IMF BENTHAM
INTERNATIONAL LITIGATION FUNDING

RELEASE TO AUSTRALIAN SECURITIES EXCHANGE

THURSDAY, 20 JUNE 2019

LAUNCH OF FUND 5

- **Launch of Fund 5 focussed on Non-US dispute finance investments.**
- **Initial fund size of US$500 million (including IMF commitment of US$100 million), with potential to increase to US$1 billion if investors exercise option to roll over into successor Fund.**
- **IMF will receive management fees of between 1.68% and 2.15% p.a. on deployed third party capital and performance fees of up to 30% of realised profits.**
- **IMF's combined funds under management (FUM) increased to approximately A$2 billion (at today's exchange rates).**

Overview

IMF Bentham Limited (**IMF**) announces the launch of IMF's second Non-US Fund (**Fund 5**) with a fund size of US$500 million. This follows the launch in November 2018 of IMF's second US Fund also with aggregate committed capital of US$500 million.[1] Similarly to Fund 4, Fund 5 provides investors with the option to roll into a successor fund on the same terms, which, if exercised, would increase the overall new capital commitments to US$1 billion. This completes IMF's current fund platform, with Funds 4 and 5 providing capacity to finance all global investments for the medium term.

Fund 5 has secured binding external subscriptions for aggregate capital commitments of US$400 million and IMF has committed US$100 million to investments made by the fund.

The external investors in Fund 5 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 Fund 2 and Fund 4.
- Funds managed by Harvard Management Company (**Harvard**), Amitell Capital and Balmoral Wood. Harvard is a US based manager of institutional investment funds and funds managed

[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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by Harvard are also invested in IMF's Fund 4. Amitell Capital is a Singapore based private investment firm, which is also an investor in IMF's Fund 3 and Fund 4. Balmoral Wood is a Canadian fund-of funds investor specialising in dispute resolution finance.

These external investors are largely the same as Fund 4 which indicates a continued support for the business strategy implemented by IMF over the past several years.

As with Fund 4, IMF's capital commitment of US$100 million covers an obligation to provide 20% of the capital to all investments made by Fund 5 and its associated costs. This commitment will be made over the life of the fund, as the needs of the underlying investments require. IMF currently intends to fund this commitment from its internal cash resources and from future realisations from its balance sheet investments and returns from its fund investments.

Fund 5 Structure

Fund 5 is an exempted limited partnership incorporated under the laws of the Cayman Islands and is formed for the purpose of making investments in non-U.S. litigation finance investments via wholly owned subsidiary entities. IMF Bentham Cayman Advisory Services (**IMF Advisory**), a newly established wholly owned subsidiary of IMF, is the appointed investment advisor of Fund 5.

Transaction Terms Summary

The key terms of Fund 5 are very similar to Fund 4, namely:

- 4-year investment period (unless fully invested earlier), with the ability to re-invest capital from investments which complete during that time (**Investment Period**)
- Investment concentration limits apply but they are materially higher than for Funds 2 and 3, enabling IMF Advisory to pursue a broader range and larger size of investment opportunities
- Net cash distributed and performance fees payable on a per investment 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. Performance fees subject to annual re-balancing to reflect aggregate investment performance
- Management fee paid quarterly on deployed external capital which will over time materially assist in defraying overhead expenses
- All Non-US litigation finance investments to be made by Fund 5 subject to filling the residual capacity in Fund 2 and Fund 3 and Fund 5 concentration limits
- Investors have priority rights to commit to a successor fund to Fund 5. Provided a minimum of US$250 million of external investment is committed, the successor fund will operate on the same terms as Fund 5.
- Standard termination and key person provisions. In the event Fund 5 terminates the applicable investment advisory agreement for "cause", IMF Advisory will forfeit 50% of future performance fees (or 100% in respect of a relevant criminal conviction) and IMF will lose its rights to invest in any future investments made by the fund but shall remain liable for its pro rata portion of fund expenses

ATE Insurance Policy

IMF has secured for Fund 5 an After-the-Event (**ATE**) insurance policy, that will respond to claims up to the indemnity limit for adverse costs exceeding a self-insured retention of US$20 million. The policy contains a cap on individual claims as well as the aggregate indemnity cap. The initial premium under the policy is approximately US$17 million and will be paid by Fund 5 and subject to hurdle return to the investors like all non-establishment partnership expenses. Further premium payments will be made when capital commitments to investments by Fund 5 exceed US$300 million.

The policy is provided by insurers with a minimum AM Best rating of A- (excellent). IMF is of the view that assuming a level of performance in line with IMF's historic record, the policy should fully insulate Fund 5 from claims for adverse costs above the self-insured retention level, save that individual investments of a material size may require top-up cover should the adverse cost risk exposure exceed the applicable cap.

The policy will enable Fund 5 to deploy funds without reserving above the retention level for adverse cost risks. This "wrapper" policy will apply to all investments made by Fund 5, which will expedite the investment process as individual ATE cover will not be required on a case-by-case basis.

Benefits

Fund 5 marks the continued evolution of IMF's business model following the establishment of Funds 1, 2, 3 and 4. Fund 5 marks IMF's ongoing growth as well as a continued management of risk in line with Fund 4. IMF will participate in equity returns equally with external investors whilst IMF Advisory will earn management fees throughout the life of the fund on deployed capital and performance fees at the time of each profitable completion (subject to first returning invested capital and achieving the hurdle return). IMF considers the adjusted risk return structure of Funds 4 and 5 to be the preferred model for the group moving forward.

IMF engaged DLA Piper Australia and Walkers, Cayman Islands as legal advisers in relation to the transaction, and BDO as tax advisers.

Jeremy Sambrook
Company Secretary

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