TENAX CAPITAL
Asset Management

TENAX ILS UCITS FUND

Monthly Newsletter November 2022

Net Asset Value per Share[1]

EUR I-P ACC HED	873.50
EUR I DIST HED	786.91
EUR I-P DIST HED	801.87
EUR I ACC	1055.18
EUR I-P ACC	1137.81

Fund Information

Investment Manager	Tenax Capital Ltd
Manager	Bridge Fund Management Limited
Structure	UCITS
Domicile	Ireland
Launched	9th June 2017
Base Currency	EUR
Liquidity	Fortnightly
Auditor	Deloitte
Legal Advisor	Dillon Eustace
Administrator	CACEIS Ireland Limited
Depositary	CACEIS Bank, Ireland Branch

the hedge fund journal
UCITS Hedge Awards 2022
WINNER

Investment Objective

The Tenax ILS UCITS Fund aims to achieve a long-term risk adjusted absolute rate of return and capital growth from investments in insurance-linked securities, being primarily catastrophe (cat-) bonds. Investment in the fund puts your capital at risk and past performance is not a reliable indicator of future results.

EUR Class I-P Acc Hedged - Monthly Performance % IE00BDVK6S99

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.37	0.78	-0.54	-0.50	-0.08	0.56	0.96	1.20	0.99	0.37	-0.25	0.21	4.12
2021	0.00	0.74	-0.15	0.14	0.07	0.09	0.13	0.67	0.25	1.02	0.14	0.09	3.23
2022	0.08	0.21	0.08	0.04	-0.30	-0.83	0.14	0.30	-6.59	-0.06	0.58		-6.39

EUR Class I Dist Hedged- Monthly Performance %[2] IE00BDVK6Q75

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.35	0.75	-0.57	-0.52	-0.10	0.53	0.94	1.17	0.99	0.35	-0.28	0.18	3.77
2021	-0.03	0.71	-0.17	0.12	0.04	0.06	0.12	0.65	0.22	0.99	0.11	0.07	2.92
2022	0.06	0.18	0.05	0.01	-0.33	-0.87	0.12	0.27	-6.62	-0.07	0.54		-6.65

EUR Class I-P Dist Hedged - Monthly Performance %[2] IE00BDVK6V29

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.37	0.78	-0.54	-0.50	-0.08	0.56	0.96	1.20	0.99	0.37	-0.25	0.21	4.08
2021	0.00	0.74	-0.15	0.14	0.07	0.09	0.13	0.67	0.25	1.02	0.14	0.09	3.23
2022	0.09	0.21	0.08	0.04	-0.30	-0.83	0.14	0.30	-6.59	-0.06	0.58		-6.39

EUR Class I Acc Non-Hedged - Monthly Performance % IE00BDVK6P68

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.53	3.15	0.86	-2.02	0.60	-2.31	-0.79	-1.25	0.53	1.47	-1.14	-2.53	-3.02
2021	1.25	0.62	1.68	-0.50	-1.02	2.67	0.52	1.66	-0.19	2.00	2.46	0.44	12.64
2022	-0.53	0.08	2.32	2.20	1.40	0.01	3.50	0.91	-4.15	0.18	-3.57		2.10

EUR Class I-P Acc Non-Hedged - Monthly Performance % IE00BDVK6T07

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	0.41	2.49	0.69	-1.63	0.47	-1.95	-0.84	-1.32	0.48	1.42	-1.20	-2.59	-3.65
2021	1.17	0.55	1.63	-0.10	-1.04	2.70	0.53	1.69	-0.17	1.63	2.03	0.40	11.51
2022	-0.50	0.10	2.09	2.26	0.60	-0.02	2.98	0.82	-3.18	0.18	-2.93		2.22

Fund Performance

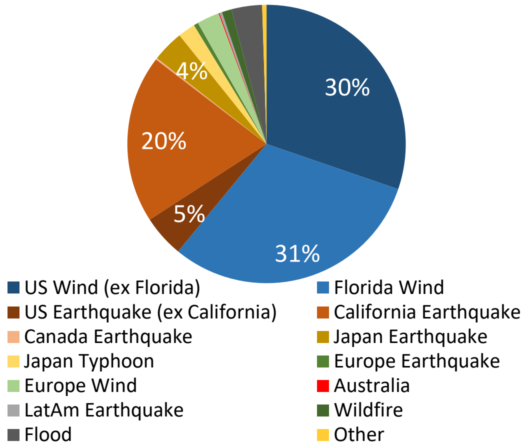
The Fund has started to benefit from lower spread volatility, after the material repricing that occurred post Hurricane Ian. The new environment has had a particularly severe mark-to-market impact on our Fund, given the large exposure to index trigger bonds, which have seen new issuances coming out with spreads even doubled compared to previous year. We estimate that less than a fifth of the fund performance to date is attributable to bonds marked down for potential Ian related losses, with the rest being consequence of the market repricing. Issuers continue to provide updates on their Ian loss estimates, and we are gaining more and more confidence that the worst case initially priced will be avoided. Most important, flood related losses currently are estimated below the most junior attachment point of the relevant cat bonds, which counted for about half of the initial loss estimates. Regarding new investments, we participated in a US earthquake, index trigger bond, priced at 12.5% over the collateral return, and we declined on the new USAA bond as pricing was disappointing, despite being higher than similar bonds from last year. With many deals having been announced for December and January, we will take the opportunity to further optimise the Fund’s exposure to higher quality issuers without compromising on the expected yield.

[1] Values as of November 30, 2022. All figures are stated on a net basis
[2] The performance includes cash dividend distributions

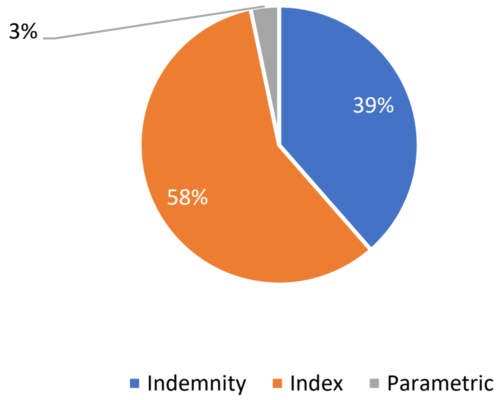
Market Update

The primary markets opened in November ahead of sponsors renewing their (re)insurance towers at 1/1/23. In our last newsletter we mentioned that the first deal of the season had a year-on-year price increase of 75%, and the positive theme has continued. One of the largest sponsors, the California Earthquake Authority (CEA), returned to the market, along with another earthquake only deal from US Specialty insurer, GeoVera. Spreads in both deals were wider than we have come to expect from earthquake only deals, with spreads reaching 1000bps for the riskier tranches. Other announced deals to note were repeat issuers Allstate, Farmers, Liberty Mutual, and the Lloyd's Syndicate Inigo. As we had hoped for, terms and conditions are increasingly covering named perils on an occurrence basis rather than 'all natural perils' aggregate structures. In some cases, attachment points have also increased – a good indication that investors are moving further away from the risk while capturing higher prices. As example, a US wind and earthquake bond featuring a transparent industry-loss index trigger and an expected loss of 318 bps is now priced at 14% risk spread. It is worth noting that the sponsors who come to the cat bond market early are the large, credible, and committed ILS issuers, and with spreads being materially wider even for these sponsors, we wouldn't be surprised to see much wider spreads for sponsors with poorer underwriting tack record in the upcoming issues. Now that the US hurricane season is over, our coming newsletters will be focusing on the new issuances, and we look forward to updating you on where pricing sits next month.

Expected Loss Contribution



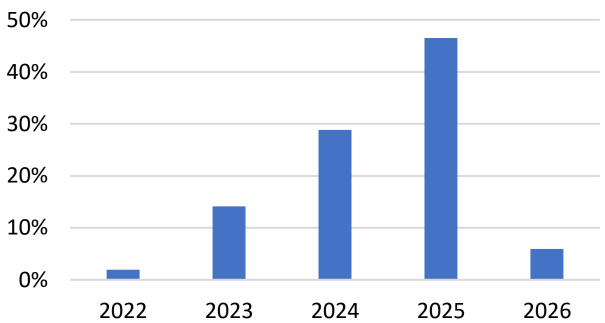
Trigger Structure Type



Portfolio Summary

Number of Positions	140
Yield to Maturity	15.7%
Modeled[3] Expected Loss	2.63%
AUM, EUR million	89.2

Maturity Profile



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[3] Modeled expected loss as calculated at issuance from the relevant risk modeling firm (RMS, AIR, CoreLogic)

www.tenaxcapital.com

Please visit our website where you can obtain further information about Tenax Capital and the Tenax ILS UCITS Fund, including downloads of previous newsletters.

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