

Macquarie Wrap

Shield Master Fund investment update

Dear Client,

We're writing with an important update about the Shield Master Fund (Shield), which you've invested in via the Macquarie Wrap platform.

Account name
Account number

Summary

- When Shield was managed by Keystone Asset Management (Keystone), the responsible entity for Shield, the value of the assets within the fund reduced significantly, as confirmed by Deloitte. As a result, the value of your investment has decreased, but the exact amount of the loss is still unclear.
- ASIC took steps to prevent further losses by seeking the appointment of Deloitte as receiver and manager.
- Macquarie recently voted in favour of Deloitte's appointment as liquidator, as we believe this will result in a better financial outcome for our members and clients.
- Deloitte is aiming to recover as much money as possible on behalf of Shield. Deloitte will do this using the extensive powers it has as a liquidator.
- Deloitte issued a [SEN](#) on 13 December discussing possible distributions and its plan to recover money from third parties (which could take between six months and two years).

Financial condition of Shield

On Thursday 28 November 2024, we sent you a [communication](#) with a link to a [Significant Event Notification \(SEN\)](#) by Deloitte. You should read Deloitte's SEN to understand more about the financial condition of Shield.

In the SEN, Deloitte reported that \$525 million has been invested in Shield by the current investors and that a portion of this money has been spent by Keystone as follows:

- held in listed equity investments: approximately \$180 million
- paid to Chiodo Corporation Pty Ltd, a company controlled by Mr Chiodo: approximately \$265 million
- payments then made by Chiodo Corporation out of this \$265 million included:
 - for specific project costs: \$108 million
 - to lead generators, who marketed Shield to new investors: \$65 million
 - for shared project costs: \$36 million
 - to three companies associated with Mr Chiodo and Mr Frolov (Marsi, Malana, Nextform): \$17 million
 - for Mr Chiodo's personal use: \$7 million

Deloitte is taking legal action to recover some of these funds for the benefit of Shield investors.

In particular, it has started proceedings to recover \$158 million paid by Chiodo Corporation to Robert Filippini and City Built Pty Ltd (of which Filippini is the sole director and shareholder).

Of this \$158 million, bank accounts holding \$110 million have been frozen by the Federal Court.

Creditors' meeting

On 2 December 2024, a meeting was held to end the voluntary administration process. Before this meeting, creditors were asked to consider a number of proposals as an alternative to Keystone being placed into liquidation.

Deloitte issued reports to creditors evaluating the proposals.

Creditors were asked to consider three proposals, known as DOCA proposals, and vote on them at the creditors' meeting. The alternative to these proposals was for Keystone to be placed into liquidation and wound-up. You can find a link to a summary of these proposals on [our webpage about Shield](#). You can also review Deloitte's full assessments on [Deloitte's webpage](#). Deloitte has since summarised its assessments in this way:

In short, each DOCA Proposal involved creditors and SMF investors giving up on significant claims and assets at a very low rate of return and/or progressing risky and/or uncertain investments that were not within the investment parameters in the SMF PDS in order to attempt to recover losses suffered from the previous mismanagement of SMF investor funds.

Deloitte recommended that creditors vote in favour of the liquidation of Keystone. A majority of creditors, including Macquarie, agreed with that recommendation and voted to place Keystone into liquidation (with 12 votes in favour and two against).

On 13 December 2024, Deloitte issued a further [SEN](#) which provides an update on the outcome of the creditors' meeting.

Next steps and other matters

As liquidator, Deloitte now has significant powers of investigation with the aim of recovering assets of Keystone for the benefit of investors in Shield and Keystone's creditors. As mentioned, Deloitte's further SEN of 13 December 2024 sets out its plans for recovering each category of Shield assets and their estimated timing on next steps.

As per our communication on 28 November 2024, Deloitte is not in a position to determine an up-to-date unit price for Shield.

The liquidation process is complex and, as Deloitte has indicated, will take some time. We'll continue to share relevant information when it becomes available.

Questions and further information

You can find out more here:

- **Macquarie** has established a [webpage](#) about the Shield Master Fund. We'll continue to keep this webpage up to date. We also welcome questions from you at the contact details below.
- **ASIC** has established a [webpage](#) to provide updates. It has also issued a [media release](#) about the meeting.
- **Deloitte** has established a [webpage](#) to provide updates on its actions.

If you have concerns about your financial adviser's recommendation that you invest your Macquarie Wrap account in Shield, you can lodge a complaint at the places below.

If your advice was provided by Venture Egg or Rhys Reilly	You can lodge a complaint by email at compliance@interprac.com.au or by telephone at (03) 9209 9777
If your advice was provided by MWL Financial Services	You can lodge a complaint via email at admin@mw.com.au or by telephone: <ul style="list-style-type: none">• MWL Melbourne and Fairway Group: (03) 9866 5888• MWL Sydney: (02) 8404 6700

Need help?

If you have any questions or concerns that you would like to discuss with us, please contact us at wrapkeycontacts@macquarie.com or call us on **1800 095 568**, Monday to Friday, 9am to 5pm (Sydney time). Please note that Macquarie is not able to provide legal or personal financial advice.

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Please do not reply to this email. This is an unmonitored inbox.

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