



## Newsletter September 2018

### Cat bond primary market in seasonal slow down Minor impact to ILS from events during the month

The average ILS fund was **up by 0.45% in August** as measured by the **Eurekahedge ILS Advisers Index**.



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ILS Advisers

India was struck by catastrophic floods throughout the month. Kerala was severely inundated. It was the worst flooding since 1924. Over 500 people were killed or missing and 23,000 homes were destroyed or damaged. The insured losses were estimated to be USD 635m while the economic losses estimates were USD 4.25bn. A series of killing earthquakes between M6.3 to M6.9 shook Lombok Island of Indonesia. Over 560 people were killed and 83,300 homes were damaged. The resulting economic losses were estimated to be over USD 635m. Hurricane Lane passed by Hawaii without making a landfall, but it brought very strong rainfall which caused flooding. The economic losses were estimated hundreds of millions. A number of severe event outbreaks in the Rockies led to hails, tornados and flash floods that are estimated to cost USD 2bn. Hurricane Florence struck the Carolinas as Cat 1 in mid of September. Despite the modest wind speed, it brought extensive rainfall and storm surge which led to insured loss estimates below USD 5bn (excluding losses of NFIP, National Flood Insurance Program).



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ILS Advisers

Entering the hurricane season, cat bond issuance slowed down. Investors turned their attention to the hurricane activities in the North Atlantic. There was one major transaction originated by Arch Capital Group, covering mortgage insurance risks. The 10-year bond was sized at USD 653m making it the largest mortgage risk ILS deal to date. Secondary market saw more activity during the month. The cat bond price return was down 0.22% while the total return increased by 0.19% (Swiss Re Cat Bond Indices). Citrus Re's middle layers fell, due to the loss creep of Irma. On the private ILS side, events during the month eroded the cushion of some aggregate contracts. Hurricane Florence and Japanese typhoons in September might also impact some private contracts.

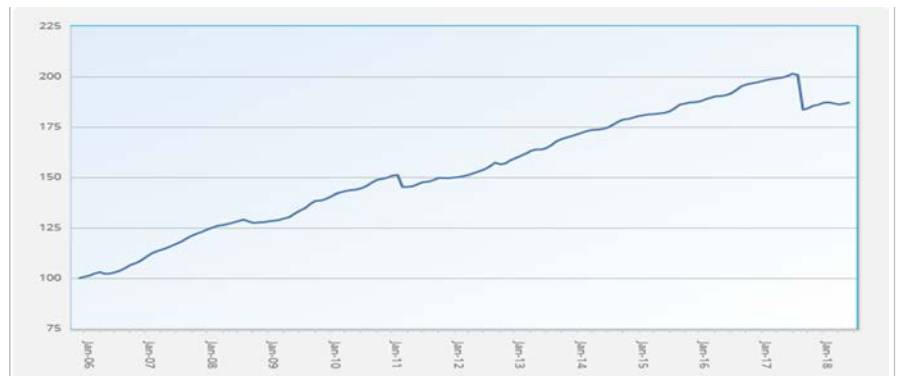
26 of the 33 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.72 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were up by 0.16% while the subgroup of funds whose strategies include private ILS increased by 0.67%. Private ILS funds underperformed pure cat bond funds by 1.67 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 August 2018)           |       |                                   |       |
|----------------------------|-------|-----------------------------------|-------|
| Annualized Return (%)      | 5.15  | Standard Deviation (%)            | 3.19  |
| 2018 Return (%)            | 1.62  | Downside Deviation (%)            | 2.77  |
| 2017 Return (%)            | -5.60 | Upside Deviation (%)              | 0.64  |
| Last 3 Months (%)          | 1.34  | Maximum Drawdown (%)              | -8.90 |
| Return Since Inception (%) | 88.99 | Sharpe Ratio (X)                  | 0.99  |
| Best Monthly Return (%)    | 1.60  | Sortino Ratio (X)                 | 1.14  |
| Worst Monthly Return (%)   | -8.61 | Percentage of Positive Months (%) | 92.11 |

|      | 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  |       |       |       |       | 1.62  |
| 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  |