



Newsletter July 2018

Pure U.S. flood and wildfire bonds to be issued Large lottery payout hurt ILS funds

The average ILS fund was **up by 0.28% in June** as measured by the **Eureka Hedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In June, severe weathers continued to hit the U.S. Thunderstorms brought serious floods and large hails that caused significant damages. The number of tornados, hails and damaging winds reached 5,000 in the first six months. A M5.5 earthquake struck the Osaka area of Japan in mid of June. The earthquake killed 4 people and injured more than 400. The insured losses were estimated to be USD 125m but economic losses will be much higher. The Mei Yu season caused serious flooding in the Yangtze River Basin of China, which led to economic losses of USD 1.3bn. Other Asian countries such as India, Bangladesh, Myanmar and Vietnam also suffered from floods that cost hundreds of million dollars. Tropical storm Ewinar hit Guangdong province of China and incurred economic losses up to USD 570m. A volcano in Guatemala erupted fiercely and killed over 100 people.



David Yao, CFA, FRM
ILS Advisers

The primary market cooled down a little but still received huge investor interest. The total issuance for the month exceeded USD 1bn. The YTD issuance was close to USD 10bn, just USD 2.5bn below the whole year issuance in 2017. Historical losses last year somehow inspired cat bond market participants. National Flood Insurance Program (NFIP), administered by the U.S. Federal Emergency Management Agency (FEMA) will first turn to the market for protection, by sponsoring the first pure U.S. flood cat bond -- the USD 275m FloodSmart Re Ltd.. Also joining the pipeline is the first pure California Wildfires cat bond, a USD 200m issue from the first time sponsor PG&E Corporation. Both bonds provide great diversification benefits and attractive returns to investors. Some private contracts were set to suffer from the biggest online jackpot pay-out from Lottoland, mirroring EuroJackpot top prize of EUR 90 million on June 1st. Some private ILS funds were negatively impacted as a result.

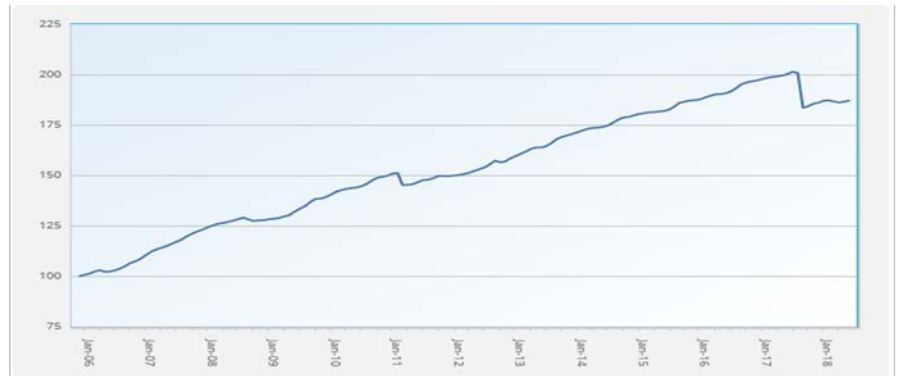
27 of the 34 funds represented in the Eureka Hedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.51 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.31% while the subgroup of funds whose strategies include private ILS increased by 0.25%. Private ILS funds underperformed pure cat bond funds by 4.06 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 June 2018)			
Annualized Return (%)	5.13	Standard Deviation (%)	3.21
2018 Return (%)	0.54	Downside Deviation (%)	2.79
2017 Return (%)	-5.60	Upside Deviation (%)	0.63
Last 3 Months (%)	0.17	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	86.99	Sharpe Ratio (X)	0.98
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.12
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	92.00

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2018	0.54	0.08	-0.24	-0.28	0.18	0.28							0.54
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