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From The Times

December 21, 2007

## The law is now an asset class

Patrick Hosking: Business Commentary

The notion of litigation as a separate asset class is a novel one. It's hard to imagine fund managers one day allotting a bit of their portfolio to third-party lawsuits, alongside shares, bonds, property and hedge funds.

But some wealthy investors are starting to dabble in lawsuit investment, bankrolling some or all of the heavy upfront costs in return for a share of the damages in the event of a win.

The London-managed hedge fund MKM Longboat last month revealed plans to invest \$100million (£50.5million) to finance European lawsuits. Today a new company, Juridica, floats on AIM, having raised £80million to make litigation bets.

Juridica will make investments in ongoing legal claims, mostly in the US, and loans to law firms to finance their costs in pursuing claims.

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Profiting from other people's lawsuits, a practice known as champerty, is illegal in some jurisdictions and risks accusations of ambulance-chasing, but Juridica is concentrating on backing business plaintiffs, where the practice is better established and more accepted.

Some well-known investors, including Invesco Perpetual and Jupiter, are backing the company and Cenkos is the nominated adviser.

Pursuing legal claims can be frighteningly expensive. Plaintiffs have to commit management time and cash years into the future with no certainty of success. Getting an outside investor to share some of

the financial pain can be very attractive. So can tapping their litigation experience. While most large companies are well resourced with in-house lawyers, few have litigation experience.

For MKM Longboat and Juridica, weighing up which cases to back and which to shun looks every bit as difficult as picking equity winners,

if not more so. They will need to assess the strength of the case, the character of the defendant organisation, the size of the likely damages, the chances of being able to collect those damages and external risks such as political and legislative changes. They also need to be able to drive a hard bargain with plaintiffs. Each deal will be structured differently and the terms of engagement

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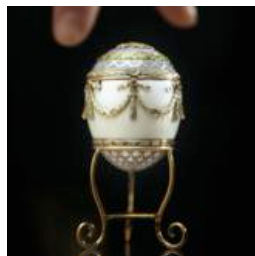
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laid down in advance, in an attempt to prevent later disputes.

Law firms in the US remain one of the few no-go areas for outside equity capital investment. They also appear a safe bet to prosper in the chilliest of economic conditions. No wonder capital is starting to seek out imaginative ways to try to piggyback on their good fortune.

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