An LFJ Conversation with Alexander Cavendish, Chief Executive Officer, Hedonova

Litigation Finance Journal Conversations

'LFJ Conversations' is an original content series produced by the editorial team at Litigation Finance Journal and featuring the leading thought leaders from throughout the global litigation finance community.'

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Hedonova is a hedge fund established in 2020, specializing in alternative investments, encompassing a diverse range of assets, including startups, real estate, fine art, wine, and much more. Hedonova has a single fund structure that provides an investment option for shareholders who wish to invest without the burden of managing the day-to-day distribution of their investments. The unique combination of alternative investment and the single fund structure makes Hedonova an attractive option for savvy investors looking for high-yield, low-risk investments.

How did you first become involved in Litigation Finance? What drew you into the industry?

Multiple factors drove our entry into the litigation finance industry. We recognized the potential for attractive returns and diversification opportunities by investing in an asset class that is not typically correlated with traditional stock or bond markets. We constantly seek out novel and creative ways to put our money to work, and litigation financing offers a compelling opportunity to do so. The prospect of investing in legal claims and litigation outcomes, which could lead to a share of the awarded damages, was something that we could not ignore. But beyond the financial potential, we also saw an opportunity to impact the legal system positively. We can assist plaintiffs who might need outside support to pursue their cases.

So it is the combination of the potential for attractive returns, diversification benefits, and the opportunity to positively impact the legal system.
How does Hedonova select law firms or specific cases to invest in? What are your underwriting criteria?

We have developed a selection process that allows us to invest in cases with a high probability of success while ensuring that we manage the risks associated with each investment. We established underwriting standards that we methodically apply to every case to achieve this. These criteria include a thorough evaluation of the case's potential merits, the experience and track record of the legal team handling the case, the scope and type of the sought-after damages, and the overall level of risk.

Each case goes through a thorough investigation of the financial and legal risks involved in our underwriting process. This includes a close examination of the costs and expenses involved in pursuing the case and the potential for adverse rulings or appeals. We also consider how any legal or regulatory amendments impacting the case could influence it. This way, we can make informed investment decisions designed to maximize returns while minimizing risk.

What sets Hedonova apart from other litigation funders? What is your firm's value proposition?

At Hedonova, we pride ourselves in our distinctive litigation finance strategy and dedication to giving our clients the best possible service and assistance.

Our team of experienced professionals deeply understands litigation finance’s legal and financial aspects. With decades of accumulated experience in the industry, we have the knowledge necessary to recognize and invest in exceptional cases with favorable results. When working with our legal partners, we use a collaborative approach and make an effort to build enduring bonds based on respect and trust.

You offer investment opportunities from retail investors into Hedonova's fund. What sorts of questions/concerns do you receive from retail investors regarding litigation funding, and how do you allay those concerns?

One of the main concerns investors have is the potential risks associated with litigation finance. Given the inherently uncertain nature of legal proceedings, some investors may be hesitant to invest in cases that are still ongoing or may not have a clear outcome. To allay such concerns, we have developed a rigorous underwriting process designed to identify cases with solid potential for success and carefully manage the risks associated with each investment.

Another common concern investors have is the potential for conflicts of interest between funders and plaintiffs or law firms. At Hedonova, we proactively address potential conflicts of interest and have developed ethical guidelines that we follow in all of our investments. We also work closely with our legal partners to ensure that all parties are aligned around a common goal of achieving a successful outcome for the case.

Some investors may question the overall performance of litigation finance as an asset class and may be hesitant to invest in a relatively new and untested area. To address these concerns, we provide detailed information and data on the performance of our fund, including historical returns and performance metrics. We also work closely with our investors to provide regular updates on the progress of our investments and to answer any questions or concerns that may arise.

"My initial conversations with funders are often with non-lawyers who, while very experienced and great at client/lawyer relations, do not necessarily understand all the factual and legal theories at play in a given matter.”
Litigation Finance is rapidly maturing into a mainstream alternative asset. Where do you see the evolution of the industry from here?

One of the key trends that we see shaping the industry's future is the increasing use of data analytics and technology to improve underwriting and investment decision-making. As the industry continues to grow and become more sophisticated, we anticipate more emphasis being placed on using data analytics and machine learning algorithms to examine legal trends and outcomes and identify cases with a high likelihood of success. This will increase the overall effectiveness of the litigation finance market and give investors the information they need to make better investment choices.

As the market develops, investment structures and terms will become more uniform and transparent. Consequently, a broader spectrum of investors, including institutions and retail investors, are anticipated to look to invest in this asset class. The increasing popularity of litigation finance will lead to a rise in new entrants to the market, which could further drive innovation and development in the industry.

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