



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

FRIDAY, 31 JANUARY 2020

INVESTMENT PORTFOLIO AT 31 DECEMBER 2019

IMF (excluding Omni Bridgeway (OB))

- The total EPV of all investments including conditionally funded and IC approved investments, but excluding the OB portfolio, has increased to \$11.5 billion representing a 21% increase in the last quarter, which reflects our continuing capacity to increase scale.
- During the quarter, IMF recognised gross income of \$55.1 million from litigation investments, taking the total for the half year to \$142.1 million; more than the entire FY19.
- There is a further \$161.6 million of gross income that is pending possible recognition during the remainder of FY20 from investments that have completed prior to 31 December. IMF expects that additional investment completions will also occur in the second half.
- Nine new investments were made by the Funds with an aggregate EPV of \$2,035.8 million and aggregate capital commitments of \$84.3 million. The EPV of completed investments in the period was \$217.3 million. Allowing for adjustments to ongoing cases, this resulted in a net EPV increase of \$1,609.8 million.
- Additionally, there are a further 16 conditionally funded and Investment Committee (IC) approved investments with an aggregate EPV of \$1.8 billion.

Omni Bridgeway (OB)

- On 8 November 2019, IMF completed the acquisition of OB including a portfolio of 230 cases.
- OB has recognised revenue of \$8.7 million since acquisition.
- 7 new investments have been made by OB since the merger, with 8 investments approved but not yet funded.

REPORTING FORMAT

Estimated Portfolio Value (EPV) for all jurisdictions excluding OB

IMF continues to report all investments using only EPV in the quarterly investment reports. Where a funding entity earns a funding commission based upon a multiple of capital invested, the EPV for that investment is, in line with past practice, calculated by taking IMF's estimate of the potential income return from the investment and grossing this up using IMF's Long-Term Conversion Rate.

The EPV for investments which are the subject of conditional settlements or appealable judgements or which are impaired, have not been removed from the portfolio. They will remain within the portfolio until they become unconditional completions. The EPV of any impaired investment reflects the impairment.

Cost

IMF reports the cost invested for all OB investments.

#4,257,943

OVERVIEW

Portfolio:

Total EPV of IMF (excluding OB) funded, conditionally funded and IC approved investments increased by 21% during the quarter from \$9.5 billion to \$11.5 billion.

	Balance Sheet	Fund 1	Funds 2/3	Fund 4	Fund 5	Total	EPV
	#	#	#	#	#	#	\$
Funded investments (opening)	19	32	29	2	1	83	\$8.1 b
New investments	-	-	3	3	3	9	
Completed investments	(4)	(2)	(1)	-	-	(7)	
Funded investments (closing)	15	30	31	5	4	85	\$9.7 b
Conditionally funded investments	-	-	7	-	1	8	
IC approved investments	-	1	1	1	5	8	
Total including all investments	15	31	39	6	10	101	\$11.5 b

Movement in the OB funded portfolio:

	Balance Sheet	Fund 6	Fund 7	Total	Cost
	#	#	#	#	€m
Funded investments (opening)	-	-	-	-	-
Purchased investments	5	225	-	230	52.6
New investments	-	7	-	7	0.1
Completed investments	-	(6)	-	(6)	(0.7)
Withdrawn / Terminated	-	(2)	-	(2)	0.0
Funded investments (closing)	5	224	-	229	52.0
Conditionally funded investments	-	-	-	-	-
IC approved investments	-	8	-	8	-
Total including all investments	5	232	-	237	52.0

Performance:

During the quarter, gross consolidated income of \$55.1 million and \$8.7 million of revenue was recognised from litigation investments. This takes the total for the half year to \$150.8 million; more than the entire FY19.

There were also unconditional and conditional settlements, and appealable judgments which may result in further gross consolidated income of another \$161.6 million in FY20. Additionally, IMF expects that further investments will also complete in the second half generating further extra income.

Consolidated income (IMF group):

AUD (millions)	Balance Sheet	Fund 1	Funds 2&3	Fund 4	Fund 5	IMF Total
Recognised income*						
Completed investments	17.1	11.6	12.7	-	-	41.4
Ongoing investments	12.2	1.0	0.5	-	-	13.7
Total income recognised	29.3	12.6	13.2	-	-	55.1
Income yet to be recognised						
Binding conditional settlements	12.0	-	-	-	-	12.0
Successful judgments	149.6	-	-	-	-	149.6
Total income yet to be recognised	161.6	-	-	-	-	161.6

*The income recognised is based on actual completions during the quarter and supersedes any previous announcements.

Consolidated revenue (OB group):

AUD (millions)	Fund 6	Fund 7	OB Total
Recognised revenue			
Completed investments	8.7	-	8.7
Ongoing investments	-	-	-
Total revenue recognised	8.7	-	8.7
Income yet to be recognised			
Binding conditional settlements	-	-	-
Successful judgments	-	-	-
Total revenue yet to be recognised	-	-	-

Funds:

During the quarter:

- Fund 1 increased its commitment level to 99%; and made distributions of USD 26.0 million.
- Fund 2/3 is committed to 100% of the available capital.
- Fund 4 made three investments and has committed 17% of its available capital.
- Fund 5 made three investments and has committed 8% of its available capital.
- Fund 6 has called 40% of available capital and made 7 new investments.
- Fund 7 has called 4% of available capital and has 0 investments.

PORTFOLIO AND FUNDS REVIEW

Balance Sheet – Rest of World (RoW) & USA

IMF's balance sheet investments, excluding the OB portfolio are analysed below:

Year of Investment	Number	EPV \$m	Possible Completion EPV \$m			
			FY2020	FY2021	FY2022	FY2023+
FY 2014 and earlier	2	639.5	639.5	-	-	-
FY 2015	2	41.6	1.6	40.0	-	-
FY 2016	5	289.8	116.7	23.1	150.0	-
FY 2017 and later	6	390.0	50.0	340.0	-	-
Total IMF	15	1,360.9	807.8	403.1	150.0	-

Movement from the previous quarter is reconciled as follows:

	Balance Sheet		USA		Rest of World	
	Number	EPV \$m	Number	EPV \$m	Number	EPV \$m
Opening	19	1,411.8	4	123.3	15	1,288.5
Additions	-	-	-	-	-	-
Completions	(4)	(63.5)	-	-	(4)	(63.5)
Updates	n/a	16.6	n/a	-	n/a	16.6
FX adjustment	n/a	(4.0)	n/a	(4.0)	n/a	-
Quarter end	15	1,360.9	4	119.3	11	1,241.6

Details for the OB balance sheet portfolio are below:

	OB	
	Number	Cost €m
Opening	-	-
Purchases	5	1.0
Additions	-	-
Completions	-	-
Updates	-	-
FX adjustment	-	-
Quarter end	5	1.0

Balance sheet investments are historic legacy investments that are in run off. All new investments are being made to fund structures in the relevant jurisdictions.

The Wivenhoe judgement was handed down in November 2019. The Supreme Court of New South Wales found the defendants were liable in negligence to the group members. The State of Queensland has announced that it will not appeal the decision, the other two defendants have lodged notices of intention to appeal.

Fund 1 – USA

Fund 1 commenced in February 2017. Fund 1 has capital commitments of USD 166.7 million with IMF contributing 25% and external investors contributing 75%.

Fund 1's exclusive commitment period concluded in April 2019. Fund 4 will make all new future US investments.

At 31 December 2019, Fund 1 had committed 99% of its available capacity, after reflecting proceeds received on portfolio investments in progress prior to the sale of the US balance sheet investments into Fund 1. The Fund had deployed 91% of its committed capital. There is one IC approved but not yet funded investment in Fund 1.

Year of Investment	Number	EPV \$m	Possible Completion EPV \$m			
			FY2020	FY2021	FY2022	FY2023 +
FY 2015 and earlier	6	371.7	194.1	177.6	-	-
FY 2016	8	1,052.4	170.4	762.9	119.1	-
FY 2017	5	350.0	273.8	76.2	-	-
FY 2018	7	656.7	128.6	528.1	-	-
FY 2019 and later	4	327.6	-	90.5	-	237.1
Total	30	2,758.4	766.9	1,635.3	119.1	237.1

Movement from the previous quarter is reconciled as follows:

	Number	EPV \$m
Opening	32	3,045.0
Additions	-	-
Completions	(2)	(111.8)
Updates	-	(88.1)
FX adjustment	-	(86.7)
Quarter end	30	2,758.4

Capital Called USDm			Uncalled Capital USDm			Accumulated Preferred Return USDm	Accumulated Special Distribution USDm	Accumulated Management Fee USDm
Total	Fortress	IMF	Total	Fortress	IMF	Fortress	Fortress	IMF
166.7	125.0	41.7	-	-	-	27.9	1.8	3.6
Distributions	(42.1)	-	n/a	n/a	n/a	(8.3)	-	-
Total	82.9	41.7	-	-	-	19.6	1.8	3.6

A further USD 7.9 million was received by the Fund and distributed to Fortress subsequent to the end of the quarter. At 31 December 2019, the Fund had cash remaining of USD 15.3 million which is yet to be deployed.

Funds 2 & 3 – Rest of World (RoW)

Focused on non- US investments, Funds 2 & 3 commenced in October 2017 with initial committed capital of \$150.0 million. This was increased on 31 January 2019 to \$180.0 million. IMF contributes 20% of the commitments with external investors contributing 80%.

The exclusive commitment period for Funds 2 & 3 concluded in June 2019. Fund 5 will make all future RoW investments, save in the event that committed amounts from Fund 2&3 investments are released due to early completions or IC approved matters not proceeding, in which case further investments will be made in Funds 2&3 in priority to Fund 5 to utilise this capacity.

At 31 December 2019, Funds 2 & 3 had committed 100% of its available capacity. The Fund had deployed 30% of its committed capital. If current conditionally funded or IC approved investments do not proceed, the related budgeted amounts will revert to the available capacity pool to finance further investments. There is \$51.3 million committed to seven conditionally funded investments; and \$2.4 million committed to one IC approved but not yet funded investment.

Year of Investment	Number	EPV \$m	Possible Completion EPV \$m			
			FY2020	FY2021	FY2022	FY2023 +
FY 2018	7	984.4	122.6	846.6	-	15.2
FY 2019	18	1,663.2	138.6	319.2	860.7	344.7
FY 2020	6	359.6	31.0	27.8	150.8	150.0
Total	31	3,007.2	292.2	1,193.6	1,011.5	509.9

Movement from the previous quarter is reconciled as follows:

	Number	EPV \$m
Opening	29	2,965.1
Additions	3	117.7
Completions	(1)	(42.0)
Updates	-	(33.6)
FX adjustment	-	-
Quarter end	31	3,007.2

Capital Called \$m			Uncalled Capital \$m			Accumulated Preferred Return \$m	Accumulated Special Distribution \$m	Accumulated Management Fee \$m
Total	Investors	IMF	Total	Investors	IMF	Investors	Investors	IMF
80.9	64.7	16.2	99.1	79.3	19.8	11.9	3.0	0.8
Distributions	(4.0)	-	n/a	n/a	n/a	-	-	-
Total	60.7	16.2	99.1	79.3	19.8	11.9	3.0	0.8

Fund 4 – USA

Fund 4 commenced in April 2019 with total committed capital of USD 500.0 million (series I) and a focus on US investment opportunities. The Fund 4 structure comprises a series of external investor managed accounts which in aggregate contribute 80% of the capital, with IMF providing the remaining 20%.

At 31 December 2019 the Fund had committed 17% of its available capital capacity. The Fund had deployed 63% of that commitment amount

Year of Investment	Number	EPV \$m	Possible Completion EPV \$m			
			FY2021	FY2021	FY2022	FY2023 +
FY 2019 and later	5	2,419.0	-	1,649.5	85.7	683.8
Total	5	2,419.0	-	1,649.5	85.7	683.8

Movement from the previous quarter is reconciled as follows:

	Number	EPV \$m
Opening	2	679.9
Additions	3	1,761.9
Completions	-	-
Updates	-	-
FX adjustment	-	(22.8)
Quarter end	5	2,419.0

Capital Called USDm			Uncalled capital USDm			Recycled Proceeds USDm		
Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF
73.8	59.0	14.8	426.2	341.0	85.2	-	-	-
	n/a	n/a	n/a	n/a	n/a	18.5	14.8	3.7
Distributions	(1.1)	(0.3)	n/a	n/a	n/a	-	-	-
Total	57.9	14.5	426.2	341.0	85.2	18.5	14.8	3.7

Fund 5 – ROW

In June 2019, IMF launched Fund 5 with total committed capital of USD 500.0 million (series I) with a focus on non-USA litigation finance investments. IMF's commitment to Fund 5 is USD 100.0 million.

At 31 December 2019 the Fund had committed 8% of its available capital capacity and had deployed 55% of that commitment amount. If current conditionally funded or IC approved investments do not proceed, the related budgeted amounts will revert to the available capacity pool to finance further investments. There is one investment conditionally funded and five IC Approved but not yet funded investments.

Year of Investment	Number	EPV \$m	Possible Completion EPV \$m			
			FY2020	FY2021	FY2022	FY2023+
FY 2020	4	180.5	-	72.9	57.1	50.5
Total	4	180.5	-	72.9	57.1	50.5

Movement from the previous quarter is reconciled as follows:

	Number	EPV \$m
Opening	1	25.1
Additions	3	156.2
Completions	-	-
Updates	-	-
FX adjustment	-	(0.8)
Quarter end	4	180.5

Capital Called USDm			Uncalled capital USDm			Recycled Proceeds USDm		
Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF
25.1	20.1	5.0	474.9	379.9	95.0	-	-	-
	n/a	n/a	n/a	n/a	n/a	-	-	-
Distributions	-	-	n/a	n/a	n/a	-	-	-
Total	20.1	5.0	474.9	379.9	95.0	-	-	-

Fund 6 – OB

Fund 6 commenced in 2016 with the purchase of the majority of OB balance sheet investments. IMF purchased the Omni Bridgeway group in November 2019, including its interests in Fund 6. The Fund has EUR 150 million of investor capital commitments (including EUR 7.5 million from OB). The Fund is focussed on non-USA litigation finance investments and enforcement claims.

Fund 6 has a capital commitment to Fund 7 of USD 50.0 million being 50% of Fund 7's capacity.

At 31 December 2019 the Fund had called 40% of its capital.

	Number	Cost €m
Purchased investments	217	51.9
Post 8 November 2019	7	0.1
Total	224	52.0

The provisionally determined fair value of the purchased investments is \$158.3 million.

Movement from the previous quarter is reconciled as follows:

	Number	Cost €m
Purchased	225	52.6
Additions	7	0.1
Completions / Withdrawn / Terminated	(8)	(0.7)
Updates	-	-
FX adjustment	-	-
Quarter end	224	52.0

Capital Called EURm			Uncalled capital EURm			Recycled Proceeds EURm		
Total	Investors	OB	Total	Investors	OB	Total	Investors	OB
60.1	57.1	3.0	89.9	85.4	4.5	-	-	-
	n/a	n/a	n/a	n/a	n/a	15.0	14.3	0.7
Distributions	-	-	n/a	n/a	n/a	-	-	-
Total	57.1	3.0	89.9	85.4	4.5	15.0	14.3	0.7

Fund 7 – Distressed Asset Recovery Program (DARP)

Fund 7 is an OB joint venture project with the World Bank / International Finance Corporation to assist banks with the funding and international legal workout of non-performing loans. The fund has USD 100.0 million of investor capital commitments. USD 50.0 million will be funded from Fund 6 and the balance will be funded from external investors via a USD 30.0 million equity participation and a USD 20.0 million loan.

The Fund commenced operations during the period with an initial equity draw on investors to fund administrative costs. At 31 December 2019, no investments have been made.

At 31 December 2019 the Fund had called 4% of its available capacity.

Capital Called USDm			Uncalled capital USDm			Recycled Proceeds USDm		
Total	Investors	F6	Total	Investors	F6	Total	Investors	F6
3.5	1.0	2.5	-	-	-	-	-	-
Distributions	-	-	n/a	n/a	n/a	-	-	-
Total	1.0	2.5	-	-	-	-	-	-

FUNDS PERFORMANCE REVIEW

Past performance of completed investments in IMF's funds to 31 December 2019, excluding withdrawals and overheads is shown below:

	Number of current investments	Number of completed investments	Average investment length (years)	Success rate on investment number (%)	ROIC excluding overhead (%)	IRR excluding overhead (%)
Fund 1	30	18	2.6	83	16	10
Funds 2&3	31	5	0.6	80	302	924
Fund 4 (Series I)	5	1	0.3	100	16	93
Fund 5 (Series I)	4	-	n/a	n/a	n/a	n/a
Fund 6	224	102	2.3	69	236	99*
Fund 7	-	n/a	n/a	n/a	n/a	n/a

*IRR is calculated on the OB completed investments (14) and does not include Roland completions (88) as this data is not available.

The completion metrics for the Funds shown above, particularly for Funds 2 & 3 and Fund 4, represent early completions which may not be representative of longer-term metrics.

Fund 4's ROIC & IRR metrics are consistent with IMF's pricing policy for a very short successful investment as is the case here.

Whilst it is not possible to forecast, we would expect the long-term ROIC for US investments in Fund 1 and Fund 4 to trend upwards and track closer to IMF's historical global long term ROIC.

CASH REPORTING

	\$m	Comments
CASH HELD		
IMF balance sheet (excluding Funds)	167.4	
Funds (1, 2&3, 4, 5)	61.8	\$13.5 million of which represents contributions by IMF
OB	46.3	
Consolidated Total	275.5	
IMF INVESTMENT REQUIREMENTS		
To balance sheet investments (unspent capital commitments)	14.9	Estimated to be deployed over next 2 years
Funds uncalled commitments at 31 December fx		
Fund 1	-	Fully called
Funds 2 & 3	19.8	Estimated to be called over next 1-2 years
Fund 4 (Series I)	121.3	Estimated to be called over next 4 years
Fund 5 (Series I)	135.7	Estimated to be called over next 4-8 years
Fund 6	7.2	Estimated to be called over next 1-2 years
Fund 7	n/a	Funded as part of Fund 6
Total	298.9	

Stuart Mitchell
Chief Financial Officer

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NOTES:

This announcement is for the use of IMF's public shareholders and is not an offering of any private fund.

Investments Included in Portfolio

The Investment Portfolio includes investments for which the IMF Group have entered into an unconditional commitment to fund and includes investments where a previously conditional funding agreement has become unconditional. It includes investments that have settled or have appealable judgments until they have finally completed and the associated income can be recognised. 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 claims, to determine which case proceeds.

Past Performance

Past performance is not necessarily an indication of future performance.

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

IMF's completed investment data has been reviewed by the auditor of IMF, EY, to 30 June 2019. It has been updated to 31 December 2019 by management and will be reviewed by EY as part of the half year review.

OB's past performance indicates that OB litigation funding investments have generated an average multiple of 4.2 x on closed cases (**MOIC**). This has not been reviewed by EY.

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

IRR is calculated on underlying flows for completed cases including losses but excluding withdrawals, excluding overheads but including any adverse costs on lost cases.

The Long-Term Conversion Rate, MOIC, ROIC and IRR from completed investments 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.

EPV

EPV for an investment where the IMF funding entity earns a percentage of the resolution proceeds as a funding commission, is IMF's current estimate of the claim's recoverable amount after considering the perceived capacity of the defendant to meet the claim. It is not necessarily the amount being claimed by the claimants, nor is it an estimate of the return to IMF if the investment is successful. EPV for an investment where the IMF funding entity earns a funding commission calculated as a multiple of capital invested shall be calculated by taking IMF's estimate of the potential income return from the investment and grossing this up to an EPV using IMF's Long-Term Conversion Rate. An EPV is subject to change over time for a number of reasons, including, but not limited to, 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 estimate of the period in which an investment may be finalised. It is not a projection or forecast. 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.

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.

Rest of the World/Non-USA

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

Accounting Consolidation of IMF's Investment Vehicles

Funds 1, 2 & 3, and the investments of Funds 4 and 6 are consolidated within the IMF group financial statements, with the respective external investors' interests reflected as Non-Controlling interests. Fund 5 and Fund 7 are not consolidated within the IMF Group financial statements. Regardless of consolidation, the entire EPV for all investments including external investors proportionate share therein are included in this quarterly investment portfolio announcement.

Investment Commitments

- (i) Fund 1 & 4 are the amounts committed to conditionally & unconditionally funded investments and are generally fixed;
- (ii) Fund 2/3 and Fund 5 are the investment budget amounts of conditionally & unconditionally funded investments.

Other Costs

Include unrecoverable due diligence costs; and for Funds 2 & 3 and Fund 5 it additionally includes the cost of the After-the-Event insurance policy premium.