**BURFORD CAPITAL INVESTOR EVENT TRANSCRIPT | NOVEMBER 2, 2021**

**Christopher Bogart, Chief Executive Officer:**

Perfect. Good morning everybody here in New York. Hello to all of the several hundred people who are joining us by webcast. We're delighted to have you here for Burford's Capital Markets Day, our Investor Day—the first that we've done since 2018. And we're really excited to be able to show you where we've been in this business and where we're going.

A bunch of the management team is here with me, and we're thrilled to be spending the next couple of hours walking you through a variety of information about the business.

Before we start, this is obviously a business run by lawyers. So these disclaimer slides that so many of you just flip past in pitch books have a special place in our heart, and we really do mean these disclaimers. The most important one of which is that even though we're going to give you a little taste in this presentation of what we think the future might hold, we are not—we do not provide forward guidance in this business, and we're not changing that policy. This is not a forecast. So please do marinate on that disclaimer a little bit. It is now two pages because we wanted it to be very clear.

So, what are we going to do today?

First of all, Steve Wilson, Burford's new Chairman, is going to speak for a couple of minutes to welcome you. I'm going to come up and talk about the growth of the business. Jon Molot, the Chief Investment Officer, is making a rare cameo appearance in front of investors and is going to talk quite a lot about the portfolio and its potential. We're going to, after Jon's presentation, we're going to pause for some questions both from the live audience here, the live studio audience maybe I should call you, and from the webcast. And for those of you who are joining us by webcast, you can ask a question at any time simply by typing it into the comments box in the webcast, and those questions will be read out here by a member of the Burford team. We'll try to sort of alternate between live questions and questions from the webcast. So we'll do a little Q&A in the middle.

After that, Aviva Will and David Perla, Burford's Co-Chief Operating Officers, will come up and have more of a conversation than a full-on slide-based presentation for a little break in what might otherwise be a fairly monotonous presentation. Ken Brause then, our new Chief

Financial Officer, will come up. We'll have a second Q&A session before we conclude. We'll try to be done at around 12:30 New York time.

Without further ado, let me introduce Steve Wilson, who became Burford's Chairman earlier this year. He's been, though, around Burford since its very inception. And it's hard to imagine somebody with better credentials to take this role. Steve spent almost 30 years at Latham & Watkins, one of the world's largest law firms, and unusually ran both the litigation function at one point in his career and the corporate and M&A function. So he has a broad, broad range of legal experience. And what he then did is retired from Latham & Watkins and spent another decade at Tennenbaum Capital Partners in California, a multi-billion-dollar investment fund. So Steve really does personify for us that mixture of legal and investing that is what this business is all about.

**Steve Wilson, Chairman:**

Well, good morning. It's 54 weeks late, but it was still a great thrill to ring that bell this morning. It's really exciting, and exciting to be here with our veterans and with some of our new people. It's also a great pleasure to welcome all of you here live in New York, as they say on television, at this great venue. For those who are watching remotely, we'll try to make it worth your time.

As Chris mentioned, it's been almost exactly two years since we had our first webcast Investor Day in London, and a lot has happened since then. It was right about that time that we made a commitment to list here. And we also made some corporate governance commitments at that time that are enumerated over here on the side. We have fulfilled those. There will be more coming in that vein.

We wanted to come to the New York Stock Exchange for the obvious reasons: It's the breadth and depth of the capital market. And we thought it would be a great benefit to our shareholders and ultimately to Burford the institution. And that has proven to be right. You'll hear more about this later. But the percentage of our US holdings continues to grow, as does the volume daily done here versus London.

I think it's also fair to say that listing here has added an intangible ease of stature to our situation in the market. None of our competitors are listed here or any other American exchange to speak of. And it really does differentiate Burford from its—for the benefit of its clients and counterparties. Chris gave you a little preview that I was going to give you too, so I won't repeat it. I think you'll particularly find Jon Molot's presentation of interest and different than anything you've heard before in these kind of presentations or in our written disclosures. And I would add to what Chris said that past performance models are not indicators of future performance or at least not reliable ones. But I hope you'll enjoy the day. I'm certainly looking forward to it. It is off to a great start. So, welcome.

**Christopher Bogart, Chief Executive Officer:**

Thanks very much, Steve. So I'm going to take a little time now and talk to you about the opportunities that we see for growth in this business. And I'm going to make across the course of this day, my colleagues and I are going to make four fundamental points to you about where this business has been and where we think it's going. First of all, Jon is going to spend the bulk of his time talking about the potential that we see in the existing portfolio that we have.

And this is potential that we have measured with sophisticated probabilistic modeling that we've been doing for some time. And Jon is going to take you through our thoughts about how we do that, what we think about the reliability of that work and ultimately, what its outputs are currently showing. And those outputs are suggesting that the portfolio that we have on hand today has the potential to generate about $3.4 billion of cash realizations and about $2 billion of realized gain. So that will be a key cornerstone of this presentation.

I'm going to spend more of my time talking about growth and the growth potential that we see in this business, where we've come from and where we think it's going. And that growth really is going to come from a combination of continuing to evolve the adoption rate, the client utilization of this business, along with expansion geographically, which we've been doing for some time and will continue and continued development of new products.

We'll talk a little bit about the fundamental asymmetry in the investments that we make and why that is desirable, especially given their uncorrelated nature. And we're going to focus, obviously, on the bottom line here, shareholder profitability. Burford is unusual compared to some of the other companies that you will follow in that the management team is one of the largest groups of shareholders in the business. So we have a strong degree of alignment with public shareholders. We're committed to delivering shareholder value over time. And that's something that is very much part of our ethos, part of our DNA and something that we pay careful attention to. So at the end of the day, we're obviously focused on the top line here of bringing in investment returns, but we're also very focused on delivering a desirable ROE for the business.

I'm not going to dwell on our historical performance. But when you talk about ROE, we've put up here the ROE levels that we've been able to generate in the past. Those are rolling ROEs given the fact that we have period-to-period volatility in cash flows here. But having seen multiple years of ROEs in that 20-plus percent level, it does begin to beg the question about whether those are sustainable long term. And when you put together the combination of Jon's presentation and Ken's, I think your conclusion may well be that they are.

Burford has historically delivered very nice performance. We've put our performance here both on a nominal and an annualized basis against a number of benchmark indices, simply to make the point that what has already happened with this business has been desirable for shareholders. And investment in Burford at the time of its IPO 12 years ago would have generated now more than a 900% return.

So just a moment or two on what we do and how we do it, especially for those of you who are not as familiar with Burford as some of our long-time investors who are here. Burford is a specialty finance company. And it's important to emphasize that first. The assets that we invest in are legal assets. But we approach investing in legal assets as a finance firm. We are investors first and lawyers second. And that rigor, that approach to investing underlies everything that we do. We built the leading institutional platform in this space as a vehicle for making investments in legal assets. We pioneered that as a commercial institutional model. And we've built now a substantial business that focuses on the underlying asset value of legal claims.

Let's put that in really simple terms for the basic product that we operate. Companies don't like litigation. They obviously don't like being sued, but they don't even really like bringing their own litigation. And part of the reason for that is that you, shareholders, don't tend to reward them very much for doing so.

Once upon a time, I was the General Counsel of Time Warner, the media group. Time Warner's business is about making movies and music. It's not about generating positive cash flow from litigation claims. And as a result, it was both difficult for me to squeeze capital out of the CFO to be able to put it to work in legal functions, but it was also not even particularly financially rewarding from a shareholder value perspective. My winning a nice cash-generative case was treated by shareholders as a one-off gain, no multiple given to that and just tucked below the line. So it's not surprising that companies, especially as you have seen a considerable increase in the cost of litigation, it's not surprising that companies are regularly looking for ways not to have their litigation expenses running through their P&Ls, reducing their EBITDA or their earnings and, frankly, taking away from corporate liquidity that could be used for some other purpose.

So, we do something very basic. We stand in the shoes of those corporate clients. We pay the legal fees and the expenses associated with bringing pieces of litigation. That removes those costs from the corporate budget, from the P&L, and instead, the company simply shares with us a portion of the outcome. That's the basic building block of this business. And of course, when we make those investment decisions, we're doing that by looking at the underlying merits, the underlying legal value of the claims and what we think an economic recovery is going to generate. That's a business that has grown significantly, and it has also provided us with the ability to launch a number of other businesses on top of that basic business, and I'll talk a little bit more about those as we come.

We both invest from our balance sheet, and we invest from managed funds. We're the industry's largest investor on both of those categories. And you can see that we've achieved significant levels of growth over the last five years. And now we have a portfolio that is running close to $5 billion in size.

So with that grounding in what we do, let's look at a little more detail about how we actually generate some returns and what the life cycle of these investments are. Fundamentally, we start off by making commitments to provide capital against legal asset value. That can be in that single-case model that I described to you before, where we've agreed to pay the legal fees and expenses as they're generated by the company. And there are other ways to put capital behind legal claims as well. We'll talk later about the ability to monetize the underlying value right up front and to convey asset value, convey liquidity to the corporate client.

But in any event, whatever products we're doing, we're making commitments to the underlying value of legal assets, and we're deploying most of the capital that we commit. As you can see there, we deploy, we send out the door about 85% of the capital that we commit. The reason for that gap is because some number of cases resolve by settlement before they go all the way to the end of the process and spend all the capital that we have earmarked for them.

So then, once we have deployed our capital, we are fundamentally a buy-and-hold investor. There is not a liquid market for litigation matters. We can't go like you can and trim our positions or re-underwrite them. Once we've made the decision to invest in a matter, we're then waiting for it to run through the court process.

The good news, though, is that litigation, even though it is not the speediest process in the world, it has a finite ending. Cases don't go forever. And the litigation system delivers that ending to us in every case that we invest in. The most common outcome of the three potential outcomes of a litigation matter is that the parties will settle the case before it goes all the way through the litigation process. That happens in 60% of our matters. And when we settle cases, it happens fairly rapidly, around a year and a half of weighted average life. And it produces, as you can see in the black box, a desirable return.

If cases don't settle, then they go on to trial and appeal. That adds duration, roughly doubling the average time that it takes us to get to a conclusion. And we—it also introduces risk because if the case loses, and some of our cases lose because judges simply take an alternative view to them. If the case loses, then the reality is we'll lose our capital. But when we win, we win a lot more than when we settle, about 5x as much. And the reason fundamentally for that is when you're settling, you're taking a significant discount from the actual value of your claim. You're effectively discounting for certainty, if you will.

Whereas if you don't settle and go the distance in a case, then you don't have to take that discount. If you win, you can win full-sized damages. And as a result, we have these two engines of positive uncorrelated cash flow. We have settlements, these effectively riskless cash flow positive elements, and we have case adjudications, which generate high positive returns, which have generated over almost $2 billion now of cash recoveries. And these numbers on these slides are all cash-on-cash numbers. Almost $2 billion of cash recoveries, we've been able to produce these sustainably high levels of return.

What we see then when we look at a distribution of those returns over time is we see another desirable feature of this business, which is its significant positive asymmetry. And this is just common sense. Litigation is a relatively risky undertaking. You're not going to spend $20 million to litigate a case if your maximum potential recovery from that case is only $20 million. That's simply not economically rational.

So what happens if you lose, and the losses here are those smaller gray bars on the left, if you lose, you're losing more—you're losing less money than the money that you make when you win. That's the fundamental positive asymmetry that we have here. And settlements really fill out the middle of that gap.

And what this distribution chart shows you when you look at the numbers is that this is repeatable. These high returns, these cases that win, this is not a one-off lucky bet that we've taken. You can see the numbers in the colored boxes. Over and over and over again, we will invest in cases that if they don't settle will go on and make a lot of money. Some of them will lose, but most of them will go on and make a lot of money. And that kind of distribution is characteristic of litigation outcomes not only for Burford's investments but litigation outcomes in general.

So that really takes me to where we're headed. I'll draw a line under what the business does today, and let's talk about growth. I've already showed you that we have grown a lot in this business over the last five years, and we don't think that we are anywhere close to done. There are three fundamental drivers of future growth in this business. The first of them is simply having more people do this, more companies use capital. We have passed the point where this is something that is really new and esoteric and funky for corporates. We were there 10 years ago. But we are nowhere close to universal adoption of this as a corporate financing tool.

What we're looking for is the same kind of ubiquity of analysis by companies, by CFOs that they engage in in all sorts of other purchasing decisions. Nobody even buys a photocopier without doing a little rent-lease-buy analysis. We want them to do the same thing when it comes to their legal expenses, to their litigation expenses. And every year that goes by, more of them do. And that, in turn, generates more business from us.

And you can see in the numbers on the right, a little bit of market research, that is suggestive of a continuing significant interest in these products, and that comes from market—independent market research. There's a fair bit more data on our website if you're interested in looking into that. And so fundamentally, we're driving new client adoption from new corporate clients. And we're also driving incremental adoption from existing clients, and I'll talk a little bit more about that in a moment. The second growth driver are new markets, geographic expansion. And the third is the fact that we continue to innovate and provide new ways for clients to put our capital to work against their legal assets. And that innovation is really being driven by the fact that as people start down the road to use capital, they become more comfortable and more familiar with it. It's very often the case that the first call we get from a corporate client is for one of those fees and expenses deals. But as time goes on, they start to think about how they can use capital more productively in the business.

So let's unpack those three in a little bit more detail. First of all, just the ability to drive new business from new clients and incremental business from existing clients. On the latter point, it's interesting to note that 72% of our clients, 72% of clients who have done one deal with us come back for more. So this is a business where it is challenging to get people to do the first deal. It's challenging to get a company to adopt legal financing for the first time. And that's why our growth will be episodic over time because that's a persuasion game. You're trying to do—you're taking people outside their comfort zone, and you're making lawyers think like finance people, and you're making finance people start analyzing law. And neither of those two things really happen in companies today. But once people get the hang of that, they keep on doing it. And so we generate a fair bit of incremental business from that.

The other thing that is happening is the continued broadening of the market. And you see here the split between deals that we do with law firms and deals that we do with corporate clients. And I'd draw your attention particularly to the graphic on the right. Our business has been growing overall. So our law firm business in the last five years has tripled, which is impressive in and of itself. But our corporate business, from a smaller base, admittedly, but our corporate business has grown by 8x.

So what we're seeing is a world where if you went back again 10 years ago and looked at how Burford operated, you saw most of what we were doing coming from law firms. Law firms were effectively our marketing channel. And there was a strong incentive for lawyers to seek us out and use our capital because we were the vehicle by which they were going to get paid, right? They had a corporate client wanting to bring a claim, but they were not—the corporate client wasn't willing to pay the law firm. And so the law firm is scrambling around, trying to figure out an alternative way to get paid as opposed to taking the risk on itself, which law firms don't like to do and don't have the balance sheet and the access of the capital markets to do.

So we were a heavily law firm dominant business 10 years ago. As the world has continued to evolve and as we've been able to educate corporate clients, we now have two fundamentally different channels for marketing these products. Absolutely still with the law firms—and as you've seen, we continue to grow that market—but also, a growing direct corporate footprint so that our corporate deals are now outstripping our law firm deals. And the other thing that's happening, and Jon will touch more on this because it goes directly to returns as well, is that our average investment size has been increasing. As you see, we've gone from $8 million to $21 million. That has all sorts of positive outcomes for us. It creates operating leverage and internal efficiencies, but it also is going to generate higher returns, as Jon will demonstrate.

Turning to geography. We have been expanding on a measured basis, and that's how we continue to look at growth. We don't think of this as a tech company where we should go and try to capture every bit of the market that we can immediately and lose money while we're doing it. We've taken a very measured approach to growth. But, over time, by taking that measured approach, we have seen significant proliferation of our people and our business. So now we have people in 10 countries and nine U.S. states. We added three locations last year—that's what I mean by measured growth—and you can see on the map there that we're achieving global coverage, and that's particularly global coverage of markets that we want to be in. And the other thing that you see on the left there is the degree of growth that we've already seen outside the United States. So, the red bar, the United States is, has always been and, I expect, will continue to be our largest market. And as you can see from that red bar, we've seen very significant growth in the US market. But we've also seen very significant growth in  Europe and other international markets from quite low a basis. So that's again one of these combination of factors where we're growing our main home market, and at the same time we're seeing real growth in expansion markets. And then finally, this goes to new products and product innovation. As I said earlier, people tend to start with this basic litigation funding product. But two things become exciting here. One of them is monetizations. So, with the basic product, we're effectively solving a P&L problem for businesses, a budget and a P&L problem. But we're not doing anything to assist them with their liquidity or with their balance sheet.

Litigation assets are fundamentally invisible assets. They don't show up on corporate balance sheets. They don't even show up in the notes. When you're getting sued, that goes in the notes. But when you're suing, it doesn't. You as investors fundamentally don't have any idea for the companies that you follow whether there is any litigation value in that company. And as I said earlier, as a result, you're not really giving them any credit for it. And so companies are saying now, 'Gee, why don't we do something with this asset today to generate liquidity that we can use elsewhere in our business instead of waiting several years for this thing to generate and pay?' That's been a growth area for us.

The other thing that we have increasingly done is make investments in areas where we can bring multiple clients together in similar claims. And we call these claim families. So when we generate a relatively high level of conviction around a claim family, we're able, and this is a more efficient way for us to operate, we're able to produce multiple investments in that claim family, driving again scale and efficiency. I'll give you an example of what I'm talking about. The European Commission has concluded that manufacturers of diesel trucks were engaged in an illegal price-fixing cartel. So if you're a buyer of diesel trucks, if you're a fleet operator, Tesco or somebody like that, you now have a claim against the truck manufacturers for that overcharge. That claim is going to be the same fundamental claim from lots of different fleet operators.

But each claim is going to be a little bit different. Tesco maybe buys their trucks from Volvo. Somebody else buys their trucks from Mercedes. They negotiate different economic terms and discounts. So this isn't like a securities class action where all of you, if you've invested in Wirecard, have been injured in an identical way. These are all individual claims that need to be brought separately. But we can go into the market and amass a number of these claims and effectively treat them as one family of investments.

And as you can see from this chart, if you combine monetizations and claim family investments, they're representing a significant and growing portion of our business. This is effectively another case study of the claim family approach. And this is a matter that is already concluded. It was a US claim. And you can see here graphically what we do. We start with a single investment. We spend a lot of time diligencing that investment and forming an investment thesis. And over time, as time passes and as our conviction level grows, we'll affirmatively go out and seek incremental investments to be able to add to this family of claims.

And as you can see here, we started in 2016 with just one investment. We got some more conviction, and so we added a few more the next year. We paused and watched the litigation more closely. And then ultimately, we were able to add a number more investments in the following year. So now we've built a decent-sized position. We're getting improved economics and good efficiency out of doing that. And this matter resolved overall, generating both desirable returns, but also generating a sizable amount of cash. So this is very much worth us doing, if you will. It's not just that we're generating really high returns on really small investments. This is, I think, an exciting area for us that we will continue to see growth in, in pursuit. And David and Aviva are going to talk a little bit more about how we operationalize that.

So fundamentally, when you look at the business, we're obviously very enthusiastic about where we sit today and about the future opportunities that await us. And we list a number of attributes about the business on the left-hand side of this slide. The other thing that's nice about where we sit in this industry is that there are high barriers to entry for people to come and compete directly with us. And that's particularly true as our deal size continues to grow. There are entrants in this industry, and there is more competitive activity among small deals, but not so much in the areas that we play. And there's a number of reasons for that. You need to have a significant volume of capital and a significant team to be able to do the kinds of business that we do. We have an enormous advantage from the combination of the experience and judgment that we have built up over the last 12 years—and also the amount of proprietary data that we have been able to amass. And we simply, very simply put, we have a very significant first-mover advantage in a market where it is difficult to enter simply by writing a big check. Finally, when you think about the people who are capable of writing a big check, if they wanted to come in and compete with us, you'll note that none of the named brand financial services firms that you would think of as being interested in this kind of business because, look, let's tick them off. This is a nice business. It's high returns. It's uncorrelated. There are lots of things to like about it. But it involves suing people. And not just people, it involves suing big companies. And that is a significant obstacle if you are a multi-strategy financial services firm. Because fundamentally, it means that you're going to be suing people or backing the lawsuits of people with whom you have business relationships. There's a reason that this works well as a pure-play environment as opposed to folding it into multi-strategy firms.

And in fact, if you look at what some other firms are doing, if you look at Blackstone's activity, for example, in legal finance, Blackstone is happy to invest behind consumer litigation finance businesses where they are putting capital to work in an operationally complex business. But they're not happy to be involved in litigation against people who might be their investors or might be their corporate counterparties.

It wouldn't be a Burford presentation in 2021 if I didn't say a word about YPF. And I know that if I didn't, you would ask me about it, so I'm going to preempt your questions. But I'm also going to tell you that what is on this slide, and we've written it out here so that you've got a clear takeaway from the message, and I'll talk you through it. But what I also will tell you is that it's no good to ask me anything else about this case because this is all that we can say.

And the reason is not because we're difficult. The reason, though, is because our priority when we're involved in active litigation is winning the case, is maximizing the potential to win the case. The thing's that, when you talk publicly about litigation, even if it's to correct misstatements in the media, you anger judges. And judges—angering judges is a surefire way of reducing the likelihood of success in a case. So we are not going to talk about Peterson. We are not going to talk about the strategy of the case. And also, of course, you don't want to give your opponent your strategy. But what we can tell you is what's going on procedurally. So, the YPF cases have passed through now the longest and most unpredictable, as a matter of time, element of American litigation. We're finished with fact discovery. That's when you exchange documents and witness testimony and so on, and we finished that at the end of August.

We now are in what's called expert discovery, where expert witnesses exchange their views about things like damages and foreign law and so on. That will continue on past the end of the year. After that, we'll be in a phase of motion practice where the parties will file motions that are designed to have the judge grant some relief, narrow the case, prepare it for trial. And that's the place at which the procedural elements of this become slightly harder to predict because the judge might engage with those motions, which probably means she'll write opinion and so on, or she might simply go straight to trial. But either way, it's reasonable to expect at this point that we'll see substantive activity in the case in 2022.

So, with that, I hope that I've conveyed to you our excitement about the potential of this business, the ability that we have demonstrated and expect to continue to demonstrate to generate desirable and uncorrelated returns, and the potential for Burford to continue to be a market-leading player here with significant forward growth.

And with that, I'm going to turn this over to Jon Molot. Jon and I founded this business together 12 years ago. Jon was at the time the most published scholar in the legal claims and legal finance field, an adviser at the time to hedge funds who were exploring this area. And we decided that we would institutionalize this business together and do it with permanent capital. In addition to his credentials at Burford, Jon is a full professor at Georgetown University Law School, a Supreme Court Clerk, a Sears Prize winner at Harvard law school and a brilliant litigation investor.

**Jon Molot, Chief Investment Officer:**

Thanks, Chris. Thanks, Chris, and thank you all for coming. It is nice to be out of the cave and actually seeing people. I focus on the deals, as Chris has said, and spend less time out in the world, talking to investors. But it's always a pleasure when I get a chance to do it, particularly at this moment, given what we've been through.

So I would like to make sure you take away four points from my talk today. And the four points are going to be, first, interesting trends that are very positive in our returns. I think back to—Chris talked about the growth we've experienced over the last five years, four or five years. And I remember, as we undertook that growth, investors said well, we like the returns you've shown us so far, but are you really going to be able to keep that up as you grow?

And also, this was a moment when there was competitive entry and the market as a whole was expanding. And so the question was, will returns drop? The answer is going to be not only have our returns not dropped, they've gone the opposite way. You'll see from the data, our recent trends have been an increase in our returns on invested capital, and that's really quite welcome news.

The second point I want to talk about is the current portfolio, as Chris said, that's going to be the focus. And because the only thing that's more important to investors than the question of what have you done for me lately is what are you going to do for me tomorrow? And that depends in large part on what's in the portfolio that's going to produce. It doesn't depend only on that, right, that Chris talked about our growth strategy. David and Aviva are going to talk about the new matters that continue to come in. But investors nonetheless want to get a sense of the value of the portfolio we have.

And in order to give you more information on that value, we're going to have to give you a little more information about our internal modeling, which we've never really shared before. And part of the reason we're now willing to share and feel like it will be a useful tool to you is that the—our results have given us greater confidence in the utility of our modeling for the purpose of valuing our portfolio. I'll talk you through how we develop this modeling, not at all for the purposes I'm sharing it with you today for, but instead as an underwriting and portfolio management tool. But we've had enough experience now with matters concluding that we had modeled earlier to be able to measure performance against the model and see how useful the portfolio modeling has been.

And that then gets you to when you look at the current modeling after looking at the sort of accuracy of the modeling, the current modeling suggests that, that positive trend I described earlier with respect to our recent returns going upward. We expect the returns from the existing portfolio, the models suggest, would be in line with that positive trend. And that gets us to the bottom line. If you look—the fourth point I want to make is if you look at the current portfolio, excluding the YPF assets, and just looking at the balance sheet portion of those investments, the models project $3.4 billion of cash realizations and $2 billion of realized gains. That's just for the balance sheet. In addition to that, there would be roughly more than $350 million worth of performance fees we would earn on the co-invest from our managed funds. So those are the four things I want to make sure I address today.

Before I do it, I just want to remind you of what's in this portfolio of just what we've built. It is diverse by any metric—by client type, by geography, by case type, by industry, you name it. We've built a robust, attractive, diverse portfolio. We're not betting on one or two things and hoping they go well. Because we have the brand, the market saturation, the market penetration that was so well known with all sorts of contacts in law firms and corporates, basically anything in legal finance, we're going to see. And if we see it, you're getting the benefit of that broad institutional reach. So it's really diverse.

Okay. Now I want to get into the first point, which is returns have been up, right? Years ago, and not just years ago, as we continue to grow, the limited times I would talk to investors, the investors would ask are you really going to be able to keep it up? How do you feel about the portfolio? I know the returns have been great so far, but you're a bigger organization, are you keeping it up?

The answer is a resounding yes. You can look at that black line, that is concluded cases, so completely concluded matters. And you see the returns on invested capital from four and a half years ago to the last year and a half to the last half year, the trajectory has been upward. That's a really positive development, which means in recent years, our return on invested capital has been higher than our—if you look over the entire life of our dozen years—the return on invested capital that we've enjoyed, and that's positive.

There is a red line which includes not just fully concluded matters, but also partially concluded matters. And that's still a very attractive positive trajectory with positive real returns. You might wonder: Why is the red line lower than the black? I'm not going to tell you definitively. But probably the most intuitive explanation, the one I think explains it best, is we have said, as Chris explained earlier, returns on invested capital tend to be higher for matters that reach maturation, right? If you settle early, you end up with lower returns on invested capital, but still attractive returns. If it goes to the distance, you can have the truly outsized return. So the fact that some of these matters in the red bar are partially concluded matters. Let's say, it's a single suit against multiple defendants, and a few of the defendants settle out early. Or it's multiple suits, some of which settle and some of which go the distance. It makes sense that fully concluded matters, once you've resolved all the partial ones as well, but all have gone the distance, you're going to end up with a higher line. So that's probably the best explanation.

So the question then must be—you must be thinking wait, we thought a few years ago, how are you going to keep this up? You've done even better. How have you pulled it off? Why are returns increasing?

One potential explanation, probably the best one, again as Chris mentioned, our deal size has gone up. And you can see from this chart, when we have the conviction to do larger deals, we do better. And the dividing line on this chart is $20 million, sub-$20 million deals and deals exceeding $20 million. And you can see in each year, 2018, '19, '20, '21 a marked difference that the larger deals have done better. And this is—we've told you for some time that very small deals have not performed at the same level as modest-sized deals, moderate-sized deals.

And why did we explain that? In the past, we've said, well, when you were backing the top law firms, the AmLaw 100, or comparable global firms, and you're backing Fortune 100 companies in big cases, those tend to do better; they do better in litigation when you have better lawyers and better clients than when you're backing something smaller with a not as—a lawyer not at the same caliber. And so we don't do the really small deals with a different caliber firm. We do the firms that are the best and with top-notch clients.

But this is a different dividing line. This isn't just the dividing line between a $3 million and $7 million deal. Because even like a $10 million deal, that can be a full budget for an AmLaw 100 firm on the—I mean, yes, an AmLaw 100 firm for a Fortune 100 company, and we do plenty of those, and they're great deals and some of them performed tremendously. But these are for the claim families, the portfolios, the monetizations where we have had sufficient conviction to put a lot of capital at risk, we've done better. And what's kind of remarkable about this is if you look at our early vintages our middle vintages and the most recent vintages since 2017, even though I've told you that returns on invested capital tend to be higher for more mature matters. Nonetheless, as we've gone on, the more recent vintages have done even better, taking that into account. There's got to be some less mature, younger matters that are resolving earlier in the newer vintages, by definition, they haven't had time to go the distance. So the fact that the trajectory is upward when you look as well at when we put the money out is a really positive development.

Okay, so that's about our recent past, how we've been doing in the last few years, which has been very positive. But as I said, you guys want to know, what about today, right? I like the trajectory, but how are the cases in the portfolio today going to perform compared to how you've performed in the past. And in order to give you insight into that, I really have to give you some additional insight into our modeling of our portfolio.

Now as I said, we developed this modeling for an underwriting purpose in the first instance. We've always been sophisticated than law firms—as Chris said, we are investors first, lawyers second. So law firms that decide whether to take a case on a contingency will of course look what do we think we'll make one way versus the other. We've always been more sophisticated than that.

But since mid-2017, and really since the beginning of 2018 for all matters, we have brought to bear on our analysis a sophisticated, probabilistic modeling approach, which has been really helpful in our underwriting. What does that process entail? What's included in that modeling? Well, the first part of it is that you're going to have the underwriter, this is our secret sauce, right, the underwriter who is looking at the case is going to look at the facts, the law, the potential duration, what are the hurdles along the way that would stand between us and recovery, what are the ways you could actually enhance the damages, what are the ways that the damages might get cut back, what's the budget to get you there, all the things that go into underwriting a case go into the model.

And the underwriter will sit down with someone on our quant team to model each case before we go to the Commitments Committee for an intake stage. We always take everything through a double process. It's got to pass intake.

It's got to pass decision point. In addition to that case-specific underwriting analysis, we have public data we subscribe to. But more importantly, we have a rich set of private data, proprietary data. We've been at this a dozen years. Chances are when something comes in that's new, it's not necessarily going to be brand new to us. We've looked at many matters over those dozen years. We keep data on their duration, performance, what we can expect, and we incorporate the public and proprietary data into the models.

And that model then is going to be very useful for the Commitments Committee when we have a meeting to discuss the potential matter and whether it should go forward, what are the diligence items you should consider. It's going to help us figure out, A) should we do this? Does the risk/reward makes sense? but also, B) how should we price it? Because this is going to be the way to project out what the possible outcomes are and what the value of this is. So then it goes, after that, back to further diligence with the underwriting team, gets to decision point where it's again presented with an updated model that incorporates that. And at that moment, when the—if Commitments Committee approves the deal, we're putting the money out. We have a model. We know what we projected was the range of possibilities and the value of this case on that day. And we'll be able to look, and I'll talk to you about this, how did we do compared to what we expected at the beginning?

But I do want to point out, before even getting to that, we use it for a second purpose that's a business purpose, not for purposes of investors, which is portfolio management. As I said at the beginning, like we have this diverse, enormous portfolio with lots of matters where we can add value, right? The law firms that come to us, the corporates that come to us come because we can add value. We don't control the cases, but we work very closely with them.

There is a question of how we allocate resources. If we have that large and diverse set of litigation, how do we decide which ones we can add the most value on? Every quarter we update our models. And if there's a positive development that says, “Wow, this could really move the needle, there's a new damages theory here,” we could—discovery has uncovered something very positive. Well, we can pay attention to make a good case better. And if there's a negative development that creates some risk, then we can add some value by making a bad case get back on track so we don't lose money.

So, we developed this for underwriting and portfolio management, but we now have enough experience with it to be able to say, “You know what, it's useful for another purpose, it's time to share it with our investors”. There are 60 matters that have concluded in our portfolio historically, for which we have done probabilistic modeling that account for $1.2 billion of recoveries. That's 66% of all of our recoveries in Burford's history have been modeled under probabilistic modeling before they concluded.

And of those 60, 21—roughly a third, a little more—were modeled at the outset. Meaning they're young enough that I mentioned, Commitments Committee, do you approve a decision point, you're going to do this? Yes. We have a model then. And we have 21 of those that have concluded, now we can compare the outcomes to what we modeled at the beginning.

And how has our performance been? The modeling has been useful, and that's why we're presenting it to you today. If you take those 60 matters, we didn't model them just once, those 60 matters. There are 379 times that those models, those matters were modeled because I say we update the model every quarter. If you take the weighted average of all of those observations and you compare what the model has projected to what the cash that actually came in, we collected 96% of what we had projected in the models. You can take any particular quarter, and that's what those red lines are. The red bars are basically hypothetical Investor Days, just like me standing up here with you today telling you what's in the model. You could go back to the second quarter of 2019 and say, ‘Well, how good was your modeling then, Jon?’ You can look back. I say, “I can't tell you for everything because not everything is resolved. But I can tell you of the things that were in our modeling, a quarter, second quarter 2019, 27 of them have resolved, 92% of the cash is what’s produced of what was projected”.

In the third quarter of 2019, 26 of those matters have produced 100% of the cash that was projected. Now you might say, “Does that mean every model was perfect? You got 100%? You've got exactly the value?” No. Of course, not. They are probabilistic models. You take a simple example of, let's say, we have 2/3 chance of getting our investment back plus 2x and a third chance of just losing. Well, the model isn't going to give you either of those outcomes as the value of the suit. It's going to be a blend of those two. And therefore, the outcome is going to be higher or lower than what the model has said.

What the 100% number says is when you have a large enough body of cases and you've modeled them probabilistically to see what’s the range of outcomes, they have come in, in the neighborhood of where the model is projected they would come in. So now you might say, That's useful. I'm going to wait for the next slide to say, well, what are you projecting the modeling says that we're worth? I already gave away the punch line. But you may also say, "I'd like to know how good are you as investors," right? Because the 60 matters were modeled over 300 times as time went on, and the models presumably would get more accurate as more data came in, as the litigation unfolded, you know more. How'd you do on the 21 that you modeled Day 1? How did those models compare to what you actually got? And the answer is those 21 matters have generated 106% of the cash we had projected in the models. The models were, in fact, conservative. When the underwriter and the quant put together a model and said to the Commitments Committee, we think you should approve this deal, and the Commitments Committee said yes, they were not overpromising and underdelivering. In fact, the opposite was true. We did slightly better.

Now if we turn to slide 30, you see here's what's in the model today. The model suggests that if the models are right, there is the potential for $3.4 billion of cash proceeds from the matters in our portfolio today. That is excluding YPF, all those YPF matters, and that is excluding the matters we're going to continue to underwrite, right? We're still putting out new business on a growth trajectory. It's just looking at the book we have today, balance sheet only. Of that $3.4 billion, $2 billion represents, would represent, realized gain—profit over and above our investment.

And then in addition to that, because we co-invest in many of our deals with our managed funds, we'll earn, if the models turn out to be accurate and you end up collecting in the vicinity, there would be $360 million of additional performance fees earned on those managed funds.

So, if you look back at comparing what I've said about the projections in the current model to the recent trends from our actual performance, you see the two fit quite nicely together on slide 31. That basically on the left side, you have the math that explains how the model is producing the $3.4 billion, and that translates into a 141% return on invested capital. And you see on the right, that 141% dot fits right there in between the red and the black lines I started with about our recent performance.

So, what the models are projecting is not out of line with what we've experienced in recent years. It's very much right in line with how we performed.

Okay. So what did I want to make sure you came away with? One, that the recent-period, younger-vintage matters have generated higher returns than we had historically, that the trend has been upward.

Two, that we have had progress in the reliability of our probabilistic modeling, such that now we've got sufficient accuracy, at least based in the past, that we thought that was worth sharing with you, that 90, that those models have, of matters that have now concluded, the matters have produced 96% of the cash that had been projected in the models.

And then third, what do the models project? $3.4 billion of cash, which translates into $2 billion of gain on balance sheet investment only. And then there's additional performance fees. And that is excluding YPF. And maybe even most importantly, it's excluding the business we continue to do every day. And that's really what I know Chris and David and Aviva are going to talk about as well, we're really excited about the growth and the forward movement.

But nonetheless, we felt it was worth sharing with you this data, this pretty important information we had about our existing portfolio because we now have a track record that has enabled us to test the modeling. So with that, I think we'll open it to some Q&A for Chris and me.

**Q&A**

**Christopher Bogart, Chief Executive Officer:**

Thanks very much, Jon. And as I said, we'll alternate some questions between the webcast and here in the room. And just as we set ourselves up for those questions, I think the interesting thing to note about Jon's presentation was all—everything that Jon was talking about is cash. Those are—all of those numbers, just as all of our return numbers have always been, are just cash. Of course, we turn the cash into revenue for accounting purposes. And I think the interesting point to note is that of that $2 billion of realized gains, $2 billion of top line revenue that the models suggest, only $176 million of it has today been taken in unrealized gains in the business as an accounting matter. So if the modeling is right, there's a lot of profit still to come. So with that, we're delighted to take your questions.

**David Chiaverini, Wedbush Securities:**

Thanks for hosting.

**Christopher Bogart, Chief Executive Officer:**

Sorry, for the benefit of our television audience, could you just tell us who you are and where you're from?

**David Chiaverini, Wedbush Securities:**

Sure, Dave Chiaverini with Wedbush Securities. So my question is on valuation and just on that last point you were talking about. So the $3.4 billion of cash proceeds, adding that to the performance fees of roughly $400 million, you get $3.8 billion. And then YPF, you're valuing that and carrying it at $0.8 billion. So adding all those together, you get $4.6 billion of expected value minus out the net debt, you're still talking north of $4 billion of expected value here. Your market cap is just over $2 billion. So the question is, what sort of timeframe should we expect these realizations to come through?

**Christopher Bogart, Chief Executive Officer:**

So Jon is going to talk to duration, but before he does, much as I liked your math, I might just tweak it a little tiny bit, because the—of the $3.4 billion, the $3.4 billion is cash receipts, but only $2 billion of it is profit. And so profit for us is revenue effectively. So following your back-of-the-envelope approach, you're basically at two plus whatever you count for performance fees plus whatever you count for YPF, we obviously, there are obviously many different YPF outcome scenarios. It's a little bit like all of the probabilistic modeling. None of those scenarios probably is the carrying value today. But as to duration, Jon?

**Jon Molot, Chief Investment Officer:**

Sure. On the duration front, we've always said that the thing that's hardest to predict in this business is duration as opposed to—not in grand terms, right? As Chris said, all litigation comes to an end, and you can sort of know the outside. But we can't necessarily know whether this is going to be one of those matters that settles early, usually at a really attractive IRR, but a lower ROIC, or is going to run long and the probabilistic modeling sort of blends all that in. So we do model that. We have that internally. We're not yet ready to share that modeling just in terms of, that's the part of it that we're still following. And we're very happy regardless because, even frankly, if our duration got much longer, right? If it were longer than our historical duration, which Chris put up there. When you look at that returns on invested capital, the IRRs would still be in the range of or above the 30% IRRs we've been generating, if that's the question.

So, I think there's enough room there that if it were slower than expected, we'd still do pretty well. There's some great stuff in the portfolio I'm really pleased with. But I can't tell you how many of the big defendants are going to see reason and settle early and how many are going to go the distance and drag it out through appeals.

**David Chiaverini, Wedbush Securities:**

No, that's fair. And settlements normally go for one and a half years and the adjudication wins usually go to, I think it was 2.8 years. So somewhere in between that is a reasonable assumption.

**Christopher Bogart, Chief Executive Officer:**

Well, those are—yes, those are weighted average lives. But as Jon said, there is significant deviation from the mean in those numbers. We've had cases settle in as little as five days. And we've had cases take close to 10 years to resolve. So it's—it really is—and when I said before, we're buy and hold investors, this is the area over which we have no control or influence, right? It's not even that we don't have control or influence, it's often the case that our clients don't even really have control or influence, because as Jon said, it's mostly down to how a defendant is going to act.

Let's go back to my trucks example in Europe. If you're a Mercedes and Volvo, you've got a strategic decision to make as a defendant, which is do you try to get rid of all, get rid of the stuff right away, not have it linger on and maybe get a sort of a lowball settlement for prompt payment, because people will tend to settle their cases for less if you offer them money right away. Or is it in your interest to not do that, depending on a whole variety of factors that are unrelated to the litigation? And do you want to run these things out, run the clock out, see how long, see if people get disinterested, drop away and so on? There's a lot of that that goes into litigation that we simply—it's outside of our ability to control or predict, except that they always come to an end.

**David Chiaverini, Wedbush Securities:**

And one more question. So, related to YPF.

**Christopher Bogart, Chief Executive Officer:**

Not heeding my admonition.

**David Chiaverini, Wedbush Securities:**

If you guys win and they appeal, how long can that process be for the appeal process?

**Christopher Bogart, Chief Executive Officer:**

Appeals in the, what's called the second circuit court of appeals, which is the federal appellate court that governs the Southern District of New York, which is where the case is pending, I don't have the numbers to hand, but you're not talking about two or three years for the average duration of an appeal, you're talking about less than that. I think that there's an important point to note about appealing though, which is that, generally speaking, unless the court provides some relief, the judgment, the trial court judgment is enforceable while the appeal is pending, unless the defendant posts a surety bond to secure performance of the judgment. And so you're, as a defendant, you're in sort of a difficult position because, obviously, the risks in YPF are around, are we going to win the case? Are we going to be able to easily collect the money? And so on. So if you post the bond to stop the enforcement, then you remove the collection risk. So that's the, that will be an interesting dynamic to watch as the case proceeds.

**David Chiaverini, Wedbush Securities:**

Thank you.

**Christopher Bogart, Chief Executive Officer:**

Sure.

**Angelo Martorell, Martorell Capital Partners:**

It's Angelo from Martorell Capital Partners. Thinking about your valuation, I think most investors think about it in two buckets. One is balance sheet. And the other one is where there's more growth, there's earnings, right? And it's part of being financial. So just trying to understand, I think following what this gentleman in front of me was saying is that, if you get to \$3.4 billion, I mean this—I understand that \$2 billion or \$1.9 billion will be proceeds. But on the balance sheet, the math was roughly—I forgot what number he said, but it's just like the \$3.6 billion, while you have a market cap of \$2.2 billion, and I'm just adding the \$3.4 billion plus the \$360 million minus your debt—I mean, is that, is that the math that—and assuming no new cases, right, which is obviously not going to happen, because you already have so many in progress. Your market cap is $2.2 billion, while your balance sheet roughly, I know that this is going to take maybe two and a half years or three years, but it's roughly, if we can just jump there with no new business, it's $3.6 billion?

**Christopher Bogart, Chief Executive Officer:**

So, if you're—well, I suppose I'd say two things. Valuation is ultimately for you guys and not for us. And show me a CEO who says, “Gee, my stock is overvalued.” So I'm not sure how helpful I'm going to be there, except to tell you that Jon and I have been buying a lot of stock.

**Angelo Martorell, Martorell Capital Partners:**

Right. I mean just the math [inaudible]. Now the math that I'm more interested in, and the math that sounds very interesting, is that you said your duration one and a half years to settlement or 2.8, I know there's variability. But you're going to have a lot of cases, so there's going to be new cases being settled. But just the math, if we take even the three years and you have $2 billion of profit, assumption of $660 million in revenue per year, notwithstanding Covid that slowed down cases and the courts, which I'm interested to hear more about. Am I off there?

**Christopher Bogart, Chief Executive Officer:**

Well, I think I'm sort of back to what Jon said earlier. I know you'd love us to go further than we've gone and talk about duration, but we're just not going to be comfortable doing that. And I do need to emphasize the—when you're looking at weighted average lives, you really are just looking at means that have considerable variability. So, I think it's not a safe assumption to just spread them evenly across time and assume that next quarter we're going to see one twelfth of the number that Jon put out.

**Jon Molot, Chief Investment Officer:**

And it's a little—in the way I said the probabilistic modeling even with respect to the amount, of course, for any individual matter, the amount is going to be different from what you modeled. We do model duration as well, and every matter is going to be different, and it's going to be lumpy. And therefore, as Chris said, you can't assume it's going to be ratable. You can do the math to figure out how much would come in and what you think the duration is, we can't tell you that it's—some periods could be much better than you expect. Some could be much worse. And we just can't tell you which period…

**Angelo Martorell, Martorell Capital Partners:**

I'm fine with lumpy. I mean, I just want to make sure that my assumption of duration, and I guess another way to phrase the question is, is there anything that would dramatically change duration?

**Christopher Bogart, Chief Executive Officer:**

So, the internal debate that we had about whether to share the data that we've just shared for the first time revolved around the question that you're asking. Because, look, we know what you do. So, the moment we put a number like this into the mix, we know that what you're going to try to do with that number is take it and make assumptions about its timing and split it into your model and put it out by years. And we know that that's what you do for a living.

What you're getting from us is we have—we're very conservative about guiding and projecting and so on. That's, maybe you get that because you've got a bunch of litigators here. And when people get that stuff wrong, we sue them. So, we're just not comfortable going any further than that directly or indirectly. We ourselves would find it difficult to come up with a model that says I think I know what 2022's top line is going to look like. We just don't.

The other thing to bear in mind is that—and obviously, we are slightly misaligned on this point because your interest is in understanding what's going to happen fairly soon. Whereas if a case doesn't resolve according to the timelines that the weighted average lives would indicate, we usually regard that as a good thing. Even though it's adding duration, it's probably also adding profitability. And so, if you're not trying to time this, if you're not trying to do this on a quarter-by-quarter basis, we like the way the cash flows look, but we don't know when they're coming. And could those lives extend? Sure, they could. Covid alone can extend, has extended the life of our portfolio.

Just look at YPF. We had probably eight, eight-plus months of Covid-related delay in there. Some of it's tactical. But it's still Covid, Argentina is like, I can't go to my offices to get the document, so we need more time. That's been happening in cases.

So, I think you have to assume, when you look at some of our large cases, they take a long time to produce capital. And so, you have to take those big numbers as coming in over time. But at the same time, we're going to keep on doing new business as well.

Sorry, Yes. The webcast. Sorry.

**Jim Ballan, Head of IR, Americas:**

A couple of questions from the webcast. The first question is from James Hamilton of Numis, who actually asked a series of questions, we picked a couple of them. His question is: What is the R-squared between your modeled returns and the eventual outcome of the returns? And then second, how do you balance higher returns from larger investments against portfolio concentration risk?

**Jon Molot, Chief Investment Officer:**

So, I can take the second question first. And I guess that has been a question that we have continually revisited as time has gone on, right? How much concentration risk are we willing to take? As we have matured, you can see we've been able to take more. We've tended to take more when there's a combination of high-conviction and high-return potential. It's some on that spectrum. If you've got really high conviction with very decent returns, if you've got really high conviction and such high conviction you could put out that much money, even with our normal level of returns, those would be potentially interesting.

So, usually, all I can say is when we make a big bet, we do it in a case where we've got high conviction, we see real potential there. And we're still mindful, like you compare what counts as a big bet today to what counted as a big bet to us 10 years ago, seven years ago, five years ago, there's actually much less concentration risk today than there would be then because a single case, $15 million investment early on, like when we made the investment in YPF, that was a huge investment for us at the time.

On the question of unpacking the modeling, I don't think we're ready to provide any additional detail behind the modeling. I'm not going to go into that kind of detail. We can deal with that off-line maybe.

**Jim Ballan, Head of IR, Americas:**

Okay. Okay. And we'll do—we'll do one more from the webcast. The next question is from Julian Roberts of Jefferies. Julian asks, is it fair to say that with families of cases, you can have very high conviction and hence very accurate modeling? What I'm getting at is that the family of 10 matters, of which the first arose in 2016 and also had some early recoveries, presumably had some very strong lead indicators on which to model the other members of the family.

**Jon Molot, Chief Investment Officer:**

I'm happy to take that. So, the answer is yes, I think. But it's not unique to matters that have resolved in the past that were claim families. It's true of claim families we are continuing to accumulate right now.

And it's not—as an investor, you can imagine you invest in something, it wouldn't be unusual in sort of phased investment that you see a company like you put in one round of financing, it's going well and you have the ability to put in more, you're often in a pole position, either because with the existing client you've got exclusive such that if they're going to take any more money, they're going to take it from you. Or even with other clients, you have a knowledge base that they just don't see in anybody else. They haven't thought about monetizing it, and you know the cases better than they do.

So, we have the ability. It is true when, when we have more conviction to put more money in, and it is true that probably the modeling is going to be—it's still always going to be uncertain, as Chris said, like judges and courts can come out against you and do things that we didn't anticipate. But on balance, we tend to find that it's easier to model something as it's more mature. That's true.

**Christopher Bogart, Chief Executive Officer:**

I think we'll do one more in the room, and then we'll go to the next presentation. We're going to have more Q&A time at the end. But yes.

**Mordechai Yavneh, Focus Capital Management:**

Mordechai Yavneh from Focus Capital Management. First, I just want to touch briefly—you mentioned before that Covid, although it pushes out length of the litigation, Burford benefits from the contracts that call for higher returns over time. Would you be able to say like what percentage of your matters benefit from such delays? And what percentage, on a rough basis approximately, are more percentage of recovery and don't really benefit from delays?

**Christopher Bogart, Chief Executive Officer:**

So, we said in our interim reporting that we were, we thought we'd been around 42% of our cases had seen some level of Covid delay. And that ranged from the kind of discovery shenanigans that I described in YPF all the way to, we have, even as we sit today, we have cases that are trial-ready that are not proceeding to trial right now because those courts are not proceeding with civil jury trials. So, it's a fairly wide range of outcomes.

What you're referring to in terms of the, effectively the compensation for delay is that many of our transactions, but not all, have an economic structure that is, in addition to a back-end share of the recovery, have a preferred return that cycles up with time. Interestingly, for whatever reason in this market, those tend to be expressed as multiples that change over time as opposed to a running rate. So the deal term is more likely to be something like investment back plus 0.5x. And that 0.5x will go to 1x after a year, 1.5x and so on, as opposed to it being a 20% interest rate. And so the question is hard to answer because it depends on whether the delay—so the answer to your question is most. But the further difficulty is, it's hard to say which of those are going to actually trip one of the multiple terms. But it's a net positive for us. Again, it's just difficult to quantify.

**Mordechai Yavneh, Focus Capital Management:**

Okay. And you've spoken, Jon has spoken at length how greater-sized investments tend to produce greater ROIC, and I believe also greater IRR. And I was wondering if you could explain why you think the greater size does that? I would have assumed that a lot of the greater-size investments are ones where you have greater conviction, are closer to the trial date, and one would think that you would have to give up more of the economics because the other side also knows that they have a better situation. Is it because there's decreased competition at that size of investment or other reasons?

**Jon Molot, Chief Investment Officer:**

It's a really good question. I think part of it may be that, that the competition we see from pure-play litigation finance providers are generally smaller shops that don't have our capital. The competition we would see from a multi-strategy firm that dabbles in litigation finance can do a larger deal, but they don't like binary risk. They're looking for broader collection, low-returning things. So, it's sort of a sweet spot that we see something that has binary risk that we know and we can come in and take it.

I would also add, I think there may be an information asymmetry, that actually the normal—one of the things when we started this business people wondered about is, isn't there a risk of information asymmetry, that the litigant is going to know more about the case than you will and you'll misprice it? I think in these claim families, that can be even flipped, that we get to know the case law, what's going on in the cases so well, we've done so much work on it, we probably have greater clarity than the corporate would.

And add to that, just factor in, if you're a company, you're not—your business isn't betting on litigation. You might say to your general counsel, your head of litigation, the general counsel's office, how much is this really worth? Like do we, if we can get this much money in cash right now, we can give away the upside, it's okay. Is that head of litigation really going to stand up and say I'm going to bet my career on this thing going well? And this is the pricing we're offering.

So it's a combination of factors, but it's a really good question. It's one I constantly think about it.

**Christopher Bogart, Chief Executive Officer:**

Jim, do you have one more for us?

**Jim Ballan, Head of IR, Americas:**

Last question for this set of Q&A is from Steve Vaughan of Baillie Gifford. Steve asks, could you please expand on the growth in average commitment size going from $8 million to $21 million? To what extent does that reflect the move to multi-matter agreements with clients versus the increase in the size of each matter? Could you talk about the extent to which underwriting multi-case portfolios with a client adds to the scalability of underwriting resources and the operating leverage in the business model?

**Christopher Bogart, Chief Executive Officer:**

Sure. So thanks, Steve, for the question. I think it's a combination of those factors. But I think the thing I would probably point to most significantly is the data that we put up around the increase in monetization. And so the reality of—and this is why we're excited about these kinds of growth areas—the reality in the basic business, the fees and expenses business, is there is an inherent cap on how much capital you can put out in a single investment. And the cap is what it's going to cost to litigate. And litigation is expensive, yes, and it's not uncommon for us to be funding $7 million, $9 million, $10 million, $12 million for legal fees and expenses in a case. But once you get above those numbers, it does become relatively uncommon to find a case both that needs $20 million, $25 million, $30 million of legal fees spent on it, and a case the way you could really justify that level of spend. And so, you simply don't see cases that large. And that's why if you go back in time, when our business was mostly fees and expenses, we had significantly lower average commitment sizes. As we now go and address the balance sheet and provide capital against the expected future value of the case, not limited by the fees and expenses, we can put more capital to work. And I think that's probably the single largest answer, although multi-case portfolios are certainly part of the answer as well.

And with that, and as I promised, we'll have more Q&A at the end. But we are now going to turn to a conversation, a more informal style conversation moderated by Jim Ballan, our Head of US IR between our two Co-Chief Operating Officers, Aviva Will and David Perla.

Aviva has been with Burford basically since its beginning and has—and her function has covered a wide range of things at Burford, including running the underwriting process and really driving the business that we do. Before Burford, she was the Head of Antitrust Litigation at Time Warner. Before that, she was litigator for Cravath, Swaine & Moore, a significant New York City-based law firm, widely regarded as a litigation powerhouse. And we've worked together for a very long time.

David Perla has been with Burford for not quite four years, came to us from Bloomberg Law, where he was the President of that division of Bloomberg. And he's had a very interesting legal and business career. He's been a lawyer at a big firm. He's been the General Counsel of a company. But he also has a significant entrepreneurial bent and founded and then ultimately successfully sold one of the leading offshore litigation service provider firms. And so without further ado, David and Aviva moderated by Jim.

**Jim Ballan, Head of IR, Americas:**

Thanks, Chris, and good morning, everyone. As Chris said, my name is Jim Ballan. I run Investor Relations for the Americas for Burford. And I've got Aviva and David, our Co-Chief Operating Officers with me. Our goal for the next 30 minutes really is to have more of a free-flowing conversation to dig a little deeper into a few of the topics that both Chris and John talked about. So let's get started.

We've been telling the market for years that there's a significant opportunity for growth in corporate legal finance through increased adoption by both law firms and by corporates. Aviva, why don't you start us off. Can you maybe give us your thoughts on where we are in the adoption curve with law firms?

**Aviva Will, Co-Chief Operating Officer:**

Sure. So, law firms, as Chris said, are sort of our traditional source from way back when, when we started the business. And we continue to grow those relationships. And while the big news in all the slides that you saw is corporates, it's important not to lose sight of law firms, because they continue to be an integral part of our business. And from my perspective, anyway, and I think from David's, there's a lot of runway there. And there's runway really for two reasons.

Number one, there's an awful lot of lawyers in the world, right? So we may know the lawyers in the New York office of a global law firm, but we may not yet know the patent lawyers in Palo Alto or the arbitration lawyers sitting in Frankfurt. And so as we continue to build out law firm relationships, those relationships are sticky. But there are just a lot of lawyers to meet. And if you've ever spent any time in a law firm, you know that the guy at one end of the hall may have a relationship. And the guy at the other end of the hall has no idea about that relationship. So, for better or worse, building out those relationships is very much person-by-person, maybe not person-by-person, but department-by-department, office-by-office. So there's a lot—we've got lots of statistics about just how many lawyers we work with in the AmLaw 100, but there remain more and more of them that we're still connecting with.

The other reason is that where our initial relationships, as Chris said, were really around fees and expenses early on, they've now taken another turn even with law firms. So law firms that traditionally weren't interested in anything but bridging the gap between themselves and their clients, right? They want to get paid, so Burford comes in. Client doesn't want to pay, Burford pays those fees and expenses. Client continues to have that lawyer of their choice and lawyer gets paid. What we're seeing is, really, it's been a slow move over the last dozen years, but we're seeing it more and more with—especially with large, traditionally defense-oriented firms, is they're seeing how much fun it is to do plaintiff side work, and they're seeing how productive it is for their firms—and how much revenue they can generate by taking their same defense-side clients and doing their plaintiff side work.

The problem is those clients don't want to pay the same kinds of rates as they pay for the bet-the-company defense side. And the firms aren't yet ready to take all that risk. And so we're more and more seeing opportunities with firms who want us to help them with what we call growth capital, with a way to build out a plaintiff-side business without taking all the risk on their own. And so those two channels continue to be really important for us in developing law firm relationships.

**Jim Ballan, Head of IR, Americas:**

David, do you want to take it on the corporate side?

**David Perla, Co-Chief Operating Officer:**

Yes. I'm happy to. So first of all, thank you all for being here and listening. Obviously, when we look at growth rates of 8x on the corporate side and 3x on the law firm side, we're excited about law firms. We're extremely excited about corporates. So that leaves us, and probably you asking, why is that dynamic there?

There's a few reasons that we're getting that increase in adoption, and we're trying to accelerate that adoption rate even faster. First, a corporation has a natural affinity for value proposition. So Chris mentioned fees and expenses and monetizations. When we talk to a corporation, we can put it in terms they understand. There's a P&L solution on OpEx, and there's a balance sheet solution on boosting liquidity. That's naturally appealing in a language and a lexicon that resonates with the corporation.

Also, when you talk to a corporation, working capital and financing is an ordinary course conversation that corporations are having in a way that's different than law firms. So when you use the phrase capital stack, for instance—it's a very common phrase in this room—and it's very common phrase in corporate America, indeed around the world, it doesn't resonate with a law firm, but a capital stack is completely a normal thing to say to a CFO and even to a general counsel.

It also leads to a combination of things that both the GC and the CFO care about. So on the one hand, the GC today, like no other time before, is under pressure to innovate and be creative, both on the fees and expenses side of the house, but also in terms of innovating on what we call recovery. There's now an ongoing movement to use legal departments to bring in cash into the company. That dovetails perfectly with what we do.

But the piece that's so appealing both to the GC and the CFO is we can bring them solutions. We can come to them and explain to them. We've talked about claims families, but we're usually the very front edge of what might be available to them in terms of a hidden asset, in terms of something they haven't thought about that others in their industry or others in their geography are thinking about. And we can solve that problem for them, whether it's on the fees and expenses side, or as Chris got to, more interestingly, on the monetization side.

**Aviva Will, Co-Chief Operating Officer:**

So I'm going to pipe in with one other thought there, because I think the messages that David just talked about aren't new to us, right? But there is this really significant uptick over the last 18 months to two years, so what is that? And I would posit to you that you've heard a lot about the pandemic and its impact on the legal industry and that there are going to be more insolvency cases and more coverage cases, and that may all well be true. But I actually think there's something more important going on there. I think that Covid and the pandemic was sort of an epic disruption of businesses all over the planet. And that created a sort of a requirement, but also an incentive, for business leaders to rethink just about every single part of the business, right? If you want to be here in five or 10 years and you want to be leading in your industry, you are rethinking how your employees work, where they work. You're rethinking your supply chain, you're rethinking every part of your business. And that, for us, is the opportunity, right? Because we have that message before, but now we have more receptive ears to it. We have GCs and CFOs who are saying, I want to think about my legal department differently. I want to think about the cost base differently. I want to think about whether I should be building out an affirmative recovery program, right? Corporates all over the world are building out affirmative recovery programs for the first time. All of that, like that sea change in momentum, that's an opportunity for Burford to send that message and be heard in a different way. And I think that's part of the reason we're seeing such an acceleration of our approach to corporates.

**Jim Ballan, Head of IR, Americas:**

Yes. Yes. I think openness,—corporate managements being more open to new financing ideas—is really a great opportunity for us. I want to take this a step further and talk about what it is that gets clients to come to Burford, what gets clients to keep coming back to Burford? I mean, David, maybe you can start us off on this one and just talk a little bit about how we differentiate ourselves in the market.

**David Perla, Co-Chief Operating Officer:**

I'd love to. Your question, Jim, is why do they come to us? Why do they stay? We think about that question as: Why do they value us? Why do they think of us as a valuable capital provider that they should continue to work with over a lifetime of capital need?

We're—I'll differentiate us from both the pure-play litigation finance provider and the multi-strategy funds, as Chris and Jon mentioned, we do think of those in different buckets. But the easiest way to frame it is there are four main things we offer that are different across the market. So number one is capital, both the scale of our capital and the permanence. And those two things are very, very important.

Number two is our expertise. So, when we think about expertise, we think about it both as financial expertise—we are a capital provider—but also legal expertise, and how do we do both with excellence. We think about our track record. So, in the simplest terms, when we're talking to lawyers, we know how to win. That's very, very important.

When you come to Burford, you're coming to a company that knows how to win, knows how to evaluate a case, knows how to stay with you for the distance of that case, and Chris articulated all the twists and turns it can take—the unpredictability of that—we are known as the organization that knows how to go the distance, but also how to win those cases.

And finally, we think we have an unmatched experience level and expertise level in corporations in the corporate legal department. Aviva and I have both spent significant time in-house, it's really part of the lifeblood of Burford, is that in-house experience combined with finance.

So very quickly, as we think about litigation finance companies, we have more capital than any other pure-play litigation finance provider in the world. Wehave more fund capital than any of them, but we have more capital on our balance sheet and fund combined obviously. And we're the only one with permanent capital, which is very important when clients come back to us and things change. When they come back to us with a case that's bigger or they come back to us for a need for capital quickly, we can write that check.

We have an unparalleled geographic reach, dare I say ubiquity about where we are, that combines with subject matter expertise and how to finance those various subject matters. So the chart that showed all the pie charts, all the different types of things we can commit capital to, is really without parallel in the industry.

And finally, our relationships. We've been at this 12 years. All of us have been in the legal industry—hesitate to say how many decades—but many, many decades.

When we look at the multi-strategy funds, the story gets a little different. There, clearly, we have legal expertise that differs, we're not dabbling. But more importantly, we can offer creative solutions because we're breathing and investing in legal day in and day out. So we don't have to look at something and decide, well, this, we don't really like binary risk. Or we don't really understand this, we have to bring an outsiders. This is what we do day in and day out.

We're also able to offer our clients legal market insights that a multi-strategy fund won't have. We're not looking at what we do as a trade, we're looking at it as a long-term capital provision relationship.

And finally, we have a track record across all areas. So, Chris mentioned the limited types of investments a multi-strategy fund might want to make. We will make investments of different sizes of different types. We'll make them on the P&L side and on the balance sheet side. That gives us a depth of understanding that our clients can't get from a multi-strategy fund.

**Aviva Will, Co-Chief Operating Officer:**

Yes. So I have a good example of that, because just recently, we closed a deal with a Fortune 100 company that had a long-term relationship with a multi-strat that they've done all sorts of other alternate finance deals with in the past. And we've been sort of trying to cultivate this relationship. They were ready to do a legal finance deal with this multistrat and we came along and said well, you should do it with us, and here's why. Long story short, they did that deal with us. So we've sort of nabbed that relationship now. And just last week, we actually had lunch with them, and they're interested in two or three other things that they want to do to take what was a single deal and expand it into portfolio.

So what created that opportunity for us was really the expertise. The money is out there, right? There's a lot of it out there. But it's money "plus" that I think really sort of brought them to us, and they realized that we could add value, not just in the individual case, but really to their whole program in affirmative recovery.

But we can talk about differentiation in the marketplace, and we don't get a lot of chances to talk to all of you, so from my perspective, one of the things that differentiates us is what David and I do all day, and that is we think about what's the next thing in the business, right? When we started the business, it was fees and expenses. We did the first portfolio funding with a law firm. We did the first portfolio funding with a corporate. The way that we spend our day is talking with our team and thinking about what's the next thing? Where are we going to innovate? How are we going to grow? Where are we going to grow geographically, by product?

So for example, we know that in about two years, don't quote me, but two-plus years, 25 out of 27 EU countries—and they've already signed up to this, a pan-European patent court—which means that in a matter of time, you'll be able to take your patent and sue in one place and sue for damages in 25 different countries where your product is being infringed, right? That's huge.

So we already have the biggest litigation funding business in Germany. We already have an extraordinary team of patent experts. And we're planning in advance and sowing the seeds and building the relationships so that when that comes to pass, we'll be ready to do it.

That's how—that's the fun part of the business, right? We could do single-case deals all day long. But that's where we see the growth in, and that's where we're always looking at, where is the business going? That, to me, is the biggest differentiator among all of our competitors.

They tend to follow us when we've already done it. It’s a very good idea, and then everybody else gets on board.

**Jim Ballan, Head of IR, Americas:**

No. Look, I think that's, what I really hear from you there is just it's a great description of a number of our competitive advantages. I think that's really helpful.

The one thing that just I keep hearing from you is the importance of our people. And I think that's really what's behind a lot of what you just described. So, having the right people, I think, is really crucial. So Aviva, maybe you can take a few minutes to talk about how do we attract outstanding people, and how do we retain them?

**Aviva Will, Co-Chief Operating Officer:**

So, if there's one thing I'm really most proud about this business, I mean the stock exchange listing is pretty great, don't get me wrong, but the thing—it's the team. Our team is extraordinary, and we've been able to attract and retain really terrific people.

How do we do that? It’s funny you ask that—I think part of it is, at least with respect to the lawyers, is it's a really fun career, right? It used to be as a litigator that you were at a law firm or you were in-house. And law firm associates and partners are slaves to the billable hour. It's, as much as I loved my time in a law firm, it's not that much fun. And in-house is also fabulously interesting, but it's, by and large, a cost center. So, Burford allows lawyers to take their litigation skills and use them in a totally different entrepreneurial way. It allows them to take legal skills and become investors. And I think for a lot of lawyers who are sort of closet entrepreneurs, it's a really amazing opportunity.

The other thing I would say is we've built, I think, a very special culture. We firmly believe that the way to get to good decisions around investments, around legal investments, is by having a diverse group of people weigh in on it, because there's so many factors that impact how litigation is going to go.

So, if you think about a judge and a jury, they're all from all over the place, right? There's a diverse pool of people with different experiences, backgrounds. So we want to replicate that internally. And what we've built is a culture that's highly collaborative. So it's not my case or your case, it's our case.

And the way that we've organized our team is very much global, where we can draw from resource all over the business to bring expertise to a particular matter. And I think that appeals to us as a team. And it appeals to people who come to us because they feel like we're all in it together.

There's a—I say the words collaboration, and there's sort of key sort of quote words that everybody uses today, but it's very much in every part of our business. So the way that we're organized globally, the way that we literally sit in an office, there aren't that many lawyers on the planet who are in open space. And when the lawyers sit right next to the quant guys who sit right next to the finance guys, and we're all one big team.

The same is true of the way that we're compensated. We're compensated from an enterprise value perspective. So it's not—again, we don't—you don't win a case and you get bonused for it: We get bonused for it. And I think all of that creates opportunities for us to be making good decisions, because we're all rowing in the same direction.

**David Perla, Co-Chief Operating Officer:**

Yes. It gets at the how do we attract our people, but also how do they grow? So, this is the part of our job—I agree with you—it's certainly the most fun part of our job, which is where the business of what we do meets the humanity of what we do. How do we take the brightest minds in finance, the brightest minds in law and turn them into a combination of that.

So, Aviva mentioned compensation, it is built to have people collaborate, which means we're trying to incent people to bring in new business, to underwrite new business, but in a way that makes sure they work together as a team. That is very, very different than both traditional finance and very, very different than traditional law. We won't dwell on that.

But we also look for people who are going to be with us for the duration. So how do we develop them? How do we think about what they're going to learn? So, first, we have to train lawyers to become finance people. We have to train finance people to understand enough about law. There's a legal DNA to Burford, but we have to train that—we have to train our marketers, we have to train our HR people, we have to train our administration people—how to understand what we do, which is incredibly unique.

And the proof that it's working is we have both upward mobility—so we've seen our people move up through the ranks to those senior people; our most tenured people remain at the company. But also lateral mobility, we have people moving across groups, trying new things, moving into different elements of the business, which is a sign that we've successfully figured out how to train them in the totality of the business.

And maybe the—I'll close with, Aviva mentioned experimentation, and it's a fun job. People come to us because it's entrepreneurial. So, I was an entrepreneur—what makes an entrepreneur come to a Burford, right? What we are doing is in front of everyone else in the marketplace, whether it's the articles you've seen Jon has written on law firm equity, whether it's the types of investment structures we create and two years later everyone in the market is doing them.

But it's also relatively straightforward things that you won't see at a corporation, in the legal department or a law firm. Things like an incubator run by a woman named Emily Slater, who was with us here at the bell-ringing, one of our longest tenured employees, who's helping organize all the new ideas that come through Burford, what should we be focused on? What should we be putting with different teams? Things like an ideas festival, getting people together. Not quite a shark tank, but something where people who understand where the markets may be heading and propose new ideas. And some will work, we hope some will not work. We want to encourage people to try and fail. That's unique in the business we're in—to undertake all that creativity; it's something we spend a lot of time on.

**Jim Ballan, Head of IR, Americas:**

Great. Well, I've only been at the company a little over a year, but I can confirm it's a great place to work. It's a lot of fun to work here. I want to—I want to shift a little bit to another topic that I think investors really care about, which is the efficiency of our business and really specifically on the business development and the underwriting side. David, why don't we start with you on this one. Can you talk a little bit about our approach to continually improving the efficiency of the underwriting process? Really the efficiency of the deal funnel.

**David Perla, Co-Chief Operating Officer:**

Obviously, as a New York Stock Exchange listed company, we think deeply about efficiency and scale every minute of every hour of every day. When we came together two years ago, the goal was to take geographically disparate resources and subject matter disparate resources and put them together so that the sum was far greater than its parts. What do we want to happen, and what are we seeing happening in the funnel? If you look at our funnel in our annual report, the goal that we have is ultimately to close larger value deals, to close them faster and to move a larger percentage of them from the top of the funnel to the bottom of the funnel. So that requires a few things.

Number one: We have to reduce the number of what we call “unwanted opportunities”. The number of things that come in that we, for any number of reasons, can't fund or don't want to fund, but we don’t want to necessarily turn off that party because we're in a relationship business. So we've built an entire system to triage those, an entire system in which they’re getting the human touch, but they're not actually making their way to an underwriter and distracting her from her day job of trying to figure out what to put our money towards or not.

It also means we've had to figure out ways to increase the percentage, how do we close more of those deals? So how do we sift out using business development, at the front end, opportunities that are more likely to close, that the underwriters can focus on the ones that will close faster, increasing our time to close and also increasing that deal size. Ultimately, all of this is balanced by the need to say yes as often as possible. And this is a relationship business. And so we want to be able to say “yes”, because even a case—and this is a question that always comes up—why don't we just fund $20 million or more, right? If those are the ones that have the best returns, why not just do that? The answer is that some of those smaller cases, number one, they of course pay handsome returns on the back end, but that same corporation or that same law firm partner that has a smaller case today will have a much larger case tomorrow. And so we need to be in the business of figuring how to say yes, how to say it on the merits and how to say it on sizes that today aren't as compelling as the larger ones but will be tomorrow.

**Aviva Will, Co-Chief Operating Officer:**

So yes, I've done a couple of these by now. And the question I always get sort of after we're up on the stage and when we're all sort of having—well, usually, they're evening so it's cocktails—but is sort of how do you scale this business without exponentially adding, doubling and tripling the number people who do this because it is resource intensive, right? It takes real expertise to be able to assess these. And you heard from Chris and John about claims families, I want to spend just another minute kind of in the weeds on those because—and I'm going to stick with, Chris, your truck's hypothetical, because it's a good hypo. So, we can assess the legal risk on those cases, and it's generally similar, and that helps us go out with that same pitch to various different claimants.

But it's more than that, because just going with the trucks business, every fleet is different, right? So, when you bought your trucks, how much they were driven, how heavy your trucks are. All of that is going to flow into what your damages are going to be. And for us to go out and do that type of a deal as a claims family with five different claimants, you actually have to—you have to figure out how you're going—what the damages are going to be for each claimant and how you're going to price it, how much you can put out if you're monetizing it, how much capital you can put towards those damages and how you're going to price it.

So part of our probabilistic modeling and our and the development of our quant team is that we actually will take a case like that or any other claims case and build out a very sophisticated framework that we can then take this client back line and that client all of their data each time and run it through that model and be able to assess and price that particular deal with extraordinary efficiency. And so that means that we can go out to claimant one and do that deal, and then we can go to claimant two, run their data through the model and do that deal and so on and so forth. And that allows us to scale without adding lots and lots and lots of individualized case assessment.

The other thing that we do, which I think touches on one of the questions we had about concentration is—we'll do that case A, we'll do with Client 1. Client 2 wants Case A, too. But they also have case B that we can put in a portfolio. Client 3, we've got case A. But then we have case A, B, C and D. And I'm mixing up my letters and my numbers, but the point is that each time we do that case, we can diversify it with a claimant that may have other cases. So, we may take a very significant bet on a claims family, but we may be diversifying that bet each time with different groups of cases with other clients. So, we're both scaling each of those relationships, but also diversifying our risk across each of those sort of mini-portfolios. I think that's—it's really important to understand that so that you can understand how we can scale at the numbers that we're now talking about with corporates.

**David Perla, Co-Chief Operating Officer:**

One of the interesting examples is this also—all these pieces tie together, how do we differentiate ourselves, how do we do this efficiently. We had a very large public company—it's a name you'll know—come to us. They had done a monetization deal with someone they had a relationship with. And they had actually gone so far as to book the deal on their books. And it turns out that capital provider couldn't close. It was a claim family we knew; their facts were unique, right? Their actual spend, what they had done we're unique. We were able to do that one. They needed to close that from the moment the phone rang, and we've been cultivating the relationship for a long, long time, 10 days from phone call to can you write us a very large check. We understood the claim family. We had to understand some of their underlying facts, and we were able to close that well before the 10 days.

**Aviva Will, Co-Chief Operating Officer:**

And some of our team actually had lunch with those guys last week, and they have three other matters. So you can see how this is sort of a happy circle where you get one and then you get another—the challenge we have with our business is that people don't really understand the expertise until they get to know us. But once they get to know us, they're kind of friends for life, which is how we continue to grow.

**Jim Ballan, Head of IR, Americas:**

Okay. Great. We just have a couple of minutes left, but I keep hearing expertise and relationships over and over again, and maybe just with the remaining couple of minutes, Aviva, maybe you could talk about The Equity Project? I know it’s something that's very close our hearts here.

**Aviva Will, Co-Chief Operating Officer:**

Thank you for including it in the Capital Markets Day. For those of you who don't know what The Equity Project is, I'll give you the two-minute version. So in 2018, we earmarked $50 million to promote women litigators in Big Law. And I won't go into the details of how we got to that, but it's pretty clear that it's a serious problem. Very few of our funded matters were being run by women, and it was sort of this “aha” moment where we can take our capital, and again, sort of actually a signature kind of innovation, right? The same innovation we use in the business, we could say we could try to take to solve this, what I'll call, social problem in law. We ultimately committed $56.7 million to that $50 million - ran a little over. And just a few weeks ago, we launched phase two of The Equity Project, where we committed an incremental $100 million, and we broadened the scope to include racially diverse lawyers. And the uptick from it in the last couple of weeks has just been amazing. It's just the feedback from lawyers who say, you are doing well and doing good at the same time has really been really kind of great.

**David Perla, Co-Chief Operating Officer:**

Can I tell a quick story? Yes. So, this is one of these where it's really good for business. We're doing really good things, but it's also very good for business. So we hadn’t launched it yet, but we'd been socializing with clients, and we got a call from Greg McPolin, who's our head of origination. And he said, one of our clients is a head of recovery at a Fortune 50 and a woman, and she has hired a fully racially diverse team to litigate a case. We understood everything about it. She wanted us to fund the case, but she wanted to have a part of the new Equity Project. Case was a good case. She was going to do the case. We like the case. We were going to fund that case. She wanted to be able, she and her GC, wanted to be able to go to the Board so that they can say they were doing their part to help in the corporation's diversity initiatives. So this was a big internal win for them. Yes. They were getting funding, which was a win. Yes. They were hiring a great team, which was a win. Yes. It was a recovery department, which was a win. But she also wanted the win internally to say, look at the social good we're doing in the legal department. And it's actually in our press release, that's a giant company that consciously came to us over The Equity Project and asked if they could be part of it and it obviously qualifies. It was really exciting for everyone.

**Aviva Will, Co-Chief Operating Officer:**

So I'm just going to say one more thing.

**Jim Ballan, Head of IR, Americas:**

That's fine.

**Aviva Will, Co-Chief Operating Officer:**

From my perspective, and this sort of brings us full circle with some of the stuff we talked about earlier, The Equity Project hits on all fronts because people, when they come to Burford to interview—and now we don't even have to find them, they come to us, which is a really nice development over the last decade—but when they come, everybody wants to talk about The Equity Project. It draws people in.

Our team—there isn't a person at Burford who doesn't want to be a part of The Equity Project. So it helps with retention, recruitment, all of that. It's again, our DNA, it's innovative, it's creative, it's thoughtful. It's what we do at Burford. And then finally, it resonates with our clients, right? Because it aligns with their values, and it's just another bit of connective tissue that builds those trusted partnerships. So it really hits on all fronts from our perspective in terms of getting to know who we are.

**Jim Ballan, Head of IR, Americas:**

That's a great way to wrap it up. I think we're going to end it now. Thank you, Aviva and David. I think this discussion has really provided some further depth on our market position, our strategy and really who we are at Burford. So that's great. Thanks, again.

Our next speaker is Ken Brause. He's our Chief Financial Officer. Ken joined Burford earlier this year, has more than 30 years of experience in the financial services industry. He was most recently CFO of OnDeck Capital, a publicly traded fintech. And before that, Ken spent more than a decade at CIT Group where he held several roles and where he and I actually worked together for a while. So, without further ado, Ken.

**Ken Brause, Chief Financial Officer:**

Well, thank you, Jim, and good morning or afternoon depending upon what time zone you're in. I have to say it's really, really good to be back here at the New York Stock Exchange and doing an in-person event. I've actually been in this room many times before over those 30 years that Jim mentioned. And it's nice to see some familiar faces as well as some new ones. And I look forward to meeting the faces I can’t see that are on the webcast, but hopefully, over time, we'll get out and meet everybody.

As mentioned before, it was an absolute honor to ring the opening bell this morning as Burford celebrates its 1-year anniversary, and I celebrate just about a six-month anniversary at Burford, I'm really glad to be part of this team at this very interesting and exciting stage of its evolution.

For those who know me, I've had the good fortune of working at some very interesting companies over my career and some of those during some very interesting times, some of which I may want to forget at times. And most recently, as Jim mentioned, at a fintech and before that specialty finance. So I think some background that works very well for joining Burford.

And there were several things that drew me to Burford, if I could just share a little bit before we get into the details. First was the chance to learn about and be involved in legal finance, which even though we talked about doing it for 12 years, it's still a relatively new, and as we just heard, still-evolving and adopting asset class. The second is to work with a great team. And you've seen some of them here today, and you've heard references to the rest of them, but it really is a great team. And then lastly, to be part of a successful, growing global firm. And so I'm pleased to be able to have a couple of minutes today to share with you some of my observations and areas of focus.

I'd like to build on and try to tie together some of the discussions we've already had today. Chris talked about our many avenues of growth. Then John talked about the improving trend of deal economics and returns. And we just heard Aviva and David talk about the innovations in and evolution of legal finance—and how we at Burford differentiate ourselves and remain the market leader. I'm going to walk you through some of the benefits of this increasingly global profile and how our listing on the New York Exchange complements our already very solid foundation in London; our strong liquidity position, and how it can support our growth; and some of the key elements of our financial profile, and why we have the potential to generate attractive ROEs over time.

Starting with the global profile. As mentioned, our New York listing complements our listing in London, where we've traded since our founding in 2009. And London remains an important market for us, both from an investor and customer perspective. It's worth noting that we are the first legal finance firm to list on the NYSE, and we're the first dual-listed legal finance firm. And as some of you know, there are extensive listing requirements and rounds of SEC reviews to get a New York Stock Exchange listing. And our objective in doing so is in part to broaden our access to the capital markets beyond the UK and Europe, and we're already starting to see some of those benefits.

The pie chart on the left shows that about 25% of our trading volume over the past year has been in New York. And I expect we would see that increase over time. In the chart on the right, you can see our shareholders are all around the world, and that we've seen an increase on our ownership by US investors to about 40%. And I'd mentioned that if our US ownership goes above 50% when we do our test again next June, we would no longer be a foreign private issuer or an FPI. And that would result in some additional changes and cause us to look at more like a traditional US filer. And there are clearly benefits of being both London and New

York-listed when we are working with potential and existing clients, as we just heard about what a good credential is when calling on US corporations.

We've also been adding a rigor and discipline to our financial disclosures and controls. From a reporting perspective, our Board of Directors has approved a switch to US GAAP, which will be effective for our year-end reporting. And we're also voluntarily committing to begin external quarterly reporting in 2023, which would be a requirement when we lose FPI status. And we're not really talking about it today, but Aviva and David just referenced ESG, and I think you've already seen and will see more disclosure around our ESG activities.

From a control perspective, we are now subject to the requirements of Sarbanes-Oxley 404, commonly referred to as SOX. Well, for the benefit of those perhaps outside the US who may not be as familiar with SOX, the Sarbanes-Oxley act was passed in 2002 in response to the global financial crisis, in an effort to rebuild investor confidence. Laid out a series of rules and requirements around financial reporting, for both companies and their auditors. And Section 404 is the part that addresses both the design and effectiveness of controls over financial reporting. I've been through the SOX process before at other companies, including implementing it at one. And it is a lot of work. But I think the benefits are there once you get them implemented. And I'm really pleased with the progress we're making so far at Burford.

So, I think these are all positive changes that are aimed towards improving our market awareness and your knowledge about Burford. It's now turning to liquidity. Well, something I've learned over the course of my career is the importance of managing liquidity. And particularly, that was the case at the two companies I was at most recently. Our business generates a lot of cash, but not always steadily. This chart shows the sources and uses of cash on a Burford-only basis since our founding 12 years ago.

To summarize what you see here, we raised about $1.6 billion of equity and debt. We've deployed nearly $2.9 billion into opportunities, and we show those split here between those that are concluded versus those that are ongoing. And I'd point out that a majority of our commitments are discretionary, which is an important lever for us when we're managing our liquidity. We've generated $2.7 billion in proceeds, mostly from the $1.7 billion of concluded cases, but some of which are from ongoing matters. And it's this redeployment of cash that's allowed us to continue to grow the portfolio. We have relatively modest outflows related to operating expenses and debt service, and both of which I'll discuss in a little bit more detail. We've consistently paid a dividend, although we took a slight pause during Covid, but we've made up for that. And our current dividend rate is $0.125 a year paid semiannually. And we ended June with our strongest liquidity position ever with $430 million, and that was before we received the $103 million of proceeds from the Akhmedov asset recovery case.

Now I'll spend a few minutes on our debt profile. As you can see on the chart on the top, we have just over $1 billion of debt outstanding. All our debt are senior unsecured notes, coupons range from 5% to 6.5% with a weighted average of just under 6%, and it's a mix of sterling and two US-dollar issues. We did our first issue in the US 144A market in April of this year. We raised $400 million in a seven-year deal. It was rated by S&P and Moody's; in fact, we were upgraded at the time by Moody's to a Ba2. And given it was our first time tapping the US markets, we were very pleased with the broad investor interest we saw, which enabled us to upsize the deal from the originally targeted amount, and also tighten the coupon relative to price talk. On the top graph, you can also see that we have a conservative maturity profile. Only $86 million remain of the notes due in '22 for which we have the cash on hand to pay off at maturity. Our next maturity is another two years out, not until 2024, and that one is for $138 million. And the debt due in '25 and '26 are also relatively modest amounts.

This debt stack provides us with a fair amount of financial flexibility enables us to deploy cash for growth without the pressure of refinancing upcoming and large debt maturities. We also run the business with low leverage. Our debt to tangible equity ratio is 0.7x, and our debt to tangible assets is 18%. Both of those are within, well within, our covenant levels, which do vary between the UK and the US issues. And the graph on the bottom of the slide shows the continued improvement in the secondary market trading levels of our debt. The implied yield to maturity is now well under 5%, which gives us an opportunity to continue to tap global markets and lower our cost of capital.

So, I'd like to now address a couple of the key drivers of our profitability. Tying back to both what Chris and John discussed earlier, and starting with the top line, which is ultimately the key driver of growth: The biggest contributor to our revenue is the return on our capital provision assets or, said another way, the amount by which our proceeds exceed our initial outlays on the case. And we report under fair value accounting and recognize both realized and unrealized gains in our income from capital provision assets. The chart on the left shows the composition of the carrying value of consolidated capital provision assets. So, a few the takeaways. We initially record our assets at cost where they stay until some objective litigation event occurs. These cases represent 39% of the carrying value at June 30th, and that's the bottom gray slice of that chart.

The next slice in black are assets that are held based on market transactions—it's 32%, and that's essentially all YPF. The remainder of the top red shaded section of the graph are assets for which some litigation event has occurred, a judgment, a trial, an appeal, and for which we've done a fair value mark, up or down depending upon what's occurred. While these represent 29% of the total, you can see that about two-thirds of that is the initial cost with the remaining third being the fair value mark or, said differently, of the $1.6 billion of non-YPF assets, 90% is carried at initial cost, and 10% reflects unrealized gains. And that unrealized gain amount is less than 10% of the $2 billion of potential gains that John discussed earlier.

And the chart on the right shows the recognition of fair value gains based on time relative to the life of the asset. And you can see that only very small adjustments typically get recognized until about a year before a case concludes. So I think these graphs really do illustrate the potential for future revenue growth just based on the existing portfolio returns, let alone future ones. We have two other notable contributors to revenue. One is earnings on our liquidity, which is relatively modest but will benefit from a rising rate environment, and asset management fees, which I'll address next.

We're the third largest—I'm sorry, we are the largest third-party asset manager, with $2.6 billion under management in seven funds across three different strategies, as you can see here in the pie chart. There are several benefits to having this part of our business. First, it leverages our infrastructure and core operations. Aviva and David talked about managing the funnel. And having these funds with different mandates, certainly helps us do that. And while we're not going to talk a lot about it, it does address customer acquisition costs, which is a part of the business. Second, it provides diversification of capital sources by providing an avenue for investors who want exposure to this asset class, but can't invest in public equities. And third, it diversifies our revenue and provides a non-capital-intensive source of fees.

The bar chart on the top of the slide shows the trend over the past five half-year periods. These fees have ranged between $8 million and $16 million, and with the exception of the second half of last year, when one of our funds concluded, has not included any significant performance fees due to the European waterfall structure in our funds. And for those that are not familiar with that type of structure, we don't recognize any performance fees until fund investors have their entire investment repaid.

As Jon addressed earlier, the large upside that exists in performance fees, if our returns come in as our models suggest potentially up to $360 million. Going forward, our goal will be to offer a range of strategies based on type of case and the expected risk and returns. And our approach has been to generally retain a larger percent of the highest-return opportunities on a proprietary basis, with more opportunity for other deals to go to funds with investors who have different risk tolerances and return hurdles.

Let me now turn to operating expense. One of our competitive advantages, as you've heard, is our team. We now have just over 140 people, more than half of whom are lawyers. And in case it was any doubt, I'm not one of those. And most are former litigators with various areas of expertise and very impressive backgrounds. So people are, therefore, the primary driver of our operating costs, as you can see on the chart on the left. It's about 75% of our expenses, with the remaining 25% for other operating expenses for the business–technology, occupancy costs, etc. But as a result, we have a very high percentage of controllable costs. As you can see, we slowed down hiring in 2020 as we evaluated the impact of the pandemic.

As Chris mentioned, we have a culture of expense discipline, which actually makes part of my life a lot easier. And our approach has been one of gradual and measured investment. We balance hiring for growth and hiring for opportunity, and we try not to get too far ahead of ourselves in our hiring, but also don't want to miss good opportunities.

The graph on the right is a version of an efficiency ratio, which, as you can see, has been steadily improving. And we can get operating leverage as we do these larger deals and more claim family deals, as we've discussed. I do want to note that given our previously announced change in accounting estimate, you will see a slight change in our reported expenses going forward as we accrue for potential payoffs on future cash realizations, which should result in better matching of revenues and expenses.

Now, turning to the bottom line. So, Chris already shared the data on the left, which are the historic ROEs that have been in excess of 20%. And as said, it's really more appropriate in our business to look at these over a longer period of time, given the variability of returns in short periods and the lives of our cases. Looking ahead, there are many opportunities to not only sustain but also improve these returns, as we really talked about all morning. While I'm not going to quantify them today, I want you to just highlight them for you once again.

Chris talked about the many avenues of growth, geographic clients and by product type. Jon talked about the potential for increasing returns on deals, which would result in the recognition of performance fees from our funds. We have potential operating leverage as we grow and do more larger deals, claim families and monetizations. And we have the opportunity to improve our cost of capital, particularly our cost of debt, as we continue to refinance and access the capital markets. All these factors create opportunities for us to sustain and hopefully improve returns over time.

So, in conclusion, our financial profile positions us to take advantage of opportunities for growth and improved returns. We'll continue to enhance our financial disclosures, so you understand those better. Our dual listing improves our access to capital markets. We have a track record of strong cash flow generation and low leverage and an abundance of current liquidity available to deploy for growth. We have several ways to improve our profitability and returns, and we're in a market where our returns are uncorrelated to most if not all other asset classes. With that, let me turn it back to Chris, and we will begin the second Q&A session.

**Q&A**

**Christopher Bogart, Chief Executive Officer:**

Thanks very much, Ken. And we're all going to come back up and take your questions. And any topic, any of us are all fair game.

While people are settling, what I hope you take away from this session from us are the key points that we really started with. And we've all summarized them in various ways. But this is a very attractive asset class with a very large total addressable market, and we think that there's meaningful room to grow here. Growth that will come in episodic waves, but growth nonetheless, that we've been able to demonstrate historically and think that we will continue to do. Where we've built the leading business in this sector, we've got a very significant competitive position in the market, with a number of demonstrable barriers to entry. We've got a strong track record in this business and a track record, as Jon said, that has been rather than being competed away, a track record that has, in fact, enabled us to continue to demonstrate growing positive returns, and we've set the stage, I think, for long-term profitability here.

So, we're delighted to share thoughts with you, and we'd be happy to take your questions. Yes, I'll go back to you in the first instance, and then we'll do some webcast.

**Mordechai Yavneh, Focus Capital Markets:**

Thank you for taking the question again. What are your plans on growing the asset management side of the business? I believe your BOF fund has closed out its commitment, its ability to commit a few months ago. And I'm actually surprised I haven't seen any mention of a new fund being raised. You have the sovereign wealth fund, but what are your plans about growing that side of the business, more funds, larger funds, etc.?

**Christopher Bogart, Chief Executive Officer:**

Yes. So, our approach to asset management really is a question of where we think we can leverage our infrastructure and, at the same time, maximize public shareholder balance sheet returns. And so, what you see basically is as we slide down the return curve we make more and more use of fund capital, all the way to the bottom of post settlement funds for us, where we don't apply any balance sheet capital at all, we just use fund capital. And so that's, I think, a long-term, strategic approach by us to the fund management business. You're quite right that BOF is fully committed at the moment, but its investment period is not yet over. And so, if we get recoveries in BOF, then we'll recommit that capital while we're still within the investment period, and BOF-C has another year to run. So, we'll see what happens in that business over the next 12 months.

**Mordechai Yavneh, Focus Capital Markets:**

Are you saying you're going to wait for all that, for the investment period to be over before raising a new fund?

**Christopher Bogart, Chief Executive Officer:**

So, I'm not able to talk publicly, as you probably know, the SEC does not like—we're in this delicate posture of having a public company that also is an asset manager. And so, I'm not able to talk publicly about what the asset management business is doing until it actually does it.

**Mordechai Yavneh, Focus Capital Markets:**

Also, you recently disclosed that this carry, that is shared with the investment team Burford based on vintage. And I believe you showed the vintage, earlier vintages, the carry was about 4%, then it moved up to 6%. It's creeped up to 9%. And it seems somewhat excessive of a carry. Is it going to continue to grow? And how does that work? Is there clawbacks if one year the vintage does well and the next year the vintage doesn't do so well?

**Christopher Bogart, Chief Executive Officer:**

So, I think there's a mix issue in play there as well. Because at the same time we started to use more carry, we obviously had a growing team, which accounts for part of that. But at the same time, we changed mix a little bit. And so, you saw us increase somewhat our use of carry while at the same time decreasing somewhat our use of share-based long-term incentive plans and that really reflects a market dynamic here. There are many benefits to being dual listed, and Ken talked about many of them. There are also some downsides to being dual listed, which means that you basically have to follow all the rules in both of the markets. And so, the form of a UK LTIP plan is actually off market for US employees, cliff vesting versus non cliff vesting, and so that's why you've seen a little change in mix there as well from us.

**Mordechai Yavneh, Focus Capital Markets:**

And then one last question.

**Christopher Bogart, Chief Executive Officer:**

I think I'm going to have to, given the time, I'm afraid we're going to have to move—we had two other questions in the room. First of all, you, sir. Sorry. We're going to give you a mic. Then we need your name as well.

**Gregory Randolph, Atopac Partners:**

Hi, I'm Gregory. Just a question which is: When you look at your corporate funding business versus the law firms, do you see any discernible difference in unit economics both at the actual investment level and then at the sort of ROE level, given the incremental operating leverage you get from bigger investments?

**Christopher Bogart, Chief Executive Officer:**

Maybe, David, would you like to…

**David Perla, Co-Chief Operating Officer:**

[inaudible] The answer is yes. It's part of the reason we like to do them, but it's not specific to corporates. To the extent we can do a large deal or a larger deal with a law firm, we like the unit economics better. The reason corporates are so compelling are because they're more replicable. Unless we're working with firms that have a sort of a multiplicity of clients across a claims family—a corporation, we can replicate across different claims families. But the unit economics can work.

We were, Aviva and I earlier were talking about a law firm deal we did that came in, again, very, very what we call hot, very fast, where it had been a small deal. The firms want to do a larger one, and their boutique provider couldn't do it. It came in with one law firm at $5 million; very quickly, they said their co-council also wanted $5 million. So we liked it at $5 million. We liked it a lot more at $10 million, and it hinged on a discrete issue that only we could understand in a very short timeframe. So we like those, right? That was a very interesting deal very few people could have understood the issue and made a $10 million bet. But the point of the story is we liked it better at $10 million, and we kept saying we'd really like this at $10 million when came in at $5 million. But for relationship reasons, we said, yes, at $5 million, a day later it was $10 million. That's a feat.

Clearly, the unit economics are better, and corporations, just because they'll monetize, will always present the opportunity to do better unit economics because we don't see that type of monetization at the law firm level.

**Jonathan Molot, Chief Investment Officer:**

And returns on invested capital, really, how we structure a deal depends on, in that modeling, what's the range of possible returns? The question was asked before about how much there is a time element in our multiple, although sometimes we can get a time element with the percentage increasing too, over time.

There is a default when the law firm is facing the client, historically, they've done it on pure percentage, there's not a ratcheting—there could be a ratcheting percentage with case events and duration, not usually some sort of preferred return ahead of that, whereas when an outside capital provider is facing the client, very often, it's more multiple heavy as opposed to a percentage. But we can jigger that because behind the scenes with the law firm, even if they're doing a contingency that's a straight percentage, we can divvy up the back end between us and the law firm where we get paid for our capital first. So I think that it really is that we price everything deal specific. We'd like to have some things we used to, so it's not reinventing the wheel. We know how to do it, and we can do it quickly. But we do tailor the terms. And so, I wouldn't expect you'd see widely disparate ROEs between the two.

**Rahul Bahl, Hidden Hills:**

Hey, everyone. Rahul Bahl, Hidden Hills. Thank you for putting this together. It's nice to see everyone in person. Two-part question kind of related to the same thing. I'd be curious, Aviva and David, you were talking a lot about the team and that's a lot of the special sauce. So I'd be kind of curious hearing how the work dynamic was during Covid in terms of social cohesion working on lawsuits or working on the cases together. And then more importantly, it looked like a 20% to 30% CAGR in headcount, which is good to support the rise of the business. Covid paused that. With the return, hopefully, back to kind of normal circumstances, would you expect on a forward curve to be kind of obviously, it depends on talent, but trying to get back to that healthy growth rate in terms of adding people back to the organization.

**Christopher Bogart, Chief Executive Officer:**

Yes. We have gone back to adding people. And so I don't necessarily a forward curve number in my head. But directionally, we've undone the Covid pause. Aviva, would you like to talk more broadly about the...

**Aviva Will, Co-Chief Operating Officer:**

Sure. On the hiring, one of our underwriters was here this morning on the floor who just started like a month ago, and I've got another one starting in two weeks. So we're back in that mode. We're done with pause. In fact, we were done with it a bit ago. I think in terms of the team—so, David and I came together as Co-COOs just—when was it? We were in London for our first foray as co-COOs and then Covid broke out.

What we did at the time when we restructured into the roles we're in was to create this sort of global team that was very much sort of matrix fixed. So global team and then cross-functional teams across that team. And that actually was stroke of genius if we had known Covid was coming because it enabled people to work in a way that—Covid actually accelerated it.

Let me go back a sec. So, we've always been—Chris, Jon and I have been remote since day one. So, we've always had very good technology to enable us to work collaboratively even though we were all remote from each other. As we've added offices, we've got teams now sitting in together, which I think is critical to that innovation stuff, right? The secret sauce that happens when you're knocking around ideas. But we've also got lots of really good technology that enabled us during Covid to just move seamlessly into our living rooms. There was not—there wasn't even a blip as far as I'm concerned. People take their laptops home, and then they just got back to work. And because we were globally functioning, somebody from London and somebody from New York and somebody from Hong Kong, aside from the time zone differences, we're able to work seamlessly on matters just the way that we do now that we're back in the office.

In fact, in some ways, the pandemic allowed us to sort of erase geographic differences and because everybody was at home. And that actually built, I think, and strengthened the relationships across the global team. So while I'm not thankful at all for the pandemic – lots of suffering, for our team, it actually accelerated what we were trying to do by creating a global team.

**Christopher Bogart, Chief Executive Officer:**

Great. Thanks, Aviva. We're going to go for a webcast question.

**Jim Ballan, Head of IR, Americas:**

The next question from the webcast is from Mike Bancroft of Leste Capital Management. He asks how accurate are you at modeling costs? Put another way, how many concluded cases exceeded your initial commitments, but you still pursued them to realize a recovery, albeit at a lower realized ROIC than originally modeled.

**Christopher Bogart, Chief Executive Officer:**

So, the answer is we're—it's not so much that we are—it's not so much about predicting those costs, it's about the kind of deals that we do in the first place. So, we're not, in most cases, some equity, venture capital-style investor where we say, Oh, yes, we'll put in whatever the case takes, and we just hope it all works out.

Back to my initial line, we're a specialty finance firm. We fundamentally come at these with the mindset of a senior secured creditor. And so, we tend to be writing deals that have fixed dollar arrangements in them. We're not—our deals don't say "whatever it takes". There are certainly times when we make incremental commitments to matters when our conviction is high on them and there's an opportunity to deploy more capital, although that is a relatively small portion of our overall mix.

**Jon Molot, Chief Investment Officer:**

And there's usually incremental economics for those incremental investments.

**Christopher Bogart, Chief Executive Officer:**

Absolutely. It doesn't get given away for nothing.

**Jim Ballan, Head of IR, Americas:**

Okay. Great. We'll do another one from the webcast. The next question is from—and I'm going to mispronounce the name—it’s Harald Jeremiassen of Holberg. And the question is: How similar will Burford's net ROICs and IRRs be to gross vintage returns? Or, put another way, what proportion of staff costs are fixed?

**Christopher Bogart, Chief Executive Officer:**

Well, staff costs are, as Ken noted, a combination of fixed and variable, but we have quite a lot of controllable costs. So, our compensation model, as we've outlined in the past, is fairly straightforward. We pay base salaries that look more like financial services-base salaries than law firm base salaries. We have annual discretionary cash bonuses, and then the remainder of the team compensation comes either from share-based LTIP or from carry. And so, there's quite a high degree of relationship between litigation outcomes and compensation expense.

**Jim Ballan, Head of IR, Americas:**

Great. I think we have time for one more question.

**Christopher Bogart, Chief Executive Officer:**

This gentleman back here.

**Dennis Chua, Repertoire Partners:**

Chris. This is Dennis from Repertoire Partners. I was very pleasantly surprised that John walked us through the underwriting engine that you guys have internally, and also even more pleasantly surprised that the accuracy, 90% to 100-plus percent. And I'm just wondering, with this level of certainty—does it make sense eventually to increase your leverage kind of almost lower your bar effectively, right? The mid-single-digit percentage of deals that actually get funded in that pipeline, in the funnel. With this level of certainty, wouldn’t it make sense to increase it a little bit, maybe we don't target 20-plus percent ROEs but maybe 18% ROEs, and we can do a lot more business with a level of certainty and we can also increase the leverage to do that.

**Christopher Bogart, Chief Executive Officer:**

Maybe both Jon and Ken might speak to that.

**Jon Molot, Chief Investment Officer:**

I can start out with saying David's mantra that we want to get to, yes, is a really important mantra as sort of a business matter. But there is no doubt what you're identifying is something I think about all the time, right? It's a great question.

It reminds me of—we built our London business because we purchased an after-the-event insurer from Barclays and grew it into litigation finance. They used to insure people's legal fees and then we were actually financing them. But I remember the process they had in place is if an underwriter had too high a win rate, that would command some senior attention to make sure that they weren't turning down too much. And if an underwriter had a loss, you then make sure you follow that underwriter and make sure they're not scarred into saying no too often. So I—those two things I have in my head all the time, and it is true.

When I said we developed this for underwriting purposes and then further refined it for portfolio purposes. Now we're able to share with you for this reason, that isn't the only reason. Long before we shared it with you for that reason, we've been able to look at it internally to say how do we end up maximizing earns in an absolute matter as opposed to just—I care much more about delivering returns to you, our investors, than I do about what the metrics look like. It's great to get up and say, look at ROIC, but really you care about having cash in your pocket at the end of the day. So, it's a great question, and it's on our mind.

I can't give you a definitive answer of what we're targeting. We're never going to relax our underwriting standards, but it does mean—I mean, the other piece of it is pricing. And a lot of people have asked like how is it you're able to maintain these kinds of returns in competitive pressure. Sometimes, like more important than how you price it is whether the case is going to win and how good the client and counterparty is. And that can all factor into that question of whether if it's not the absolute richest pricing on a particular deal, do you do it anyway because you have great confidence it's going to win, and you're set up in a nice way to deliver good returns. So that's how I would speak to it. Ken?

**Ken Brause, Chief Financial Officer:**

Yes. I can just add on quickly. I mean, I come from a mindset of if I can earn above my cost of capital, I'm creating value. And so obviously, subject to constraints and some of those constraints could be our own capital, our liquidity and our resources, our human resources. But I think something that we're going to be looking at is how can we better leverage our capital and what we have to continue to improve returns on equity.

**Christopher Bogart, Chief Executive Officer:**

I'm conscious that we're standing in between you and lunch, and also that many of us were paid professionally by the hour to talk. So—but I think we do have some more interest. So let's take—let's take one more webcast question.

**Jim Ballan, Head of IR, Americas:**

One other additional question from the webcast is from Paul DeGruchy, who's a private shareholder. The question is Jon spoke of $360 million in performance fees—as funds mature and new ones are launched, will Burford reach a state of predictable average performance fees? And what would be a reasonable expectation for what's achievable annually?

**Christopher Bogart, Chief Executive Officer:**

Sadly, I fear the answer to that question is no. In the sense that I—one of the —once upon a time I effectively ran a cable company. That was such a predictable business; I knew on January 1 what the year was going to look like, give or take a little tiny bit.

And I have to tell you, in this business, it's November—well, November the 2nd right now, and we still don't know what the year looks like. So, I think the answer is no, but I think the more fundamental point is that having built a significant position as an asset manager, we're conscious of utilizing that platform to drive some incremental operating leverage and some incremental fee income. We're just conscious of doing that in the most return-focused and effective way from the perspective of public shareholders. And that makes us a little different than so many other asset managers because here, the public company owns the asset manager, the public company gets the benefit of the fees.

So what we're doing fundamentally is looking at, every time we think about raising a new fund, we're asking the question: What's the better financial course here, ultimately, for equity shareholders? Is it to take that pool of investments that we would be putting into the fund and put them in a fund? Is it to put them only on the balance sheet? Is it to do some sharing? And that's why you've seen us do things like the sovereign wealth fund arrangement, the economics of which are significantly more attractive than a traditional 2/20 asset management fund for our high-returning assets.

So with that, I'm getting the nod. I'm getting the yank from the back of the room. So for those of you on the webcast, thank you very, very much for joining us. As always, we'd be delighted to engage further with you. Our IR teams are both in London and New York available to talk to you. For those in the room, please join us for some refreshments and some casual conversation, and all of us will stick around and be happy to chat. So thank you all very much for your participation and attendance and all the best.