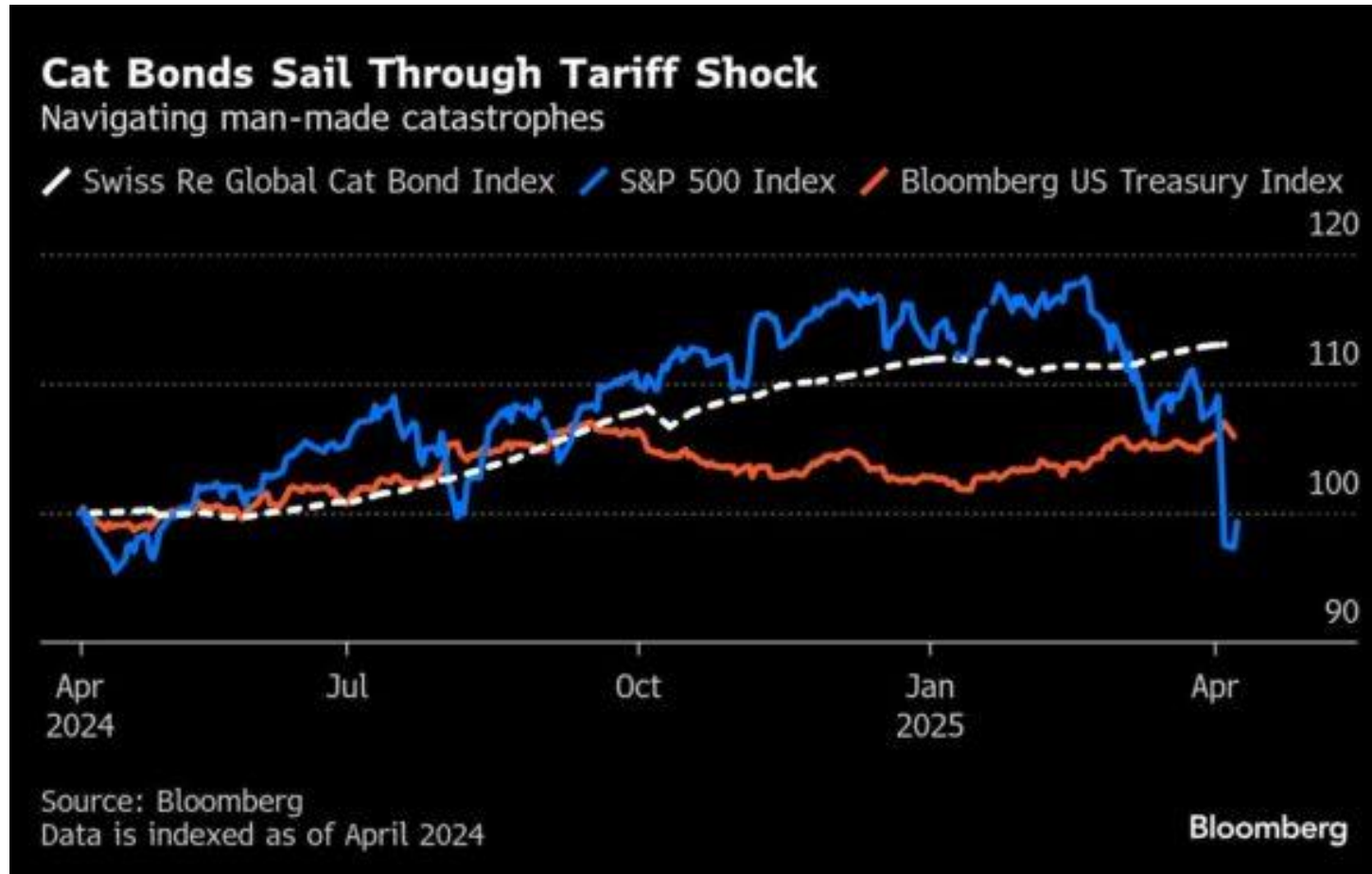


Capital Markets & Investments

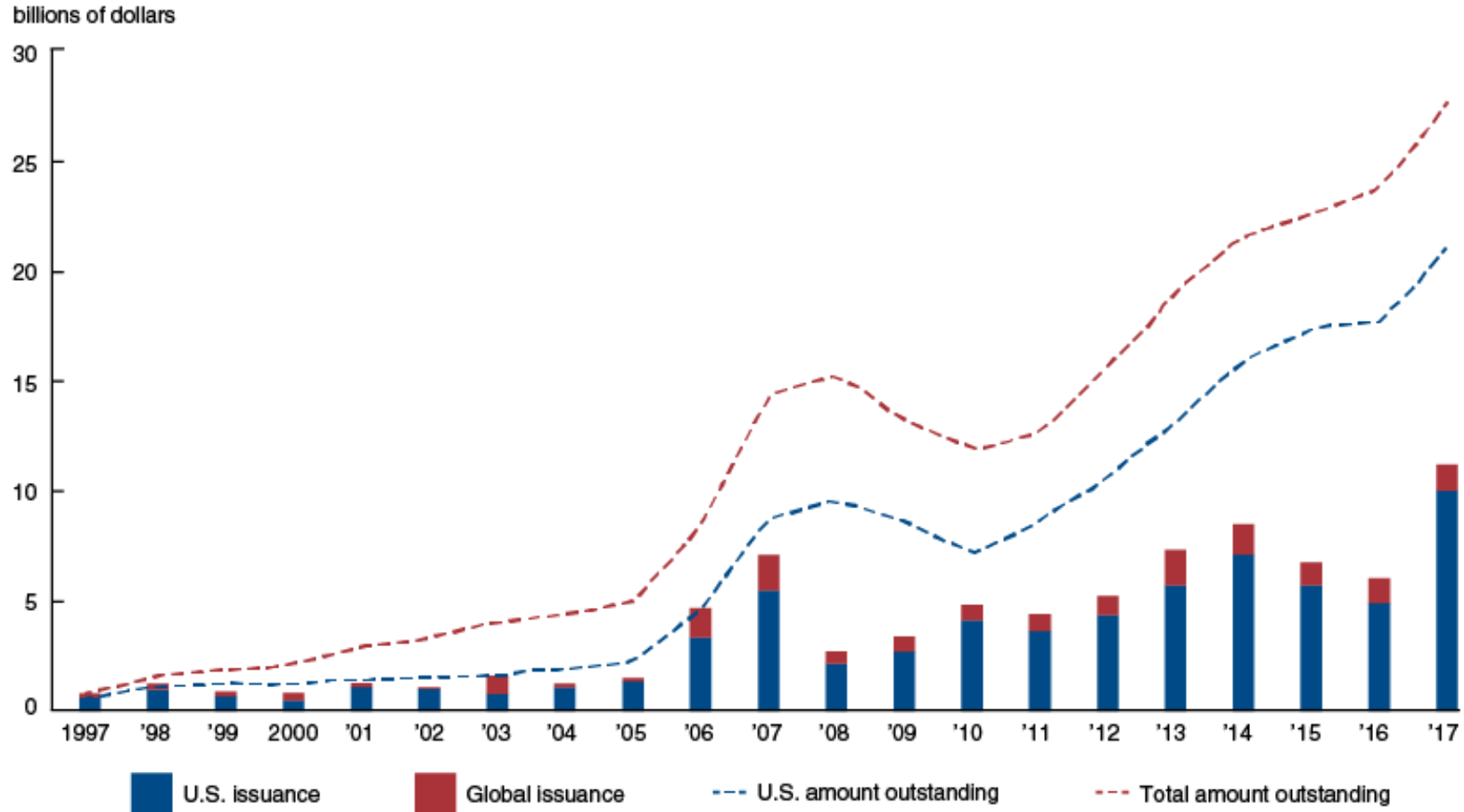
Session 19: Funds (2) – Skill vs. Luck: Part 1

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