



## **PRESS RELEASE**

### **LAUNCH OF CORIOLIS CAPITAL LIMITED, A NATURAL CATASTROPHE AND WEATHER DERIVATIVES FUND MANAGEMENT SPECIALIST**

*London 30 June 2003* – Coriolis Capital Limited, a company specialising in investment advisory services to \$300 million of funds focusing on catastrophe bonds ("cat bonds") and weather derivatives, has been launched. The new company is the result of a management buy-out (MBO) agreed between the current management of the Weather Derivatives team and SG Corporate and Investment Banking (SG CIB).

Diego Wauters, formerly head of the Weather Derivatives team at SG CIB, is the Chairman and CEO of Coriolis. The new company is owned by its management and other individuals involved in the London fund management industry. Under the MBO, all of SG CIB's expertise in this specialist field, including personnel, goodwill, know-how, and computer models, has been transferred to Coriolis. SG CIB will retain its current investments in some of the funds.

The creation of Coriolis will sharpen further the focus of its management on its fund management advisory functions. Based in London, but with a global reach, advice given in relation to the management of the funds' assets is the core business of Coriolis.

"There is no similar team with the required level of expertise currently operating in the European market in this highly specialised field" said Diego Wauters. "The same team of experts will continue providing investment advice to the funds on a day-to-day basis, ensuring continuity of the level of expertise offered."

Coriolis Capital Limited has been granted approval from the UK Financial Services Authority and replaces the SG CIB Weather Derivatives team in its investment advisory role. Independently, SG Hambros in Jersey will continue as trustee, custodian, fund manager and administrator of the funds. It will also conduct an independent valuation of the funds on a monthly basis. Investors will continue to receive reports on the operation of the funds, which are only available to sophisticated investors.

Diego Wauters went on: "What makes cat bond and weather derivatives funds attractive to investors is that there is little or no correlation between the performance of the funds and that of the market, which is a definite advantage in times of weak financial markets. Furthermore, the funds show very little volatility due to the breadth of the geographical spread and their returns have been positive for each of the past four years."

"Having worked in this field since the inception of this industry, my team and I view the launch of Coriolis Capital Limited as a natural progression. We are grateful to our colleagues at SG CIB for their support and are excited and eager to develop our new company while continuing to build relationships with our existing and future investors."

## **Notes to Editors**

### **. About weather derivatives & catastrophe bonds**

#### **- Weather derivatives**

Industrial and commercial companies may be exposed to seasonal weather risks which could significantly affect their revenues - for example, mild winters, cool summers, too many wet days, low snowfall or excessive rainfall. Weather derivatives are options, swaps or collars which enable these companies to hedge weather risks like any other financial risks (such as foreign exchange, interest rates or credit) and limit or remove their exposure to these risks. With a weather derivative, the two parties agree to exchange cash-flows determined by reference to a weather index. The weather index is calculated by reference to official weather data (Temperature, Rainfall, Snowfall, Windspeed...) as published by the National Met Offices. Weather Derivatives can be offered under different structures: Swaps, Calls, Puts, Collars and Exotic Products.

#### **- Catastrophe bonds and Options ("cat bonds")**

Cat bonds are financial instruments that turn reinsurance contracts into securities or derivatives structures (as an alternative to traditional reinsurance). They constitute an exchange of principal for periodic coupon payments. The payment of the coupon and/or the return of the principal of the bond is linked to the occurrence of a specific catastrophic event. Cat bonds tend to cover a few extreme events caused by Mother Nature. These include earthquakes, hurricanes and typhoons, which tend to occur once or twice a century.

Coriolis Capital Ltd will provide investment advice to funds which specialise in these new asset classes.

### **. The weather derivative & cat bond markets**

Most weather derivatives are traded on the OTC market and have less than 6 months maturity, although an exchanged based market on the Chicago Mercantile Exchange is growing rapidly. Since mid-1997 there have been more than 10,000 weather contracts worldwide traded. To date most transactions have been temperature based but rainfall and other hedges are becoming increasingly common. The market outside North America is also growing in importance. The main industries exposed to weather variations are: energy, government and municipalities, retail, construction, leisure, travel, sport, insurance and reinsurance, agriculture and food and beverage.

According to the 2002 survey of the industry undertaken by Price Waterhouse Cooper, compared to 2001:

- There was a 43% increase in the volume of deals transacted,
- which has resulted in a 72% dollar increase in the notional value of the market,
- bringing the total market-size to 11.5 billion dollars.

Weather derivatives funds are a new and growing category of hedging and investing instruments.

More information can be found on the website of the Weather Risk Management Association at: [www.wrma.org](http://www.wrma.org)

The Cat Bond market emerged in 1997 as a complement to the capacity available in the reinsurance market. It had a record issuance of USD 1.2 bn in 2002, which also saw the first corporate-sponsored transaction. The average size of Cat Bonds is USD 175 million.

Catastrophe bonds usually yield Libor +3-7% with a typical rating of BB. Their maturity usually ranges between 1 and 5 years.

Weather derivatives and catastrophe bonds are characterised by:

- low correlation with financial markets
- good geographical diversity ensuring stability of the funds specialising in them
- high potential return relative to risk, and low volatility

### **. Diego Wauters**

Diego Wauters is Chairman and CEO of Coriolis Capital Limited.

Prior to that, Mr Wauters was Global Head of Insurance and Weather Derivatives, and an Executive Director at SG where his team managed some of the first and largest hedge funds specialised in this new asset class. He joined the London office of the French bank in February 1998, after spending four years with American financial giant, AIG.

Mr Wauters was founder, President and CEO of AIG Combined Risks, a wholly-owned investment bank subsidiary of the group, which specialised in structuring exotic new derivatives. AIG Combined Risks was, among other things, a pioneer in Catastrophe Bonds and Weather Swaps.

Mr Wauters also spent 11 years at J.P. Morgan, both in New York and London where he was Managing Director in charge of M&A insurance and Financial Reinsurance. Mr Wauters, while at J.P. Morgan New York, was involved in the creation of some of the biggest start-up insurance companies established offshore such as ACE, XL, SCUUL, and Centre Re. His group also structured some of the largest financial reinsurance transactions ever closed in this very specialised segment of reinsurance. In addition, he worked in foreign exchange, corporate finance and primary equity during his career at JP Morgan.

Mr Wauters, who is Belgian, has earned five University degrees, including "Polytechnique" and insurance law from the University of Louvain. He is married with four children.

### **. About Coriolis Capital Limited**

Founded in London in April 2003, Coriolis Capital Limited specialises in managing alternative hedge funds. The company focuses its activities on insurance-related derivatives such as Natural Catastrophe Bonds and Options, as well as Weather Derivatives. Its team has more than 25 years of combined expertise in this new, fast-growing asset class which offers low correlation with the traditional financial markets.

Advising funds totalling more than \$300 million, Coriolis Capital Limited has a global reach and is based in London.

From end of June 2003 onwards, please visit us at [www.corioliscapital.com](http://www.corioliscapital.com)

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