



RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

WEDNESDAY, 17 APRIL 2019

UPDATE ON US FUNDS

Summary

- **IMF announces that the exclusive commitment period for Fund 1 has now concluded.**
- **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 4¹.**
- **Once Fund 1 is fully committed, Fund 4 will make all future US investments**

Fund 1 Commitment Period and Commencement of Fund 4

IMF Bentham Limited (ASX: **IMF**) confirms the commitment period and corollary exclusivity arrangements have now concluded with respect to its first investment vehicle for US investments (**Fund 1**). US Investments will continue to be made in Fund 1 until the fund is fully committed, following which US investing will transition to Fund 4. In the interim any US investments which fall outside the Fund 1 mandate will be made by Fund 4.

Having established Fund 1 in February 2017 with aggregate capital commitments of US\$133.3 million, IMF agreed with the Fund 1 external investor to sell its existing portfolio of US investments to Fund 1 in February 2018 (see IMF's previous announcement *Sale of US Investment Portfolio to Fund 1 dated 5 February 2018*) for US\$57.4 million. At the same time the aggregate capital commitments to Fund 1 were upscaled to US\$166.7 million. The sale of an existing portfolio of US litigation finance investments accelerated the life cycle of Fund 1 and this, coupled with increased rates of investment from IMF's expanding US operations, has resulted in capital deployment for US investments being materially ahead of schedule.

As at 31 March, Fund 1 has deployed US\$118 million into US investments and has additional investment commitments of US\$17.9 million with remaining capital to commit of US\$24.1 million.

Fund 4 has aggregate capital commitments of US\$500 million and provides the ability for IMF to write larger size US investments than was possible through the smaller Fund 1 investment vehicle.

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Fund 1 v. Fund 4 Comparison:

	FUND 1	FUND 4
Fund Capital:		
Total Capital Commitments	US \$166.7m	US \$500m, with an option for investors to extend for a second series of US \$500m
IMF Capital Commitment	US \$41.7m (25% of total)	US \$100m (20% of total)
External Investors Capital Commitment	US \$125m (75% of total)	US \$400m (80% of total)
Investment Commitment period	3 years	4 years, with a second series to extend for an additional 4 years if the investor option is exercised
Capital Commitment draw profile	Equal mandatory draws over life of fund with IMF's capital commitments disproportionately front ended	Drawn as required over life of Fund, pro rata from all investors
IMF economic return profile:		
Waterfall of returns	"European" on entire Fund	"American" on deal-by-deal (with carry forward loss make-good)
Management fee	Received only from net cash flow after external investor has received capital returns and preferred returns. Calculated on outstanding external investor capital at 2.00% p.a.	Payable quarterly by fund as a fee and therefore not subject to available revenue. Calculated on capital deployed of 1.83% p.a
As an investor on its capital commitment	Capital return subordinated to the return to the external investor of their capital and preferred returns.	Capital + hurdle return on deal-by-deal basis, with loss carry forward catch up on prior completed investments.
Performance Fee	n/a	After an 8% hurdle return to all investors (including IMF): 20% of residual profit for returns < 20% IRR, 30% of residual profit for returns > 20% IRR (Subject to investor loss carry forward catch up on prior completed investments)
Profit share	85% to IMF, 15% to investor	Residual profit less performance return to IMF, split between all investors, including IMF pro rata

IMF background

IMF is one of the leading global litigation funders, headquartered in Australia and with offices in the US, Canada, Singapore, Hong Kong and London. IMF has built its reputation as a trusted provider of innovative litigation funding solutions and has established an increasingly diverse portfolio of litigation funding assets.

IMF has been a leading pioneer of litigation funding in Australia since 2001, playing a significant role in the initial steps towards a globalised industry via its international expansion in the US, Canada, Asia and Europe. IMF has a highly experienced litigation funding team overseeing its investments, delivering, as at 31 December 2018, a 90% success rate across 184 completed cases (excluding withdrawals).

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Notes:

¹ 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.

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