



Newsletter July 2019

Hurricane Barry made landfall in Louisiana Cat bond prices find support

The average ILS fund was **up by 0.30% in June** as measured by the **Eurekahedge ILS Advisers Index**.



Stefan K. Kräuchi,
ILS Advisers

In June, a record high temperature of 45.9C was measured in France, the highest temperature ever observed in the country. A derecho wind moved over 1,000 miles across the U.S. Total economic losses were around USD 1.5bn. Additionally thousands of structures were damaged and 15 people were killed. In Europe severe weather caused significant damages as well. Thousands of buildings were destroyed. Losses were estimated to be around USD 1.1bn. China experienced serious flooding. 200 people were reported to be killed and 200,000 buildings were damaged. Total economic losses were expected to exceed USD 6bn. Drought in India also cost USD 1.75bn. A M5.8 earthquake hit the Sichuan province of China, killing 13 and incurring estimated economic losses of USD 1.3bn. Hurricane Barry made landfall in Louisiana in the mid of July with estimated damages of around USD 600m. A number of institutes indicated that 2019 would be an average to lower than average hurricane season. The presence of El Nino was thought to be one of the keys to suppress hurricane activity. On average it is estimated that six hurricanes will occur, out of which three could be major hurricanes.



David Yao, CFA, FRM
ILS Advisers

In the primary market, close to USD 1bn was introduced to investors for the month. One of the major deals came from Swiss Re, Matterhorn Re which covered Northeast U.S. named storms and was upsized by 150% to USD 250m due to strong demand. The bond has 18 months in duration, was issued at 91.5% of par value, against an annualized expected loss of 1.92% and would be triggered at the industry loss level above USD 17.5bn. Secondary market trading were much more active and price of cat bonds gained support and stabilized due to strong buying power. As a result, the price return was up by 0.48% while the total return is up by 0.99% (Swiss Re Cat Bond Indices). On the private ILS side, further loss creep of Jebi and Michael impacted some contracts. The side pocket components of some ILS funds deteriorated further while the main shares still enjoyed positive returns.

25 of the funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 3.76 percentage points, which was lower than previous month's figure. Pure cat bond funds as a group were up by 0.61% while the subgroup of funds whose strategies include private ILS increased by 0.06%. Private ILS funds underperformed pure cat bond funds by 3.45 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 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 June 2019)			
Annualized Return (%)	4.31	Standard Deviation (%)	3.37
2019 Return (%)	-1.09	Downside Deviation (%)	2.94
2018 Return (%)	-3.92	Upside Deviation (%)	0.63
Last 3 Months (%)	-1.51	Maximum Drawdown (%)	-12.50
Return Since Inception (%)	76.73	Sharpe Ratio (X)	0.69
Best Monthly Return (%)	1.60	Sortino Ratio (X)	0.78
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	87.65

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.52	-0.01	-0.08	-0.69	-1.13	0.30							-1.09
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