TENAX ILS UCITS FUND

Monthly Newsletter December 2021

Net Asset Value[1]

EUR I-P ACC HED	933.08
EUR I DIST HED	866.34
EUR I-P DIST HED	885.29
EUR I ACC	1033.48
EUR I-P ACC	1113.06

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

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
2019	0.68	0.58	-0.49	-0.77	-0.27	-0.54	1.30	-0.13	0.70	-0.39	-1.00	-0.16	-0.54
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

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.64	0.56	-0.52	-0.80	-0.29	-0.57	1.27	-0.15	0.67	-0.42	-1.02	-0.19	-0.82
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

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	0.66	0.58	-0.49	-0.77	-0.27	-0.54	1.30	-0.13	0.70	-0.39	-1.00	-0.16	-0.54
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

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	1.36	1.65	-0.76	0.22	0.69	-1.49	2.35	1.07	1.70	-1.15	-0.05	-0.14	5.49
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

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019	1.08	1.45	-0.62	0.16	0.54	-1.29	1.94	0.83	1.34	-0.94	-0.05	-0.13	4.33
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

Fund Performance

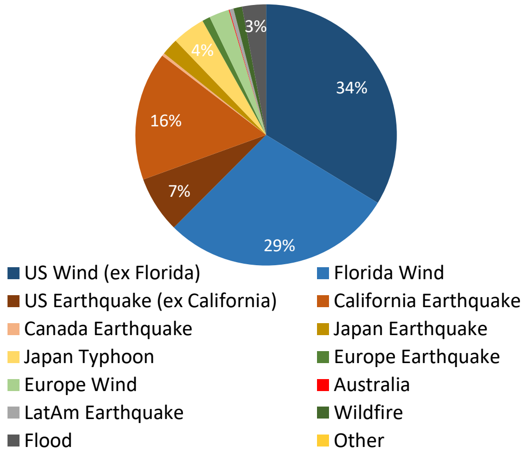
The Fund closed the year delivering the 9th consecutive positive monthly performance and ranking again among the top UCITS managers in the cat bond market (Appendix I). December was a relatively quiet month, where the focus was on new issuances and the impact on rates of a heavy losses year. The healthy volume of new deals turned the market to the sell side, with players looking to offload virtually any holding to make room for new investments. We participated in 11 new transactions, including renewal of maturing deals and first-time sponsors. In line with our risk appetite, we favoured index trigger bonds over indemnity, and we have been cautious on bonds with high exposure to secondary perils. We highlight our participation in the first NN Group cat bond, exposed to the Netherlands wind primarily, and our investment in the Swiss Re index bond which represents the largest position in the fund at 2.5%. In addition, we have been particularly active on the secondary market as well, given the abundance of offers from forced sellers. There the priority was given both to short dated, off-risk bonds, where we could secure yields up to 5%, and to diversifying perils like Japan earthquake. The only position (0.33%) still marked down because of Hurricane Ida is reporting loss developments in line with initial estimates, which continue to point to a non-erosion of the bond. Going into next year, we expect spreads to remain attractive and on a rising trend, although dispersion between core and secondary perils may widen compared to recent years

[1] Values as of December 17, 2021. All figures are stated on a net basis
[2] The performance includes cash dividend distributions

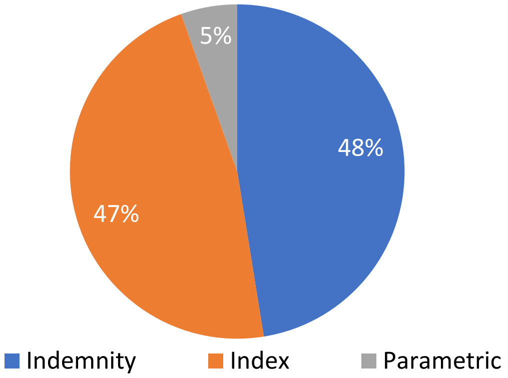
Market Update

2021 was another interesting year in the world of (re)insurance. Total insured losses surpassed $112bn, and losses from secondary perils continued to rise well above the 10-year average. Stress in the underlying markets continued to grow, with insurance rates increasing and terms and conditions tightening after events such as Storm Uri and Hurricane Ida. The continuation of Covid-19 further complicated the risk environment. But despite these challenges, cat bonds were resilient and performed well, in addition to proving once more their value in an inflationary environment. Spreads widened in the first quarter after Storm Uri struck Texas, resulting in the costliest winter storm on record. Wildfire losses were prevalent in Q2, making 2021 the 2nd costliest year on record, just shy of 2018. However, this is also because wildfire insurance penetration has increased following years of abnormal events. The cat bond market was unaffected by these losses. Hurricane Ida was comfortably the most significant hurricane of the 2021 season, causing around $28bn worth of damage, predominantly in Louisiana. Hurricanes Laura and Zeta were two other notable storms, causing damage of $11bn and $2bn, respectively. Severe thunderstorm events were the big topic of 2021. Annual losses were 2.78x higher ($29bn) than the 2000-2019 average ($10bn), making it the second-highest loss year on record after 2020 ($31bn). These secondary perils have put significant stress on aggregate deals in the traditional markets and caused spreads to widen in aggregate cat bond deals. In some cases, bonds settled above the high-end of pricing guidance and sponsors were forced to downsize or even cancel tranches in Q4. 2021 set new records for issuance with sponsors looking to the cat bond market as an alternative to traditional (re)insurance. As we move into 2022, we expect a healthy pipeline of new cat bond issuances and sponsors to increase their scope for alternative sources of (re)insurance protection.

Expected Loss Contribution



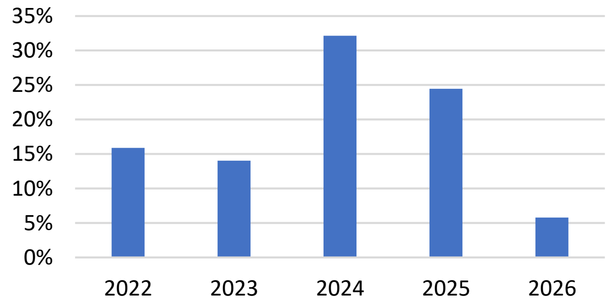
Trigger Structure Type



Portfolio Summary

Number of Positions	124
Yield to Maturity	4.81%
Modeled[3] Expected Loss	2.66%
AUM, EUR million	57.8

Maturity Profile



Investment Manager

Massimo Figna

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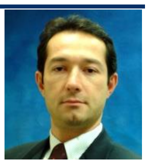

Marco della Giacoma

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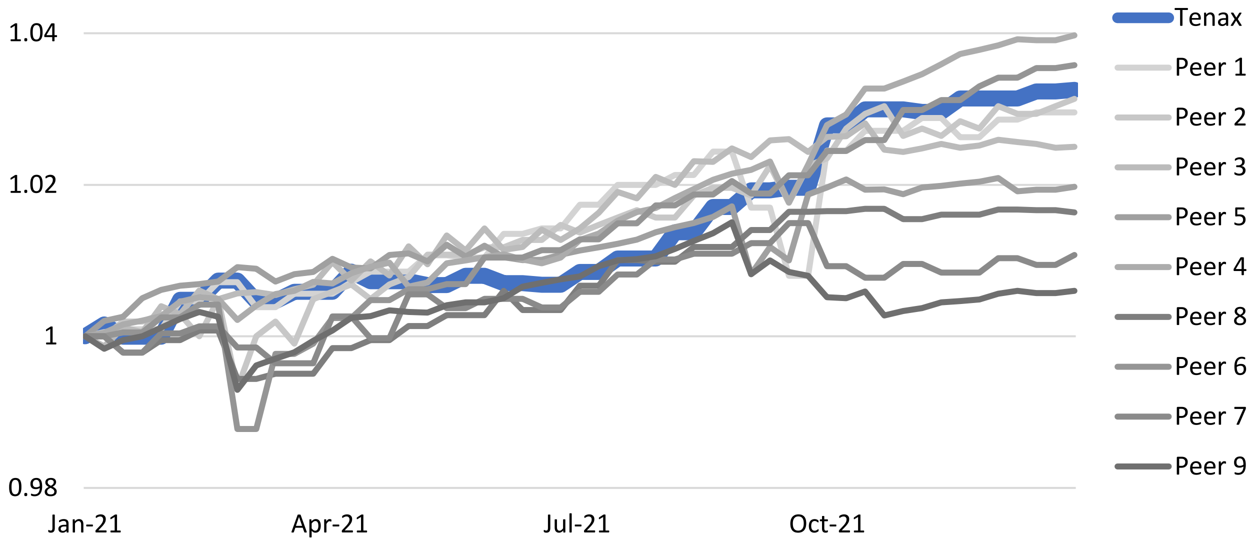
[3] Modeled expected loss as calculated at issuance from the relevant risk modeling firm (RMS, AIR, CoreLogic)

Appendix I: 2021 Performance of UCITS Cat Bond Funds



Source: Bloomberg as of 31/12/2021. The chart includes EUR denominated UCITS funds, with accumulation of dividends, non-EUR currency hedging, whose investment focus is >75% in non-life ILS. The performance is net of costs.

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Prior to making any decision to invest in any fund, you are advised to obtain the fund’s offering documents, to perform your own independent review (in consultation with you own legal, tax, accounting and other advisors) of those materials, the fund, the fund manager as well as any performance data available to you. An investment in a fund may not be suitable for all investors. Any offer or solicitation of an investment in any securities may be made only to qualified investors in accordance with applicable law.

The Fund is organised under the laws of Ireland and authorised by the Central Bank of Ireland as UCITS for the purposes of the UCITS Regulations. Investment in the fund is only open to ‘Qualified Investors’, as defined in the Fund Prospectus. Any decision to invest must be based solely on the information contained in the Company’s Prospectus, Key Investor Information Document and the latest half-yearly report and unaudited accounts and/or annual report and audited accounts. Investors should read the fund specific risks in the Key Investor Information Document and the Company’s Prospectus, which are available from the Investment Manager.

In providing the information, no action has been taken to qualify any potential investor, in any jurisdiction, including without limitation in the United States under the Securities Act of 1933 or the US Investment Company Act of 1940. The Fund’s shares are not, and will not be registered under the US Securities Act of 1933, as amended, or qualified under any applicable state securities statutes. The Funds are not, and will not be registered as investment companies under the US Investment Company Act of 1940, as amended.

Past performance is not indicative of future results. The value of your investment may go down as well as up, and you may not receive upon redemption the full amount of your original investment. Participation in the Fund(s) should only be made by persons with experience of participating in unregulated schemes and any other person who receives this document should not rely upon it.

This is a marketing communication. Please refer to the Tenax ILS UCITS Fund prospectus supplement and to the Key Investor Information Document (KIID) before making any final investment decisions. A copy of the English version of the prospectus of the Fund and where relevant the KIID relating to the Fund may be obtained online from http://www.tenaxcapital.com/ or alternatively obtained via email upon request by contacting the Head of Compliance & Risk at blagden@tenaxcapital.com. A summary of investor rights associated with an investment in the Fund is available online in English at http://www.tenaxcapital.com/ or it may be obtained upon request via email by contacting blagden@tenaxcapital.com. A decision may be taken at any time to terminate the arrangements made for the marketing of the Fund in any EEA Member State in which it is currently marketed. In such circumstances, Shareholders in the affected EEA Member State will be notified of this decision and will be provided with the opportunity to redeem their shareholding in the Fund free of any charges or deductions for at least 30 working days from the date of such notification.

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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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