



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

FRIDAY, 11 MAY 2018

INVESTMENT PORTFOLIO AT 31 MARCH 2018

Summary

- **During the March 2018 quarter:**
 - **IMF added three new investments to its investment portfolio;**
 - **three investment completions, together with revenue earned from ongoing investments in the USA, delivered gross revenue of \$5.0 million; and**
 - **IMF withdrew from one investment in the USA which had been retained on IMF's balance sheet which will result in a write off of \$93,000 of capitalised costs.**
- **IMF's aggregate Investment Portfolio at 31 March 2018, comprising IMF's on balance sheet investments and those investments in Funds 1, 2 and 3, includes 76 investments, comprising 34 investments outside the USA and 42 USA investments. The non-USA investments have a total EPV of over \$2.1 billion and the USA investments constitute over \$166 million in capital commitments. The aggregate EPV for all investments globally is approximately \$4.7 billion.**
- **Since the quarter end, IMF has unconditionally funded three further investments, two outside the USA and one in the USA, with an aggregate EPV of approximately \$350 million.**
- **In addition, IMF has seven conditionally funded investments at the present time, potentially resulting in a further possible EPV increase of approximately \$450 million, or approximately 9% of IMF's current global Investment Portfolio.**
- **IMF has accelerated the Possible Completion Period of three investments with an aggregate EPV of \$111.5 million from FY19 and later, to FY18, and deferred the possible completion of nine investments with an aggregate EPV of \$559 million from the fourth quarter of FY18 to FY19. The possible income to be derived from these investments is not lost from the group by virtue of these deferrals.**
- **These results reflect IMF's ongoing execution of its risk diversification strategy and until the transition from funding a small number of cases is complete, IMF's operations will continue to result in lumpy earnings. The Group's pipeline remains strong and it continues to be presented with potential funding opportunities on which extensive due diligence may be necessary.**

- During the quarter, IMF monetised a substantial intangible asset, and realised net cash of US\$47.8 million from the sale of the majority of its investments in its US investment portfolio to Fund 1. The sale results in an acceleration of the maturity profile of the Fund 1 portfolio, which is likely to benefit IMF via a reduction in the aggregate amount of preferred return payable to the external investor over the life of Fund 1. This is due to capital being returned earlier than would have likely to have been achieved with a portfolio comprising only new investments. Less preferred return payable means earlier capital and management fee returns to IMF and a larger residual profit pool for distribution, of which IMF receives 85%.

A summary of the Investment Portfolio is below:

1. IMF Group (Non-USA), Fund 2 and Fund 3 – Estimated Portfolio Value

The Wivenhoe dam trial is continuing and will conclude later than originally expected. If the case does not settle beforehand, judgement is likely to occur in FY19. Although a settlement (subject to court approval) before the end of FY18 cannot be ruled out and therefore remains a possibility, taking a conservative approach the case has been moved to a completion in FY19 from FY18.

IMF has also deferred the possible completion date of eight other investments to FY19. In addition, the possible completion of three investments has been bought forward from FY19 and later, to FY18.

	Number of investments	EPV \$m	Possible completion FY 2018 \$m	Possible completion FY2019 \$m	Possible completion FY2020 \$m	Possible completion FY2021 and later \$m
IMF Group (non-USA)	28	1,547.7	99.1	1,095.4	103.2	250.0
Fund 2 and Fund 3	6	624.3	25.9	13.1	515.1	70.2
Total Portfolio	34	2,172.0	125.0	1,108.5	618.3	320.2

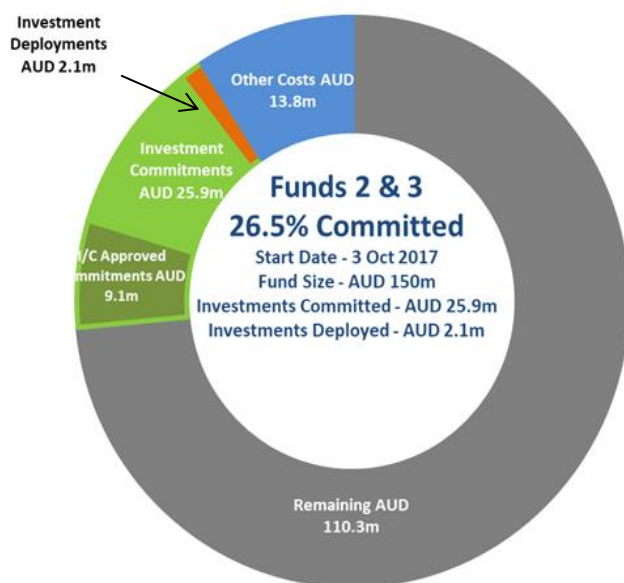
Movement from the previous quarter is reconciled as follows:

	Number of investments	EPV \$m
31 December 2017 Portfolio	33	2,103.4
Additions / Completions	2 / (1)	70.2
Updates		(1.6)
31 March 2018 Portfolio	34	2,172.0

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 and at 31 March 2018 these funds had committed 26.5% of available capacity, excluding conditionally approved investment opportunities, as shown below. The total capital committed includes the cost of the After-the-Event insurance policy that will respond to claims for adverse costs within the funds. Other commitment amounts for the Rest of the World funded investments are based on investments budgets.



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

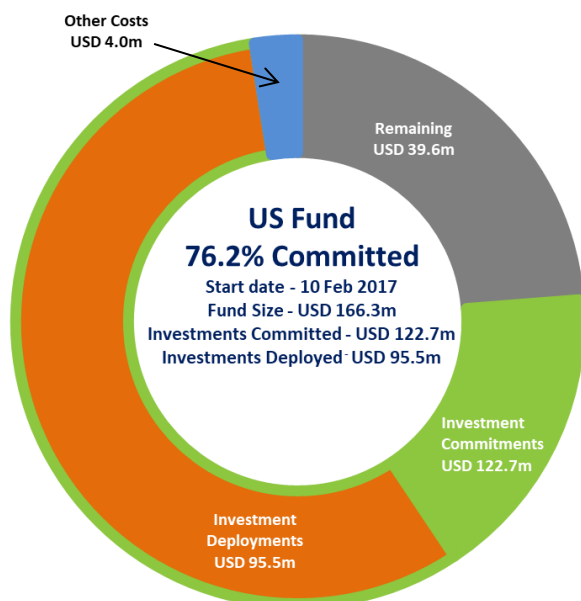
	Number of investments	Total (excluding capitalised overheads and interest) \$m	Possible completion FY2018 \$m	Possible completion FY2019 \$m	Possible completion FY2020 \$m	Possible completion FY2021 and later \$m
Invested Capital						
Bentham IMF (USA)	5	8.1	0.2	5.9	2.0	0.0
Fund 1	37	122.7	1.7	69.4	42.9	8.7
Total	42	130.8	1.9	75.3	44.9	8.7
Remaining Commitment to be deployed						
Bentham IMF (USA)	5	0.0	0.0	0.0	0.0	0.0
Fund 1	37	35.4	0.0	9.8	24.1	1.5
Total	42	35.4	0.0	9.8	24.1	1.5
Total Bentham IMF (USA)		8.1	0.2	5.9	2.0	0.0
Total Fund 1		158.1	1.7	79.2	67.0	10.2
Total Commitments		166.2	1.9	85.1	69.0	10.2

Movement from the previous quarter is reconciled as follows:

	Number of investments	Total Commitments \$m
31 December 2017 Commitments	44	163.9
Additions / Completions / Withdrawals	1 / (2) / (1)	(2.5)
Updates		2.4
Foreign exchange adjustments		2.4
31 March 2018 Commitments	42	166.2

US Fund 1 – Commitments, deployed and capacity

Following the sale of the majority of IMF's US portfolio to its US fund, at 31 March 2018 the fund was at 76.2% committed of available capacity as shown below.



Past performance on completed investments to 31 December 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	166	1.5x	2.6 years
Bentham IMF (USA) and Fund 1 - Completions since inception in 2011	17	1.0x	1.4 years
IMF Group (Non-USA) - Completions since 1 July 2011	53	1.4x	3.0 years

¹ The completed investment data to 31 December 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. Pipeline of Investments

Since 31 March 2018, IMF has unconditionally funded three further investments, two outside the USA and one in the USA, with an aggregate EPV of approximately \$350 million:

- GBC Oil Company Limited (ASX Announcement 5 April 2018)
- AMP Limited (ASX Announcement 10 May 2018)
- USA investment (not previously announced).

These investments will be included in the June 2018 quarter investment portfolio.

In addition, IMF has seven further conditionally funded investments at the present time (listed below), comprising a further potential EPV accretion of approximately \$450 million, being 9% of IMF's current global Investment Portfolio:

- Canadian class action – St Jude Medical (ASX announcement 14 August 2017)
- Katherine Contamination Class Action (ASX announcement 30 October 2017)
- Murray Goulburn Securities Class Action (ASX announcement 6 April 2018)
- Brambles Limited Securities Class Action (ASX announcement 23 April 2018)
- Retail Food Group (ASX announcement 10 May 2018)
- Canadian insolvency claim investment (not previously announced)
- Hong Kong breach of contract claim investment (not previously announced)

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, 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 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.