



Newsletter February 2019

First cat bond issued from Singapore Jebi losses favor rate increase in April renewal

The average ILS fund was **up by 0.51% in January** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

January was relatively quiet as no events had a direct impact on ILS. The US was hit by extreme low temperatures of below -50°F (-45.6°C). The freezing air was estimated to kill around 22 and cause insured losses of hundreds of millions of dollars. On the other end, Australia experienced the hottest January since 1910. The average temperature nationwide was over 30°C . Serious floods struck some South American countries, causing significant damages to infrastructures and agriculture. 5 people were killed and billions of dollars were lost. Losses from Japanese Typhoon Jebi increased to around USD 10bn, almost double from the original estimate. It became the most destructive typhoon in Japan since 1991 and led to further adjustments to side pockets created by some ILS funds.



David Yao, CFA, FRM
ILS Advisers

In the primary market, apart from a few small private cat bond issues, the largest public transaction came from Aetna, a USD 200m bond to cover Medical benefit claims levels. The expected losses for its two tranches were 0.01% and 0.17% while the coupons were set at 1.75% and 2%, respectively. Singapore embraced its first ever cat bond issuance, a USD 50m bond sponsored by IAG Australia in February. Singapore government bears the issuing cost, showing its ambition to become a leading ILS hub in Asia, in competition with Hong Kong. It's very encouraging to see the two financial centers showing determination to develop Asian ILS hubs in competition with Bermuda and London and we expect more risks to be transferred to the market from the region in the future. On the secondary market a couple of bonds were marked down as a result of the loss creep of 2017 and 2018 events. However, due to the maturity of a large number of bonds, the released buying power led to a price increase of the outstanding bonds by 1.02%. On the private ILS side, the retro market saw meaningful rate increases while other segments showed flat to slightly higher rates. Amplified Jebi losses are also likely to lead to rate increase for Japanese risks at April renewals.

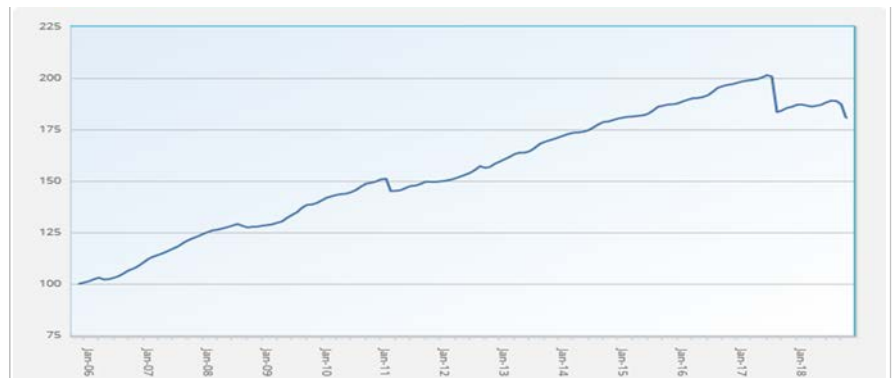
29 of the 32 funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 2.32 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.76% while the subgroup of funds whose strategies include private ILS increased by 0.33%. Private ILS funds underperformed pure cat bond funds by 5.39 percentage points on an 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 32 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 January 2019)			
Annualized Return (%)	4.58	Standard Deviation (%)	3.38
2019 Return (%)	0.51	Downside Deviation (%)	2.95
2018 Return (%)	-3.92	Upside Deviation (%)	0.64
Last 3 Months (%)	-4.13	Maximum Drawdown (%)	-11.27
Return Since Inception (%)	79.59	Sharpe Ratio (X)	0.75
Best Monthly Return (%)	1.60	Sortino Ratio (X)	0.85
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	90.00

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.51												0.51
2018	0.54	0.08	-0.24	-0.28	0.19	0.27	0.61	0.45	-0.08	-0.81	-3.68	-0.97	-3.92
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