



## Newsletter May 2019

### Record tornados touchdown in the U.S. Cat bond payout triggered by Jebi and Peru EQ

The average ILS fund was **down by 0.70% in April** as measured by the **Eurekahedge ILS Advisers Index**.



**Stefan K. Kräuchi,**  
ILS Advisers

Severe weather hit Northeast part of US. As many as 70 tornados, heavy hails and winds of over 100mph swept the area. Over 90 thousand structures were damaged, 9 people were killed and economic losses close to USD 1bn and insured losses of USD 700m were estimated. There were other outbreaks in the month which amounted to 250 tornado touchdowns, the most active season since 2011. Mozambique was hit again by another Cyclone – Kennth in 2 months. The wind speed reached 220 kph at the landfall. The cyclone caused nearly 50 deaths and economic losses of USD 100m. Flooding in South Africa resulted in 87 death and economic losses of over 100m. Canada was hit by serious flooding, causing 1 death and over ten thousand buildings damaged. Economic losses were estimated in the millions of dollars.



**David Yao, CFA, FRM**  
ILS Advisers

In the primary market, two new bonds covering Mortgage insurance risks were issued. The largest one came from Arch capital. A USD 621m bond was issued to protect the portfolio of recently originated residential mortgage insurance policies. Five different tranches were issued with different attachment points and coupons. All were rated BB- or above. Another USD 300m bond was issued by FEMA and its National Flood Insurance Program (NFIP) to cover US flood risk caused by named storms on indemnity basis. The major tranche was priced at the upper end of the initial guidance of 11.25%, against an expected loss of 4.15%. The Jebi loss creep has further impacted related bonds in a negative way. As a result, Akibare Re Ltd. was expected to lose 100% of its principle. The bond price was down to almost zero. The M8.0 Peru earthquake on 26<sup>th</sup> May triggered another world bank IBRD parametric cat bond, which is expecting a 30% loss of principal. It is the second payout of IBRD bonds after 2017 Mexico earthquake. On the private ILS side, some funds have been continuously impacted by the Jebi loss creep, which pulled down the returns of private ILS funds.

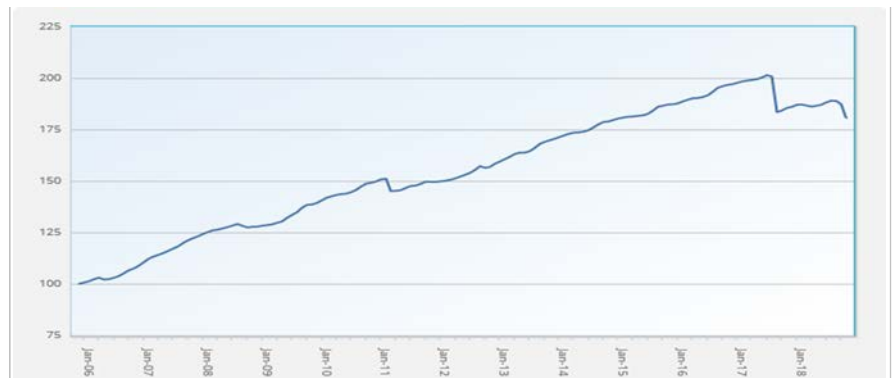
10 of the funds represented in the Eurekahedge ILS Advisers Index were positive for the month. The difference between the best and the worst performing fund was 10.85 percentage points, which was higher than previous month's figure. Pure cat bond funds as a group were down by 0.40% while the subgroup of funds whose strategies include private ILS decreased by 0.90%. Private ILS funds underperformed pure cat bond funds by 2.18percentage points on an annualized basis year-to-date.



## Newsletter May 2019

### 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 April 2019)			
Annualized Return (%)	4.43	Standard Deviation (%)	3.37
2019 Return (%)	-0.28	Downside Deviation (%)	2.94
2018 Return (%)	-3.92	Upside Deviation (%)	0.63
Last 3 Months (%)	-0.79	Maximum Drawdown (%)	-11.52
Return Since Inception (%)	78.19	Sharpe Ratio (X)	0.72
Best Monthly Return (%)	1.60	Sortino Ratio (X)	0.83
Worst Monthly Return (%)	-8.61	Percentage of Positive Months (%)	88.12

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.52	-0.01	-0.08	-0.70									-0.28
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