



Goldman Sachs Small and Mid-Cap Conference Presentation

April 2018

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WHAT IS LITIGATION FUNDING?

- As a “litigation funder” IMF provides funding on a contingency basis to businesses and individuals with claims for loss and damage.
- IMF provides funding for the client’s case or to the client and, in jurisdictions where adverse costs are relevant, agrees to pay any costs (incurred during the term of the funding agreement) awarded to the other side should the client’s case be unsuccessful.
- In return, IMF generally receives a right to be reimbursed all that it has paid out and receives an assignment of a share of the amount awarded to the client by way of judgment or paid to the client by way of settlement. IMF’s return in the US is more typically a multiple of the amount invested.
- As a litigation funder IMF does not provide legal advice and is not paid “on an hourly rate”.

THE IMF LITIGATION FUNDING PROCESS

1. OUTLINE OF CLAIM

The investing process generally begins with the execution of a confidentiality agreement. The claim is then outlined by the client or their legal representative.

2. APPLICATION REVIEW

IMF evaluates opportunities by assessing a number of factors, including the type and strength of the case, the potential damages and/or settlement prospects, legal fee arrangement, the likely length of time to resolution, the amount of capital required to prosecute the case, and the defendant's ability to satisfy a judgment.

3. OFFER OF FUNDING

The IMF Investment Committee receives a due diligence report which is prepared by an IMF Investment Manager. The Investment Committee decides whether or not IMF will make the investment. If approved, a Litigation Funding Agreement will be executed by the parties.

4. CASE PROGRESSES

Generally may take a case between 1 and 5 years to complete. IMF's average is 2.6 years. IMF will monitor the developments in the case as it progresses to trial. IMF receives periodic updates from the lawyers. In certain jurisdictions (such as Australia) IMF will also provide strategic advice concerning the litigation.

5. SETTLEMENT OR TRIAL

The majority of cases settle before trial. Cases often settle at mediation, at which a mediator agreeable to both parties tries to assist the parties to reach a settlement. IMF is involved in this process – after all, we have a mutual interest in seeing our clients maximise the value of their claims.

6. DISTRIBUTION OF PROCEEDS

If the claim is successful, the defendant will pay an agreed sum of money into the plaintiff lawyer's trust account. The lawyer will deduct the fees owing to IMF pursuant to the Funding Agreement, and pay the balance of funds to the client. If the claim fails, IMF is responsible for paying the Defendant's costs on the terms of the Funding Agreement.

LITIGATION FUNDING MARKET

- There is currently no direct empirical data available on the size of the litigation funding market in any market in which IMF operates.
- The following estimates have been calculated by reference to third party research reports on legal services market size.

Description	Australia	US	UK	Canada
Estimated legal services (A\$ billion)	23.1	300-400	52	25
Anticipated annual growth rate	1.4%	0.8%	1.4%	0.9%

- Litigation spending is arguably correlated to the economic cycle, and is expected to be soft in the next several years. However, litigation funding is arguably counter-cyclical and demand may exceed growth in the legal services market.
- However, as penetration rates for litigation funding are low in all jurisdictions there is an opportunity to exceed growth rates, particularly in the US where penetration rates are proportionately lower.

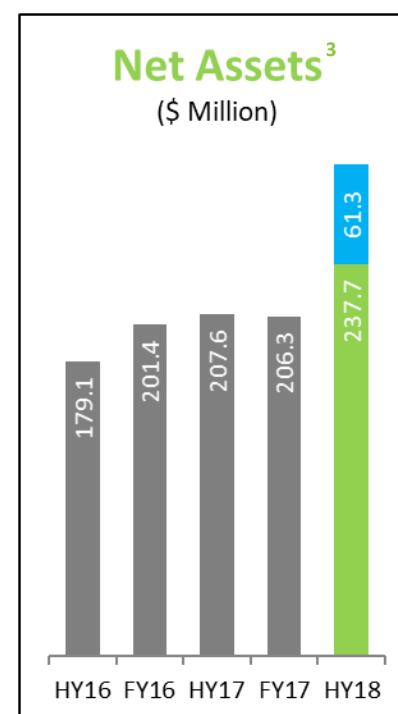
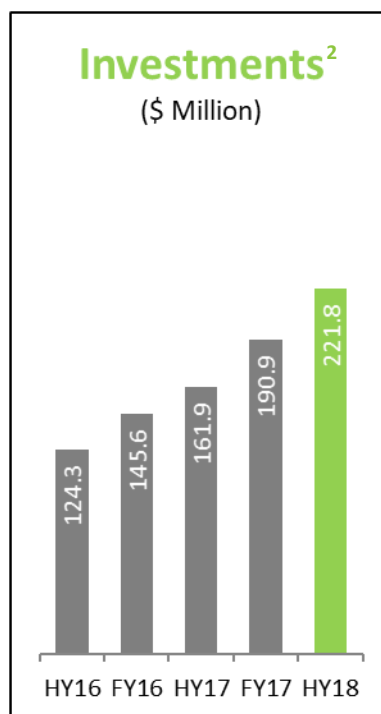
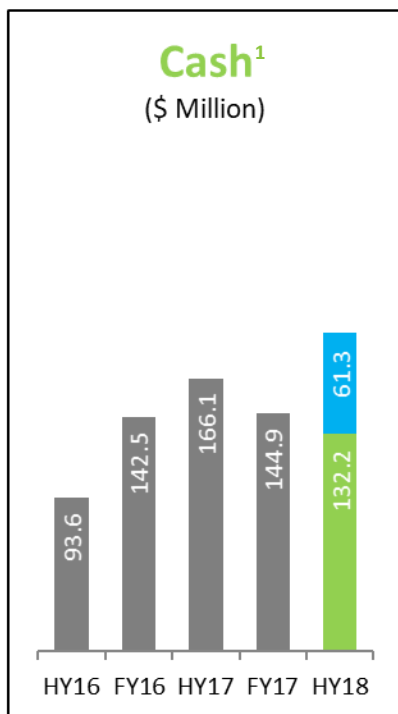
OVERVIEW OF IMF BENTHAM LIMITED

IMF's strategic focus has been to diversify risk in its investments, geography and capital sources. H1FY18 reflects the execution of that strategy.

IMF Fast Facts	Detail
A leading global litigation funder	<ul style="list-style-type: none"> Listed on ASX in 2001. IMF has collected more than \$2.1 billion for clients since its formation IMF now operates from 14 offices in six countries in Australia, Asia, North America and Europe with 75 staff IMF has enhanced its risk management procedures with the addition of external resources to the Investment Committee
High margin and ROIC business	<ul style="list-style-type: none"> Average life of each case is 2.6 years and IMF has delivered, over the past 16 years, a global ROIC of 1.5x (including cases lost) Investment portfolio at 31 December 2017 comprised 77 active matters, spread between balance sheet and fund structures Strong pipeline with 10 matters conditionally approved, and opportunities in all jurisdictions
Comparative advantage	<ul style="list-style-type: none"> Quality risk mitigation process – case selection and case management expertise Demonstrated by results – settled or won 90% of 166 completed cases (excluding withdrawals) Infrastructure to internally manage large multi-party matters including launch of <i>MyIMF</i> during FY17 Resources on the ground in each of the jurisdictions, providing access to better investments, and better access to investments
Capital position	<ul style="list-style-type: none"> Strong balance sheet and cash position Launch of Funds 1, 2 and 3 to provide non-recourse third party capital for all new investments

Note: 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).

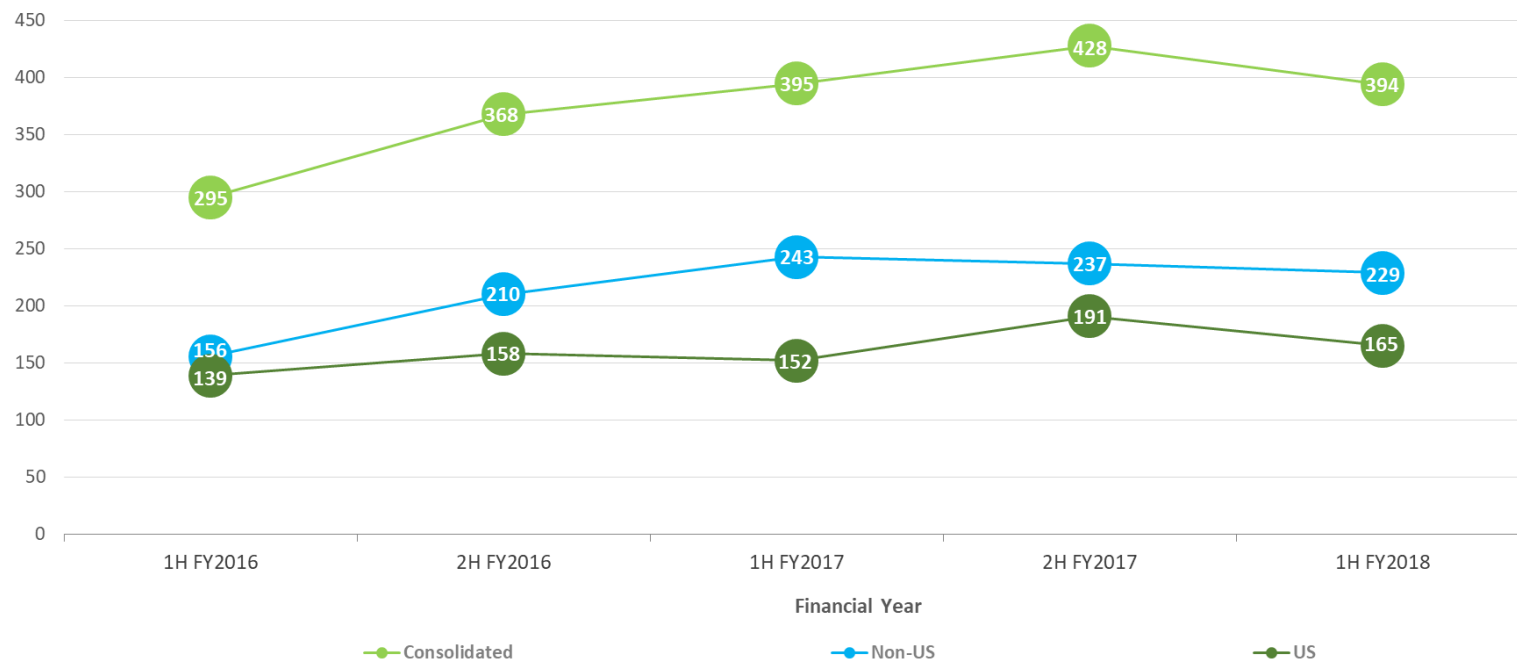
BALANCE SHEET STRENGTH



1. IMF raised capital during FY2016 totalling \$32 million through the issue of fixed rate notes. IMF raised capital during FY2017 totalling \$40 million through the issue of fixed rate notes. HY18 Cash and Net Assets includes pro forma amount for net cash realised after sale of US Investments to US Fund 1 on 5 February 2018.
2. Investments includes capitalised overheads relating to the litigation.
3. Net assets are on a consolidated basis. The equity interest attributable to the external investors will be reflected in Non Controlling Interests.

HY2018 OPERATIONAL HIGHLIGHTS

Funding Applications (number of applications)



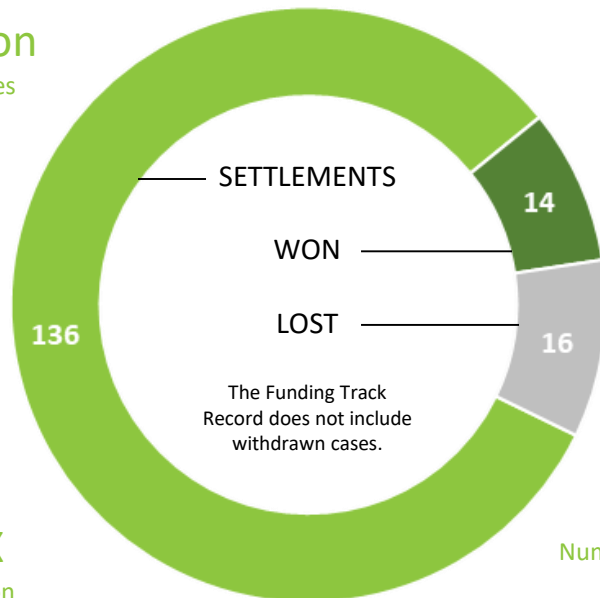
- 1HFY18 applications are consistent with 1HFY17, notwithstanding the increased level of competition in each jurisdiction.
- Potentially reflect some seasonality, particularly with the US operations.
- Expanded footprint in Asia, Canada and Europe to increase opportunities and pipeline.

IMF's TRACK RECORD OF SUCCESS

\$2.1 billion
Total recoveries

90%
Success rate

1.5X
Return on
Invested Capital



\$1.3 billion
Returns for funded claimants

2.6 years
Average case length

166
Number of cases funded to completion

Revenue Summary

Revenue to funded claimants	\$1,347M	62%
Revenue to IMF:		
<i>Reimbursement of funded amounts (40%)</i>	<i>\$335M</i>	<i>15%</i>
<i>Net income (excluding overheads) (60%)</i>	<i>\$502M</i>	<i>23%</i>
IMF total revenue (100%)	\$837M	38%
Total revenue generated	\$2,184M	100%

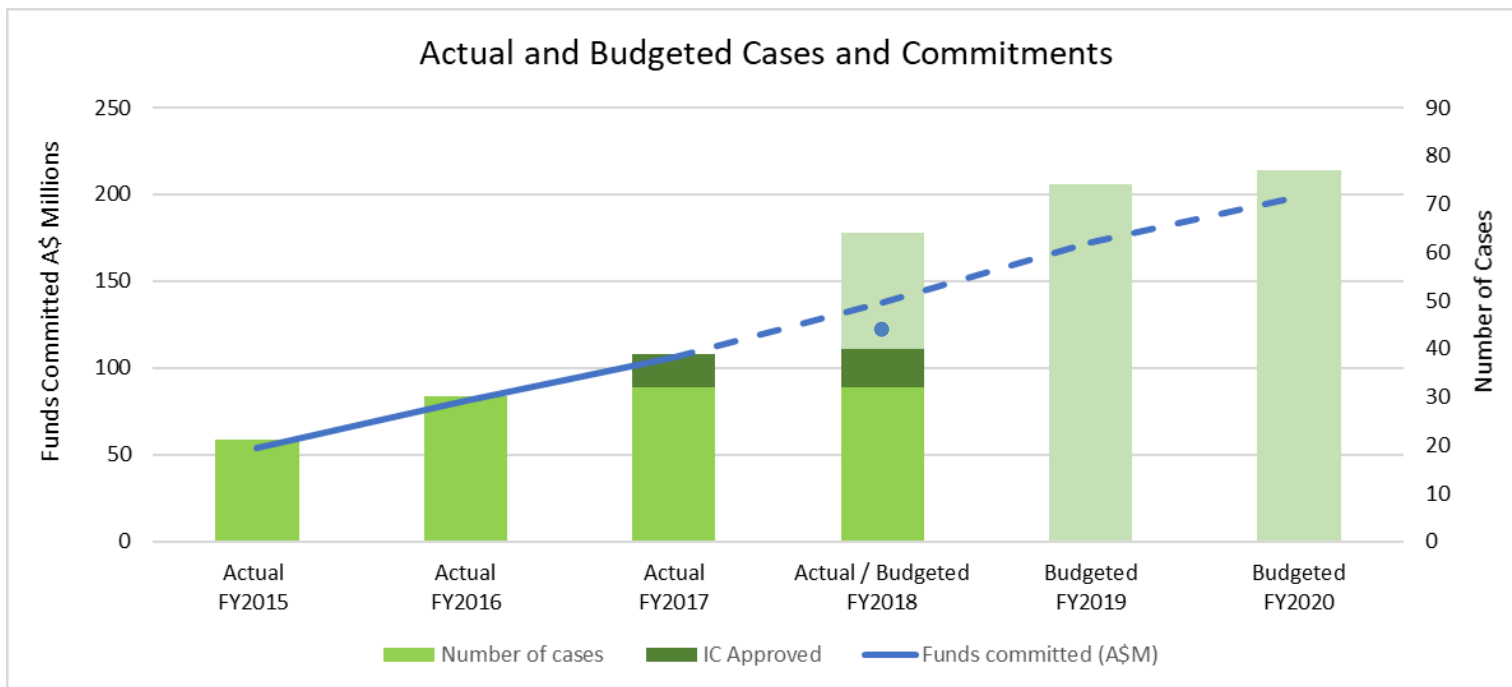
Completions by Region	Number of Cases	ROIC	IRR	Average Case Length
Bentham IMF (US) - Completions since inception in 2011	17	1.0x	78%	1.4 years
IMF Bentham Limited (Australia and RoW) - Completions since 1 July 2011	53	1.4x	62%	3.0 years

Notes:

- 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). IMF for these purposes includes managed funds and all other consolidated entities.

The data contained in the Funding Track Record has been reviewed by Ernst & Young to 31 December 2017.

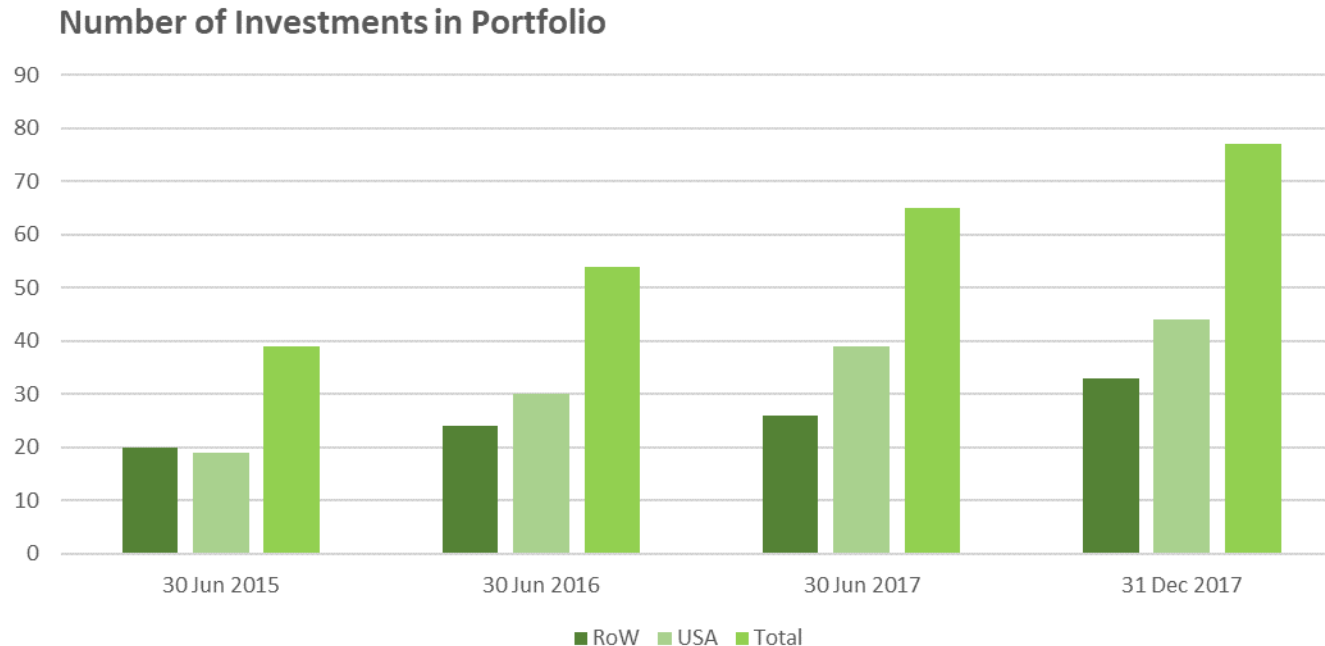
CASES AND COMMITMENTS AT 16 APRIL 2018



Growth derived from:

- Increase in number of Investment Managers
- Maturing offices in North America, Asia and Europe
- Launch of new product offerings for corporates
- Increased targets for funding for Investment Managers

INVESTMENT PORTFOLIO AT 31 DECEMBER 2017



- Increase in number of investments currently funded to 77.
- 3 further investments conditionally funded, and 7 investments approved for funding by the Investment Committee at 31 December 2017.

INVESTMENT PORTFOLIO AT 31 DECEMBER 2017

(see Notes – page 21)

IMF Group (RoW), Fund 2 and Fund 3 – Estimated Portfolio Value					
	Number of investments	EPV \$m	Possible completion FY2018 \$m	Possible completion FY2019 \$m	Possible completion FY2020 and later \$m
IMF Group (RoW)	28	1,528.1	576.5	548.2	403.4
Fund 2 and Fund 3	5	575.3	3.9	6.1	565.3
Total Portfolio	33	2,103.4	580.4	554.3	968.7

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 and later \$m
Invested Capital					
Bentham IMF (USA)	29	94.0	9.4	68.1	16.5
Fund 1	15	32.9	1.3	7.5	24.1
Total	44	126.9	10.7	75.6	40.6
Remaining Commitment to be deployed					
Bentham IMF (USA)	29	14.7	2.1	10.7	1.9
Fund 1	15	22.3	0.0	7.4	14.9
Total	44	37.0	2.1	18.1	16.8
Total Bentham IMF (USA)		108.7	11.5	78.8	18.4
Total Fund 1		55.2	1.3	14.9	39.0
Total Commitments		163.9	12.8	93.7	57.4

IMF CAPITAL PLANS

- IMF has now launched three funds for investments; Fund 1 in the US and the RoW Funds (Fund 2 and Fund 3).
- In January 2017, IMF sold the majority of its balance sheet investments in the US to Fund 1 which now has headroom capacity of \$45.3M.
- IMF will commence consideration of launching a new fund for US investments to be activated once the Commitment Period under Fund 1 expires.
- The new fund will seek to improve the economics for IMF in relation to the rate of preferred return and capital priority in return for a lower profit participation.
- In addition, the RoW Funds have certain geographic caps on investments that may necessitate consideration of a further fund for non-US and non-Australian investments.

US FUND ECONOMICS AND HYPOTHETICAL INVESTMENT

- IMF's US Fund provides an opportunity for IMF to considerably enhance its risk adjusted returns via non-recourse equity finance.
- Key fund dynamics:
 - Total capital commitments of USD133m with mutual upsize option to USD200m
 - Investor contributes 75% of the capital, IMF 25%
 - Pass through tax structure – gross profits are distributed and taxed in the hand's of the Investor
 - Returns (European basis) waterfall:
 1. Investor – Fortress
 2. Investor preferred return and undrawn fee
 3. IMF management fee 2% p.a. of Investor's deployed capital
 4. IMF capital
 5. Residual profit 85% IMF, 15% Investor
- Hypothetical example using a single investment for illustrative purposes only.
 - Assumptions:
 - USD5m capital deployed in investment
 - ROIC of 1.2x (US average)
 - Investment period of 3 years

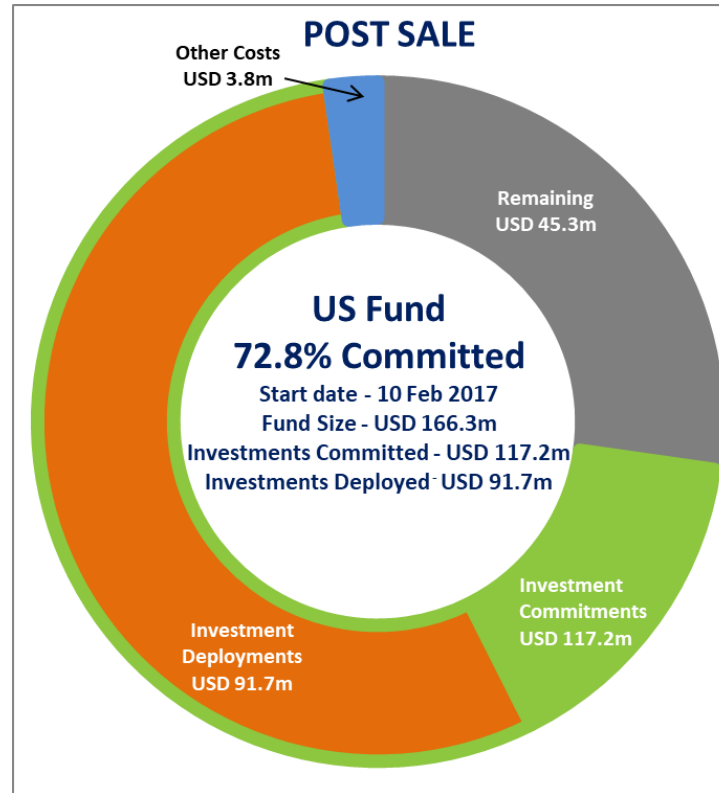
IMF US Fund	Investor US\$M	IMF US\$M	Total US\$M
Invested Capital	3.7	1.3	5.0
<u>Fund Profit @ ROIC 1.2x</u>			
Investor Preferred Return	1.7		
IMF Management Fee		0.2	
Profit Share	0.7	3.4	
Total Profit	2.4	3.6	6.0
Total	6.1	4.9	11.0
ROIC²	0.6x	2.8x	

¹ Indicative equity rate of 15% pa utilised for the purposes of illustration

² ROIC is calculated assuming loss rate equal to historical levels

The above hypothetical example is for illustrative purposes only. The IMF US Fund will only earn revenue from cases which reach a successful outcome. IMF does not control the outcome of the case or the length of the investment period. This illustrative example is not intended in any way whatsoever to constitute a forecast or estimate of returns from the IMF US Fund.

US FUND - COMMITMENTS, DEPLOYED, CAPACITY



- Rate of commitment was on schedule prior to sale of investments to Fund 1.
- Fund 1 structured to accommodate sale of balance sheet investments.
- Investments were subjected to third-party due diligence, and accepted by Fortress, endorsing the quality of the investments.

FUND 2 AND FUND 3

ECONOMICS AND HYPOTHETICAL INVESTMENT

- IMF's Fund 2 and Fund 3, coupled with the ATE cover, provides an opportunity for IMF to fully deploy the fund in a risk managed, non-recourse leveraged equity structure.
- Key fund dynamics:
 - Total capital commitments of \$150m
 - Investors contribute 80% of the capital, IMF 20%
 - Funds are taxable entities and profits distributed net of tax, with applicable Franking Credits
 - Returns (European basis) waterfall:
 1. Investors – Partners Capital and Amitell Capital
 2. Investors preferred return and undrawn fee
 3. IMF management fee 2% p.a. of Investors deployed capital
 4. IMF capital
 5. Residual profit 80% IMF, 20% Investors
- Hypothetical example using a single investment for illustrative purposes only.
 - Assumptions:
 - \$5m capital deployed in investment
 - ROIC of 1.5x
 - Investment period of 3 years

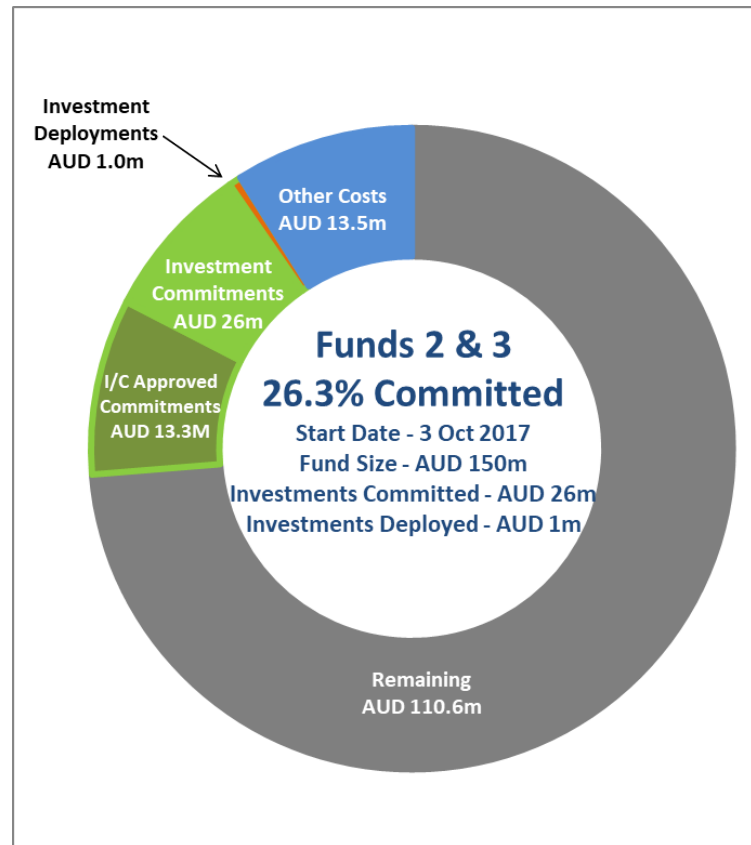
IMF Fund 2 and Fund 3	Investors A\$M	IMF A\$M	Total A\$M
Invested Capital	4.0	1.0	5.0
<u>Fund Profit @ ROIC 1.5x</u>			
Investors Preferred Return	1.7		
IMF Management Fee		0.2	
Profit Share	1.1	4.5	
Total Profit	2.8	4.7	7.5
Total	6.8	5.7	12.5
ROIC²	0.7x	4.7x	

¹ Indicative equity rate of 12.5% pa utilised for the purposes of illustration

² ROIC is calculated assuming loss rate equal to historical levels

The above hypothetical example is for illustrative purposes only. IMF Fund 2 and Fund 3 will only earn revenue from cases which reach a successful outcome. IMF does not control the outcome of the case or the length of the investment period. This illustrative example is not intended in any way whatsoever to constitute a forecast or estimate of returns from the IMF Fund 2 and Fund 3.

RoW FUNDS - COMMITMENTS, DEPLOYED, CAPACITY



- RoW Funds commenced in October 2017, and is ahead of schedule in terms of commitments.
- The contribution from non-Australian investments is ahead of schedule, and may require an increase in geographic caps, or the launch of a new, non-Australian fund.

STRATEGY

IMF has identified significant opportunities for growth and risk diversification.

Item	Opportunity
Major growth opportunities	<ul style="list-style-type: none">▪ Focus on development of corporate funding in all jurisdictions▪ Only funder in Australia with infrastructure to manage group claims▪ Recommended operations in London, and opened in Hong Kong and Quebec City▪ Canadian and Asian operations' pipeline is strong, US operations continue to mature▪ Exploring opportunities in Europe including M&A options
Growth and diversification	<ul style="list-style-type: none">▪ Operates from 14 offices in six countries around the world, with increasing awareness and demand for funding in all jurisdictions▪ Operational diversification, capital funding diversification, and introduction of adverse cost insurance cover provide a significant investment in risk mitigation
Capital structure	<ul style="list-style-type: none">▪ Commenced fund structures to diversify risk on a non-recourse basis▪ With US and RoW funds will be able to harvest current balance sheet investments, return profits, retire some debt and improve capital efficiency measures

KEY RISKS - IMF

Item	Description
Investments in cases which are lost	<ul style="list-style-type: none"> ▪ If a funded case is lost, IMF will lose not only its investment but may, in jurisdictions in which the “loser pays” rule applies have to pay the defendant’s costs.
Portfolio concentration risk	<ul style="list-style-type: none"> ▪ IMF’s financial performance in each of FY2018 and FY2019 is exposed to portfolio concentration risk associated with two large investments in Wivenhoe and Westgem. Our views on prospects have not changed, but if lost, they will have a material adverse impact on IMF’s profit and cash position. IMF’s execution of its diversification strategy has sought to reduce portfolio concentration risk in future periods.
Competition	<ul style="list-style-type: none"> ▪ IMF currently has a number of competitors in the Australian litigation funding market, including overseas based competitors, who are becoming more active. There are multiple litigation funders in the US market and competition for investments is strong. The increasing competition within the global litigation funding market may impact on the performance of IMF.
Government regulation	<ul style="list-style-type: none"> ▪ No assurance can be given that regulation in IMF’s key markets will not change in the future and adversely affect IMF’s business and financial performance. However, there is presently no such legislation proposed in the markets in which IMF operates of which it is aware.
Common law development of industry	<ul style="list-style-type: none"> ▪ To date, the courts have generally found in favour of litigation funding arrangements in Australia but the courts, in Australia and overseas, will continue to oversee the development of the litigation funding industry and adverse decisions may impact on the business of IMF.
Technology	<ul style="list-style-type: none"> ▪ IMF is dependent on technological systems to operate effectively. These systems may fail or may not operate properly. IMF may fail to keep its technology up to date with the resultant loss of business opportunities.
Reliance on key management	<ul style="list-style-type: none"> ▪ IMF depends substantially on its executive directors, senior management and key personnel to oversee the day-to-day operations and the strategic management of IMF. There can be no assurance given that there will be no detrimental impact on IMF if one or more of these directors or employees cease their employment.

Worldwide Funding Solutions



NOTES TO INVESTMENT PORTFOLIO

AT 31 DECEMBER 2017

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 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). 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. 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.

RoW

IMF's RoW 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 RoW investments.

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