RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

TUESDAY, 3 OCTOBER 2017

LAUNCH OF FURTHER INVESTMENT VEHICLES

- **Launch of two further investment vehicles with aggregate committed capital of A$150 million to fund future investments in Australia, Asia, Canada and Europe**
- **Fund 2 totalling A$112.5 million to comprise investment of A$90 million of funds managed by Partners Capital with A$22.5 million being invested by IMF**
- **Fund 3 totalling A$37.5 million to comprise investment of A$30 million of funds managed by Amitell Capital with A$7.5 million being invested by IMF**
- **Funds 2 and 3 supported by the benefit of a world first After the Event portfolio adverse cost insurance policy**
- **IMF considers this to be a significant milestone for the group which completes its medium-term capital management platform and underpins its continuing transition from exclusively managing its own balance sheet, to also being a manager of third party capital**

Overview

IMF Bentham Limited (**IMF**) is pleased to announce the launch of IMF's second and third investment vehicles, to be known as Fund 2 and Fund 3, both Australian proprietary companies, following the launch of Fund 1 for US cases in February 2017.

Partners Capital Phoenix Fund II Limited, a fund managed by Partners Capital (https://www.partners-cap.com) will invest up to A$90 million by way of subscription for Class B Shares in Fund 2. Partners Capital is a leading outsourced investment office based in London, Boston, New York, Hong Kong and Singapore which manages over US$20 billion on behalf of endowments, foundations, investment professionals and family offices.

A special purpose vehicle advised and managed by Amitell Capital Pte Ltd, a Singapore-based private investment firm, will invest up to A$30 million by way of subscription for Class B Shares in Fund 3.

IMF has committed to invest up to A$30 million by way of subscription for Class A Shares, split between Fund 2 and Fund 3.

IMF will fund its capital commitment to Fund 2 and Fund 3 from its internal cash resources.

IMF Bentham Limited
ABN 45 067 298 088
GPO Box 5457
Sydney NSW 2001
Freecall: 1800 016 464

Fund 2 and Fund 3 are likely to draw down the committed capital over a three-year period, with minimum six-monthly tranches applying. Such capital will be used to invest in cases and matters in jurisdictions including Australia, Asia, Canada and Europe. Fund 1 (and any successors) will continue to have priority on funding all US cases. IMF will direct all opportunities outside of the US to Fund 2 and Fund 3 on a pro-rata basis for three years or such shorter period required to deploy the committed capital.

IMF engaged Mercury Capital Advisors as global placement agent and international law firm DLA Piper as Australian legal advisers in relation to the transaction.

Transaction Terms Summary

The Class B Shares in each of Fund 2 and Fund 3 (Class B Shares) carry the same economic entitlements to receive a priority return of capital, a 12.5% gross (8.75% fully franked) quarterly compounding priority return on invested capital and a further 1.5% gross (1.05% full franked) non-compounding preferred return on committed but undrawn capital (together, **Priority Returns**). Upon satisfaction of the Priority Returns, the Class A Shares held by IMF are entitled to a management return of 2% of deployed Class B capital and return of capital invested. Thereafter, the residual net cash flows are to be distributed 80% to IMF and 20% to the Class B Shareholder.

The hypothetical, pre-tax example below is for illustrative purposes only. Fund 2 and Fund 3 will only earn revenue from cases which reach a successful outcome. IMF does not control the outcome of the cases invested in or the length of the investment period. This illustrative example is not intended in any way whatsoever to constitute a forecast or estimate of returns from Fund 2 or Fund 3.

Assumptions:

- A$5 million capital deployed in investment
- ROIC[1] of 1.6x
- Investment period of 3 years

IMF Fund	Investor (A$M)	IMF (A$M)
Investor Capital	4.0	
Investor Priority Returns	1.7	
IMF Management Fee		0.2
IMF Capital		1.0
Profit Share	1.2	4.9
Total	**6.9**	**6.1**
ROIC	**0.7x**	**5.1x**

([1] ROIC means return on invested capital excluding withdrawals and overheads)

Fund 2 and Fund 3 will engage IMF as their appointed investment manager to invest each fund's assets in non-US litigation finance investments subject to certain restrictions and controls.

The Class A and Class B Shares are redeemable by Fund 2 or Fund 3, as applicable, but not by the applicable shareholder. The Class B shareholders may step-in to manage Fund 2 and Fund 3 respectively in certain circumstances including upon an insolvency or change of control of IMF.

ATE Insurance Policy

IMF has secured for the benefit of Fund 2 and Fund 3 a world-first After-the-Event (**ATE**) insurance policy, that will respond to claims for adverse costs over the excess of A$7.5 million. Fund 2 and Fund 3 will proportionately meet the costs of the policy, which are approximately A$12.5 million.

The policy is provided by an 'A' rated insurer, and will cover adverse costs of A$30 million over the excess. IMF is of the view that this policy, combined with the fund structure and assuming a level of performance in line with its historic record, will insulate IMF from claims for adverse costs that will expose its own balance sheet for investments in Fund 2 and Fund 3.

This policy will enable IMF to fully deploy all funds, after the payment of the premium, for investments, rather than needing to retain cash for potential adverse cost exposure.

Benefits

While it may take longer for IMF to receive its cash return from Fund 2 and Fund 3 relative to using 100% of its own capital, by leveraging its investments IMF anticipates significantly higher returns in the medium to long term than it would expect to achieve by investing that capital directly into litigation funding assets.

IMF has identified the following additional benefits of investing through Fund 2 and Fund 3:

a. Enabling IMF to leverage its success rate and proven expertise in case selection through a larger and more diversified investment portfolio without recourse to further debt financing or dilutive equity capital;

b. Significantly reducing the amount of IMF's capital invested in litigation funding assets and therefore enabling IMF to manage its capital retention in line with its adjusted commitments but without giving up control over investment decisions (noting that IMF maintains a large portfolio of on-balance sheet litigation finance investments at the present time); and

c. Enhancing IMF's risk management by securing non-recourse funding together with portfolio ATE insurance.

Strategic Aims

IMF refers to its investor presentation dated 24 August 2017 which noted one of the key priorities for FY18 was a "*fund structure for non-US investments, coupled with adverse insurance cover to facilitate greater deployment of funds to generate returns*". IMF is pleased to have delivered this within H1 FY18.

IMF's key objectives in establishing its investment vehicles have been to:

a. Access non-recourse, leveraged capital to enhance its capital structure and mitigate liquidity risk;

b. Generate returns from a broader portfolio with a view to producing a more stabilised income stream;

c. Obtain attractive economic terms for managing equity commitments from a single or multiple institutional investors;

d. Make a material anchor investment to supplement management returns from the vehicle with investment returns; and

e. Retain control over investment decisions within certain thresholds.

The structure of Fund 2 and Fund 3 seeks to achieve each of the above objectives.

The investment vehicles complete IMF's medium-term capital management plans by establishing a platform for funding all new investments globally. They represent more efficient capital allocation and risk management and effectively implement IMF's transition into portfolio investing. This achievement represents a significant milestone in the evolution of the company.

IMF Global Portfolio and Historic Performance

To 30 June 2017, IMF has commenced and completed 162 cases since inception in 2001, that have produced a ROIC of 1.6x, a success rate of 91% and an average investment period of 2.6 years.

Over the past 6 years to 30 June 2017 on non-US matters, IMF has achieved an average IRR of 62%, ROIC of 1.5x, and an average investment period of 3.0 years.

Jeremy Sambrook
Company Secretary

Media and further information: **John Gardner**
Citadel-MAGNUS **+61 413 355 997**

Disclaimer - Past Performance

Investors should note that past performance is noted in this announcement for illustrative purposes only and cannot be relied upon as an indicator of (and provides no guidance as to) future IMF performance including future investment returns.