



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

MONDAY, 4 FEBRUARY 2019

INVESTMENT PORTFOLIO AT 31 DECEMBER 2018

Summary

- In late 2018 IMF successfully closed its fourth Fund, which is US centric with capital commitments of US\$500 million; with potential to increase to US\$1.0 billion (refer to IMF's previous announcements dated 30 November and 10 December 2018 for more detail).
- During the December 2018 quarter:
 - Gross revenue of \$9.1 million was earned from completed and ongoing investments;
 - 11 new unconditionally funded investments were added to the portfolio with a combined EPV of \$672 million.
- At 31 December 2018 IMF has a total of 91 approved investments at various stages of funding, with a total potential aggregate EPV of \$7.6 billion¹. The aggregate EPV of the 80 unconditionally funded matters is \$6.4 billion, representing an increase of 10% on the prior quarter.
- As announced on 31 January 2019, a further \$30 million has been committed by the investors in Fund 2 and Fund 3, following an acceleration of investment commitments in the December 2018 quarter.

<u>Number of Investments</u>	IMF balance sheet	Fund 1 (USA)	Funds 2/3 (RoW)	Fund 4 (USA)	Total	EPV
Opening balance 1 October 2018	26	38	10	-	74	\$5.8 billion
New investments	-	3	8	-	11	
Completions	(2)	(3)	-	-	(5)	
Closing balance 31 December 2018	24	38	18	-	80	\$6.4 billion
Conditionally funded investments	-	-	3	-	3	
IC Approved investments	-	-	8	-	8	
Total including all investments	24	38	29	-	91	\$7.6 billion

¹ Whilst an aggregate portfolio EPV figure is provided, this is for ease of comparison with prior periods only and IMF continues to report on its US cases in the segment reporting below utilising invested capital as the appropriate metric for US investments, see IMF's announcement of 8 May 2017 for further detail.

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INVESTMENT PORTFOLIO AT 31 DECEMBER 2018

1. IMF Balance Sheet (Non-USA), Fund 2 and Fund 3 (Rest of World Funds) – EPV

	#	EPV (\$m)	Possible completion (\$m)		
			FY2019	FY2020	FY2021 +
IMF Balance Sheet (non-USA)	19	1,473.6	706.7	508.9	258.0
Fund 2 and Fund 3	18	1,775.5	-	402.0	1,373.5
Total Portfolio	37	3,249.1	706.7	910.9	1,631.5

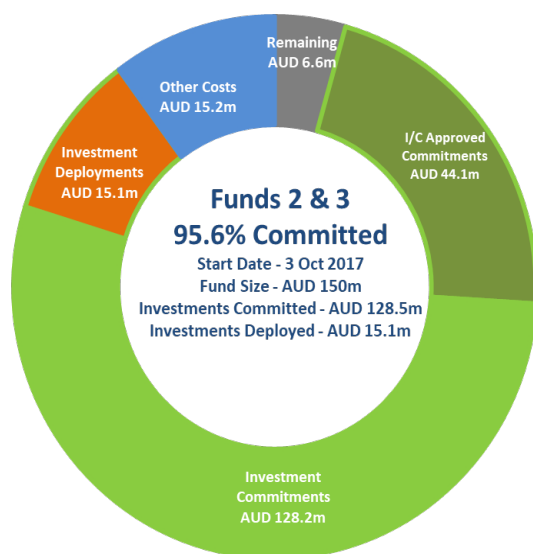
Movement from the previous quarter is reconciled as follows:

	#	EPV \$m
30 September 2018	31	2,803.4
Additions / (Completions)	8 / (2)	573.3
Updates	n/a	(127.6)
31 December 2018	37	3,249.1

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**).

Rest of World Funds – Commitments, deployed and capacity

The Rest of World Funds commenced in October 2017. At 31 December 2018 these Funds were committed to 95.6% of available capacity (prior to the recent increase in investor capital commitments detailed below).



Investment Commitments reflect the investment budgets for the full life of all unconditionally funded investments and also include aggregate commitments of \$12.2 million to three conditionally funded investments. Investment Deployments reflects the amount of the Investment Commitments which have been drawn at 31 December 2018. In addition to the Investment Commitments, IMF has a further eight investments which have been approved by the investment committee but are not yet funded, which have a combined investment budgets of \$44.1 million. The 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.

If the conditionally approved investments do not proceed, the related budgeted amounts will revert to the available capacity pool to fund further investments. However, to address our short-term funding requirements the investors in Fund 2 and Fund 3 have agreed to increase their capital commitment capacity

by 20%, providing an additional \$30 million of capital and increasing the aggregate Rest of the World Fund size to \$180 million. In addition, IMF will accelerate plans to launch Fund 5.

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

	#	Commitment * \$m	Possible completion \$m		
			FY2019	FY2020	FY2021 +
Deployed Commitments					
Bentham IMF Balance Sheet (USA)	5	8.9	4.9	4.0	-
Fund 1	38	168.9	26.4	97.1	45.4
Total	43	177.8	31.3	101.1	45.4
Remaining Commitment to be deployed					
Bentham IMF Balance Sheet (USA)	5	-	-	-	-
Fund 1	38	25.0	-	20.1	4.9
Total	43	25.0	-	20.1	4.9
Total Bentham IMF Balance Sheet (USA)		8.9	4.9	4.0	-
Total Fund 1		193.9	26.4	117.2	50.3
Total Commitments		202.8	31.3	121.2	50.3

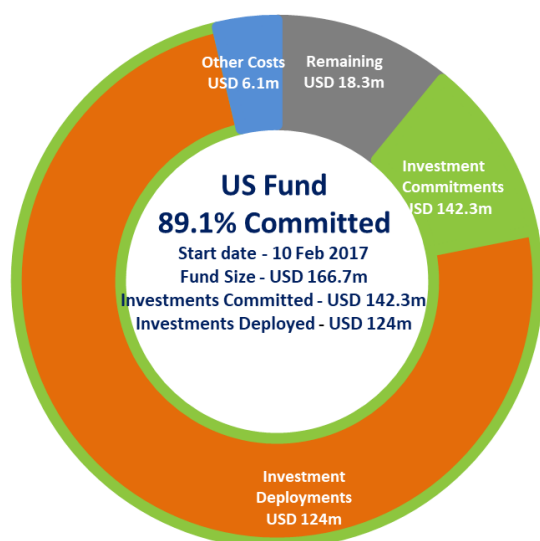
*(excluding capitalised overheads and interest)

Movement from the previous quarter is reconciled as follows:

	#	Commitment \$m
30 September 2018	43	197.1
Additions / Completions	3 / (3)	(2.3)
Updates	-	3.1
Foreign exchange adjustments	-	4.9
31 December 2018	43	202.8

US Fund 1 – Commitments, deployed and capacity

US Fund 1 commenced in February 2017. At 31 December 2018 the Fund had committed 89.1% of available capacity.



Investment Commitments reflect, generally fixed, capital commitments. There are no conditionally funded or Investment Committee approved but not yet funded investments in Fund 1.

Once this Fund is fully committed, new US investment will occur within the recently closed Fund 4. Refer to IMF's announcement dated 30 November 2018 for further details on Fund 4.

3. Past Performance

Past performance on completed investments to 30 September 2018¹, 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	179	1.5x	2.7 years
Bentham IMF (USA) and Fund 1 - Completions since inception in 2011	21	0.84x	1.6 years
IMF Bentham Ltd (Australia and RoW) - Completions since 1 July 2011	62	1.3x	3.0 years

¹ The completed investment data has been reviewed by the auditor of IMF, EY, to 30 June 2018 and updated to 30 September 2018 by IMF Bentham management.

² ROIC (return on invested capital) is calculated 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).

4. 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 Fund 2/3 (RoW) at the present time, which could potentially result in an increase to EPV of up to approximately \$175 million; and (b) eight Fund 2/3 (RoW) investments 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 \$1 billion and \$1.3 billion may result.

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. 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 of a Non-US 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. 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. Where a global portfolio EPV figure is noted which incorporates US Claims, the applicable EPV value for US claims is calculated by a different methodology from the non-US claims reflecting the difference in compensation structures.

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, 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.

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 USA 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 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 the IMF utilises in each of the applicable regions: namely a multiple of capital invested in the USA and a percentage of the resolution amount for the non-USA investments.