



## RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

FRIDAY, 20 JULY 2018

### INVESTMENT PORTFOLIO AT 30 JUNE 2018

#### Summary

- **During the June 2018 quarter:**
  - **IMF added seven unconditionally funded new investments to its investment portfolio;**
  - **Five investment completions, together with revenue earned from ongoing investments in the USA, delivered gross revenue of \$18.4 million.**
- **IMF withdrew from two investments in Australia resulting in a combined write off of \$0.7 million including capitalised costs. As announced in April, IMF will record a loss of \$1.82 million on the ASAS investment for which IMF is funding the appeal.**
- **IMF's aggregate Investment Portfolio at 30 June 2018, which includes investments funded directly by IMF on its balance sheet and investments in Funds 1, 2 and 3, comprises 76 investments, with 33 investments outside the USA and 42 USA investments.**
- **The non-USA investments have a total EPV of over \$2.8 billion and the USA investments constitute over \$187 million in capital commitments. The aggregate EPV for all investments globally is approximately \$5.6 billion, an increase of approximately 19% since the March quarter end.**
- **Since the June quarter end, IMF has unconditionally funded one further investment in Australia and provided additional funding to an existing US Fund investment.**
- **In addition, IMF has five conditionally funded investments at the present time, which could potentially result in an increase to EPV of up to \$195 million.**
- **These results reflect IMF's ongoing execution of its risk diversification strategy and until the transition from funding a small number of cases is complete, IMF's operations will continue to result in lumpy earnings. The Group's pipeline remains strong and it continues to be presented with potential funding opportunities on which extensive due diligence may be necessary.**

A summary of the Investment Portfolio is below:

### 1. IMF Group (non-USA), Fund 2 and Fund 3 – Estimated Portfolio Value

	Number of investments	EPV \$m	Possible completion FY2019 \$m	Possible completion FY2020 \$m	Possible completion FY2021 and later \$m
IMF Group (non-USA)	24	1,519.8	1,116.0	203.8	200.0
Fund 2 and Fund 3	9	1,312.5	141.2	665.2	506.1
<b>Total Portfolio</b>	<b>33</b>	<b>2,832.3</b>	<b>1,257.2</b>	<b>869.0</b>	<b>706.1</b>

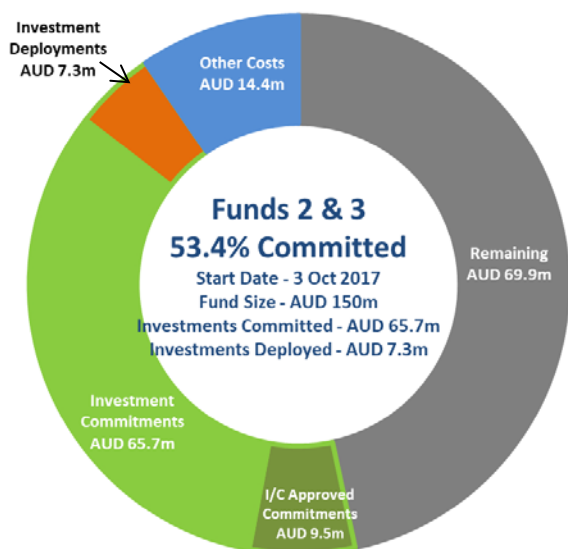
Movement from the previous quarter is reconciled as follows:

	Number of investments	EPV \$m
<b>31 March 2018 Portfolio</b>	34	2,172.0
Additions / Completions / Withdrawals	5 / (4) / (2)	672.8
Updates		(12.5)
<b>30 June 2018 Portfolio</b>	<b>33</b>	<b>2,832.3</b>

Past performance indicates that IMF's litigation funding investments have generated average gross revenue of approximately 15% of the EPV of an investment at the time it is completed (**Long Term Conversion Rate**).

### Rest of World Funds – Commitments, deployed and capacity

The Rest of World Funds commenced in October 2017 and at 30 June 2018 these funds were committed to 53.4% of available capacity, including two investments approved by the Investment Committee but not yet unconditionally funded, as shown below. The total capital committed includes the cost of the After-the-Event insurance policy that will respond to claims for adverse costs within the funds. Other commitment amounts for the Rest of the World funded investments are based on investment budgets.



## 2. Bentham IMF (USA) and Fund 1 – Invested and Committed Capital

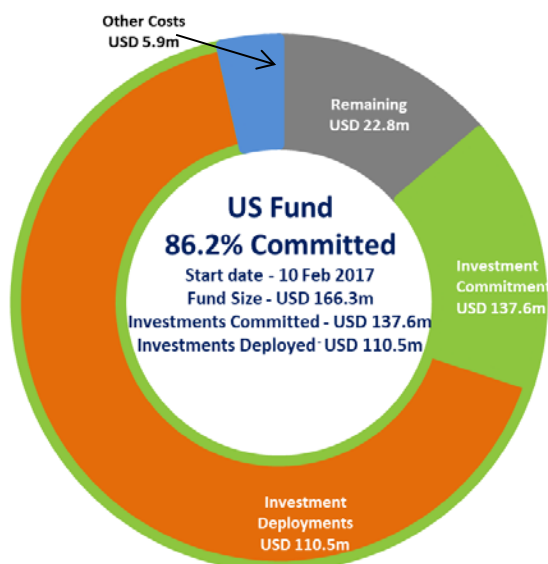
	Number of investments	Total (excluding capitalised overheads and interest) \$m	Possible completion FY2019 \$m	Possible completion FY2020 \$m	Possible completion FY2021 and later \$m
<b>Invested Capital</b>					
Bentham IMF (USA)	5	8.5	6.4	2.1	0.0
Fund 1	37	146.5	71.1	47.9	27.5
<b>Total</b>	<b>42</b>	<b>155.0</b>	<b>77.5</b>	<b>50.0</b>	<b>27.5</b>
<b>Remaining Commitment to be deployed</b>					
Bentham IMF (USA)	5	0.0	0.0	0.0	0.0
Fund 1	37	32.3	6.5	24.2	1.6
<b>Total</b>	<b>42</b>	<b>32.3</b>	<b>6.5</b>	<b>24.2</b>	<b>1.6</b>
<b>Total Bentham IMF (USA)</b>		8.5	6.4	2.1	0.0
<b>Total Fund 1</b>		178.8	77.6	72.1	29.1
<b>Total Commitments</b>		<b>187.3</b>	<b>84.0</b>	<b>74.2</b>	<b>29.1</b>

Movement from the previous quarter is reconciled as follows:

	Number of investments	Total Commitments \$m
<b>31 March 2018 Commitments</b>	<b>42</b>	<b>166.2</b>
Additions / Completions	2 / (2)	14.0
Updates		0.6
Foreign exchange adjustments		6.5
<b>30 June 2018 Commitments</b>	<b>42</b>	<b>187.3</b>

### US Fund 1 – Commitments, deployed and capacity

Following the sale of the majority of IMF's US portfolio to its US fund in February 2018, at 30 June 2018 the fund had committed 86.2% of available capacity as shown below.



### 3. Past Performance

Past performance on completed investments to 31 December 2017<sup>1</sup>, excluding withdrawals and overheads, is summarised in the table below:

	Number of Investments	ROIC <sup>2</sup>	Average Investment Length
IMF Group - All completions since inception in 2001	166	1.5x	2.6 years
Bentham IMF (USA) and Fund 1 - Completions since inception in 2011	17	1.0x	1.4 years
IMF Group (Non-USA) - Completions since 1 July 2011	53	1.4x	3.0 years

1. The completed investment data to 31 December 2017 has been reviewed by the auditor of IMF, EY. Updated data to 30 June 2018 will be released following completion of the review by EY.

2. ROIC (return on invested capital) is calculated as gross income to IMF less all reimbursed costs, divided by total expenditure (excluding overheads but including any adverse costs on lost cases).

### 4. Pipeline of Investments

Since 30 June 2018, the Facebook privacy complaint (ASX Announcement 10 July 2018) has been unconditionally funded through the Rest of World Funds and further funding has been approved for an existing investment in the US Fund. These investments will be included in the September 2018 quarter investment portfolio.

In addition, IMF has five further conditionally funded investments at the present time (listed below), comprising a further potential EPV accretion of approximately \$195 million.

- Canadian class action – St Jude Medical (ASX announcement 14 August 2017)
- Retail Food Group (ASX announcement 10 May 2018)
- Canadian insolvency claim investment
- Hong Kong breach of contract claim investment
- Singapore insolvency investment (not previously announced)

**Julia Yetsenga**  
**Chief Financial Officer**

#### Notes:

#### Investments Included in Portfolio

The Investment Portfolio includes investments for which the IMF group or the Funds have entered into an unconditional commitment to fund and includes investments where a previously conditional funding agreement has become unconditional. Investments in Australian shareholder class actions included in the portfolio as unconditional may still be subject to a Court process, where there are competing class actions, to determine which case proceeds.

## **Past Performance**

Past performance is not necessarily an indication of future performance. Both the Long Term Conversion Rate and IMF's ROIC may vary materially over time. By providing this information, IMF has not been and is not now in any way providing earnings guidance for future periods. IMF will update its Long Term Conversion Rate and ROIC figures semi-annually in its Investment Portfolio report following the EY review of completed investments.

## **EPV**

EPV is IMF's current best estimate (in Australian dollars) of a claim's recoverable amount, which takes into account the perceived capacity of the defendant to meet the claim. It is not necessarily the amount being claimed by the funded claimants in the investment and is not the estimated return to IMF from the investment if it is successful. An EPV is subject to change over time for a number of reasons, including changes in circumstances and knowledge relating to an investment, partial recovery and, where applicable, fluctuations in exchange rates between the applicable local currency and the Australian dollar.

## **Possible Completion Periods**

The possible completion period is IMF's current best estimate of the period in which an investment may be finalised. An investment may finalise earlier or later than the identified period for various reasons.

Completion for these purposes means finalisation of the litigation by either settlement, judgment or arbitrator determination, for or against the funded claimant, notwithstanding that such finalisation may be conditional upon certain matters such as court approval in the context of a class action. It may not follow that the financial result will be accounted for in the year of finalisation. Possible completion period estimates are reviewed and updated where necessary on a quarterly basis.

## **Invested and Committed Capital**

Invested and committed capital is equal to the total capital either invested or committed to investments, translated to Australian dollars at the foreign exchange spot rate prevailing on the reporting date.

## **Non-USA**

IMF's Non-USA classification includes all regions excluding the USA in which IMF has investments, currently being Australia, Canada, Asia and the Middle East.

## **Accounting Consolidation of IMF's Investment Vehicles**

IMF's USA Fund 1, Fund 2 and Fund 3 will be consolidated within the IMF group financial statements, with the respective investors' interests reflected as Non-Controlling interests. Therefore, the entire EPV for investments funded by Fund 2 and Fund 3, and the entire funding commitment for investments funded by the Fund 1, are included in the quarterly Investment Portfolio.

## **Split Reporting**

The different regional reporting formats within the Investment Portfolio reflect the predominant underlying earnings structure of the applicable region; a multiple of capital invested in the USA and a percentage of the resolution amount for the non-USA investments.