



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

MONDAY, 8 MAY 2017

CASE INVESTMENT PORTFOLIO AT 31 MARCH 2017

Summary

Q3 Performance Highlights

- During the March 2017 quarter, IMF added eight new cases to its Case Investment Portfolio, including the first cases funded by the US Investment Vehicle. Three case completions together with revenue earned on US portfolio matters delivered gross revenue for the quarter of \$7.8M.
- IMF's portfolio of 61 cases with a total Estimated Portfolio Value (**EPV**) of \$3.68 billion are new records for the IMF group, and are representative of our continuing approach to increase the size and diversification of our investment portfolio.

Restructured Reporting of Case Investment Portfolio

- IMF has restructured the presentation of its US and Canadian cases in its quarterly Case Investment Portfolio to reflect differences in the economics and revenue structures between the Australian and Asian markets on the one hand, and North American markets on the other hand:
 - in North America, IMF generally makes capped capital investments and usually earns revenues by reference to a multiple of investment (**Multiple**); and
 - in Australia and Asia, IMF generally makes uncapped capital investments and usually earns revenue calculated as a percentage of the settlement or award amount (**Percentage of Proceeds**).
- In future, IMF will provide information about the capital committed and the capital deployed for US and Canadian cases. For Australian and Asian cases IMF will continue to use the EPV basis of reporting. Cases from other jurisdictions will be reported on in accordance with the applicable revenue model of either Multiple or Percentage of Proceeds.
- IMF will continue to breakdown its Case Investment Portfolio divided into successive periods based upon its estimation of possible completion dates.
- IMF will present its Case Investment Portfolio at 31 March 2017 and at 30 June 2017 in the historic format together with the updated format, and transition to presenting the quarterly Case Investment Portfolio solely in the updated format from the 30 September 2017 quarter onwards.

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Case Investment Portfolio at 31 March 2017 – Historic format

1. Below is a summary of the Groups' Case Investment Portfolio at 31 March 2017:

EPV Range	EPV \$M	Number of cases	Proportion of total value	Possible completion FY2017 \$M	Possible completion FY2018 \$M	Possible completion FY2019 and later \$M
Less than \$50M	924.1	39	25%	37.4	499.2	387.5
Between \$50M and \$100M	732.1	11	20%	72.0	142.0	518.1
Greater than \$100M	2,025.2	11	55%	20.9	692.7	1,311.6
Total Portfolio	3,681.4	61	100%	130.3	1,333.9	2,217.2
Australia and Asia cases	1,678.1	27	46%	19.5	801.4	857.2
USA and Canada cases	1,794.0	32	49%	110.8	532.5	1,150.7
US Investment Vehicle Cases	209.3	2	5%	0.0	0.0	209.3
Total Portfolio	3,681.4	61	100%	130.3	1,333.9	2,217.2

2. Movement from the previous quarter is reconciled as follows:

Description	Number of cases	Estimated portfolio Value \$M
31 December 2016 Portfolio	56	3,370.2
Additions	8	435.9
Completions	(3)	(78.1)
Updates (2 cases)		53.9
Adjustments due to foreign exchange movements		(100.5)
31 March 2017 Portfolio	61	3,681.4

“**Additions**” refers to new cases for which the Group has entered into an unconditional commitment to fund and includes cases where a previously conditional funding agreement has become unconditional.

“**Completions**” refers to cases which are subject to an unconditional binding settlement agreement or a binding determination by a court or arbitration panel.

“**Updates**” details cases where the estimated portfolio value has either been increased or decreased due to underlying aspects of the cases. *It includes in this quarter, an EPV increase in a US case resulting from additional funding provided by IMF.*

3. The following cases also remain conditionally funded at the present time and are therefore not yet included in the Case Investment Portfolio:

- GST class action (19 September 2016)
- Claims against Australian Executor Trustees (SA) Limited in its capacity as trustee of the SEAS Sapfor Scheme (8 December 2016)
- Canadian case involving an intellectual property dispute (9 January 2017)
- Woolworths Limited class action (11 April 2017)

Case investment portfolio 31 March 2017 – Updated format

Australian and Asia Case Reporting

4. IMF will continue to report its Australian and Asian investments based upon the EPV of cases in its quarterly Case Investment Portfolio. As noted above, IMF's funding revenues on Australian and Asian investments are generally calculated on a Percentage of Proceeds basis and the funding commitments are usually uncapped. IMF therefore considers that EPV remains the appropriate reporting methodology for this segment of its investment portfolio, notwithstanding the subjectivity involved in calculating EPV.
5. Past performance indicates that IMF has generated average gross revenue of approximately 15% of the EPV of a case at the time it is completed (**Long Term Conversion Rate**).

US and Canadian Case Reporting

6. In light of the growth of IMF's US business and the recent establishment of the US Investment Vehicle (for further detail see IMF's announcement dated 13 February 2017 – *Launch of IMF US Investment Vehicle*), IMF has restructured the details it provides for its US and Canadian cases to align its disclosure with the basis of calculation of its funding revenues in those markets.
7. In the US and Canada, IMF generally makes capped capital investments and usually earns revenue calculated as a Multiple. These cases remain anonymous in our reporting to limit the risk that publicly disclosed information will have a detrimental effect on the interests of IMF and its clients. In future, at the time of entering into material investments in those markets, IMF will disclose the amount of capital committed to these investments. In its quarterly Case Investment Portfolio reports, IMF will disclose the aggregate amount of capital committed to existing cases and the amount remaining to be deployed, together with IMF's historic return on invested capital (**ROIC**). IMF reports its ROIC on a net of cost basis. For example, if IMF invested \$2.5M in a matter (excluding any apportionment of capitalised overheads and interest) and earned revenue of \$6.0M this would be reported as a ROIC of 1.4x.
8. Performance since inception in 2001 has resulted in IMF generating a global ROIC, excluding withdrawals and overheads of 1.6x. In the US, based upon a much smaller number of completed cases, for the period from late 2011 to date, IMF's ROIC is 1.2x. Conversely in the US, IMF's average case duration on its completed cases is 1.2 years, compared to a global average of 2.4 years.

Past Performance

9. Past performance is not necessarily an indication of future performance. Both the Long Term Conversion Rate and IMF's global and US 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 global and US ROIC figures semi-annually in its Case Investment Portfolio report.

10. Below is a summary of the Case Investment Portfolio with the updated disclosure described above:

Australia and Asia – Estimated Portfolio Value						
EPV Range	EPV \$M	Number of cases	Proportion of total value	Possible completion FY2017 \$M	Possible completion FY2018 \$M	Possible completion FY2019 and later \$M
Less than \$50M	371.1	18	22%	19.5	194.4	157.2
Greater than \$50M	1,307.0	9	78%	0	607.0	700.0
Total EPV	1,678.1	27	100%	19.5	801.4	857.2

Movement from the previous quarter is reconciled as follows:

Australia and Asia Reconciliation	Number of cases	EPV \$M
31 December 2016 Portfolio	23	1,464.2
Additions	6	226.6
Completions	(2)	(29.7)
Updates		17.0
31 March 2017 Portfolio	27	1,678.1

US, US Investment Vehicle and Canada – Invested and Committed Capital					
	Total (excluding capitalised overheads and interest) \$M	Number of cases	Possible completion FY2017 \$M	Possible completion FY2018 \$M	Possible completion FY2019 and later \$M
Invested Capital					
US and Canada cases	81.6	32	6.2	27.7	47.7
US Investment Vehicle cases	1.9	2	0.0	0.0	1.9
Total	83.5	34	6.2	27.7	49.6
Remaining Commitment to be deployed					
US and Canada cases	28.4	32	0.1	4.2	24.1
US Investment Vehicle cases	8.6	2	0.0	0.0	8.6
Total	37.0	34	0.1	4.2	32.7
Total Commitments	120.5		6.3	31.9	82.3
US ROIC	1.2x				

Movement from the previous quarter is reconciled as follows:

US, US Investment Vehicle and Canada Reconciliation	Number of cases
31 December 2016 Portfolio	33
Additions	2
Completions	(1)
31 March 2017 Portfolio	34

Julia Yetsenga
Chief Financial Officer

Notes:

EPV

1. 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 case and is not the estimated return to IMF from the case 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 a case, partial recovery and, where applicable, fluctuations in the foreign exchange rates between the applicable local currency and the Australian dollar.

Possible Completion Periods

2. IMF will continue to present its quarterly Case Investment Portfolio by identifying the period in which it estimates a case may be completed. The possible completion period is IMF’s current best estimate of the period in which a case may be finalised. A case may finalise earlier or later than the identified period for various reasons.
3. Completion for these purposes means finalisation of the litigation by either settlement, judgment or arbitrator determination, for or against the funded claimant. 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

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

Accounting Consolidation of IMF’s Investment Vehicle

5. The US Investment Vehicle will be consolidated within the IMF group financial statements, with Fortress’ interest reflected as a Non-Controlling interest. Therefore, the entire funding commitment from cases funded by the US Investment Vehicle are included in the quarterly Case Investment Portfolio. The current portfolio includes two new cases funded by the US Investment Vehicle.

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