



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

MONDAY, 29 JANUARY 2018

INVESTMENT PORTFOLIO AT 31 DECEMBER 2017

Summary

- During the December 2017 quarter IMF launched two new investment vehicles (Fund 2 and Fund 3) to fund investments outside the USA and added ten new investments to its total Investment Portfolio.
- Two investment completions, together with revenue earned from both ongoing investments in the USA and Australian investments completed in prior periods, delivered gross revenue of \$31 million for the quarter.
- IMF's Investment Portfolio now includes 77 investments, comprising 33 investments outside the USA and 44 USA investments. The non-USA investments have a total Estimated Portfolio Value (EPV) of \$2.1 billion and the USA investments constitute over \$163 million in capital commitments.
- IMF's Investment Portfolio report has been updated to clearly identify the portion of the portfolio funded entirely by IMF and the portion funded through its investment vehicles.

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 FY2018 \$m | Possible completion FY2019 \$m | Possible completion FY2020 and later \$m |
|------------------------|-----------------------|----------------|--------------------------------|--------------------------------|--|
| IMF Group (non-USA) | 28 | 1,528.1 | 576.5 | 548.2 | 403.4 |
| Fund 2 and Fund 3 | 5 | 575.3 | 3.9 | 6.1 | 565.3 |
| Total Portfolio | 33 | 2,103.4 | 580.4 | 554.3 | 968.7 |

Movement from the previous quarter is reconciled as follows:

| | Number of investments | EPV \$m |
|--------------------------------------|-----------------------|----------------|
| 30 September 2017 Portfolio | 26 | 1,616.2 |
| Additions / Completions | 6 / (1) | 576.3 |
| Updates / Reallocations ¹ | 3 / 2 | (89.1) |
| 31 December 2017 Portfolio | 33 | 2,103.4 |

¹ Reallocation of two Canadian investments from the USA portfolio.

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**).

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

| | Number of investments | Total (excluding capitalised overheads and interest) \$m | Possible completion FY2018 \$m | Possible completion FY2019 \$m | Possible completion FY2020 and later \$m |
|--|-----------------------|--|--------------------------------|--------------------------------|--|
| Invested Capital | | | | | |
| Bentham IMF (USA) | 29 | 94.0 | 9.4 | 68.1 | 16.5 |
| Fund 1 | 15 | 32.9 | 1.3 | 7.5 | 24.1 |
| Total | 44 | 126.9 | 10.7 | 75.6 | 40.6 |
| Remaining Commitment to be deployed | | | | | |
| Bentham IMF (USA) | 29 | 14.7 | 2.1 | 10.7 | 1.9 |
| Fund 1 | 15 | 22.3 | 0.0 | 7.4 | 14.9 |
| Total | 44 | 37.0 | 2.1 | 18.1 | 16.8 |
| Total Bentham IMF (USA) | | 108.7 | 11.5 | 78.8 | 18.4 |
| Total Fund 1 | | 55.2 | 1.3 | 14.9 | 39.0 |
| Total Commitments | | 163.9 | 12.8 | 93.7 | 57.4 |

USF Case 3 has been removed from the USA portfolio following the announcement to the Australian Securities Exchange on 19 January 2017 and has therefore been included in the below reconciliation notwithstanding the completion occurred after the reporting date of 31 December 2017.

Movement from the previous quarter is reconciled as follows:

| | Number of investments | Total Commitments \$m |
|--------------------------------------|-----------------------|-----------------------|
| 30 September 2017 Commitments | 44 | 146.3 |
| Additions / Completions | 4 / (2) | 18.1 |
| Updates / Reallocations ¹ | (2) | (1.3) |
| Foreign exchange adjustments | | 0.8 |
| 31 December 2017 Commitments | 44 | 163.9 |

¹ Reallocation of two Canadian investments to the non-USA portfolio.

Past performance on completed investments to 30 June 2017¹, excluding withdrawals and overheads, is summarised in the table below:

| | Number of Investments | ROIC ² | Average Investment Length |
|---|-----------------------|-------------------|---------------------------|
| IMF Group - All completions since inception in 2001 | 162 | 1.6x | 2.6 years |
| Bentham IMF (USA) and Fund 1 - Completions since inception in 2011 | 15 | 1.2x | 1.4 years |
| IMF Group (Non-USA) - Completions since 1 July 2011 | 51 | 1.5x | 3.0 years |

¹. The completed investment data to 30 June 2017 has been reviewed by the auditor of IMF, 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).

3. Conditionally Funded

The following investments were conditionally funded at the reporting date and have therefore not yet been included in the Investment Portfolio report:

- Canadian class action – St Jude Medical (ASX announcement 14 August 2017)
- GBC Oil Company Limited (ASX announcement 18 September 2017)
- Katherine Contamination class action (ASX announcement 30 October 2017)

Seven further investments have been approved for funding by the Investment Committee. These investments will be included in the Investment Portfolio if they become unconditionally funded.

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.

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. 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 non-USA investments.