

22 November 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 voluntary Administrators and Receivers of Keystone Asset Management and related events

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 16 July 2024.

1 Financial Position Report

- 1.1 On 26 June 2024, the Federal Court of Australia (**Court**) made orders in proceeding number VID 536 of 2024 (the **Proceeding**) requiring Lucica Palaghia and Jason Tracy to prepare a report on the financial position of the SMF and the Advantage Diversified Property Fund (**ADPF**) in which the SMF invests.
- 1.2 The report was finalised on 27 July 2024. The Executive Summary of the report is annexed to this notice as Annexure A.
- 1.3 We note that the figures reported in the report dated 27 July 2024 are preliminary in nature and investigations into the property available to meet the claims of creditors and Unitholders are ongoing.

2 Appointment

- 2.1 On 27 August 2024 (**August Orders**), as determined by an order of the Court in the Proceeding, pursuant to section 1323(1)(h) of the *Corporations Act 2001* (Cth) (**Act**), Lucica Palaghia and Jason Tracy were appointed as joint and several receivers and managers (**Receivers**) of the property of Keystone Asset Management Limited (**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 On 5 September 2024 (**September Orders**), as determined by an order of the Court in the Proceeding, pursuant to section 447(a)(1) of the Act and/or section 90-15 of the *Insolvency Practice Schedule (Corporations)* (being Schedule 2 to the Act), Scott Langdon, John Mouawad and Michael Korda of KordaMentha were removed as the administrators of KAM and Lucica Palaghia and Jason Tracy were appointed as the joint and several administrators (**Administrators**).
- 2.3 The Receivers' appointment in the August Orders is not affected by the Administrators' appointment in the September Orders.

3 Status of Receivership

3.1 Pursuant to Order 4 of the August Orders, the scope of the appointment as Receivers includes:

- (1) identifying, collecting and securing the Property of KAM held in its capacities as either responsible entity or trustee of the Funds;
- (2) ascertaining the amount of the monies provided to KAM in its capacity as responsible entity of the SMF (**Investor Funds**);
- (3) identifying any dealings with, payments of, distributions of or uses made of the Investor Funds by KAM;
- (4) identifying any Property purchased or acquired, directly or indirectly, with Investor Funds; and
- (5) recovering Investor Funds.

3.2 The work of the Receivers to date has included:

- (1) entering into possession and taking control of the Property of the Funds;
- (2) carrying on the business of KAM in its capacity as responsible entity and/or trustee of the Funds;
- (3) recovering Investor Funds; and
- (4) preparing a report to the Court in relation to the Property of KAM, Investor Funds, providing an opinion as to the solvency of KAM, and various other items.

3.3 The Receivers' report was provided to the Court on 25 September 2024. The Executive Summary of the Receivers' report is annexed as Annexure B to this notice.

3.4 The figures reported in the Receivers' report to the Court dated 25 September 2024 are preliminary in nature and the investigations into the property available to meet the claims of creditors and Unitholders are ongoing.

4 Status of Voluntary Administration

4.1 Pursuant to section 435A of the Act, the purpose of a Voluntary Administration is to maximise the chances of a business continuing in existence or, if that is not achievable, providing for a better return to creditors than an immediate winding up. The primary function of an administrator is to assume control of the affairs of the company while the administrator conducts investigations into the affairs of the company, as soon as practicable, and forms an opinion as to the future of the company.

4.2 The Administrators are required to investigate KAM's affairs and prepare a report to creditors on KAM's business, property, financial circumstances, and on the alternative future options available. The Administrators must give an opinion on each option and recommend which option is in the best interests of creditors.

4.3 The Administrators have been in discussions with two parties in respect to proposals received to continue operating the Funds. We expect to provide you with an update on these proposals shortly.

5 Redemptions and applications

5.1 Redemptions from and applications to the SMF continue to remain closed.

5.2 This means that Unitholders will not be able to withdraw from the SMF or receive redemption proceeds until further notice.

6 **Breaches and deficiencies**

6.1 The Administrators have identified a number of deficiencies in the financial controls of KAM and are in the process of identifying and safeguarding the assets of the SMF (where possible).

6.2 The Administrators are also examining whether regulatory requirements have been breached and will endeavour to provide Unitholders with updates in relation to its investigation where appropriate.

6.3 In particular, the Administrators are investigating whether:

- (1) Investor Funds have been invested in a manner consistent with the Product Disclosure Statements (**PDS**) for each class of units in the SMF;
- (2) conflicts of interest have been managed in accordance with the disclosures made in the PDSs and the law.

6.4 At this time, a unit value for units in the SMF cannot be provided as the value of a number of the underlying assets of the SMF cannot be independently verified and estimated values cannot be given with any level of certainty.

7 **End-of-year statements**

7.1 The Administrators are liaising with the SMF service providers in relation to the preparation of end-of-year statements for SMF Unitholders. However, there will be a delay in the dispatch of the end-of-year statements and, given the circumstances of the SMF, these statements are likely to contain estimated information only.

8 **Further information**

8.1 The Administrators will continue to provide Unitholders with updates in the same form as this Notice as matters develop.

8.2 For further information and ongoing updates, please visit the Administrators' website at: <https://www.deloitte.com/au/en/services/financial-advisory/notices/keystone-asset-management-ltd.html>.

9 **Complaints**

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

Email: shieldinvestors@deloitte.com.au

9.2 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.

Annexure A – Executive Summary of 27 July 2024 Report

This annexure contains a full copy of the Executive Summary of the Receivers report of 27 July 2024.

Executive summary

Introduction

1.1 In this section of the Report, we provide an overview of the findings from our assessment of the financial position of the SMF and the ADPF.

Background to the Shield Master Fund

1.2 The Shield Master Fund (**SMF**) is a registered managed investment scheme that operates within Australia. The SMF has several investment classes, including conservative, balanced, growth, high growth and the Advantage Diversified Property class. The SMF's responsible entity is Keystone Asset Management Ltd (**Keystone Asset Management**).

1.3 The SMF's current investments include the following the assets:

- (1) **Cash at bank.** Includes ten (10) bank accounts.
- (2) **Listed equities with Bell Potter Securities.** This investment comprises exchange traded funds, listed investment companies and other securities with Bell Potter Securities Limited (**Bell Potter Securities**).
- (3) **SPW Global Growth Fund.** This investment relates to units in the SPW Global Growth Fund.
- (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 (Administrators Appointed) (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
- (5) **Archangel Ventures, 2022 LP and Archangel Ventures 2022 Unit Trust (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, and
- (6) **The Advantage Diversified Property Fund (ADPF).** The investment relates to units in the ADPF. The ADPF is an unregistered managed investment scheme with its trustee being Keystone Asset Management. The key assets of the ADPF are loans to, and convertible notes with related entity special purpose vehicles (**SPVs**) for the development of underlying residential and hotel properties.

Background to the Advantage Diversified Property Fund

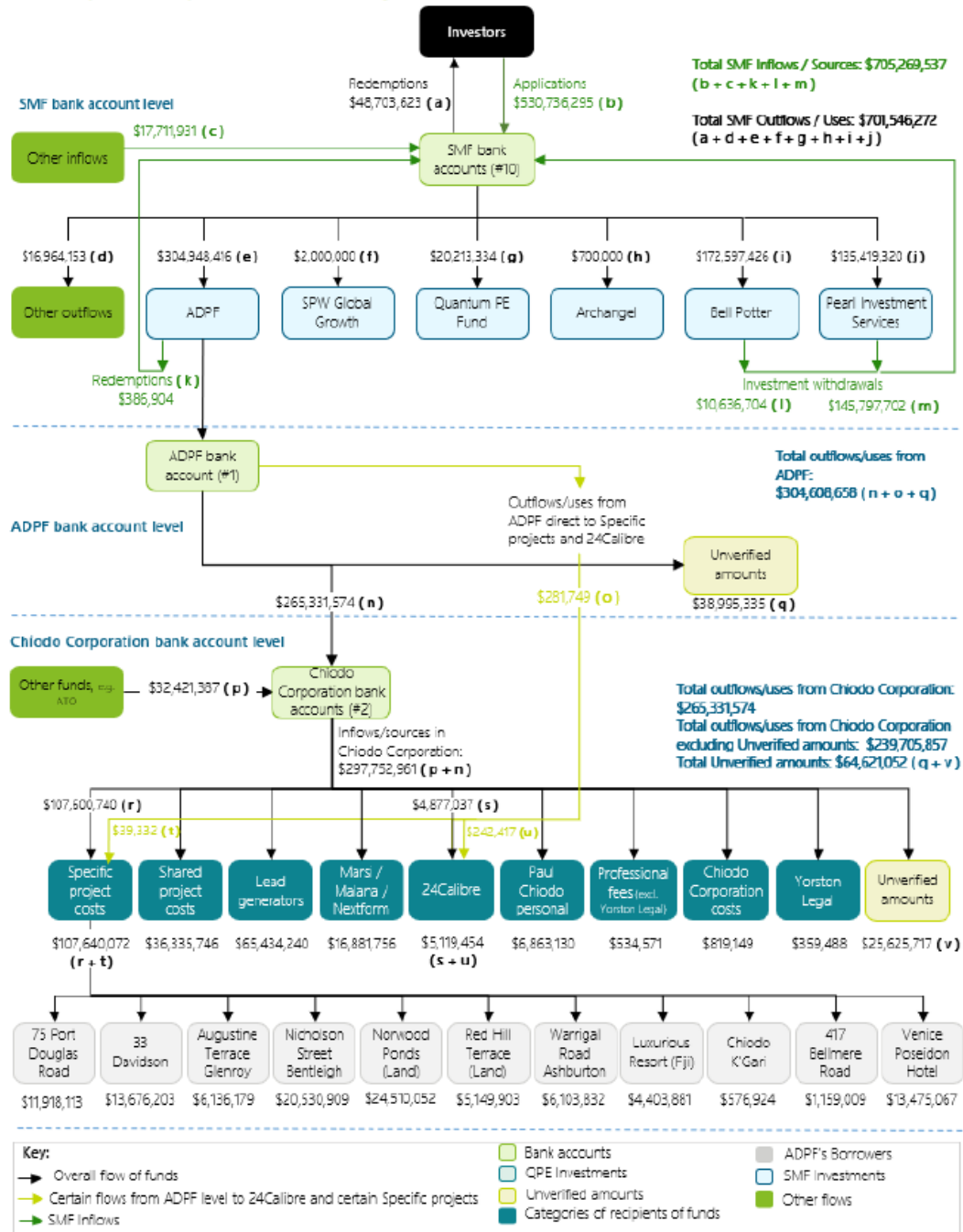
1.4 The ADPF is an unregistered investment scheme that operates within Australia. All units held in the ADPF are held by investment classes of the SMF, which is a related managed investment scheme. The ADPF's trustee is Keystone Asset Management.

1.5 The ADPF's current investments principally relate to loans provided to, and a convertible note received from, related entity SPVs which attend to residential and commercial developments (**ADPF's Borrower Loans**). The developments which are being completed by the SPVs, are at various stages of completion with some developments having not received development approvals or being subject to amendments to lease agreements in order to proceed.

Sources and uses of funds

1.6 We have prepared the following diagram which provides details of the sources and uses of funds by the Shield Master Fund, the Advantage Diversified Property Fund and the Chiodo Corporation:

Figure 1: Sources and uses of funds for the Shield Master Fund and the Advantage Diversified Property Fund from 6 April 2022 to 31 May 2024 and 11 April 2022 to 31 May 2024 respectively and the Chiodo Corporation for the period 11 April 2022 to 19 February 2024



1.7 The sources and uses of funds analysis set out above, covers the major inflows and outflows for the following periods:

- (1) **SMF | Bank account level:** 6 April 2022 to 31 May 2024
- (2) **ADPF | Bank account level:** 11 April 2022 to 31 May 2024, and

1.8 The analysis shows that the largest beneficiary of funds from the SMF investors is the ADPF. The ADPF has then transferred the majority of the funds it receives (circa 98%) to the Chiodo Corporation. Chiodo Corporation has then made payment of funds which we have categorised as follows:

- (1) Specific projects. This includes payments made in connection with the ADPF's Borrowers projects (i.e. 75 Port Douglas Road and others)
- (2) Other shared project costs
- (3) Lead generators
- (4) Marsi / Malana Management / Nextform
- (5) 24Calibre
- (6) Paul Chiodo personal, and
- (7) Others.

The financial position of the Shield Master Fund

1.9 In this Report we provide our analysis of the financial position of the Shield Master Fund as at 31 May 2024. In forming our views with respect to the financial position of the Shield Master Fund, we have provided a Deloitte Low View, a Deloitte High View and a Deloitte Cross Collateralised View as at 31 May 2024. The basis for these views is detailed below:

- (1) **Deloitte Low View** – Based on our analysis and supporting documents, this represents a balanced downside or low case scenario in respect to the financial position. In the Deloitte Low View, we generally adopt the lowest value for assets and the highest value for liabilities.
- (2) **Deloitte High View** – Based on our analysis and supporting documents, this represents a balanced high case scenario in respect to the financial position. In the Deloitte High View, we generally adopt the highest value for assets and the lowest value for liabilities.
- (3) **Deloitte Cross Collateralised View** – Based on our analysis and supporting documents, this represents a balanced high case scenario in respect of the financial position. In this scenario, we also consider any surplus funds which may be available, after payment of the Deloitte Verified Loan and convertible note balances, for repayment of other loan amounts owed to the ADPF.

1.10 In the table below, we provide a summary of the overall outcome of our assessment of the SMF's financial position as at 31 May 2024:

Table 1: Financial position of the Shield Master Fund as at 31 May 2024

SMF Financial position as at 31 May 2024	Balance sheet as at 31-May-24 (\$)	Deloitte Low View as at 31 May-24 (\$)	Deloitte High View as at 31-May-24 (\$)	Deloitte Cross Collateralised View as at 31 May 24 (\$)
ASSETS				
Investment assets				
Cash at bank	3,474,237	3,474,237	3,474,237	3,474,237
Listed equity investments with Bell Potter Securities	174,690,540	174,678,682	174,678,682	174,678,682
ADPF	300,393,267	25,356,851	54,661,827	58,319,832
Quantum PE Fund	20,142,587	880,114	880,114	880,114
SPW Global Growth Fund	2,334,324	2,334,324	2,334,324	2,334,324
Archangel Ventures, LP	592,552	592,552	592,552	592,552
Archangel Ventures, unit trust	18,296	18,296	18,296	18,296
Total investment assets	501,645,803	207,335,056	236,640,032	240,298,037

SMF Financial position as at 31 May 2024	Balance sheet as at 31-May-24 (\$)	Deloitte Low View as at 31 May-24 (\$)	Deloitte High View as at 31-May-24 (\$)	Deloitte Cross Collateralised View as at 31 May 24 (\$)
Unitholding assets				
Applications paid in advance	25,200,000	Nil	Nil	Nil
Applications received in advance	12,961	Nil	Nil	Nil
Other unitholding assets	25,212,961	Nil	Nil	Nil
GST receivable	273,656	273,656	273,656	273,656
Total other assets	273,656	273,656	273,656	273,656
TOTAL ASSETS	527,132,420	207,608,712	236,913,688	240,571,693
Liabilities				
Unitholding liabilities				
Redemption payable	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)
Total unitholding liabilities	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)
Other liabilities				
Management fees	(344,429)	(344,429)	(344,429)	(344,429)
Other payable	(124,970)	(124,970)	(124,970)	(124,970)
Total other liabilities	(469,399)	(469,399)	(469,399)	(469,399)
TOTAL LIABILITIES	(1,765,146)	(1,765,146)	(1,765,146)	(1,765,146)
NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS	525,367,274	205,843,566	235,148,542	238,806,547

Source: Draft management account balance sheets for the investment classes of the Shield Master Fund as at 31 May 2024 and Deloitte analysis

- 1.11 We consider that the SMF's net assets attributable to unitholders may have a value in the range of \$205,843,566 to \$238,806,547 as at 31 May 2024.
- 1.12 In light of the conflicting information regarding the unit holdings of investors, we have not sought to recalculate a net asset value for the SMF based on the range of net assets attributable to unitholders set out above.
- 1.13 The key drivers of the difference between the financial position as stated in the SMF's balance sheets and our assessment of the financial position of the SMF as at 31 May 2024, are as follows:
- (1) **Value of SMF's investment in the ADPF.** In our investigations, we have determined that the financial position of the ADPF is materially overstated in the draft management account balance sheet of the ADPF as at 31 May 2024. This is the case for the following reasons:
- (a) **The underlying value of the asset.** The ADPF's principal assets are loans to, and a convertible note from, related entity SPV's for the purposes of undertaking property developments. Consequently, it is important to consider the value of the project development to which the loan and / or convertible note relates to. The projects that are being undertaken by the ADPF's Borrowers are at various stages of completion as at the date of this Report. The stage of completion of the development is a key consideration when assessing the value of a loan and / or convertible note provided by the ADPF. In particular, we are aware that there are projects that appear to be at the pre-development approval stage and / or do not have the required agreements in place to undertake the proposed development. Additionally, many projects do not appear to have investment feasibility reports indicating that the project is viable.
- (b) Loan and / or convertible note balance and costs included in the loan and / convertible note balance. There are two important inter-related matters to note:
- (i) **The loan and / or convertible note balance.** As shown in our sources and uses of funds analysis at section 6 of this Report, the loan and convertible note balances represented in the draft management account balance sheet for the ADPF as at 31 May 2024 do not reconcile to the actual cash paid in

connection with the ADPF's Borrowers' developments. The variances are significant, and we consider that this may impact significantly on the value of the loans and the convertible note.

- (ii) **Costs not related to the loans and / or convertible note.** In our sources and uses of funds analysis at **section 6** of this Report, we identified costs relating to other projects, lead generators, Marsi / Malana Management / Nextform, Paul Chiodo's personal expenses and other costs that had been capitalised within the loan and convertible note balances. Whilst we have not included these costs as verified amounts which may be capitalised to the loans or convertible note balances, we do not consider that this impacts on our assessment of the financial position. This is the case as the overall underlying value of the assets is insufficient to support repayment of the book value of the loans and convertible note.

- (2) **Value of investment in the Quantum PE Fund.** The SMF's aggregated investment in the Quantum PE Fund had a book value of \$20,142,587 as at 31 May 2024. For the purposes of assessing the financial position of the SMF as at 31 May 2024, we consider that the investment in the Quantum PE Fund represents an asset with a value of \$880,114 as at 31 May 2024 consistent with Quantum PE Fund's draft management account balance sheet as at 31 March 2024. We note that voluntary administrators and receivers and managers were appointed to New Quantum Holdings Pty Ltd (Administrators Appointed) (Receivers and Managers Appointed) (**New Quantum Holdings**) on 18 July 2024. In undertaking our investigations, we were advised by Simon Milne that the value of the convertible note provided by New Quantum Holdings had a value of \$Nil as at 31 May 2024.

- 1.14 Further information about our assessment of the financial position of the Shield Master Fund as at 31 May 2024 is provided at **section 7** of this Report.

The financial position of the Advantage Diversified Property Fund

- 1.15 In this Report we provide our analysis of the financial position of the ADPF as at 31 May 2024. In forming our views with respect to the financial position of the ADPF, we have provided a Deloitte Low View, a Deloitte High View and a Deloitte Cross Collateralised View as at 31 May 2024. The basis for these views is detailed below:

- (1) **Deloitte Low View** – Based on our analysis and supporting documents, this represents a balanced downside or low case scenario in respect to the financial position. In the Deloitte Low View, we generally adopt the lowest value for assets and the highest value for liabilities.
- (2) **Deloitte High View** – Based on our analysis and supporting documents, this represents a balanced high case scenario in respect to the financial position. In the Deloitte High View, we generally adopt the highest value for assets and the lowest value for liabilities.
- (3) **Deloitte Cross Collateralised View** – Based on our analysis and supporting documents, this represents a balanced high case scenario in respect of the financial position. In this scenario, we also consider any surplus funds which may be available after payment of the Deloitte Verified Loan and convertible note balances may be available for repayment of other loan amounts owed to the ADPF.

- 1.16 In the table below, we provide a summary of the overall outcome of our assessment of the ADPF's financial position as at 31 May 2024:

Table 2: Financial position of the Advantage Diversified Property Fund as at 31 May 2024

ADPF Financial position as at 31 May 2024	Balance sheet as at 31-May-24	Deloitte Low View as at 31-May-24 (\$)	Deloitte High View as at 31- May-24 (\$)	Deloitte Cross Collateralised View as at 31-May-24 (\$)
ASSETS				
Cash at bank	610,823	610,823	610,823	610,823
Total Cash at Bank	610,823	610,823	610,823	610,823
Loans and convertible note				
75 Port Douglas Road	169,206,490	7,100,000	11,918,113	15,000,000
33 Davidson Port Douglas	1,809,173	1,809,173	7,215,650	7,215,650
Augustine Terrace Glenroy	2,391,802	1,173,428	1,476,390	1,476,390
Nicholson Street Bentleigh	8,151,649	2,907,695	5,704,513	5,704,513
Norwood Ponds (Land)	21,533,461	5,525,413	6,303,777	6,303,777
Red Hill Terraces (Land)	3,691,840	Nil	Nil	Nil
Warrigal Road Ashburton	2,839,242	5,643,418	6,103,832	6,679,950
Luxurious Resort (Fiji)	83,003,128	620,815	620,815	620,815
Chiodo K'Gari	3,407,611	Nil	Nil	Nil
417 Bellmere Road	1,747,621	Nil	650,000	650,000
Venice - Poseidon	30,939,442	Nil	13,475,067	13,475,067
Shared Project Costs	2,072,300	Nil	Nil	Nil
Loans and convertible note	330,793,759	24,779,942	53,468,157	57,126,162
Other receivables				
GST receivable	77,867	77,867	77,867	77,867
Redemption paid	30,039	Nil	Nil	Nil
Total other receivables	107,906	77,867	77,867	77,867
Debtors and other loans				
Keystone Asset Management	402,000	Nil	402,000	402,000
CF Capital Investments	214,761	Nil	214,761	214,761
Total Debtors	616,761	Nil	616,761	616,761
TOTAL ASSETS	332,129,249	25,468,632	54,773,608	58,431,613
LIABILITIES				
Accrued charges	(111,781)	(111,781)	(111,781)	(111,781)
Malana Management loan	(11)	Nil	Nil	Nil
Application received	(25,200,000)	Nil	Nil	Nil
TOTAL LIABILITIES	(25,311,792)	(111,781)	(111,781)	(111,781)
NET ASSETS				
ATTRIBUTABLE TO UNIT HOLDERS	306,817,457	25,356,851	54,661,827	58,319,832

Source: Draft management account balance sheet for the ADPF as at 31 May 2024 and Deloitte analysis

1.17 The above shows that the total value of the loans and convertible note are materially overstated in the balance sheet of the ADPF. We consider that the ADPF's net assets attributable to unitholders may have a value in the range of \$25,356,851 to \$58,319,832 as at 31 May 2024.

1.18 The key drivers of the difference between the financial position as stated in the ADPF's balance sheets and our assessment of the financial position of the ADPF as at 31 May 2024, in particular with respect to the loans and the convertible note, are as follows:

- (1) **The underlying value of the asset.** The ADPF's principal assets are loans to, and convertible notes from, related entity SPV's for the purposes of undertaking property developments. The projects that are being undertaken by the ADPF's Borrowers are at various stages of completion as at the date of this Report. The stage of completion of the development is a key consideration when assessing the value of a loan and / or convertible note provided by the ADPF. In particular, we are aware that there are projects that appear to be at the pre-development approval stage and / or do not have the required agreements in place to

undertake the proposed development. Additionally, many projects do not have investment feasibility reports indicating that the project is viable.

- (2) Loan and / or convertible note balance and costs included in the loan and / convertible note balance. There are two important inter-related matters to note:
- (a) **The loan and / or convertible note balance.** As shown in our sources and uses of funds analysis at **section 6** of this Report, the loan and convertible note balances represented in the draft management account balance sheet for the ADPF as at 31 May 2024 do not reconcile to the actual cash paid in connection with the ADPF's Borrowers' developments. The variances are significant, and we consider that this may impact significantly on the value of the loans and the convertible note.
 - (b) **Costs not related to the loans and / or convertible note.** In our sources and uses of funds analysis at **section 6** of this Report, we identified costs relating to other projects, lead generators, Marsi / Malana Management / Nextform, Paul Chiodo's personal expenses and other costs that had been capitalised within the loan and convertible note balances. Whilst we have not included these costs as verified amounts which may be capitalised to the loans or convertible note balances, we do not consider that this impacts on our assessment of the financial position. This is the case as the overall underlying value of the assets is insufficient to support repayment of the book value of the loans and convertible note.

1.19 Further information about our assessment of the financial position of the ADPF as at 31 May 2024 is provided at **section 8** of this Report.

Annexure B – Executive Summary of 25 September 2024 Report

This annexure contains a full copy of the Executive Summary of the Receivers report of 25 September 2024.

Executive Summary

Introduction

- 1.1 In this section we provide an overview of the findings within this Report.
- 1.2 The specific matters in the 27 August Orders and their relevant location within this Report is included in the table below.

Table 1: References to the 27 August Orders

Order	Details	Reference in Report
4a / 7a	Identifying, collecting and securing the Property of the First Defendant held in any of its Relevant Capacities	Section 3
4b/ 7a	Ascertaining the amount of the Investor Funds received by the First Defendant	Section 3
4c/ 7a	Identifying any dealings with, payments of, distributions of or uses made of the Investor Funds by the First Defendant	Section 3
4d/ 7a	Identifying any Property purchased or acquired, directly or indirectly, with Investor Funds	Section 3
4e/ 7a	Recovering Investor Funds	Section 3
7b	An opinion as to the solvency of the First Defendant	Section 4
7c	An opinion as to the likely return to creditors and investors in the event that each of the First Defendant and the SMF were to be wound up	Section 5
7d	Any other information necessary to enable the financial position of the First Defendant, the SMF and the ADPF to be assessed	Section 6

Financial position of the Shield Master Fund

- 1.3 In forming our views with respect to the financial position of the SMF and underlying investments in our Financial Position Report, we provided a Deloitte Low View, a Deloitte High View and a Deloitte Cross Collateralised View. We present this position below along with the Receivers' Latest View which has been formed following further enquiries since our appointment as Receivers.

Table 2: Financial position of the Shield Master Fund as at 31 May 2024 and the latest information available

SMF Financial position as at 31 May 2024	Balance sheet as at 31-May-24 (\$)	Deloitte Low View as at 31 May-24 (\$)	Deloitte High View as at 31-May-24 (\$)	Deloitte Cross Collateralised View as at 31 May 24 (\$)	Receivers' Latest View Low	Receivers' Latest View High
ASSETS						
Investment assets						
Cash at bank	3,474,237	3,474,237	3,474,237	3,474,237	2,324,105	2,324,105
Listed equity investments with Bell Potter Securities	174,690,540	174,678,682	174,678,682	174,678,682	177,206,360	177,206,360
ADPF	300,393,267	25,356,851	54,661,827	58,319,832	20,566,345	42,449,512
Quantum PE Fund	20,142,587	880,114	880,114	880,114	880,114	880,114
SPW Global Growth Fund	2,334,324	2,334,324	2,334,324	2,334,324	2,440,000	2,440,000
Archangel Ventures, LP	592,552	592,552	592,552	592,552	640,900	640,900

Archangel Ventures, unit trust	18,296	18,296	18,296	18,296	13,232	13,232
Total investment assets	501,645,803	207,335,056	236,640,032	240,298,037	204,071,056	225,954,223
Unitholding assets						
Applications paid in advance	25,200,000	Nil	Nil	Nil	Nil	Nil
Applications received in advance	12,961	Nil	Nil	Nil	Nil	Nil
Other unitholding assets	25,212,961	Nil	Nil	Nil	Nil	Nil
GST receivable	273,656	273,656	273,656	273,656	273,656	273,656
Total other assets	273,656	273,656	273,656	273,656	273,656	273,656
TOTAL ASSETS	527,132,420	207,608,712	236,913,688	240,571,693	204,344,712	226,227,879
Liabilities						
Unitholding liabilities						
Redemption payable	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)
Total unitholding liabilities	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)	(1,295,747)
Other liabilities						
Management fees	(344,429)	(344,429)	(344,429)	(344,429)	(344,429)	(344,429)
Other payable	(124,970)	(124,970)	(124,970)	(124,970)	(124,970)	(124,970)
Total other liabilities	(469,399)	(469,399)	(469,399)	(469,399)	(469,399)	(469,399)
TOTAL LIABILITIES	(1,765,146)	(1,765,146)	(1,765,146)	(1,765,146)	(1,765,146)	(1,765,146)
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS	525,367,274	205,843,566	235,148,542	238,806,547	202,579,566	224,462,733

Source: Deloitte Financial Position Report and additional information obtained since our appointment as Receivers.

1.4 We consider that the net assets attributable to unitholders may have a value in the range of \$202.6m to \$224.5m as at the date of this Report. This range should be considered indicative only. In particular, this analysis does not:

- Present any further downside on the “As is Value Estimates” provided by valuers;
- Take into account the fees and costs associated with recovering amounts to support these outcomes; and
- Account for potentially significant recoveries from third parties who may have received Investor Funds. Whilst our investigations are ongoing, should we be successful in recovering these funds, it will have a material impact on the overall Investor Funds recovered, and consequently the net assets attributable to unitholders.

Response to 4(a) to 4(e) of the 27 August Orders

- 1.5 Following our appointment, we undertook various actions to identify, collect and secure the Property of the First Defendant. This included, but was not limited to, obtaining freezing orders over bank accounts, and conducting further investigations into the sources and uses of funds to identify any dealings with, payments of, distributions of or uses made of the Investor Funds by the First Defendant.
- 1.6 The Receivers have corresponded with stakeholders including banks, Bell Potter Securities, SPW Global Growth Fund, Archangel Ventures, New Quantum Holdings and senior lenders to the SPVs to identify and protect the Property of the First Defendant.
- 1.7 We have also taken steps to write to parties such as lead generators and the ADPF's Property Development Special Purpose Vehicles (**SPVs**) who may have received funds that have been sourced from Investor Funds and to request that these accounts be frozen.
- 1.8 We met with Paul Chiodo, who was a director of Keystone Asset Management until 27 May 2024 and is a director of each of the ADPF's Borrowers, along with his legal representatives on a "without prejudice" basis to obtain updates in respect of a hotel acquisition in Venice, Italy and an update in respect of each of the projects relating to the ADPF's Borrowers.
- 1.9 We have engaged valuers and quantity surveyors to provide an updated view on the financial position of the SMF and the ADPF and considered the information contained in their reports.
- 1.10 We undertook a security review of the loans made by the ADPF and have identified several issues with the validity of Keystone Asset Management's security over the relevant property of the SPV entities.
- 1.11 As Receivers, we have continued our investigations into the sources and uses of funds, including continuing to examine the payments out of the Chiodo Corporation bank accounts. These investigations have led to caveats being placed over properties and freezing orders being secured over a number of third-party bank accounts.
- 1.12 Further information about the tasks undertaken in respect of our receivership and orders 4(a) to 4(e) of the 27 August Orders is provided at section 3 of this Report.

Opinion as to solvency

- 1.13 We have formed the preliminary view that Keystone Asset Management may have been insolvent from at least 27 July 2024, being the date of the Financial Position Report.
- 1.14 Keystone Asset Management, in its capacity as responsible entity and trustee, is generally entitled to be indemnified out of scheme property, under the constitution or trust deeds for the respective funds. However, the Financial Position Report raises queries as to whether Keystone Asset Management has been performing responsible entity and trustee duties in accordance with the constitution and trust deeds and therefore whether Keystone Asset Management is entitled to be indemnified from scheme property or trust property.
- 1.15 Further information about our opinion as to solvency is provided at section 4 of this Report.

Opinion as to the likely return to creditors and Investors

- 1.16 We have formed the view that if Keystone Asset Management in its own capacity were to be wound up (and noting our comments on SMF and the ADPF below), then there will be some return to unsecured creditors, however no return is likely to shareholders.

Table 3: Estimated Return to Creditors

Estimated Statement of Position - Wind Up	Book Value (Cents in \$)	Low (Cents in \$)	High (Cents in \$)
Return to unsecured creditors	100	61	83
Return to shareholders of KAM	TBC	Nil	Nil

Source: Keystone Asset Management's management accounts, Deloitte analysis

1.17 Our high-level analysis of Keystone Asset Management's financial position indicates that a wind-up scenario may result in a return of 61 cents in the dollar to 83 cents in the dollar to unsecured creditors. However, it is important to note that the return to creditors is subject to the extent to which Keystone Asset Management is entitled to be indemnified out of scheme or trust property. If for example, Keystone Asset Management is entitled to a full indemnity up to and including 28 August 2024, the unsecured creditors may receive a much greater dividend, and may be fully paid (i.e., 100 cents in the dollar).

1.18 We have formed the preliminary view that if the SMF were to be wound up, then there will be a return to investors in the SMF.

Table 4: Estimated Return to Investors

SMF Estimated Return to Investors by Unit Class	Receivers' Latest View Low (Cents in \$)	Receivers' Latest View High (Cents in \$)
Conservative	52	55
Balanced	53	58
Growth	49	54
High Growth	22	28
ADPC	8	16

Source: Deloitte analysis

1.19 We note that this analysis is very preliminary and further investigations are required to determine the quantum of the estimated return to investors in the SMF in a wind-up scenario.

1.20 The amounts presented above do not:

- Present any further downside on the "As is Value Estimates" provided by valuers.
- Take into account the fees and costs associated with a wind up.
- Account for potentially significant recoveries from third parties who may have received investor funds. Whilst our investigations are ongoing, should we be successful in recovering these funds, it will have a material impact on the Investor Funds recovered.

1.21 Further information about the likely return to creditors and investors is provided at section 5 of this Report.

Further information

1.22 Our comments regarding further information required and next steps for Keystone Asset Management, the SMF and the ADPF are at section 6 of this Report.