

# LITIGATION FINANCE



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Asset manager authorized by the AMF

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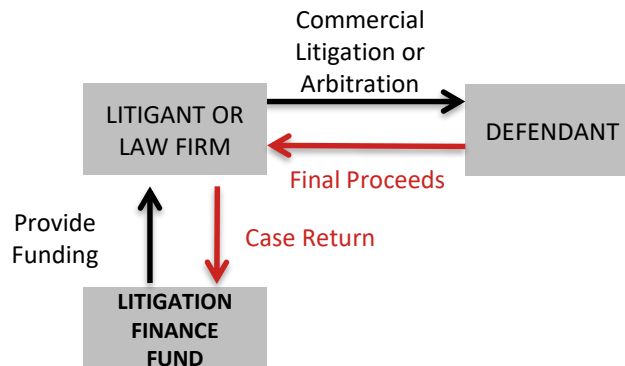
## ***Litigation Finance : how it works ?***

### How it works ?

The concept of litigation finance is that a capital provider advances funds to cover the cost of commercial litigation or arbitration.

Capital is typically provided on a non-recourse basis, meaning that there is no obligation to repay the investor if the underlying litigation is unsuccessful.

In exchange for that, the investor is entitled to a portion of the outcome generated if the litigation is successful.



Typically, the funding agreement give to the funder a senior rights on any dollar recovered from the claim until he receive from 2x to 4x its capital advanced. This multiple increase over the time. In addition to this senior remuneration called “Fixed return”, most of the time the funder is also entitle to variable return calculated on a pari passu basis with the claimant and that represent from (5% to 10% of the total outcome – the fixed return already received).

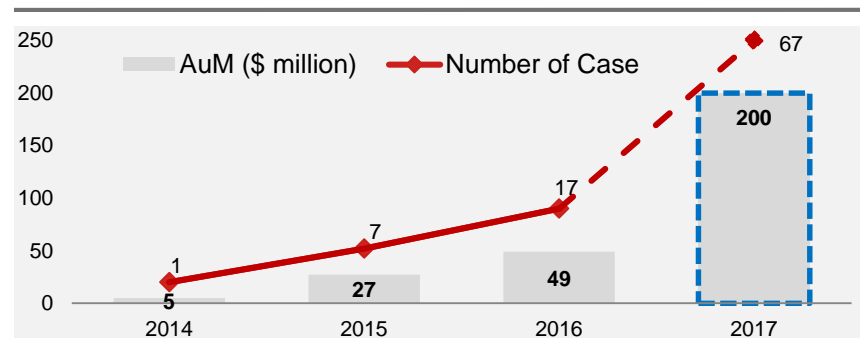
# IVO LITIGATION PORTFOLIO OVERVIEW



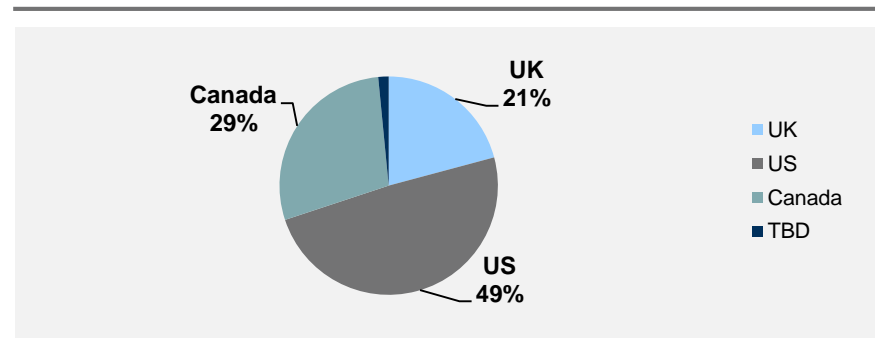
## CURRENT PORTFOLIO

	Date of investment	Description	Type	Funding	Claim
#1	February-15	Breach of contract & tortious interference	Insured	\$1.3M	> \$30M
#2	February-15	Breach of contract	Insured	\$1.9M	> \$1.8 Bn
#3	June-15	Ponzi scheme	Insured	\$2.5M	> \$6.09 Bn
#4	June-15	Patent dispute	Insured	\$2.5M	> CAD 20M
#5	August-15	Tortious interference	Insured	\$4.9M	\$100M
#6	November-15	Breach of contract & civil conspiracy claim	Insured	\$1.9	\$80M
#7	February-16	Tortious interference	Insured	\$2.7M	\$74M
#8	February-16	Breach of contract	Uninsured	\$0.7M	\$23M
#9	April-16	Breach of contract	Insured	\$0.9M	> £10M
#10	April-16	Breach of contract	Uninsured	\$0.3M	> \$100M
#11	July-16	Violation of USA tax laws	Insured	\$2.9M	\$250M
#12	October-16	Breach of contract	Insured	\$2.9M	\$45M
#13	November-16	Breach of duty and gross negligence	Insured	\$1.3M	£360M
#14	February-17	Expropriation of investment	Uninsured	\$1.2M	> \$300M
#15	March-17	Tortious interference	Uninsured	\$0.8M	\$100M
#16	March-17	Patent infringement	Insured	\$4M	\$100M

## LITIGATION FINANCE AUM



## GEOGRAPHICAL JURISDICTION BREAKDOWN OF EXISTING INVESTMENT



## ***Litigation Finance : Does it works ?***

### Does it works ?

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The two most recent public cases funded by external capital and on which there was a court ruling in favor of the plaintiffs was Singularis case v Daiwa and the case of Aerolinas Argentina v Argentina.

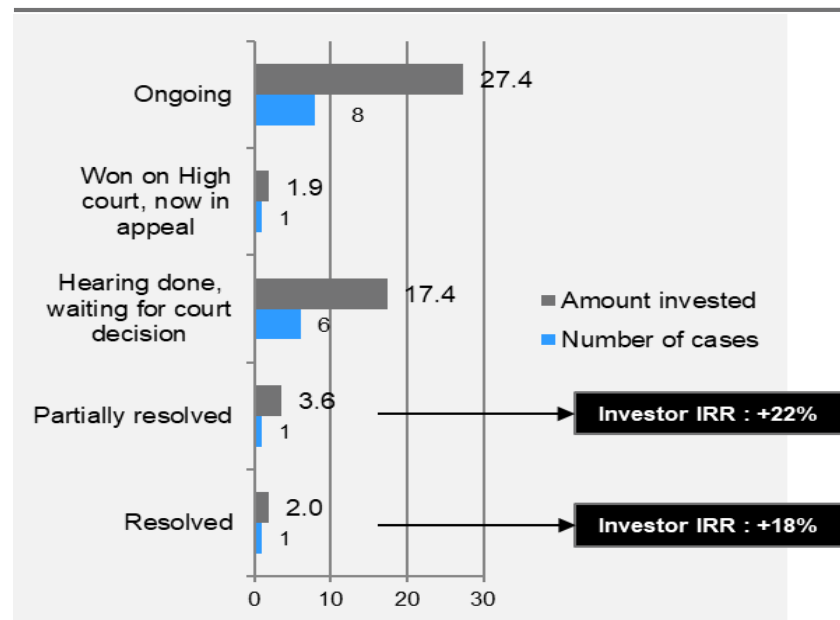
The first one was funded by us for an amount of \$1.3M in November 2016 for breach of duty and gross negligence from Daiwa as custody . In March 2017, the UK High Court ruled in favor of the Plaintiff, awarding a total of approximately \$200mm, of which our SPV is entitled to receive slightly under 15%. The judgment is supposed to be definitely appealed and rendered in December.

The second public example was not financed by us. It is about Aerolíneas Argentina and Austral nationalization in 2008. In 2010, the Spanish travel group Marsans ask for \$13M external capital to finance its claim against Argentina for violating the Argentina-Spain bilateral investment treaty. On July 21<sup>st</sup>, an ICSID tribunal has ordered Argentina to pay more than US\$320 million plus interest with the claimants' third-party funder set to receive around US\$140 million from the award.

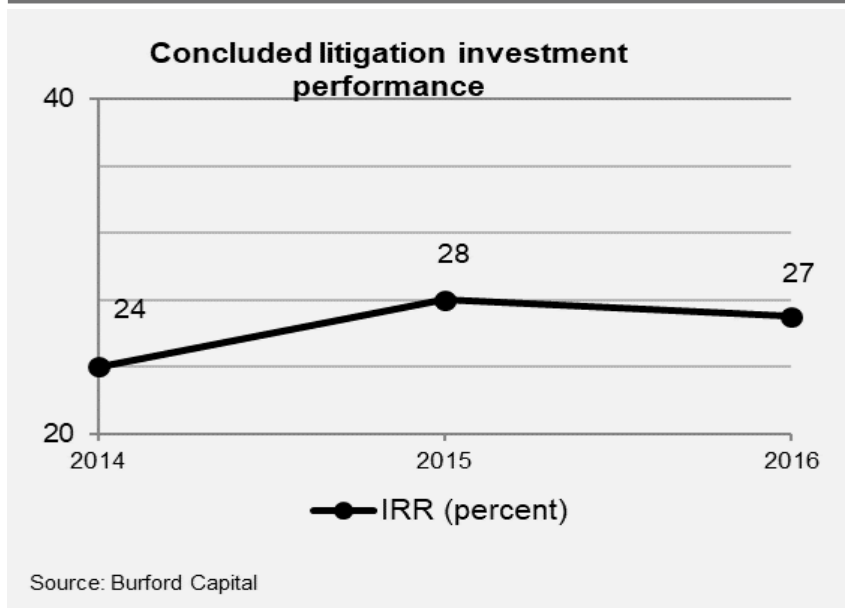
## Does it work ?

### *“Fat returns for those who help companies take legal action”. The Economist*

IVO EXISTING INVESTMENTS STATUS AND TRACK RECORD



INDUSTRY MARKET LEADER TRACK RECORD. BURFORD CAPITAL



✓ EXCELLENT TRACK RECORD COMPARED TO THE MARKET LEADER IN THE INDUSTRY

✓ ESPECIALLY CONSIDERING THAT REALIZED ON A CAPITAL INSURED AND ON A GUARANTEED MATURITY BASIS

## ***Litigation Finance : Why it works ?***



## Why it works ?

Litigation sector is mature, structured with clear needs caused by a absence of financing. Banks desintermediation and current accounting rules. External capital address all these structural needs and align interest of all participants .

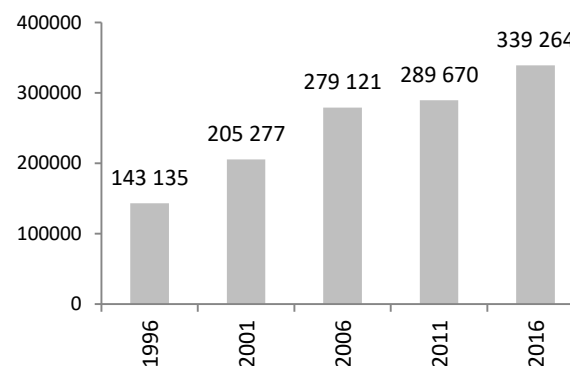


*“It is a growing market with significant potential, not least because there is a clear need.” Citywire*

*“Despite the size of the legal industry, there is little use of outside risk capital. We believe the litigation finance market remains at the early-adopter stage” . Burford*

- **Corporates** : Nearly 90% of U.S. corporations are engaged in litigation, and the average large company typically manages multiple cases simultaneously.
- **Law Firms**: Globally, annual revenues from law firms are enormous – in the hundreds of billions of dollars. The 100 largest law firms in the US alone have annual revenues of more than \$80 billion <sup>(1)</sup>
- **Claims**: Millions brought annually; hundreds of billions of dollars in resolutions

LEGAL SERVICES IN THE US <sup>(2)</sup> (\$Million)



**75%**  
of US lawyers  
believe that  
litigation finance  
will grow in the  
next 5 years <sup>(3)</sup>

### Many interest for investors and for their portfolio manager.



Investors  
and  
portfolio  
managers

***“ Chris Flowers, the billionaire private equity investor. Ken Langone, the former NYSE director. Hank Greenberg, AIG’s former CEO. Steve Cohen, the billionaire hedge fund guy. Peter Peterson, Blackstone’s founder. Skadden Arps. David Boies. Ben Bernanke. Tim Geithner. What do all these people have in common? They are all players in a funded lawsuit. “ Burford***

1. On top of the advantages of this asset class for investors is the real non-correlation of litigation with traditional asset classes and also with global economy.
2. Attractive Returns : IRR superior to 15% in average.
3. Short term investment : potential money multiple returns are similar to private equity, but are expected to be generated within a shorter timeframe.
4. Opportunistic momentum to invest because of bank disintermediation which bring to the current unbalanced supply (funds) and demand (plaintiff or law firms) dynamics of funding. Thus, a multibillions sector, perfectly organized, with high visibility, big participants, structurally growing available for disintermediated financing. Even if litigation finance is clearly growing, we are still at very early stage in terms of funding vis a vis the real need.
5. As it is a non recourse financing, litigation funding is an equity type investment and now it is also a credit opportunity since IVO structured the first insured transaction bringing an alternative source of repayment.

### Litigation Finance as support to CFOs



Plaintiffs

***Corporates : Nearly 90% of U.S. corporations are engaged in litigation, and the average large company typically manages multiple cases simultaneously.***

#### ***Monetize an asset non recognized as an asset in accounting rules***

Litigation funding improve accounting rules regarding treatment of litigation expenses and awards as without external capital, legal expenses reduce its earnings as any expenses. Litigation recoveries are recorded as non-recurring or extraordinary items. In EBITDA basis, expenses reduce the Ebitda, positive outcome doesn't increase...

Litigation finance address and enhance this financial issue because the external capital received from the litigation funder can be booked as an income received because it is a non-recourse funding. So before the resolution, the company record a revenue and has moved cost off balancesheet with no negative impact because litigation is not an asset on a accounting point of view.

***“Taking that approach to financing on a portfolio basis can enable companies to reinvent their legal departments and budgets, transforming the impact of meritorious litigation from revenue-destroying to profit-enhancing—and that is an area that will undoubtedly drive increased innovation and pickup of litigation finance in the years ahead.” Burford***

### Litigation Finance as support of Law firms



Law firms

#### ***Law firms : non manageable rise of working capital***

“Discounted fees”, “fixed fees”, “capped fees” or the deferral of fees until and contingent on success have become the norm in the negotiation with law firm. In other words, law firms are the structural co-buyers of the risk of the litigation.

According to the Georgetown Law Centre for the Study of the Legal Profession 2017 Report on the State of the Legal Market, alternative fee arrangements combined with budget-based pricing “may well account for 80 or 90 percent of all revenues” at many firms.

Head of global disputes for an AmLaw 50 firm commented in the 2016 Litigation Finance Survey, “The legal departments are under pressure. The firms are under pressure... Anything that can relieve that tension is a good thing. Litigation finance... takes the law firm out of the firing line.”

Alternative fee arrangements mechanically increase the working capital of law firms and its ability to work properly. Moreover, this working capital issue is non financed by conventional channel of funding like banks and is complex to address internally due to partnership structure type of law firms.

Make law firms buyers of the risk of litigation have good effect like the alignment of interest but have negative effect at the industry level. Litigation finance help the industry in a sense that it permits law firms to calibrate the risk they assume and monetize positions.

***IVO product offering type?***

As it is a non recourse financing, litigation funding is an equity type investment and now it is also a credit opportunity since IVO structured the first insured transaction bringing an alternative source of repayment.

IVO is the only litigation funder that offer to investors two type of opportunities depending on their risk profile

### **EQUITY FINANCING STRUCTURE**

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**IVO Litigation Finance funds**

### **A+ CAPITAL PROTECTED DEBT FINANCING STRUCTURE**

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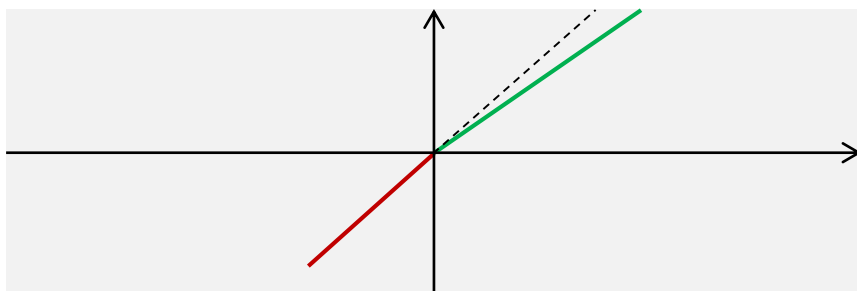
**5Y IVO Insured Litigation Finance funds**

# IVO PRODUCT OFFERING TYPE : EQUITY OR DEBT

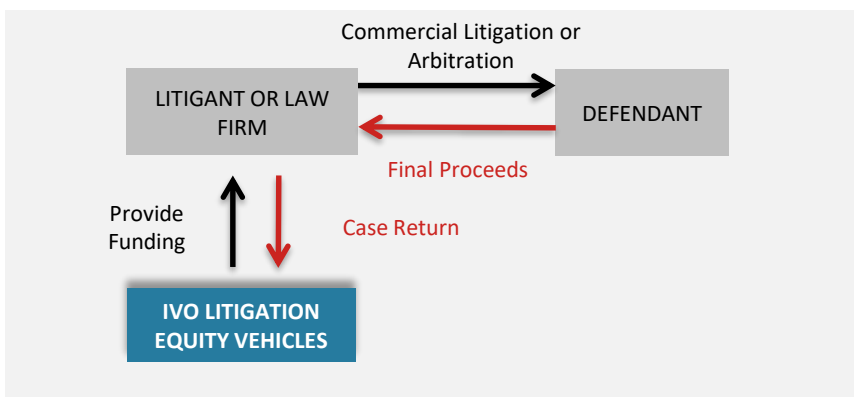
## EQUITY FINANCING STRUCTURE

- 80/20 payoff structure
- Uncorrelated Returns to general markets
- Highly Attractive Return
- Capital at risk
- Timing uncertainty

## PAYOFF PROFIL



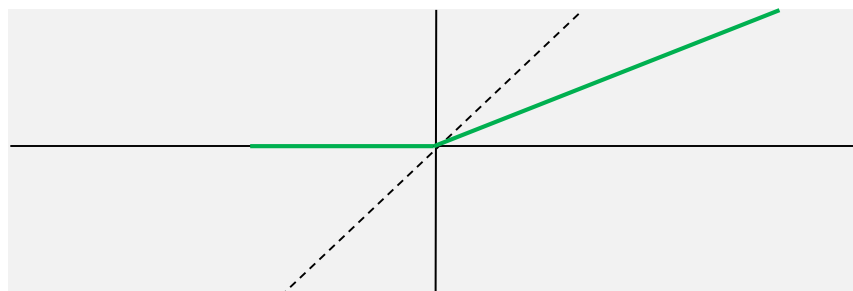
## PRODUCT STRUCTURE SUMMARY



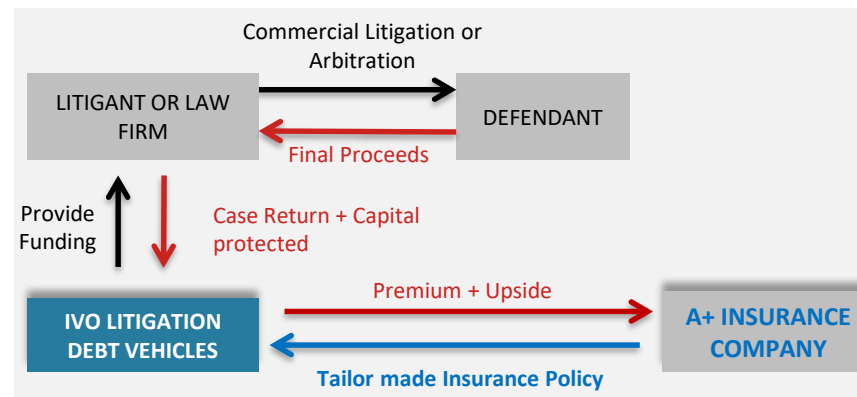
## A+ CAPITAL PROTECTED DEBT FINANCING STRUCTURE

- 50/50 payoff structure
- Uncorrelated Returns to general markets
- Attractive Return
- Capital protected
- Maximum maturity

## PAYOFF PROFIL



## PRODUCT STRUCTURE SUMMARY - A NEW PARTICIPANT



## ***Conclusion***



- 1. Participation of an A+ US insurer (\$23bn assets) listed on the NYSE**
- 2. World top Asset Managers dedicated litigation vehicles investing by your side**
- 3. Privileged access to US Top Law Firm cases**
- 4. Transaction advisors : DLA PIPER and HOGAN LOVELLS**
- 5. Access to a highly attractive asset class:**
  - *Uncorrelated returns to general markets*
  - *Potential attractive returns*
  - *Potential short term investments*
- 6. Improved by an innovative structuration**
  - *100% Capital protected*
  - *Guaranteed Maximum Maturity*
  - *Ability to invest in 100% Equity product as well*
- 7. In an opportunistic momentum in an unbalanced early adopters market**

## ***IVO Capital Partners***

## Fund Manager / IVO & Affiliates / A growing international asset manager headquartered in France with more than \$400M AUM

Asset manager authorized by the Financial Markets Authority (AMF) and specializing in credit products. With offices in Paris, São Paulo and Mexico City, the group manages private and institutional funds and advises international companies on structured finance transactions. Created at the end 2012, the company currently manages over \$400 million in assets, primarily for institutional and family office investors. Before founding IVO Capital Partners, the executive team worked in structured finance and asset management for Rothschild, Merrill Lynch and Nomura (combined AUM of assets managed and structured transactions closed greater than \$1.5bn). IVO has positioned itself as an experienced and innovative asset manager with credit expertise across a variety of asset classes, with specific skills in structuring credit products that control downside and banks disintermediation essentially through litigation finance.

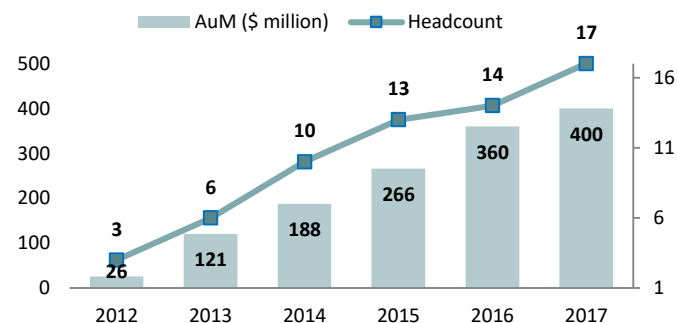
### IVO asset management / Global Ranking of IVO Fixed Income fund since inception\*

Analyse du 25/04/2015 au 31/05/2017

	Nom	Perf cumulée	Perf annualis.	Volatilité	Sharpe	Ratio Info
1	F IVO FUNDS IVO FIXED INCOME R	14,98 %	6,86 %	6,29 %	1,13	0,78
2	F TAILOR CRÉDIT RENDEMENT CIBLE C	11,70 %	5,40 %	3,77 %	1,50	0,63
3	F BNP PARIBAS GRANDI EVENTI SPORTIVI CLASS	10,17 %	4,71 %	7,96 %	0,63	0,41
4	F BGA GLOBAL CORPORATE BOND Z ACC EUR	5,58 %	2,61 %	3,15 %	0,91	0,25
5	F LO SELECTION THE CREDIT BOND FUND EUR M	5,38 %	2,52 %	2,41 %	1,16	0,25
6	F MUZINICH BONDYIELD ESG FUND INST HDG (C)	5,25 %	2,46 %	2,28 %	1,19	0,24
7	F JPM FINANCIALS BOND JA (C) EUR	4,78 %	2,25 %	3,32 %	0,76	0,20
8	F UBS BD SCV GBL CORP USD EUR HDG I-X (C)	4,75 %	2,23 %	3,32 %	0,75	0,19
9	F PIMCO GIS EURO CREDIT FUND INST II EUR	4,72 %	2,22 %	2,92 %	0,85	0,22
10	F SWISSCANTO (LU) BI GBL CORPORATE H EUR J	4,69 %	2,20 %	3,17 %	0,78	0,18
11	F GS OPP CORPORATE BD PT OCS (ACC) EUR-HGD	4,60 %	2,16 %	4,22 %	0,58	0,17
12	F GLOBAL TACTICAL CREDIT FUND HEDGED EURO ACCUMULATION A DIMITS	4,58 %	2,15 %	1,99 %	1,19	0,17
13	F PIMCO GIS GBL IVT GRADE CDT FD INST EUR	4,14 %	1,94 %	7,17 %	0,31	0,59
14	F INVESCO GLOB INVEST GRADE CORP BD E (C)	4,07 %	1,91 %	9,02 %	0,24	0,19
15	F AWF GLOBAL CREDIT BONDS I EUR HEDGED	3,99 %	1,88 %	3,30 %	0,65	0,13
16	F AXAWF EU. B MAINT CRED I CAP EUR	3,95 %	1,86 %	2,51 %	0,85	0,15
17	F AXAWF GLOB. B MAINT I CAP EUR (H)	3,87 %	1,82 %	3,39 %	0,62	0,12
18	F M&G GLOBAL CORPORATE BOND FD EUR AH ACC	3,41 %	1,60 %	3,89 %	0,48	0,09
19	F NORDEA 1 EUROPEAN CORPORATE BD FD BI EUR	3,33 %	1,57 %	2,54 %	0,72	0,09
20	F JPM FLEXIBLE CREDIT A (C) EUR HDG	3,27 %	1,54 %	3,09 %	0,59	0,08

Source : Quantalys

\*Past performance not a guarantee of future results. The asset class presented herein will have different targeted returns and/or performance metrics.



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