

Wealth Briefing

Investing In Lawsuits - A New Asset Class?

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The board of a Guernsey-registered company which makes money from lawsuit payouts has loaned \$62 million for third party investment in a portfolio of five major legal cases in a move which could signal a new asset class for wealth individuals to invest in.

The investment by the board of Juridica Investments will cover investments involving antitrust cases and a case involving complex statutory claims against a financial institution. Juridica invests in both US and UK legal cases.

As litigation is expected to rise due to the credit crunch and the subsequent economic fallout, the area is seen as a potentially lucrative area for investment, particularly in the notoriously litigious legal arena of the US with its "no-win, no-fee" system. The litigation investment idea is an example of how investors are being drawn to assets such as infrastructure or life settlement policies that are seen as having a low or negative correlation to mainstream assets.

"This latest investment represents a significant opportunity for Juridica," said Lord Daniel Brennan QC, chairman of JIL, which is listed on London's Alternative Investment Market.

"Not only does it introduce the company to a significant portfolio of antitrust litigation, it also gives Juridica access to a pipeline of future cases that are expected to provide very strong investment opportunities."

The firm says that litigation investments are less correlated to general economic conditions than other asset classes. Third-party litigation financing provides both the direct equity and outside oversight to minimize investment risk and maximize potential returns, it says.

Of the four antitrust matters in JIL's recent \$62 million investment, two are price-fixing cases and two are monopolization cases.

To date, Juridica has committed nearly \$107 million in resolved and ongoing litigation. The company's net asset value has increased thus far in 2008 by over 25 per cent in sterling terms after an initial public offering in late 2007 that raised £78.4 million.