



**RELEASE TO AUSTRALIAN SECURITIES EXCHANGE**

**MONDAY, 14 OCTOBER 2019**

**INVESTMENT PORTFOLIO AT 30 SEPTEMBER 2019**

**CORRECTION**

IMF Bentham Limited (**IMF**) refers to its earlier announcement of today and notes a typographical error in the “Highlights” section of the Investment Portfolio Report at 30 September 2019. The 14 conditionally funded and IC approved investments have an aggregate EPV of \$1.41 billion not \$14.1 billion as stated.

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## RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

MONDAY, 14 OCTOBER 2019

### INVESTMENT PORTFOLIO AT 30 SEPTEMBER 2019

#### HIGHLIGHTS

- During the quarter ended 30 September 2019, IMF recognised consolidated gross income of \$87.6 million. This included the early completion of an investment made in June 2019 in Fund 4 which generated revenue to the Fund of approximately USD 19.9 million.<sup>1</sup>
- There is a further \$69.0 million expected to be recognised in FY20 from investments that have unconditionally and conditionally completed in the period from mid-June to date. If such gross income is ultimately recognised in FY20; this will result in consolidated FY20 gross income being more than four times the total consolidated gross income for FY19.
- The EPV of completed investments in the period was \$497.2 million. This reduction in aggregate portfolio EPV has been off-set by five new investments made by the funds over the period with an aggregate EPV of \$562.6 million, representing a net EPV increase of \$65.8 million. The five new investments made by the funds have aggregate capital commitments of \$25.7 million.
- In addition, at 30 September 2019, there were 14 conditionally funded and IC approved investments with an aggregate EPV of \$14.1 billion. IMF also notes that the pipeline of investments currently in the due diligence phase remains strong.

#### REPORTING FORMAT – Estimated Portfolio Value (EPV) FOR ALL JURISDICTIONS

Due to the variations in funding commission calculation methodology across IMF's global portfolio of investments, there is no one perfect reporting methodology. Consequently, IMF will continue to report all investments using only EPV in the quarterly investment reports. However, it should be noted that, where an IMF 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.

In addition, IMF notes that the EPV for investments which are the subject of conditional settlements or appealable judgements, have not been removed from the portfolio, and will remain within the portfolio until they become unconditional.

<sup>1</sup> For further information see IMF's announcement dated 17 September 2019

## OVERVIEW

### Portfolio:

Total EPV of all funded and Investment Committee (IC) approved investments remained consistent during the quarter at \$9.5 billion.

Number	Balance Sheet	Fund 1	Funds 2/3	Fund 4	Fund 5	Total	EPV
	(RoW & USA)	(USA)	(RoW)	(USA)	(RoW)		
Funded investments (opening)	21	34	26	2	-	83	\$8.0 b
New investments	-	-	3	1	1	5	
Completed investments	(2)	(2)	-	(1)	-	(5)	
<b>Funded investments (closing)</b>	<b>19</b>	<b>32</b>	<b>29</b>	<b>2</b>	<b>1</b>	<b>83</b>	<b>\$8.1 b</b>
Conditionally funded investments	-	-	7	-	1	8	
IC approved investments	-	1	4	-	1	6	
<b>Total including all investments</b>	<b>19</b>	<b>33</b>	<b>40</b>	<b>2</b>	<b>3</b>	<b>97</b>	<b>\$9.5 b</b>

### Performance:

During the quarter gross income of \$87.6 million was recognised. In addition, there were unconditional and conditional settlements, and appealable judgments in the quarter which IMF expects to result in further gross consolidated income of \$69.0 million in FY20.

\$m	Balance Sheet	Fund 1	Funds 2/3	Fund 4	Total
	(RoW & USA)	(USA)	(RoW)	(USA)	
<b>Recognised income</b>					
Completed investments	20.8	32.4	-	29.5	<b>82.7</b>
Ongoing investments	-	4.9	-	-	<b>4.9</b>
<b>Total income recognised</b>	<b>20.8</b>	<b>37.3</b>	<b>-</b>	<b>29.5</b>	<b>87.6</b>
<b>Income yet to be recognised</b>					
Binding conditional settlements	16.1	-	15.5	-	<b>31.6</b>
In-Principle settlement agreed	-	6.9	-	-	<b>6.9</b>
Successful judgements	30.5	-	-	-	<b>30.5</b>
<b>Total income yet to be recognised</b>	<b>46.6</b>	<b>6.9</b>	<b>15.5</b>	<b>-</b>	<b>69.0</b>
<b>TOTAL EXPECTED INCOME</b>	<b>67.4</b>	<b>44.2</b>	<b>15.5</b>	<b>29.5</b>	<b>156.6</b>

### Funds:

During the quarter:

- Fund 1 increased its level of investment to 98.4% of the available capital (2% increase),
- Fund 2/3 increased its level of investment to 100% of the available capital (7% increase),
- Fund 4 made its third investment and first completion and has committed 9.4% of its available capital (excluding capital recycling),
- Fund 5 made its first investment and has committed 0.5% of its available capital.

## PORTFOLIO AND FUNDS REVIEW

### Balance Sheet – Rest of World (RoW) & USA

Year of Investment	Number	EPV \$m	Possible Completion EPV \$m		
			FY2020	FY2021	FY2022
FY 2014 and earlier	4	662.0	662.0	-	-
FY 2015	2	41.7	41.7	-	-
FY 2016	5	291.7	121.7	20.0	150.0
FY 2017	6	343.0	73.0	270.0	-
FY 2018	2	73.4	73.4	-	-
<b>Total</b>	<b>19</b>	<b>1,411.8</b>	<b>971.8</b>	<b>290.0</b>	<b>150.0</b>

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	21	1,514.2	4	118.8	17	1,395.4
Additions	-	-	-	-	-	-
Completions	(2)	(93.0)	-	-	(2)	(93.0)
Updates	n/a	(14.5)	n/a	-	n/a	(14.5)
FX adjustment	n/a	5.1	n/a	4.5	n/a	0.6
<b>Quarter end</b>	<b>19</b>	<b>1,411.8</b>	<b>4</b>	<b>123.3</b>	<b>15</b>	<b>1,288.5</b>

The possible completion dates for both the Wivenhoe and Westgem investments have been moved from FY19 to FY20. Both cases are awaiting judgment following the completion of trials in 2019.

Balance sheet investments are in run off, with no new investments being made on the balance sheet since the launch of Fund 2/3 in October 2017. IMF is entitled to 100% of future revenue from the balance sheet investments detailed above (for the small number of co-funded investments the stated EPV reflects IMF's portion of the investment only).

### Fund 1– USA

Year of Investment	Number	EPV \$m	Possible Completion EPV \$m			
			FY2020	FY2021	FY2022	FY2023 +
FY 2015 and earlier	6	382.3	177.2	205.1	-	-
FY 2016	8	1,136.3	176.3	738.8	221.2	-
FY 2017	5	362.1	283.3	78.8	-	-
FY 2018	7	669.1	251.3	417.8	-	-
FY 2019 and later	6	495.2	13.3	192.2	44.3	245.4
<b>Total</b>	<b>32</b>	<b>3,045.0</b>	<b>901.4</b>	<b>1,632.7</b>	<b>265.5</b>	<b>245.4</b>

The movement in the estimated completion dates of investments from FY20 to FY21 relates to three investments, and in particular, one large investment which represents 86% of the change.

Movement from the previous quarter is reconciled as follows:

	Number	EPV \$m
Opening	34	3,164.3
Additions	-	-
Completions	(2)	(205.5)
Updates	-	(24.3)
FX adjustment	-	110.5
<b>Quarter end</b>	<b>32</b>	<b>3,045.0</b>

At 30 September 2019, Fund 1 had committed 98.4% of its available capacity to investments, after reflecting proceeds received on portfolio investments in progress prior to the sale of the US balance sheet investments into Fund 1.



There is one IC approved but not yet funded investment in Fund 1.

As announced on 17 April 2019, Fund 1's exclusive commitment period has now concluded. US investments will continue to be made from Fund 1 until the fund is fully committed to US investments, however US investments outside the Fund 1 mandate will be made by Fund 4. Once Fund 1 is fully committed, Fund 4 will make all future US investments.

Fund 1 comprises 75% external capital and 25% IMF capital and has a European waterfall distribution structure whereby the total investor capital and preferred return is distributed to the investor in priority to IMF's return of capital and management fee return. Thereafter, IMF receives 85% of the residual profits.

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
<b>166.7</b>	125.0	41.7	-	-	-	23.4	1.8	3.1
Distributions	(16.1)	-	n/a	n/a	n/a	(8.3)	-	-
<b>TOTAL</b>	<b>108.9</b>	<b>41.7</b>	-	-	-	<b>15.1</b>	<b>1.8</b>	<b>3.1</b>

## Funds 2 & 3 – Rest of World (RoW)

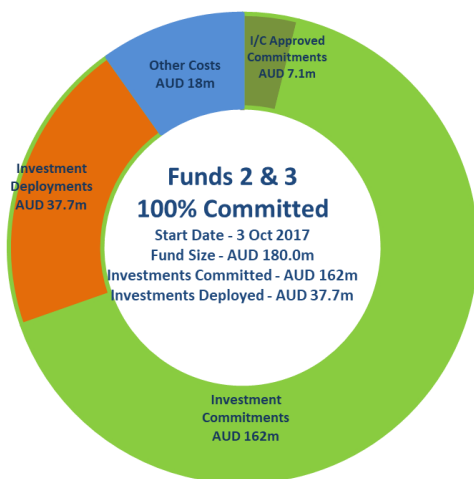
Year of Investment	Number	EPV \$m	Possible Completion EPV \$m			
			FY2020	FY2021	FY2022	FY2023 +
FY 2018	8	1,026.4	122.6	903.8	-	-
FY 2019	18	1,696.8	138.6	347.8	865.7	344.7
FY 2020	3	241.9	-	11.9	80.0	150.0
<b>Total</b>	<b>29</b>	<b>2,965.1</b>	<b>261.2</b>	<b>1,263.5</b>	<b>945.7</b>	<b>494.7</b>

Movement from the previous quarter is reconciled as follows:

	Number	EPV \$m
Opening	26	2,709.1
Additions	3	241.9
Completions	-	-
Updates	-	14.1
FX adjustment	-	-
<b>Quarter end</b>	<b>29</b>	<b>2,965.1</b>

Fund 2 and Fund 3 commenced in October 2017 with total committed capital of \$150.0 million. On 31 January 2019 investor commitments were increased to \$180.0 million.

At 30 September 2019 these Funds were committed to 100% of available capacity.



If the conditionally funded or IC approved investments do not proceed, the related budgeted amounts will revert to the available capacity pool to finance further investments. In this regard there is \$51.1 million committed to seven conditionally funded investments; and \$6.9 million committed to four IC approved but not yet funded investments.

As announced on 20 June 2019, future RoW investments will be made by Fund 5 now that Funds 2 and 3 are fully committed.

Fund 2/3 comprises 80% external capital and 20% IMF capital and has a European waterfall distribution structure whereby the total investor capital and preferred return is distributed to the investor in priority to IMF's return of capital and management fee return. Thereafter, IMF receives 80% of the residual profits.

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	9.9	2.7	0.7
Distributions	(4.0)	-	n/a	n/a	n/a	-	-	-
<b>TOTAL</b>	<b>60.7</b>	<b>16.2</b>	<b>99.1</b>	<b>79.3</b>	<b>19.8</b>	<b>9.9</b>	<b>2.7</b>	<b>0.7</b>

## Fund 4 – USA

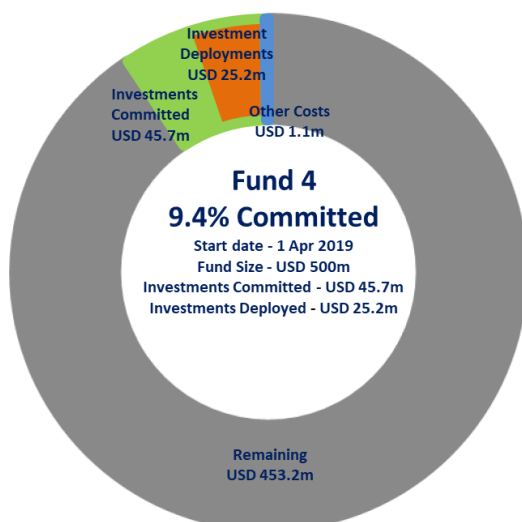
Year of Investment	Number	EPV \$m	Possible Completion EPV \$m	
			FY2023	FY2024
FY 2020 and earlier	2	680.0	295.6	384.3
<b>Total</b>	<b>2</b>	<b>679.9</b>	<b>295.6</b>	<b>384.3</b>

Movement from the previous quarter is reconciled as follows:

	Number	EPV \$m
Opening	2	569.1
Additions	1	295.6
Completions	(1)	(198.7)
Updates	-	-
FX adjustment	-	13.9
<b>Quarter end</b>	<b>2</b>	<b>679.9</b>

Fund 4 commenced in April 2019 with total committed capital of US\$500 million (series I).

At 30 September 2019 the Fund was committed to 9.4% of available capacity excluding capital recycling from the recent completion.



The Fund 4 structure comprises a series of managed accounts which in aggregate contribute 80% of investment capital, with IMF providing the remaining 20%. The distribution structure reflects an American waterfall, whereby IMF and the external investors receive pro rata equity returns, IMF is entitled to a performance fee of up to 30% of the profits on each investment subject to achieving the requisite hurdle return.

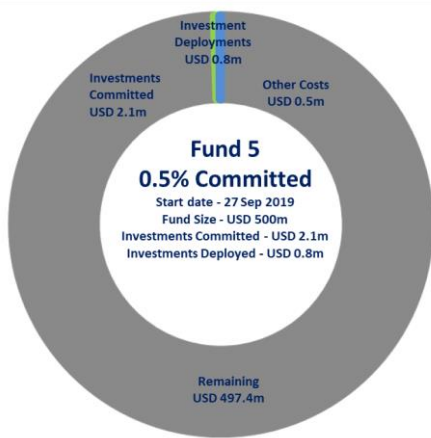
Capital Called USDm			Uncalled Capital USDm		
Total	Investors	IMF	Total	Investors	IMF
27.3	21.8	5.5	472.7	378.2	94.5
Distributions	-	-	-	-	-
<b>TOTAL</b>	<b>21.8</b>	<b>5.5</b>	<b>472.7</b>	<b>378.2</b>	<b>94.5</b>

## Fund 5 – ROW

In June 2019 IMF launched its fifth Fund; Fund 5.

Fund 5 has USD500 million of investor capital commitments (including USD100 million from IMF) and is focused on non-USA litigation finance investments.

At 30 September 2019 the Fund was committed to 0.5% of available capacity.



In addition to the investment committed to by the Fund, a further two investments have been conditionally funded during the quarter.

Capital Called USDm			Uncalled Capital USDm		
Total	Investors	IMF	Total	Investors	IMF
1.2	1.0	0.2	498.8	399.0	99.8
Distributions	-	-	-	-	-
<b>TOTAL</b>	<b>1.0</b>	<b>0.2</b>	<b>498.8</b>	<b>399.0</b>	<b>99.8</b>

## FUNDS PERFORMANCE REVIEW

Past performance of completed investments in IMF's funds to 30 September 2019, excluding withdrawals and overheads is shown below:

	Number of investments	Number of completed Investments	Average Investment length	Success rate on investment number	Success rate on weighted average	ROIC (excl OH)	IRR (excl OH)
Fund 1	32	16	2.5 years	81%	154%	14%	8%
Funds 2&3	29	4	0.5 years	75%	81%	174%	1092%
Fund 4	2	1	0.3 years	100%	100%	16%	93%



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. 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 that experienced globally.

### **CASH REPORTING**

	\$m	Comments
<b>CASH HELD</b>		
IMF Balance Sheet (excluding Funds)	118.9	
Funds (1, 2&3, 4, 5)	100.0	
<b>Consolidated Total</b>	<b>218.9</b>	
<b>IMF INVESTMENT REQUIREMENTS</b>		
To Balance Sheet Investments (unspent capital commitments)	18.2	Estimated to be deployed over next 2 years
<b>Funds Uncalled Commitments at 30 September fx</b>		
Fund 1	-	Fully called
Funds 2 & 3	19.8	Estimated to be called over next 1-2 years
Fund 4	139.7	Estimated to be called over next 4 years
Fund 5	147.4	Estimated to be called over next 4-8 years
<b>Total</b>	<b>325.1</b>	

**Stuart Mitchell**  
Chief Financial Officer

**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 until they have finally complete 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 have generated average gross income of approximately 15% of the EPV of an investment at the time it is completed (**Long Term Conversion Rate**). 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's ROIC figures in its Investment Portfolio are reviewed by EY in its semi-annual review of completed investments.

The completed investment data has been reviewed by the auditor of IMF, EY, to 31 December 2018 and updated to 30 June 2019 by management and will be reviewed by EY as part of the year end audit.

ROIC (return on invested capital) is calculated as gross income to the Group 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.

**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 4's balance sheets are consolidated within the IMF group financial statements, with the respective external investors' interests reflected as Non-Controlling interests. Fund 5 balance sheet is not consolidated within the IMF Group financial statements. The entire EPV and gross income 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 are the investment budget amounts of conditionally & unconditionally funded investments.

#### **Other Costs**

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