

Capital Markets & Investments

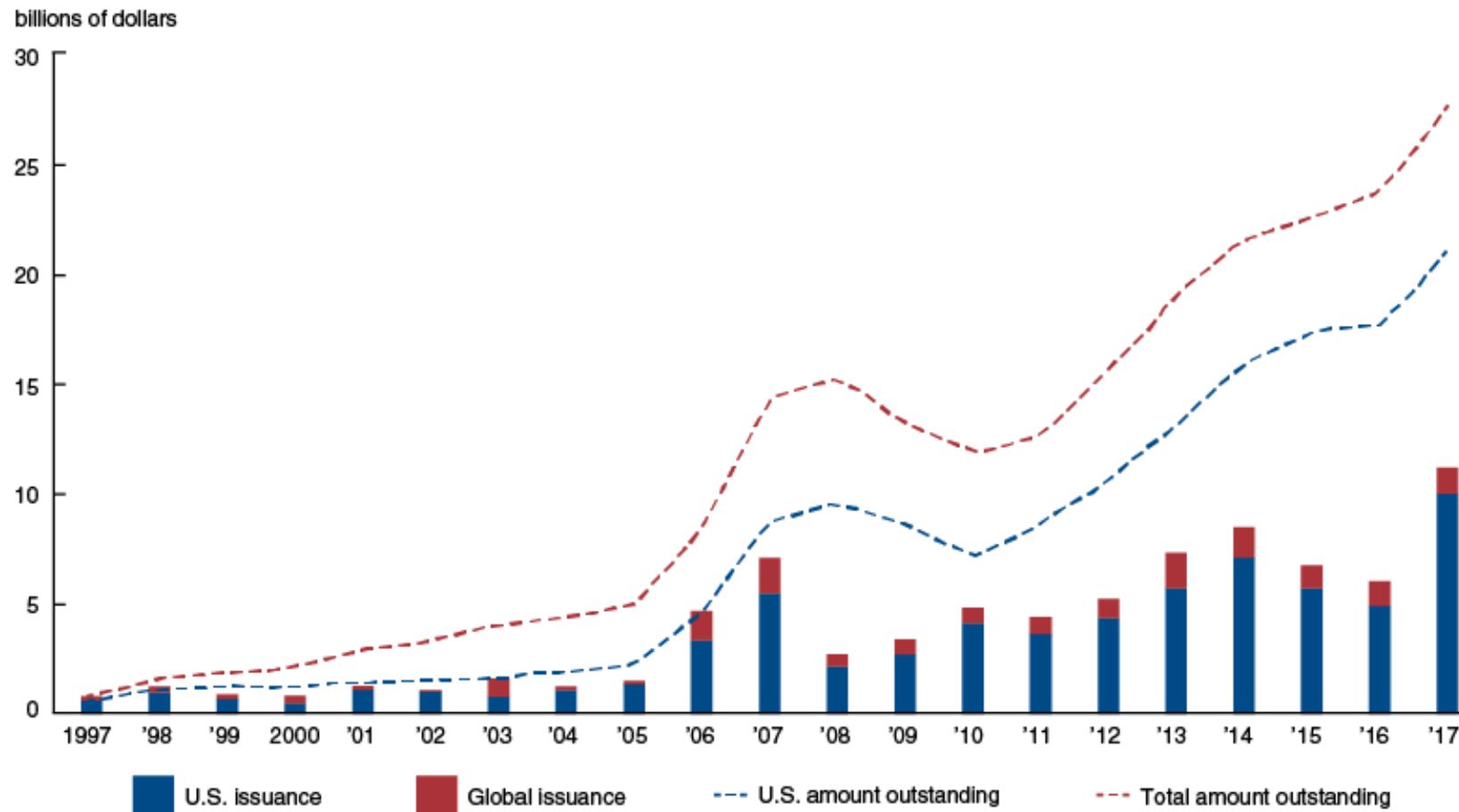
**Session 19:
Funds (2) – Skill vs. Luck: Part 1**

**Spring 2025
Professor Simon Oh**

Cat Bonds



Market Growth



Structure

- Ceding party (e.g. reinsurer) sets up an SPV and enters into a reinsurance contract with the SPV
- SPV issues tranche(s) of catastrophe bonds so that its obligations and protection are fully matched
- SPV invests the proceeds from the cat bond issuance in safe, liquid assets (e.g. T-bills) through a collateral account

- Little credit risk (collateral account separate from sponsor)
- Little interest rate risk (floating rate coupons)

Payout

- If no qualifying disasters:
 - Sponsor pays insurance premiums to the SPV
 - SPV pays floating rate coupons to the bondholders
 - At maturity, SPV liquidates the collateral account and returns the proceeds to the investors

- If qualifying disasters occur:
 - SPV liquidates the account prematurely and pays the sponsor compensation for the damages

Cat Bond ETF

Apr 1, 2025 9:00 AM Eastern Daylight Time

Brookmont Capital Management Launches First U.S.-Listed Catastrophe Bond ETF (NYSE: ILS)

Share      ...

ILS Pens a \$50 Billion Market to Investors Through a Tradable ETF Structure

DALLAS, Texas--(BUSINESS WIRE)--Brookmont Capital Management today announced the launch of the Brookmont Catastrophic Bond ETF (NYSE: ILS), the first U.S.-listed ETF dedicated exclusively to catastrophe bonds (Cat bonds). The fund simplifies access to a traditionally complex asset class, providing institutional-level exposure to insurance-linked securities (ILS) through an exchange listed, diversified, and transparent investment strategy.

LISTING DETAILS

| | |
|---------------------|---------------------|
| Ticker | ILS |
| Type | Nontraditional Bond |
| CUSIP | TBD |
| Fund Inception Date | 4/1/2025 |
| Primary Exchange | NYSE |

FUND DETAILS

| | |
|-------------------------------------|------------------------------|
| Total Net Assets (USD) | TBD |
| Gross Expense Ratio | 1.58% |
| Number of Holdings | TBD |
| Average Anticipated Impairment Rate | TBD |
| Investment Advisor | Brookmont Capital Management |
| Sub-Investment Advisor | King Ridge Capital |