



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

TUESDAY, 30 APRIL 2019

INVESTMENT PORTFOLIO AT 31 MARCH 2019

SUMMARY

- During the quarter the total EPV of IMF's portfolio of 81 funded investments increased 5% to \$6.7b:
 - two new unconditionally funded investments were added to the portfolio with a combined EPV of \$605m;
 - four investments completed; and
 - a further two more new investments were approved by the Investment Committee.
- At 31 March 2019 the group had 91 approved investments at various stages of funding with an EPV of \$7.6b.
- Revenue items:
 - During the quarter gross revenue of \$1.04m was recognised from completed and ongoing investments.
 - In USF case 11 an appeal against the award in favour of our client was dismissed and the time limit for lodgement of any further appeal process expired in April. The anticipated revenue from this investment is \$2.875m.
 - USF case 20, with revenue of \$4.18m (in addition to the \$0.65m already received) was settled. The agreement was signed in early April.
 - The conditional settlement deed, for the Ashley Services Group investment was fully signed on 24 April. The revenue on this investment will be between \$6.3m - \$7.2m.
- Fund 1 proceeded towards the conclusion of its Commitment Period.

# of investments	Balance Sheet	Fund 1	Funds 2/3	Fund 4	Total	EPV
	(RoW & USA)	(USA)	(RoW)	(USA)		
Funded Investments (Opening)	24	38	18	-	80	\$6.4b
New investments	-	-	2	-	2	
Completed investments	(1)	(3)	-	-	(4)	
Funded Investments	23	35	20	-	78	\$6.7b
Conditionally funded investments	-	-	3	-	3	
IC approved investments	-	-	10	-	10	
Total including all investments	23	35	33	-	91	\$7.6b

IMF#3777052v3

REPORTING FORMAT – REVERSION TO EPV FOR ALL JURISDICTIONS

Whilst the differences in economics and revenue between the USA and RoW markets, highlighted in IMF's ASX announcement of 8 May 2017 (multiple of investment v. percentage of proceeds) generally remain at an individual investment level, it has been noted that the split reporting of using EPV for RoW markets and capital invested for the US market has resulted in some confusion. Given IMF's investment portfolio across the various Funds and the remaining balance sheet investments, IMF has elected to revert to reporting all investments using EPV only. To be clear however, 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 revenue return from the investment and grossing this up to an EPV using IMF's Long Term Conversion Rate.

1. BALANCE SHEET - USA & Rest of World (RoW)

Vintage	#	EPV \$m	Possible Completion EPV \$m ¹			
			FY2019	FY2020	FY2021	FY2022 +
FY2014 and earlier	4	665.5	639.5	26.0	-	-
FY 2015	3	84.6	-	84.6	-	-
FY 2016	6	302.4	73.2	59.2	170.0	-
FY 2017	7	357.5	-	277.5	80.0	-
FY 2018	3	122.2	50.0	72.2	-	-
Total	23	1,532.2	762.7	519.5	250.0	-

Movement from the previous quarter is reconciled as follows:

	Total Balance Sheet		USA		Rest of World	
	#	EPV \$m	#	EPV \$m	#	EPV \$m
Opening	24	1,594.1	5	120.5	19	1,473.6
Additions	-	-	-	-	-	-
(Completions) / (Withdrawals)	(1)	(2.2)	-	-	(1)	(2.2)
Updates	n/a	(59.0)	n/a	-	n/a	(59.0)
FX adjustment	n/a	(0.7)	n/a	(1.0)	n/a	0.3
Quarter end	23	1,532.2	5	119.5	18	1,412.7

Balance sheet investments are in run off, and no new investments have been made on balance sheet since launch of Fund 2/3 in October 2017.

2. FUND 1 - USA

	#	EPV \$m	Possible Completion EPV \$m ²			
			FY2019	FY2020	FY2021	FY2022 +
Total	35	2,770.7	92.6	1,667.6	757.3	253.2

Movement from the previous quarter is reconciled as follows:

	#	EPV \$m
Opening	38	3,038.7
Additions	-	-
(Completions) / (Withdrawals)	(3)	(208.2)
Updates	-	(38.9)
FX adjustment	-	(20.9)
Quarter end	35	2,770.7

Called Capital US\$m			Un-called Capital US\$m ³			Preferred Return value US\$m			Residual Profit share %		
Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF
126.5	94.3	32.2	40.2	30.7	9.5	6.7	6.7	-	100%	15%	85%

Fund 1 commenced in February 2017 with total committed capital of US\$133m. In February 2018, investor commitments were increased to US\$166.7m and the majority of IMF's US balance sheet investments were sold into Fund 1.

At 31 March 2019, Fund 1 had committed 85.5% of its available capacity to investments, after reflecting proceeds received on portfolio investments in progress prior to the sale.



“Investment Commitments” are the amounts committed to unconditionally funded investments and are generally fixed. There are currently no conditionally funded or Investment Committee approved but not yet funded investments in Fund 1. An investment with a commitment of US\$5m, had a term sheet signed that progressed to being fully funded in early April.

Subsequent to quarter end, Fund 1's exclusive commitment period concluded (see IMF's announcement dated 17 April 2019 – Update on US Funds). 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.

3. FUNDS 2 & 3 - Rest of World (RoW)

	#	EPV \$m	Possible Completion EPV \$m ⁴			
			FY2019	FY2020	FY2021	FY2022 +
Total	20	2,386.2	-	392.4	1,649.1	344.7

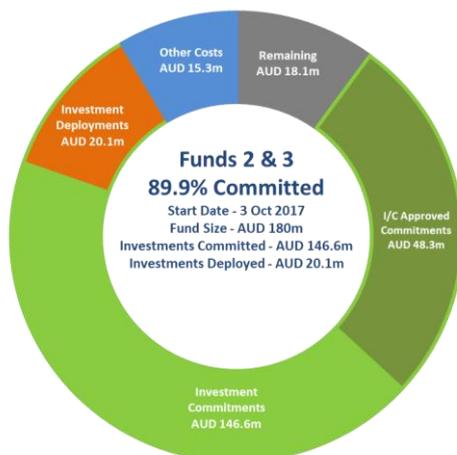
Movement from the previous quarter is reconciled as follows:

	#	EPV \$m
Opening	18	1,775.5
Additions	2	605.0
(Completions) / (Withdrawals)	-	-
Updates	-	5.7
FX adjustment	-	-
Quarter end	20	2,386.2

Called Capital \$m			Un-called Capital \$m			Preferred Return value \$m			Residual Profit share %		
Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF	Total	Investors	IMF
57.9	46.3	11.6	122.1	97.7	24.4	5.5	5.5	-	100%	20%	80%

Fund 2 and Fund 3 commenced in October 2017 with total committed capital of \$150m. On 31 January 2019 investor commitments were increased to \$180m.

At 31 March 2019 these Funds were committed to 89.9% of available capacity.



“Investment Commitments reflects the investment budgets for the full life of all unconditionally funded investments, as well as aggregate investment budgets of \$13.3m for three conditionally funded investments.

There are additionally a further 10 investments which have been approved by the investment committee but are not yet funded, that have combined investment budgets of \$48.3m.

“Other Costs” amount includes the cost of the After-the-Event insurance policy that will respond to claims for adverse costs within the Funds, together with unrecoverable due diligence costs.

“Investment Deployments” reflects the aggregate amount of the Investment Commitment to an investment which has been funded to date.

If the conditionally or investment committee approved investments do not proceed, the related budgeted amounts will revert to the available capacity pool to finance further investments.

IMF continues with plans to launch Fund 5 before 30 June 2019.

4. Fund 4 - USA⁵

Subsequent to the end of the quarter, Fund 4 made its first investment with an investment into a law firm portfolio with an investment commitment of US\$20m.

5. Past Performance

Past performance on completed investments to 31 March 2019*, including losses but excluding withdrawals and overheads, is summarised in the table below:

Since 2011	#	ROIC **	IRR ***	Average Investment Length
USA completions (includes Balance sheet and Fund 1)	28	45%	90%	1.8 years
Rest of World completions (includes Balance sheet and Funds 2 & 3)	64	132%	86%	3.0 years
All completions since 2011	92	113%	87%	2.6 years
All completions since inception in 2001	187	136%		2.6 years

* The completed investment data has been reviewed by the auditor of IMF, EY, to 31 December 2018 and updated to 31 March 2019 by IMF Bentham Management.

** ROIC (return on invested capital) is calculated for completed cases including losses but excluding withdrawals, as gross income to IMF (litigation contracts – settlement and judgements) less all reimbursed costs, divided by total expenditure (excluding overheads but including any adverse costs on lost cases).

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

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The reduction in the USA ROIC from 84% as at 31 December 2018 to 45% at 31 March 2019, reflects the loss of USF Case 31 detailed in IMF's announcement dated 25 March 2019. Whilst it is not possible to forecast, we would expect the long-term ROIC for US investments to track closer to that experienced in IMF's other operating jurisdictions as the US portfolio matures. Excluding this loss, the USA ROIC would be 72%; if the post period results in USF case 11 and 20 were also included the USA ROIC would be 74%.

6. Pipeline of Investments

There is a strong pipeline of potential new investment opportunities in all jurisdictions.

As noted above, there are (a) three conditionally funded investments in Funds 2/3, which could potentially result in an increase in EPV of approximately \$175 million; and (b) 10 investments in Funds 2/3 which have been approved by the Investment Committee but not yet funded, for which the EPV is still being determined, but IMF estimates that if they do become unconditionally funded an increase to EPV of between approximately \$750m to \$800m may result.

In addition, there are over 250 matters in due diligence across all jurisdictions.

7. Cash

Following our announcement that we have obtained the ASX's consent to dispense with further reports under listing rule 4C – Quarterly report for entities subject to Listing Rule 4.7B; moving forward we will disclose the following data in relation to our cash position in future investment portfolio reports.

	\$m	
Cash Held		
IMF Balance Sheet (excluding Funds)	175.8	
Funds (1, 2&3)	33.8	
Consolidated Total	209.6	
IMF Investment Requirements		
To Balance Sheet investments (unspent budget)	25.2	To be deployed over next 2 years
To Fund 1 (un-called commitment)	13.2	Fully called since 31 March
To Fund 2 /3 (un-called commitment)	24.4	To be called over next 1 1/2 years
Total	62.8	

As you will note from the table above, IMF has cash available on its balance sheet of \$175.8m, which will be used to meet operating costs, and capital requirements for investments on balance sheet, and our commitment to each of the Funds.



Jeremy Sambrook
Company Secretary

Notes:

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. 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 revenue 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-annually review of completed investments.

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 revenue 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. 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

IMF's Fund 1, Fund 2 and Fund 3 are consolidated within the IMF group financial statements, with the respective external investors' interests reflected as Non-Controlling interests. Therefore, the entire EPV for investments including external investors proportionate share therein are included in the quarterly Investment Portfolio.

¹ This is **not** a projection and only shows possible EPV completion of currently funded investments without allowance for any additions thereafter. Possible completion means finalisation of the litigation; revenue recognition in accordance with AASB15 will generally occur subsequently.

² This is **not** a projection and only shows possible EPV completion of currently funded investments without allowance for any additions thereafter. Possible completion means finalisation of the litigation; revenue recognition in accordance with AASB15 will generally occur subsequently.

³ The uncalled amount of USD40.2m has been fully called subsequent to quarter end.

⁴ This is **not** a projection and only shows possible EPV completion of currently funded investments without allowance for any additions thereafter. Possible completion means finalisation of the litigation; revenue recognition in accordance with AASB15 will generally occur subsequently.

⁵ Whilst described as a "fund", the Fund 4 structure comprises a series of managed accounts which will, together with IMF, make investments in US litigation finance opportunities via jointly owned special purpose vehicles. See IMF's announcement dated 30 November 2018 for further detail.