

LFJ Interview with Bentham CIO, Allison Chock (Part 2 of 2)

By: John Freund | August 14, 2017



In Part 2 of our interview, we discuss Ms. Chock's new role as CIO, and what she has in store for Bentham's near-term U.S. expansion...

Congratulations on your new role as CIO. It comes at a pivotal time for your firm, having just raised a \$200M fund and opened a new office in the US. Why raise the fund at this time? Why not continue along

your previous investment strategy?

Historically, we've invested based upon the proceeds of our past successes, which is really unusual in this industry. But we're very much in growth mode right now – not just in the U.S., but globally – so having a \$200-300M cash balance sitting in the bank is frankly expensive capital; it's just not the best way to use money. We wanted to ensure that we have enough runway to grow the U.S. business in the way that we would like. And we're potentially going to open a fund for other sectors of the company as well.

That said, our investment strategy hasn't changed. We're still very interested in expanding our portfolio investments – they're slightly less than half of what we're doing now. We're still focusing on traditional single case investing. And we've done some client portfolios as well. Part of the deal we struck with the U.S. fund is that we're going to stick to our knitting – we've had very good success with our investment approach to-date, and we're not going to try to start going into other areas like insurance or buying receivables. The size of this fund is perfect for us, in that it allows us to grow within the bounds of what we know and are good at. At the same time, it's not so much that we have to start jumping into things that aren't our specialty.

With the opening of a Houston office, Bentham became the first global lit fin firm to enter Texas. What specifically about that market made you want to jump in?

As we've expanded, we've hit the markets where receptivity to litigation finance is good, and where there's quite a lot of litigation. All of the markets we're in share those characteristics. There are other markets that we think are good; for instance, Chicago is another potential good market, but there are a couple of funders there already. It really comes down to the lawyers in that market, and their receptivity to our business.

With respect to Texas, they were already on the list of potential next places to launch. We had a lot of calls requesting litigation finance emanating out of Texas, so the business was there already – why not maximize it by having a brick and mortar office?

Do you foresee further expansion by multinationals into secondary and tertiary markets, or will there be more of a wait-and-see approach as to how those markets develop?

So far, we seem to be the only ones inclined to expand this way. It takes a lot of extra capital to do it the way that we're doing it, but we've been very effective at it. Our philosophy is that people like to deal with the people they actually know, and have lunch with, so when we expand to other markets we're not bringing someone there to start it, we hire within the market – someone who has great connections and who already knows the people. We find that's a pretty effective way of getting good cases with good lawyers.

That said, there may be others. I think Longford was potentially looking to open in San Francisco. And there may be others eyeballing other markets. But I don't see anybody else

actually putting down as many roots as we have. It costs money (*laughs*).

Are you also eyeballing potential M&A activity, or do you want to grow organically?

We've had a couple people asking to be purchased... but we want to stick to our knitting and grow organically. We have no shortage of people clamoring to be a part of our business. It's not only growing explosively, but it's really fun! As a former law firm partner, this job is all I've ever dreamed of and more, without knowing it existed.

Never say never, but in the US, I don't think that we're looking to acquire or to be acquired, at least not now.

Final question: What makes for a good litigation funder, in your opinion?

From our perspective, we want someone who is personable and great at relationship-building, because there is a sourcing aspect to the job. But on the other hand, you've got to be an insightful litigator. We have all lawyers here, with a minimum of 15 years prior litigation experience for our Investment Managers. Most were formerly partners at their firms.

The criteria that I look for are people who were involved in recruiting at their former firms – because that speaks to that personality aspect – and I also like to see both defense and plaintiff-side experience. I was a plaintiff's attorney for 10 years, and for many years prior to that I was a defense attorney at Latham. My mentor at my plaintiff's firm used to tell me that he loved working with me on cases because I had a "defense heart," meaning I'm inherently highly skeptical of claims, and I think that's really important as a funder. It's easy to fall in love with these various compelling stories, but you've got

to have the discipline and skepticism to take those stories apart and figure out where they are going to fail before you invest tens of millions of dollars into them.

So recruiting skills and skepticism is what I look for.

It's interesting that you went with soft skills, and not quantitative or financial ability.

That's certainly part of it. Almost every case that comes to us is pitched as a \$100M case, or a \$300M case, or – the ones that make my skin prickle – "it's a \$1B case"! How many billion-dollar verdicts have you heard of lately?

That's where the skepticism component comes in. Where is this going to get chopped up? Former litigators who have a lot of experience know that even a strong \$300M claim can easily turn into a \$25M settlement.

I certainly think that algorithms will play a part in the future, but for now, the business is more art than science. You have to be able to go with your gut. So hopefully, we're hiring people that have good gut instincts.
