LAUNCH OF NEW US FUND

- Launch of new fund focussed on US litigation finance investments
- Initial fund size of US$500m, with the potential to increase to US$1bn if investors exercise option to roll over into second series
- First closing completed with US$375m of commitments (of which IMF has committed US$100m) with a second closing of US$125m of external investor commitments expected to be completed before the end of 2018
- IMF will receive management fees of between 1.68% and 2.15% p.a. (with anticipated blended average of 1.83%) on deployed third party capital and performance fees of up to 30% of realised profits
- IMF’s FUM has increased to approximately A$890m and, subject to the finalisation of the remaining investor commitments, will be over A$1bn by the close of 2018

Overview

IMF Bentham Limited (IMF) announces the launch of IMF’s second US Fund (Fund 4) with a maximum initial size of US$500m. The structure of Fund 4 provides the option for investors to roll over into a second series on the same terms as the first series, which would increase the overall size of Fund 4 to US$1bn.

IMF has obtained binding commitments of US$375m (including US$100m from IMF) for the first closing and expects the remaining US$125m investment to be finalised before the end of 2018 for the second closing.

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.

The external capital providers in the first closing of Fund 4 comprise funds managed by and investors represented by Partners Capital Investment Group, LLP (Partners Capital). Partners Capital (www.partners-cap.com) is a leading outsourced investment office based in London, Boston, New York, Hong Kong and Singapore which manages over US$24 billion on behalf of
endowments, foundations, investment professionals and family offices. Partners Capital’s Phoenix II Fund is also an investor in IMF’s Rest-of-World Funds through its commitments to Fund 2.

IMF intends to fund its capital commitment to Fund 4 from its internal cash resources following the recent completion of an institutional placement and SPP, and a conditional issue of new bonds, raising in aggregate approximately A$100m.

IMF’s wholly owned subsidiary Bentham Capital Management (BCM), which has become a registered investment adviser with the Securities Exchange Commission, will earn management fees on deployed third party capital from Fund 4 at rates between 1.68% and 2.15% p.a. with a dollar weighted average rate of 1.83% p.a.². BCM will earn performance fees per investment, calculated on a life of fund basis, of 20% of the profit up to an investor internal rate of return of 20% and 30% on all remaining profits.

Transaction Terms Summary

The key terms of Fund 4, which apply equally to the investment management agreements for each constituent managed account, are:

- 4-year investment period, with the ability to re-invest capital from investments which complete during that time.

- Investment concentration limits apply, but are materially higher than for Fund 1, enabling BCM to pursue a broader range and larger size of investment opportunities.

- Net cash distributed on a per investment “American” waterfall basis with loss carry forward, an 8% hurdle return to the investors, 20% performance fee with catch up below a 20% investor IRR and 30% performance fee on residual profit (see example below). Performance fees subject to annual re-balancing to reflect aggregate investment performance.

- Management fee paid quarterly on deployed capital which over time will materially assist in defraying overhead expenses.

- All US litigation finance investments to be made by Fund 4 subject to filling the residual capacity in Fund 1.

- Investors have pre-emptive right to commit to a second series of Fund 4. Provided a minimum of US$250m of external investment is committed, Series 2 will operate on the same terms as Series 1.

- Standard termination and key person provisions. In the event an investor terminates the applicable investment management agreement for cause, BCM will forfeit 50% of future performance fees (or 100% in respect of a felony conviction).

Fund 4 Economics

By way of illustration of the distribution waterfall applicable across the Fund 4 structure, a hypothetical example is provided in the Appendix to this announcement.
Benefits

Fund 4 marks the continued evolution of IMF’s business model following the establishment of Funds 1, 2 and 3. Fund 4 provides an improved cash flow profile for IMF via participation in equity returns equally with external investors, earning management fees throughout the life of the fund and performance fees on profits as they are realised, albeit subject to annual potential clawback. IMF considers the adjusted risk return structure of Fund 4 to be the preferred model for the group moving forward and will be seeking to replicate this for the next Rest of the World fund (Fund 5), targeted for FY19 H2.

IMF engaged US law firm Katten Muchin Rosenman LLP as US legal advisers in relation to the transaction.

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Company Secretary

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Notes:

1 IMF’s commitment is equal to 25% of external invested capital and hence US$100m is based upon US$400m of external commitments. If the external capital remained at US$275m, IMF’s commitment would be for US$68.75m, reducing the fund size to US$343.75m.

2 The dollar weighted average management fee figure is based on the full commitment of the remaining external capital of US$125m. Based solely on the current external capital commitments the dollar weighted average management fee would be 1.68%.

3 Measured by the aggregate of capital commitments of all investors in IMF managed funds and investment vehicles with US dollar commitments converted at the current spot rate.

4 See IMF’s announcement dated 6 November 2018 Successful $39m Conditional Placement of IMF Bentham Bonds.
## Appendix: Example of Fund 4 Distribution Waterfall

<table>
<thead>
<tr>
<th>Waterfall Tier</th>
<th>Tier Description</th>
<th>Investment 1 US$m</th>
<th>Investment 2 US$m</th>
<th>Investment 3 US$m</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Tier</td>
<td>Capital from the current investment</td>
<td>20</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Second Tier</td>
<td>Capital from the previous completed investments not yet returned</td>
<td>0</td>
<td>3.9</td>
<td>6.1</td>
</tr>
<tr>
<td>Third Tier</td>
<td>Capital from costs including management fees not previously returned. For ease of calculation this has been calculated as a 2% management fee on deployed capital and excludes other costs</td>
<td>0.6</td>
<td>0</td>
<td>1.3</td>
</tr>
<tr>
<td>Fourth Tier</td>
<td>Investor hurdle return of 8% IRR on tiers 1-3 inclusive</td>
<td>3.4</td>
<td>0</td>
<td>7.7</td>
</tr>
<tr>
<td>Fifth Tier</td>
<td>BCM catch up of 20% performance fee on hurdle return</td>
<td>0.9</td>
<td>0</td>
<td>1.9</td>
</tr>
<tr>
<td>Sixth Tier</td>
<td>Until investors have made a 20% IRR on realised investments and expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>80% to investors</td>
<td>4.5</td>
<td>0</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td>20% to BCM as a performance fee</td>
<td>1.1</td>
<td>0</td>
<td>2.8</td>
</tr>
<tr>
<td>Seventh Tier</td>
<td>70% to investors</td>
<td>13.6</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>30% to BCM as a performance fee</td>
<td>5.9</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Investment 1 US$m</td>
<td>Investment 2 US$m</td>
<td>Investment 3 US$m</td>
<td></td>
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<tr>
<td>-------------------------</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>US$20m invested in a litigation finance investment which produces revenue of US$50m after 2 years of investment</td>
<td>US$10m invested in a litigation finance investment which is lost after 3 years of investment</td>
<td>US$10m invested in a litigation finance investment which produces revenue of $35m after 4 years of investment</td>
<td></td>
</tr>
<tr>
<td><strong>External Investor Return</strong></td>
<td>33.7</td>
<td>0</td>
<td>24.2</td>
<td></td>
</tr>
<tr>
<td><strong>IMF LP Investor Return</strong></td>
<td>8.4</td>
<td>0</td>
<td>6.1</td>
<td></td>
</tr>
<tr>
<td><strong>IMF Performance Fee Return (Excludes Management Fees)</strong></td>
<td>7.9</td>
<td>0</td>
<td>4.7</td>
<td></td>
</tr>
<tr>
<td><strong>Performance Fee Rebalance</strong></td>
<td>0</td>
<td>(3.9)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Aggregate External Investor Return Post Rebalance</strong></td>
<td>33.7</td>
<td>36.8</td>
<td>61.0</td>
<td></td>
</tr>
<tr>
<td><strong>Aggregate IMF Return Post Rebalance (Equity return and Performance Fee but excluding Management Fees)</strong></td>
<td>16.3</td>
<td>13.1</td>
<td>23.9</td>
<td></td>
</tr>
</tbody>
</table>

The above example is provided for illustrative purposes only and is not in any way whatsoever intended to be a forecast or estimate of returns from Fund 4.