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A new, noncorrelated asset class emerging?

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In the never-ending search for noncorrelated beta, is there anything new under the sun? Litigation qualifies in some respects. It's not entirely new as an investment, but its potential for outsized returns, some think anyway, make it worth a new look. In the wake of the financial crisis, we may indeed be in for a bull market in litigation.

About \$4 billion in investor money is now invested in lawsuits that have been brought by corporate plaintiffs. When it comes to litigation as an asset class, traditional investment skills will not do. Instead of picking stocks, funds must choose--and finance--cases that can be won.

Last year, London-based Juridica invested in claims of more than \$2 million, mainly focusing on U.S.-based litigation and international arbitrations. It just announced a \$62 million investment in five major cases. For the record, four are anti-trust cases and one involving a financial services firm. All are business-to-business suits.

Essentially, the fund will work with law firms, financing their costs in return for a chunk of the earnings. Its current focus in general is large commercial litigation including antitrust, insurance, contract disputes and shareholder disputes. It apparently eschews the massive consumer class-action type suits.

Juridica's goal seems reasonable enough for investors. It aims to build a diversified portfolio in claims and thus provide attractive dividends and capital growth. We'll see if this takes off. - Jim