

13 December 2024

Attention: Unitholders of the Shield Master Fund

Dear Unitholders

Significant Event Notice

For the purposes of Section 1017B of the Corporations Act 2001 regarding the appointment of liquidators to Keystone Asset Management Limited (Receivers and Managers appointed) (In Liquidation) (KAM)

This Notice provides Unitholders of the Shield Master Fund (ARSN 650 112 057) (**SMF**) with an update regarding events concerning the SMF since the previous notice to Unitholders on 22 November 2024.

1 Appointment as liquidators

- 1.1 As set out in our last notice, on 5 September 2024, Lucica Palaghia and Jason Tracy of Deloitte were appointed as the joint and several administrators (**Administrators**) of KAM pursuant to an order made in the Federal Court of Australia (**Court**) in proceeding number VID 536 of 2024 (**Proceeding**).
- 1.2 On 25 November 2024, the Administrators issued a notice of meeting of creditors of KAM to be held on 2 December 2024.
- 1.3 Also on 25 November 2024, the Administrators issued a report to creditors of KAM on KAM's business, property, financial circumstances, and on the alternative future options available. The report disclosed that the Administrators had received two (2) proposals to enter into an arrangement with KAM to avoid liquidation (generally referred to as **DOCA Proposals**). The Administrators recommended against the DOCA Proposals on the basis that they were not in the best interests of creditors or SMF investors and set out their reasons for that opinion.
- 1.4 Following the release of the report to creditors, the Administrators received two (2) further DOCA Proposals. The Administrators issued further reports to creditors on 27 November 2024 and 30 November 2024 informing creditors of the further DOCA Proposals and setting out the Administrators' recommendation against the further DOCA Proposals on the basis that they were not in the best interests of creditors or SMF investors. Again, the reports set out the reasons for that recommendation.
- 1.5 Copies of each of the above reports are available on Deloitte's webpage dedicated to KAM at: [Deloitte's webpage](#). We encourage SMF investors to read the reports issued to KAM creditors and the reasons why the Administrators did not consider the DOCA Proposals were in the best interests of creditors or SMF investors. 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.
- 1.6 The meeting of creditors took place on 2 December 2024. The purpose of the meeting was for creditors to vote on the future of KAM, being to vote in favour of KAM entering into an arrangement pursuant to any of the DOCA Proposals, to wind up KAM in liquidation or return control of KAM to the directors. The creditors of KAM, by majority of both number and value, voted in favour of KAM being wound up and Jason Tracy and Glen Kanevsky of Deloitte being appointed joint and several liquidators (**Liquidators**).

- 1.7 The role of the Liquidators is to wind up the affairs of KAM, including to protect, collect and sell KAM's assets and distribute the proceeds to creditors. The Liquidators are also tasked with investigating KAM's affairs, including voidable transactions that may be recoverable for the benefit of creditors and possible offences by officeholders and other parties. The findings of the Liquidators' investigations will be reported to creditors of KAM and to ASIC. It is likely that these steps will involve litigation.

2 Status of Receivership, SMF and ADPF

- 2.1 As set out in our last notice to SMF investors, on 28 August 2024, and pursuant to orders of the Court in the Proceeding, Lucica Palaghia and Jason Tracy of Deloitte were appointed as the joint and several receivers and managers (**Receivers**) of the property of KAM in its capacity as:

- (1) responsible entity of the SMF;
- (2) trustee for the ADPF; and
- (3) trustee for the Quantum PE Fund (also a fund in which the SMF invests) (together, the **Funds**).

- 2.2 This role includes operating the Funds and protecting and preserving the assets of the Funds for the benefit of SMF investors. The Receivers have also been responsible for undertaking investigations in relation to the conduct (and misconduct) in connection with the Funds and taking action for the benefit of SMF investors.

- 2.3 Given KAM has now been placed into liquidation, and no viable alternative was identified for the ongoing operation of the Funds, the Receivers anticipate taking steps shortly to terminate the Funds and then taking steps to realise the Fund assets and arrange for the net proceeds of sale to be distributed to unitholders.

- 2.4 The main assets of the Fund fall within a number of different categories as set out below. The time that it will take to realise the assets will vary based on the nature of the assets. The Receivers are also currently restrained by Court orders from realising the assets and so will need to return to Court to vary those orders so that assets can be sold.

- (1) **Listed equity investments with Bell Potter Securities:** The current value of the listed securities is approximately \$181 million. These assets are liquid and can be realised very quickly. Sufficient funds will need to be retained to pay the costs incurred in winding up KAM and the Funds, including any adverse cost orders in legal proceedings. The Receivers are currently considering whether a portion of these funds can be liquidated and an interim distribution made, particularly for the purpose of allowing hardship payments to be made to some investors based on their circumstances.
- (2) **ADPF Loans:** The loans made by KAM for property developments undertaken by related entities (**SPVs**) have a book value of approximately \$330 million. The loans are largely secured against the property and the Receivers have taken steps to enforce some of the securities by appointing Jason Tracy and Glen Kanevsky as receivers and managers of the SPVs (**SPV Receivers**). This will allow the SPV Receivers to assess the status of the developments and prepare a realisation plan. In particular, the SPV Receivers need to determine whether to sell developments on an as-is basis or to undertake work to progress or complete the development if doing so will result in a better return to investors. The SPV Receivers expect a different approach will be taken on a site-by-site basis, such that developments could be realised from anywhere between four (4) months to two (2) years. The underlying properties are currently valued at between \$19 million to \$41 million (following repayment of priority loans).

- (3) **Loan to Chiodo Corporation for Venice hotel deposit:** KAM lent approximately \$27 million to Chiodo Corporation for the purpose of Chiodo Corporation paying a deposit towards the purchase of a hotel in Venice. The funds are currently sitting in an escrow account in Italy. The Receivers have commenced proceedings in Australia against Chiodo Corporation to enforce their right to the proceeds as against Chiodo Corporation. The Receivers will also need to engage with the vendor in Italy for the return of the deposit monies to KAM. The arrangement with the vendor is governed by Italian law and so any proceedings against the vendor will need to be issued in Italy. The Receivers presently estimate that recovery of these funds could take 6 - 18 months.
- (4) **Quantum PE Fund:** This investment is in a related entity and relates to units held in the Quantum PE Fund. The key underlying investments are a convertible note issued by New Quantum Holdings Pty Limited (In Liquidation) (Receivers and Managers Appointed)(**New Quantum Holdings**) and shares in Tickled Pink International Co. Ltd (**Tickled Pink International**), which is the ultimate parent entity of subsidiaries, comprising four (4) café businesses. The book value of this investment was approximately \$20 million at appointment made up of approximately \$15m for the convertible note and approximately \$5m for the shares in Tickled Pink International. The Receivers will need to undertake further investigations to understand the nature of the investment in Tickled Pink International and to set the realisation strategy. The Receivers currently anticipate this process could take approximately 12 months. This will be extended if any litigation is required.
- (5) **SPW Global Growth Fund:** This investment relates to units in the SPW Global Growth Fund. The book value of this investment was approximately \$2.5 million at appointment. The investment manager of the Fund is a related entity of one of the directors. The Receivers will need to undertake further investigations to understand the nature of this investment and strategy for realisation or recovering any value for it. The Receivers currently anticipate this process could take approximately 12 months. This will be extended out if any litigation is required.
- (6) **Archangel Ventures:** This investment is a partnership interest in Archangel Ventures 2022 limited partnership and ordinary shares held in the Archangel Ventures 2022 Unit Trust. The book value of this investment is approximately \$600,000. The Receivers are in discussions with the investment manager for the purchase and transfer of KAM's interest to a third party so funds can be realised. The Receivers currently anticipate this process could take approximately 3-6 months.
- (7) **Causes of Action:** The Receivers consider there are a number of causes of action that can be brought against directors, related parties and third parties for their conduct which could result in additional returns for SMF investors:
- The Receivers have commenced a proceeding against City Built Pty Ltd and its owner, Roberto Filippini and their related parties who were paid approximately \$158 million with investor funds in respect to the developments by the SPVs. Paul Chiodo and Chiodo Corporation are also parties to the claim. The Receivers have obtained freezing orders over funds in bank accounts totaling \$110 million. The Receivers anticipate this proceeding could take over 2 years to finalise.
 - The Receivers have issued proceedings against Ilya Frolov and his related entities regarding amounts that were paid to them from investor funds. The claim value is approximately \$17 million. The Receivers have procured that approximately \$2 million is held on trust in a solicitor's trust account following the sale of a property by Mr Frolov and/or his entities which the Receivers consider was purchased predominantly from investor funds. The Receivers anticipate this proceeding could take over 2 years to finalise.

- The Receivers have lodged caveats on a number of properties owned by Mr Chiodo, Mr Frolov and Mr Filippini (and/or parties related to them) to protect recovery from those assets in the event the above proceedings are successful.
- The Receivers are investigating additional claims against lead generators who received approximately \$65 million from investor funds. These investigations are preliminary as Mr Chiodo has challenged production of a large volume of documents relevant to these investigations. The Receivers expect liquidator examinations will also be required. The Receivers anticipate that any proceedings against lead generators could take over 2 years to finalise.
- The Receivers and Liquidators will consider additional claims available to a liquidator, such as unreasonable director related transactions. The Receivers anticipate that any proceedings brought by the liquidators could take over 2 years to finalise.

2.5 The Receivers will provide further information to SMF investors in relation to the winding up of the Funds shortly and will continue to update investors on the winding up and realisation process.

3 **Further information**

3.1 The Liquidators will continue to provide SMF investors with updates in the same form as this Notice as matters develop.

3.2 For further information and ongoing updates, please visit the Liquidators' website at [Deloitte's webpage](#).

3.3 Information is also available on ASIC's website at [ASIC's website](#).

4 **Complaints**

4.1 If you would like to lodge a complaint to KAM, please use the following contact details:

Email: shieldinvestors@deloitte.com.au

4.2 If an issue has not been resolved to your satisfaction, you can lodge your complaint with the Australian Financial Complaints Authority (**AFCA**). Contact details are:

Website: www.afca.org.au

Telephone: 1800 931 678

Email: info@afca.org.au

Post: GPO Box 3, Melbourne VIC 3001.

Any information provided in this Notice is general in nature only and does not take into account the personal objectives, financial situation or needs of any particular Unitholder in the Shield Master Fund. If you are unsure of any of the information in this Notice you should obtain professional advice tailored to your personal circumstances.