

April 19, 2023

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Monthly Commentary March 2023

Insurance Linked Strategies

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CSA Insurance Linked Strategies*

CSA Insurance Linked Strategies Fixed*

During March the investment team focused on the planning and negotiation for the April 1 renewals as well as evaluating the large array of new primary cat bond issuances which came to market.

There was increased activity in the primary Cat Bond market during March compared to February, with eight new issuances totalling USD 1.95 billion coming to market. There was some softening in pricing compared to the very hard market observed at the end of 2022, with a marked increase in available capital. Issuances in general tended to price toward the bottom of coupon guidance and in a few instances even below initial guidance, while several issuances were able to also increase in size. Despite issuances pricing towards the bottom of coupon guidance, it has to be kept in mind that overall price multiples (meaning coupon divided by expected loss) remained very attractive, and in fact is at the highest point of the past decade. The increased demand observed in February in the secondary Cat Bond market continued to be observed during March, with more buyers than sellers present. This continued to drive general market price appreciation. The Investment Group was active in the primary Cat Bond market.

Notable events during March included flooding in California and the occurrence of several tornadoes in Texas, Louisiana and Mississippi. In the state of California, a strong atmospheric river storm system brought heavy rain and windstorms to widespread areas as well as snow in higher lying areas. A state of emergency was declared in several counties with thousands of residents forced to evacuate, while air travel was also disrupted at San Francisco airport due to high wind gusts. In Texas and Louisiana tornadoes and high winds caused damage and widespread power outages. In Mississippi, a long-track EF-4 tornado hit several towns leading to widespread damage with the same storm producing several other strong tornadoes. At the time of writing, we do not expect an impact on the Investment Group's performance from these events on a stand-alone basis.

At the time of writing, the Investment Group is expected to have a positive return for the month. In addition to regular premium and coupon income, the Investment Group's performance is enhanced by mark-to-market price appreciation in the secondary Cat Bond market.

In the next month, the investment team will work towards finalizing the April renewals and will also start working on planning for the upcoming June and July renewals.

* based on underlying CS IRIS C Fund Limited

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