



Newsletter October 2018

Florence and Jebi impacted some ILS funds Seasonal cool down of cat bond market

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



Stefan K. Kräuchi,
ILS Advisers

In September, U.S. and Asian countries are the focus of natural disasters. Hurricane Florence hit the Carolinas in U.S. At one point it intensified to Cat 4 but weakened to Cat 1 at landfall. Florence also triggered significant storm surge and inland flooding. The total economic loss is expected to exceed USD 10bn. Typhoon Jebi struck with a lot of wind damages and flood across Osaka, Japan's second largest city. Nearly 500,000 claims have been filed and multibillion losses are expected. Soon after, Hokkaido was hit by an Earthquake of mw 6.6, resulting in losses of around USD 1bn. An Mw 7.5 earthquake and strong tsunami hit Indonesia. The liquefaction magnified the damages. 2,000 people were killed and economic losses piled up to USD 1 bn. Super typhoon Mangkhut swept over the Philippines, Hong Kong, Macau and Pearl river delta cities of China. 102 people were killed and 250,000 structures were damaged or destroyed. Multibillion dollar insured losses have been estimated. Typhoon Trami hit Japan on the last day of the month and caused vast damages. ILS funds were impacted by above events.



David Yao, CFA, FRM
ILS Advisers

The primary market continued to cool down, which is typical during the season. The major transaction came from a repeated participant, the California Earthquake Authority to cover Californian earthquake risk on indemnity basis. The transaction was USD 250m and paid 5.1% of coupon against an expected loss of 2.87%. Secondary market trading was muted as well. The cat bond price return was down 0.35% while the total return decreased by 0.17% (Swiss Re Cat Bond Indices). The price of US wind bonds decreased by 1.73% during Florence's landfall but recovered afterwards. Cat bonds were little impacted. Private ILS which are exposed to Japan typhoon Jebi and U.S. hurricane Florence have been seriously affected. In early October, Hurricane Michael, the strongest storm hitting Florida since 1990 caused significant damages and losses.

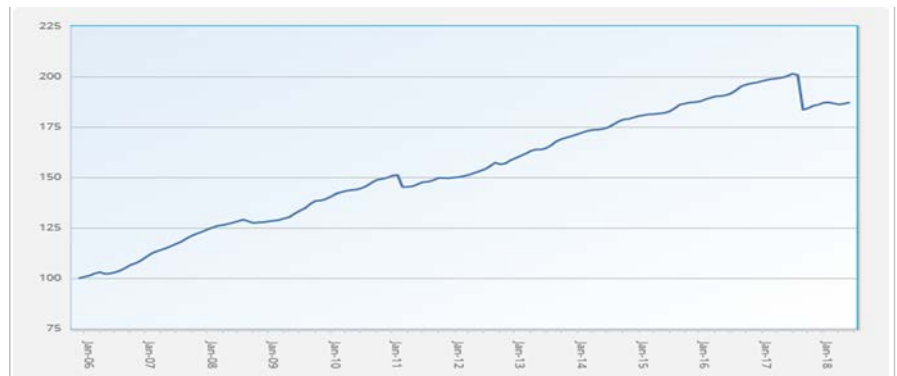
26 of the 33 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 7.34 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.34% while the subgroup of funds whose strategies include private ILS decreased by 0.38%. Private ILS funds underperformed pure cat bond funds by 2.46 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 33 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 September 2018)			
Annualized Return (%)	5.11	Standard Deviation (%)	3.19
2018 Return (%)	1.54	Downside Deviation (%)	2.76
2017 Return (%)	-5.60	Upside Deviation (%)	0.64
Last 3 Months (%)	0.99	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	88.85	Sharpe Ratio (X)	0.98
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.13
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	91.50

	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	0.61	0.45	-0.08				1.54
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