



Newsletter November 2018

Hurricane Michael dragged ILS performance Losses from typhoons Jebi and Trami amplified

The average ILS fund was **down by 0.81% in October** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In October, Hurricane Michael made landfall in the Panhandle, Florida as Cat 4, and the strongest storm ever in the area. Opposed to earlier Hurricane Florence, Michael caused more damage through wind and storm surge than floods due to its fast moving speed and record strength. 45 people were killed as a result. Economic losses were expected to exceed USD 15bn and insured losses were thought to be around USD 10bn. Hurricane Willa hit Mexico as Cat 3. Economic losses were estimated to be several million USD. In Europe, storms and floods caused significant damage as well. Especially in Italy, agriculture and properties suffered economic losses as much as USD 3.4bn. Haiti was hit by an earthquake of mw 5.9, causing 18 fatalities and more than 500 injuries. California Wildfires broke out in early November which are expected to lead to record breaking losses of over USD 10bn, even higher than 2017. The ILS market was impacted by events above.



David Yao, CFA, FRM
ILS Advisers

As we are in the middle of the season, issuance keeps at a low level. The biggest deal came from Arch Capital, USD 500m to cover the mortgage insurance risks. Another wildfire specialized bond was brought to the market by Sempra Energy, totaling USD 125m, providing further diversification opportunities to investors. The new issuance YTD already surpassed the whole 2017 figure and is likely to increase further in Q4. Cat bond total return was slightly down by 0.06% while the price return was -0.66% (Swiss Re Cat Bond Indices) for the month. Hurricane Michael had more severe impact on private ILS however. At the same time, upward loss appraisal of previous events, mainly typhoons Jebi and Trami dragged down the performance of some private ILS funds. California Wildfires are likely to cause further deterioration to private ILS and maybe some wildfire specialized cat bonds.

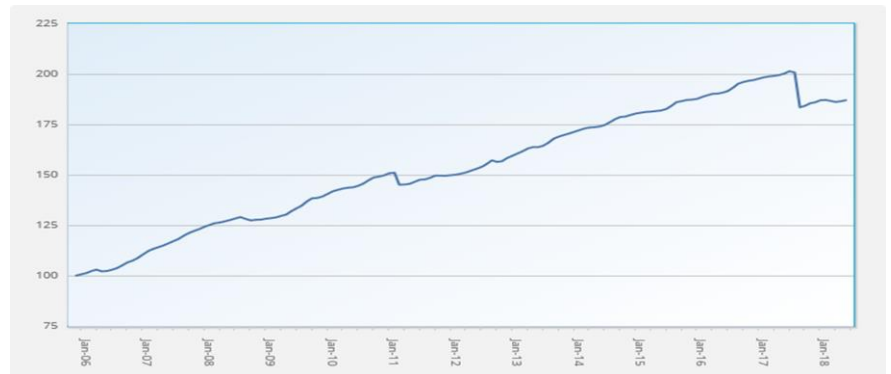
9 of the 33 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 6.36 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.02% while the subgroup of funds whose strategies include private ILS decreased by 1.41%. Private ILS funds underperformed pure cat bond funds by 3.97 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 October 2018)

Annualized Return (%)	5.01	Standard Deviation (%)	3.19
2018 Return (%)	0.72	Downside Deviation (%)	2.77
2017 Return (%)	-5.60	Upside Deviation (%)	0.64
Last 3 Months (%)	-0.43	Maximum Drawdown (%)	-8.90
Return Since Inception (%)	87.32	Sharpe Ratio (X)	0.94
Best Monthly Return (%)	1.60	Sortino Ratio (X)	1.09
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	90.91

	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	-0.81			0.72
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