insured losses of USD 18bn, which is far below the average level of USD 30bn. Entering the hurricane season, two storms so far have reached hurricane intensity but have caused little damage.



David Yao, CFA, FRM
ILS Advisers

In July, the primary market of cat bonds continued to be active. Over USD 800m of bonds were issued. The YTD issuance reached USD 11 bn, just USD 1.5 bn below the 2017 full year figure. One bond was issued to protect the workers compensation captive of Kaiser Permanente group from insured exposure to earthquake risk. The issuance was sized USD 400m, with a parametric trigger. The price was determined at the bottom of the price guidance of 2.75%. On the private ILS side, events during the month had limited impact on the performance of funds, although the Carr Fire may cause erosion to some aggregate contracts. Further loss creep of Hurricane Irma may trigger payout of some ILWs which in turn will benefit some funds that bought hedges earlier.

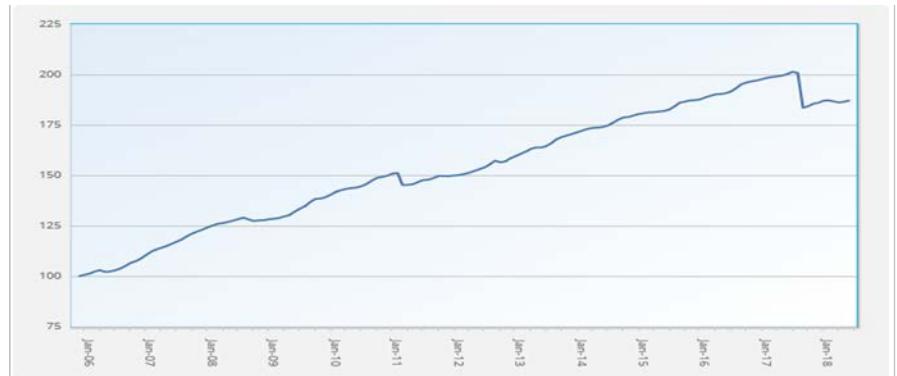
33 of the 34 funds represented in the Eureka Hedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.19 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.38% while the subgroup of funds whose strategies include private ILS increased by 0.73%. Private ILS funds underperformed pure cat bond funds by 2.80 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.

(at July 2018)			
Annualized Return (%)	5.15	Standard Deviation (%)	3.20
2018 Return (%)	1.13	Downside Deviation (%)	2.78
2017 Return (%)	-5.60	Upside Deviation (%)	0.63
Last 3 Months (%)	1.04	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	88.07	Sharpe Ratio (X)	0.98
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.13
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	92.05

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.54	0.08	-0.24	-0.28	0.19	0.30	0.57						1.13
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