TENAX ILS UCITS FUND

TENAXCAPITAL
Asset Management

Monthly Newsletter March 2021

Net Asset Value[1]

EUR I-P ACC HED	909.16
EUR I DIST HED	846.02
EUR I-P DIST HED	862.60
EUR I ACC	950.42
EUR I-P ACC	1031.96

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										0.59

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										0.50

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										0.59

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										3.59

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										3.38

Fund Performance

The Fund was marginally hit by the Texas freeze linked events, that weighted in particular on already loss affected bonds. The rest of the portfolio performed in line with the market, with most of the names well bid. We now consider only about 15bps of the portfolio still at risk from the Texas freeze, in case losses develop around a worst-case scenario, which is not our base case. We took advantage of a fairly active primary market to invest only in what we consider offering the most attractive risk reward profile. We added risk-remote Florida wind peril with the new deal from Security First, a Florida focussed carrier. We also invested in the first cat bond issued by Universal P&C, another predominantly Florida wind deal. Our appetite for Florida wind has marginally improved compared to last year as we find more attractive pricing terms. On the non-peak risk side, we participated in two Japanese issues, an Earthquake only bond from Tokio Marine and a double event from Sompo Japan, covering typhoon and flood in Japan and earthquake in US. Lastly, we bought both tranches of the new Palomar cat bond, exposed to US earthquake only. The large turnover linked to multiple maturities in this part of the year is a welcomed opportunity to reinforce our instance in favour of reinsurers's sponsored, index-based cat bonds versus indemnity triggers inclusive of secondary perils.

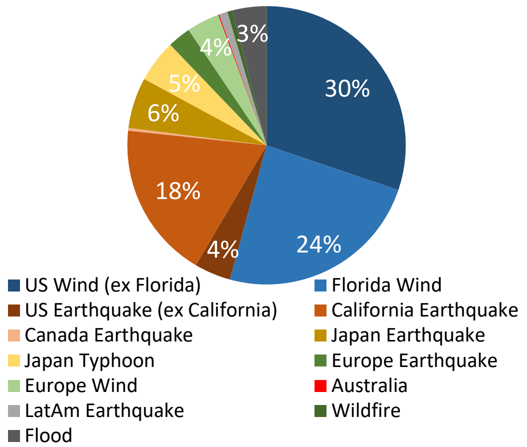
[1] Values as of March 19, 2021. All figures are stated on a net basis

[2] The performance includes cash dividend distributions

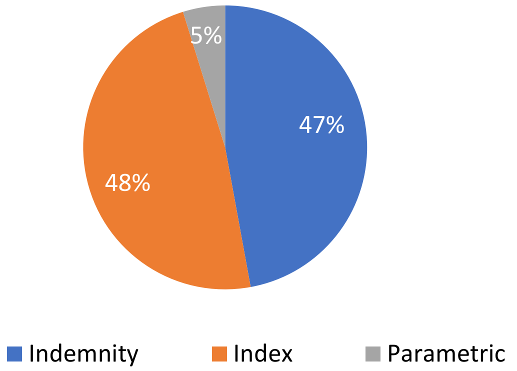
Market Update

The Texas freeze catalysed the focus of the market as the final insured loss bill is still far from landing within a reasonably tight range. The complexity of losses, that include continued power outage and mold damages, implies that the initial estimates of USD 10-20 bn are still the most reliable indications, although the market consensus has shifted more toward the lower bound of the range. It is also yet to be seen whether this event will put some pressure on the upcoming US renewals, our expectation is that it may lead to firmer prices for secondary perils (eg. non-hurricane), but alone it will not be a key determinant of the pricing trend. Some of the riskier aggregate cat bonds are expected to suffer principal reductions in favour of the sponsor, which is already largely priced in current valuations. We note that over the past 4 years, domestic multiline insurers like USAA and Nationwide Mutual have been among the most frequent beneficiaries of recoveries under cat bonds and that so-called secondary perils such as wildfires, tornadoes and hailstorms were the major contributors to lead their loss levels above the bond trigger. On the new issuance side, there have been two Florida wind focussed deals, from Security First and Universal P&C. The bonds feature an indemnity trigger and have been priced at 6% and 9.25% for an expected loss respectively of 1.86% and 2.97%, which results in both cases in an above 3x multiple, up from about 2.25x of pre-2019 market. We also note the US earthquake bonds issued from Palomar and the Japan earthquake bond from Tokio Marine. Sompo Japan came to the market with an innovative double tranche structure designed to protect them from both Japan typhoon and flood and US earthquake, contingent to the first event triggering the notes. In summary, the two tranches at inception are exposed respectively to Japan and US, but upon the default of any of them, the remaining tranche will add the defaulted peril to its exposure, in order not to leave the sponsor at risk. Several new transactions were already announced for April which we will cover in our next update.

Expected Loss Contribution



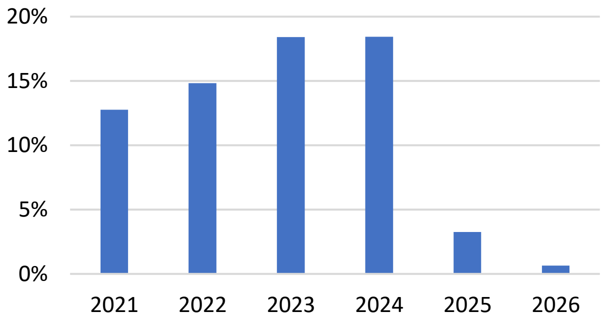
Trigger Structure Type



Portfolio Summary

Number of Positions	86
Yield to Maturity	5.93%
Modeled[3] Expected Loss	2.66%
AUM, EUR million	23.3

Maturity Profile



Investment Manager

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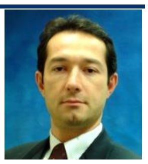

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[3] Modeled expected loss as calculated at issuance from the relevant risk modeling firm (RMS, AIR, CoreLogic)

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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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