

NOTICE OF FILING

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File Title:	AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION v MACQUARIE INVESTMENT MANAGEMENT LIMITED (ACN 002 867 003) IN ITS CAPACITY AS TRUSTEE OF THE MACQUARIE SUPERANNUATION PLAN
Registry:	VICTORIA REGISTRY - FEDERAL COURT OF AUSTRALIA



Sia Lagos

Registrar

Important Information

This Notice has been inserted as the first page of the document which has been accepted for electronic filing. It is now taken to be part of that document for the purposes of the proceeding in the Court and contains important information for all parties to that proceeding. It must be included in the document served on each of those parties.

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STATEMENT OF AGREED FACTS AND ADMISSIONS

Federal Court of Australia

No. VID of 2025

District Registry: Victoria

Division: General

IN THE MATTER OF MACQUARIE INVESTMENT MANAGEMENT LTD (ACN 002 867 003) IN ITS CAPACITY AS TRUSTEE OF THE MACQUARIE SUPERANNUATION PLAN

AUSTRALIAN SECURITIES AND INVESTMENTS COMMISSION

Plaintiff

and

MACQUARIE INVESTMENT MANAGEMENT LTD (ACN 002 867 003) IN ITS CAPACITY AS TRUSTEE OF THE MACQUARIE SUPERANNUATION PLAN

Defendant

A. INTRODUCTION

1. This Statement of Agreed Facts and Admissions (**SAFA**) is made for the purposes of s 191 of the *Evidence Act 1995* (Cth) jointly by the plaintiff, the Australian Securities and Investments Commission (**ASIC**), and the defendant, Macquarie Investment Management Ltd in its capacity as trustee of the Macquarie Superannuation Plan (**MIML**).
2. This SAFA relates to a proceeding to be commenced by ASIC against MIML (**Proceeding**) and is made jointly by ASIC and MIML in support of proposed consent orders setting out the relief and other orders the parties agree to, which, if the Court is willing to make them, will resolve this Proceeding (**Consent Orders**).
3. This SAFA contains facts relevant to contraventions alleged by ASIC and admitted to by MIML for the purpose of the Proceeding. The facts agreed to, and the admissions made, are agreed to and made solely for the purposes of the Proceeding and do not constitute any admission outside of the Proceeding.

B. ASIC

4. ASIC is and was between 22 November 2021 and 5 June 2023 (**all material times**) a body corporate established under s 7 of the *Australian Securities Commission Act 1989* (Cth), continued by s 261 of the *Australian Securities and Investments Commission Act 2001* (Cth) (**ASIC Act**), and able to sue in its corporate name by reason of s 8 of the ASIC Act.

C. MIML

5. MIML is and was, at all material times, a company duly incorporated pursuant to the *Corporations Act 2001* (Cth) (**Corporations Act**).
6. MIML is and was, at all material times, a holder of a registrable superannuation entity (**RSE**) licence within the meaning of s 10(1) of the *Superannuation Industry (Supervision) Act 1993* (Cth) (**SIS Act**).
7. At all material times, MIML has carried on the business of, *inter alia*, acting as the trustee of a superannuation entity and investing money on behalf of the beneficiaries of that superannuation entity.
8. Since 1 March 2004, MIML has been the holder of an Australian Financial Services licence (**AFSL**) numbered 237492. Since 7 October 2021, MIML's AFSL authorised it to carry on a financial services business, including by (*inter alia*):
 - a. dealing in a financial product by issuing, applying for, acquiring, varying or disposing of a financial product in respect of (*inter alia*) the following classes of financial products: (A) interests in managed investment schemes including investor directed portfolio services; and (B) superannuation;
 - b. operating an investor directed portfolio service; and
 - c. providing a superannuation trustee service,to retail and wholesale clients.
9. MIML's conduct the subject of this SAFA involved the provision of financial services covered by its AFSL.
10. MIML is and was, at all material times, the trustee of the Macquarie Superannuation Plan (**Macquarie Super**) a regulated superannuation fund within the meaning of s 19(1) of the SIS Act.

11. Products issued from Macquarie Super included:
 - a. Macquarie Super Manager II;
 - b. Macquarie Super Consolidator II – Elevate; and
 - c. Macquarie Pension Manager II.
12. Macquarie Super formed part of MIML's broader investment platform, called Macquarie Wrap (**Wrap**).
13. At all material times, MIML was responsible for the administration of Macquarie Super and the operation of Wrap.
14. MIML is and was, at all material times, within the Banking and Financial Services (**BFS**) operating group of the 'Macquarie group of companies'. Its ultimate holding company is Macquarie Group Ltd, an ASX listed company with a market capitalisation of approximately \$85 billion.
15. As an RSE licensee, MIML is and was, at all material times, required by the SIS Act to have an investment governance framework that complied with the Superannuation Prudential Standard SPS 530 – Investment Governance (**SPS 530**).
16. At all material times, MIML was required to comply with its Investment Governance Framework (**IGF**) with respect to investment options made available through Macquarie Super.
17. Supporting MIML was the Investment Governance Team (**IGT**), who performed various functions under the IGF for and on behalf of MIML. The IGT formed part of the Wealth Management (**WM**) Product and Technology team, which, in turn, was part of the 'Product and Technology' division of BFS until 1 April 2023. From 1 April 2023, the IGT formed part of the Wrap Platform Team which, in turn, was part of the WM division within BFS.
18. The IGT included:
 - a. the Head of IGT and Executive Officer, Office of the Trustee (**IGT Head**);
 - b. an Investment Governance Manager (**IGT Manager**); and
 - c. an Investment Governance Analyst (**IGT Analyst**).

19. From time to time, the IGT engaged external consultants to assist it to perform its functions under the IGF, including a consultant employed by NMG Consulting Pty Ltd (**NMG Consultant**).
20. Supporting MIML was the Wealth Solutions Team, whose functions for and on behalf of MIML included managing relationships with the entities that provide financial planning services through a network of authorised representatives or advisers (known as 'dealer groups') and identifying new funds for possible inclusion on Wrap.
21. Also supporting MIML was an Investment Product Team (**IPM**). The IPM team formed part of the WM Product and Technology team, which, in turn, was part of the Product and Technology division of BFS until 1 April 2023. From 1 April 2023, the IPM team formed part of the Wrap Platform Team, which, in turn, was part of the WM division within BFS. At all material times, the IPM team's functions, for and on behalf of MIML, included handling aspects of the process of adding an investment option to Wrap. Members of the IPM included an Associate Director, Funds Relationship Manager (**Associate Director, IPM**).

Macquarie Super

22. At 31 August 2025, Macquarie Super had 123,620 members and net assets of \$50.78 billion.
23. Macquarie Super was established by way of a trust deed dated 29 May 1992 (as amended from time to time).

Wrap

24. The Wrap included an 'Investment Menu', which displayed various investment options and included details and the current price/unit price of those investment options. Investment options available on the Investment Menu included managed funds (which, as at the date of this SAFA comprise approximately 700), separately managed accounts, international and domestic securities, term deposits and insurance options.
25. Generally, members of Macquarie Super were able to invest their superannuation in the investment options displayed on the Investment Menu by providing transaction instructions to their financial adviser who held credentials to access Wrap to make investments on their behalf. To join Macquarie Super, members were required to have a financial adviser. Members could subsequently choose to dispense with their financial

adviser and, in such circumstances, could subsequently give investment instructions directly to MIML.

26. At all material times, the Recitals to the trust deed pursuant to which MIML established Macquarie Super set out that it provides:
- a. benefits for members of Macquarie Super in the event of the retirement of members from gainful employment or occupation or attaining an age under which benefits can be received; and
 - b. benefits for dependants of members of Macquarie Super in the event of the death of the member before such retirement or attaining such age.
27. MIML's obligations as trustee include, *inter alia*:
- a. choosing the investment options available to members within each investment strategy;
 - b. ensuring Macquarie Super is managed and administered in accordance with its trust deed and continues to be a complying superannuation fund;
 - c. reporting regularly to its members;
 - d. exercising its powers in the best financial interests of the beneficiaries of Macquarie Super; and
 - e. assessing the liquidity of investments on an ongoing basis through various measures, including but not limited to, reviewing liquidity stress testing results and monitoring the investment's cash flows.
28. Noting MIML's statutory and general law obligations and duties (including those obligations and duties set out in its trust deed and IGF above and below) as trustee, MIML is, and at all material times was, required to act on instructions received from members or their financial advisers with respect to their investments.
29. The investment strategy for all members was, in the first instance, a bank deposit with an ADI (**Cash Hub Strategy**) and all members were required to maintain a minimum monetary balance in the Cash Hub Strategy.
30. Subject to members maintaining a minimum monetary balance in the Cash Hub Strategy, members (or their financial adviser on their behalf) could direct MIML to invest in an option on the Investment Menu. Noting MIML's statutory and general law

obligations and duties (including those obligations and duties set out in its trust deed and IGF above and below), MIML was required to follow any such investment direction.

31. Members (or their financial adviser on their behalf) could direct MIML to redeem any investment, in which case the proceeds would be allocated to their Cash Hub Strategy.
32. MIML did not guarantee the future profitability, return of capital, or performance of investments on Wrap.

Investment Governance Framework

33. At all material times, the IGF provided a framework for selecting, managing and monitoring investment options available through Macquarie Super on Wrap.
34. At all material times, the stated scope and purpose of the IGF was to provide structure and rigour over the systems, policies and processes in place for the management and administration of the investment options available through Macquarie Super.
35. The IGF addressed the following key requirements - it:
 - a. formulated specific and measurable investment objectives and strategies for each investment strategy, including return and risk objectives and aligned investment options to an appropriate investment strategy;
 - b. developed and implemented an effective due diligence process for the selection of investment options;
 - c. implemented applicable investment limits to investment strategies and options to allow appropriate diversification and to assist the members to maintain liquidity in their portfolios;
 - d. determined appropriate measures to report and monitor the performance of investment options on an ongoing basis;
 - e. reviewed the investment objectives and investment strategies on a periodic basis;
 - f. determined roles and responsibilities and reporting structures;
 - g. outlined structures, policies and processes for investment performance and risk measurement, assessment and reporting;
 - h. performed a review process to form an assessment that the IGF remains effective; and

- i. formulated a liquidity management plan.
36. At all material times, the IGF set out both the steps required to be taken to assess the suitability of investment options, and the roles and responsibilities of relevant persons throughout the process, particularly the MIML board, the Superannuation and Investor Directed Portfolio Service (IDPS) Investment Committee (SIIC), the Office of the Trustee, and the IGT.
37. At all material times, the IGF provided that the MIML board was ultimately responsible for investment governance, supported by a delegated committee and a management team. The roles and responsibilities of the MIML board were described as being to, at minimum:
- a. approve investment objectives;
 - b. approve investment strategies that reflect MIML's duties to beneficiaries;
 - c. regularly monitor and assess performance against investment objectives;
 - d. take appropriate and timely action on investment matters; and
 - e. approve the use of policies and functions (and the board must form the view that these policies and functions give appropriate regard to MIML's business operations).
38. At all material times, the IGF required the SIIC to have responsibility for overseeing compliance with investment related matters. The SIIC was required to oversee the IGT and meet at least quarterly. SIIC members could also attend IGT meetings, which were held monthly. The IGF required the SIIC to escalate matters to the MIML board for noting as appropriate. The MIML board and the SIIC had between four and six members.
39. At all material times, the IGF required the Office of the Trustee to assist the MIML board by providing independent oversight of governance and investment matters. The Office of the Trustee was to provide advice directly to the MIML board and to provide an opinion, where appropriate, so that the interests of members of Macquarie Super were appropriately considered. The Office of the Trustee was also required to liaise with relevant parts of the business in relation to strategic initiatives, governance issues and investment strategies. Its roles and responsibilities included escalation of matters to the SIIC and/or MIML board for noting, as appropriate.

40. At all material times, the IGF described the role of the IGT as the team that 'executes the Framework approved by the MIML Board on a day to day basis'. The IGT's roles and responsibilities included, *inter alia*:

- a. considering whether an investment option should be placed on a 'Watch List' to allow additional focus for follow-up actions and further due diligence or performance monitoring;
- b. meeting on a monthly basis and escalating matters to the SIIC or MIML board for noting as appropriate;
- c. receiving actuarial analysis and expert advice as required;
- d. day-to-day investment strategy decisions within the framework approved by the MIML board;
- e. conducting the initial due diligence of investment options;
- f. conducting ongoing monitoring of investment options; and
- g. liquidity management.

41. At all material times, pursuant to the IGF:

- a. investment options were required to undergo up front due diligence to determine suitability for inclusion on the Investment Menu; and
- b. investment options were to be subject to ongoing monitoring to ensure adequacy and continued suitability to remain available on the Investment Menu,

having regard to the best interests of members, and the fit of the investment option into one of the investment strategies.

42. The IGF contained nine key elements of the initial due diligence process, described as:

- a. Initial screening – Product Management;
- b. Initial screening – Operations and tax;
- c. Initial screening – Negative news;
- d. Due diligence – Product Disclosure Statement;
- e. Due diligence – Investment Questionnaires – Financial Services Council (FSC) and MIML developed;

- f. Due diligence – Independent research that is investment grade;
 - g. Due diligence - Historical performance (if a new strategy then a similar strategy offered by the manager is considered);
 - h. Due diligence – Compliance material, e.g. conflicts policy, derivatives policy, asset valuation policy; and
 - i. Due diligence – Operational risk identifiers such as audit opinions, control manuals, e.g. GS007, Compliance plan, financial reports, firm-level ESG questionnaire.
43. The IGF required that, as part of MIML's commitment to members' best interests, investment limits may be placed on certain investment options to mitigate potential losses as a result of the concentration of members' assets.
44. The IGF set out 'risk flags' used by MIML to determine the percentage of a member's account balance that could be invested in any particular investment option. The risk flags corresponded to investment limits and were used to inform ongoing due diligence.
45. The risk flags and associated investment limits set out in the IGF were:

Flag	Setting		Definition	Limit
Liquidity	5 'High'		Able to exit entire position with minimal price impact within 3 months.	-
	3 'Med'		Able to exit entire position with minimal price impact within 3-12 month(s).	-
	1 'Low'		Able to exit entire position with minimal price impact within >12 month(s).	40%
Diversification	5 'High'		Non-systemic (non-market) risks are largely removed from this investment option. Investors should expect to get a market exposure (Beta = ~1) to the relevant investment strategy.	-
	3 'Med'		Non-systematic risks are significant, but of a lesser order (individually and in aggregate) than systematic (market) risk.	50%
	1 'Low'		Non-systematic risks are of equal importance (in aggregate) to the systematic risks. e.g. single assets (No. 1 Martin Place, Gold)	10%
Specialist	Derivatives	1	Expectation that the majority of the investment strategy will be implemented through the use of derivatives.	25%
		0	Expectation that derivatives are used in the minority when implementing the investment strategy.	-
	Leverage	1	Expectation of periodic, material greater than 100% market exposure i.e. Beta > 1.	50%

		0	No expectation of periodic, material greater than 100% market exposure i.e. Beta expected to be ≤ 1 .	-
	Short exposure	1	Expectation of periodic, less than 0% market exposure i.e. Beta < 0 .	25%
		0	No expectation of periodic, less than 0% market exposure i.e. Beta expected to be ≥ 0 .	-
	Fee	1	Total cost of the investment option is considered expensive for the offering and/or considerably higher than peers.	Trustee Determined
		0	Total cost of the investment option is considered reasonable.	-
	No research	1	The investment option does not have an independent investment grade research rating from an approved research provider (applicable to listed investments only).	25%
		0	The investment option does have independent investment grade research.	-
	Manager risk	1	A significant portion of the investment strategy is dependent on the current portfolio managers of the investment option.	50%
		0	Expectation that manager skill is not the main risk driver.	-
	Other	1	Sector brings unusual risk Strategy brings unusual risk Management firm brings unusual risk	Trustee Determined
		0	No unusual risks have been identified	-

46. The IGF identified the following Standard Risk Measures:

Risk Band	Risk Label	Estimated number of negative annual returns over 20 years
1	Very low	Less than 0.5
2	Low	0.5 to less than 1
3	Low to medium	1 to less than 2
4	Medium	2 to less than 3
5	Medium to high	3 to less than 4
6	High	4 to less than 6
7	Very high	6 or greater

47. At all material times, once an investment option was approved to be made available through Macquarie Super, the IGF required that MIML enter into a 'platform agreement' and monitor and enforce the performance of that agreement.
48. At all material times, such an agreement was known as an Investment Menu Agreement (IMA) and governed, amongst other things, the contractual relationship between MIML and the responsible entity of an investment option which was to be made available on the Investment Menu.
49. The ongoing monitoring of investment options on Wrap formed a critical part of the investment governance process. Pursuant to the IGF, ongoing monitoring was designed

to confirm the 'true to label' and investment grade status of investment options, and to identify, through a risk targeted approach, those investment options which required additional scrutiny and follow up action to maintain their availability on the investment menu.

50. Clause 5.3 of the IGF required the IGT to provide reports to the SIIC which outlined the ongoing monitoring conducted over the reporting period and highlighted the investment options which had fallen outside the defined thresholds of the monitoring review conducted. The SIIC was also provided with a summary of the additional review undertaken on those investment options, including the resulting actions or additional approval/escalation where required.
51. Where it was determined via the ongoing monitoring program that certain investment options required reconsideration in terms of their inclusion on the Investment Menu, the IGF provided that the IGT would consider a number of actions, such as to:
 - a. place investment options on a 'Watch List' to allow additional focus for follow-up actions and further due diligence or performance monitoring;
 - b. escalate investment options for an in-depth due diligence review;
 - c. hard-close managed funds on the Investment Menu in order to restrict further applications;
 - d. amend investment limits;
 - e. commission further research or review by external consultants; and
 - f. as per requirements in the trust deed, remove the investment options from the Investment Menu for all members.
52. With respect to the Watch List, clause 5.4 of the IGF provided that:
 - a. The IGT was required to maintain a Watch List which was used to track and give visibility to specific investment options of note. The timeframes, reasons for inclusion and actions were recorded on the Watch List.
 - b. The Watch List was to be reported to the IGT monthly and to the SIIC quarterly meetings. The Watch List Report presented to the SIIC highlighted investment options which were at thresholds where the IGT was considering further action, for example, applying limits, conducting further due diligence, fund closure or strategy changes.

- c. Any investment option identified as part of ongoing due diligence and monitoring, or upfront due diligence, may have been added to the Watch List where a specific action was required by the IGT. The actions included those described at paragraphs 51(a) to (f) above.
- d. Items on the Watch List were removed from the Watch List once actions were completed. This may have included actions outlined at paragraphs 51(a) to (f) above. Removal from the Watch List typically occurred where there was a significant change in investment strategy and / or management, reinstatement of external research ratings, improvements in diversification or risk metrics, due to the imposition of lower investment limits, or where the investment option had been removed from the Investment Menu.
- e. Adding items to, and removing items from, the Watch List occurred on an ongoing basis.

53. With respect to the Watch List, in practice:

- a. the Watch List maintained by the IGT set out information including:
 - i. the date the investment option was placed on the Watch List;
 - ii. the initial catalyst requiring the investment option to be placed on the Watch List, examples of which are listed in paragraph 53(b) below;
 - iii. the expected monitoring end date;
 - iv. the status of the investment option on the Watch List, that is, whether it remained 'open' on the Wrap or was 'closed'; and
 - v. the next step;
- b. the catalysts that could warrant inclusion on the Watch List included both reactive and scheduled catalysts. Reactive catalysts included qualitative issues flagged in Investment Menu News and research updates, for example, changes in research houses' investment ratings. Scheduled catalysts included flags in IGT's quantitative monitoring, semi-annual flows reviews and annual spreads reviews. Where further due diligence reviews were required by the IGT on a discretionary basis due to an unusual risk regarding an investment option, the relevant investment option would also be added to the Watch List;

- c. Monthly Watch List reports, which were prepared for consideration in IGT meetings, summarised key changes made to the Watch List since the last report. Such reports also included:
 - i. the number of funds on the Watch List;
 - ii. information on any investment options removed from the Watch List and the reason for its removal;
 - iii. information on any investment options added to the Watch List;
 - iv. metrics on Watch List catalysts, and whether there were any observable trends in those metrics, for example, the reports may note upcoming scheduled due diligence, anticipating that these monitoring periods would trigger additional quantitative monitoring events, which would be likely to result in more investment options being added to the Watch List;
 - v. the length of time investment options had been on the Watch List and the reasons for that length of time, for example, that investment options were awaiting scheduled due diligence; and
 - vi. the expected monitoring end date, being the timeframe by which IGT expected to complete specific actions relating to the Watch List; and
- d. in addition to the matters listed at paragraph 53(c) above, quarterly reports prepared for the SIIC presented more detailed observations on investment options warranting further attention. Those observations generally concerned the timing of the Watch List catalyst, actions taken in respect of the investment option, and any other circumstances that IGT deemed relevant.

D. SHIELD MASTER FUND BACKGROUND

54. The Shield Master Fund (**SMF**):

- a. was a registered managed investment scheme, registered on or around 5 July 2021; and
- b. as at around October 2021, was a new fund with no funds under management.

55. At all material times:

- a. the responsible entity of the SMF was Keystone Asset Management Limited (**Keystone**);
 - b. 100% of the shares in Keystone were owned by Malana Management Pty Ltd (ACN 633 213 948) (**Malana**);
 - c. the shareholders of Malana were Chiodo Corporation Pty Ltd (ACN 611 404 909) (**Chiodo Corp**) and the Frolov Family Trust;
 - d. the directors of Malana were Mr Chiodo and Mr Frolov;
 - e. the investment manager of the SMF was CF Capital Pty Ltd (**CF Capital**);
 - f. the shareholders of CF Capital were Chiodo Corp and the Frolov Family Trust;
 - g. the sole director of Chiodo Corp was Mr Chiodo;
 - h. the sole shareholder of Chiodo Corp was Pure Development & Project Management Pty Ltd (ACN 141 910 581); and
 - i. the sole director and shareholder of Pure Development & Project Management was Mr Chiodo.
56. At all material times Keystone was the trustee of the Chiodo Diversified Property Fund and the Advantage Diversified Property Fund (**ADPF**) and CF Capital was the investment manager of both funds. Both funds were wholesale unregistered unit trusts that invested funds in various property developments. A large proportion of the SMF's funds were subsequently invested in the ADPF.
57. Paul Chiodo:
- a. was a director of Keystone between 27 April 2020 and 27 May 2024; and
 - b. was a director of CF Capital between 10 May 2019 and 17 June 2024
58. Ilya Frolov:
- a. was a director of Keystone between 27 April 2020 and 29 December 2023; and
 - b. was a director of CF Capital between 10 May 2019 and 29 December 2023.
59. The SMF relevantly included four investment classes described as follows:
- a. the Conservative class;
 - b. the Balanced class;

- c. the Growth class; and
 - d. the High Growth class.
- 60. With respect to each of the Conservative, Balanced and Growth classes of the SMF:
 - a. a PDS was issued on or about 8 September 2021; and
 - b. a supplementary PDS was issued on or about 3 November 2021.
- 61. With respect to the High Growth class of the SMF:
 - a. a PDS was issued on or about 12 October 2021; and
 - b. a supplementary PDS was issued on or about 3 November 2021.
- 62. Between 1 March 2022 and 5 June 2023, approximately 3,060 Macquarie Super accounts (including 7 IDPS accounts) held investments in the SMF. Some of the SMF units held in those accounts have since been redeemed. As at the date of this SAFA, 2,833 Macquarie Super accounts (including 7 IDPS accounts) hold investments in the SMF. These accounts have a total net capital of approximately \$321 million invested in the SMF.
- 63. On 5 June 2023, MIML closed the SMF to any further investment through Macquarie Super.
- 64. On 27 August 2024, on the application of ASIC in Federal Court proceeding VID536 of 2024, the Federal Court appointed receivers and managers to the property of Keystone in its capacity as (*inter alia*) responsible entity of the SMF (see *Australian Securities and Investments Commission v Keystone Asset Management Ltd* [2024] FCA 1019).
- 65. On 2 December 2024, the creditors of Keystone resolved to wind up Keystone and appointed joint and several liquidators.
- 66. By notice dated 10 April 2025, unitholders of the SMF (including MIML) were informed that:
 - a. Keystone and its receivers and managers and liquidators had formed the view that it was in the best interests of SMF unitholders to terminate the SMF;
 - b. the reasons for that view included (*inter alia*) that:

- i. the purpose, return objectives and investment and diversification exposures outlined in the product disclosure statements for each class of units in the SMF could not be achieved;
 - ii. Keystone had invested a significant amount of SMF funds into the ADPF, and the ADPF had, in turn, made a number of loans to various special purpose vehicles in relation to potential land and/or property development projects, and many of those loans were made without the typical documentation and protections generally afforded in loan arrangements of a similar nature, which had likely resulted in significant losses to the SMF;
 - iii. some of the SMF funds may have been misappropriated; and
 - iv. there appeared to have been a number of additional material breaches of the law that may have resulted in further losses to the SMF and SMF unitholders;
- c. the termination date for the SMF was 10 April 2025; and
 - d. no further applications or redemptions in the SMF would be accepted.

E. ADDING SHIELD MASTER FUND TO THE WRAP INVESTMENT MENU

- 67. On 22 November 2021, Mr Frolov, on behalf of Keystone, emailed an employee of MIML to apply for the Conservative, Balanced, and Growth classes of the SMF to be added to Wrap's Investment Menu. The email from Mr Frolov attached, *inter alia*, Supplementary Product Disclosure Statements (**PDSs**) for each of those classes of the SMF dated 3 November 2021, an SQM Research report dated 6 October 2021 (**SQM Report**) and Target Market Determinations (**TMDs**) for the SMF.
- 68. On or around 14 December 2021, employees of MIML met with Mr Frolov and Mr Chiodo to discuss the SMF at the offices of CF Capital.
- 69. On 24 December 2021, a MIML employee emailed Mr Frolov and Mr Chiodo regarding their request to add the SMF (Conservative class, Balanced class and Growth class) to Wrap. In this email, the MIML employee: (1) set out the minimum requirements for adding those classes to Wrap and; (2) provided a link to the MIML data room, which could be used by Mr Frolov and Mr Chiodo to upload documents.
- 70. In this same email, the MIML employee also requested that a due diligence questionnaire be completed by CF Capital.

71. This email also noted that (*inter alia*):

- a. MIML expected 'to see support of around \$10mill in the first 12 months by a number of different Dealer Groups/advisers...'; and
- b. MIML required a '3 year track record' or, in the absence of historical data 'either 3 year monthly back tested performance data or performance data for a comparable strategy (net of fees). This is in addition to return and volatility summary statistics for 1, 3, and 5 years'.

Due diligence on the Conservative, Balanced and Growth classes of the SMF

72. On 18 January 2022, the IGT Analyst emailed the IGT Manager with respect to the SMF stating:

As discussed, I'd like to escalate the returns data provided for the above-mentioned Fund. We have also received the respective data for the Balanced & Growth Classes but given it follows the same format, I've just attached the Conservative Class for your review. I've rejected all three DD Questionnaires for the Underlying Holdings and the Liquidity scenarios. Let me know if we should go back for any extra information on the returns.

73. On 28 January 2022, the Associate Director IPM received an email from Mr Frolov which stated (*inter alia*) that, in summary terms, the requested materials had been uploaded to MIML's dataroom and that in relation to the audited financials for CF Capital there were 'No audited financials for previous [years], as there was no activity for CF Capital Investments as CAR under KAM in July 2021. Audited accounts will be provided in the current financial year.'
74. On 4 February 2022, the Associate Director IPM emailed MIML staff responsible for Operations, Sales, Product and Tax (including the IGT Head) a list of 'New Funds for review — February 2022' that included the Conservative, Balanced and Growth classes of the SMF. Attached to that email was a spreadsheet named 'Adv Demand Feb22' which showed that the Conservative, Balanced and Growth classes of the SMF had a fund commitment of \$600m funds under management (**FUM**), \$130m per year.
75. On 8 February 2022 an IGT Analyst conducted a 'negative news screen' on the SMF and associated directors, which returned a news article regarding Mr Chiodo that the IGT Analyst identified as warranting further escalation. The news article identified by the IGT Analyst was described as 'Durie Design is taking legal action against Chiodo Corporation Operations Pty Ltd (for which Paul Chiodo is Director), claiming the Design company is owed almost \$1M for a bespoke design for a luxury hotel project.'

76. On 17 February 2022, the IGT Manager assessed the negative media escalation in the following terms:

IGT won't holdover the approval of the fund as the issue surrounding Chiodo Corporation Operations Pty Ltd where Paul Chiodo is the director does not have a direct link to the fund being approved.

As a director of CF Capital Investments, Mr Chiodo's ability of managing residential, commercial office, retail and industrial projects are not impacted. As a matter of fact, the legal action shows that he is a property manager who cares about quality of works. Furthermore, it seems there are no reputational risks involved into his director role with CF Capital Investments since this legal action is a civil dispute in regard to quality of works done and associated delayed payments.

77. On 10 February 2022, the IGT Analyst emailed the IGT Manager and the IGT Head, stating (*inter alia*):

I'd like to escalate the review of the financials for Keystone Asset Management. Summary below:

...

- Keystone generated no income from its principal activity in the most recent year.
- The financials present consecutive year losses, with losses increasing from \$25K in FY20 to \$233K in FY21.
- The company has a deficit of retained earnings. There is a line item on Page 7 of the financials "Transactions with owners in their capacity as owners – Issue of Shares" for \$488K. Without this item the company would have an equity deficit. (I believe this item may be a capital raising scheme in which the owners of the company have been issued shares, however the financials do not reference any related party transactions – would be keen to get your thoughts on what this might be).'

78. On 11 February 2022, the IGT Analyst emailed the IGT Manager an 'Upfront Due Diligence ad hoc Questionnaire' for CF Capital, stating that she would 'like to 'escalate the review of the Investment Manager Questionnaire' for CF Capital. She stated that:

The Funds that this entity acts as investment manager for, has a Fund of Fund structure - they rely on the underlying investment manager to complete the investment tasks. In this instance should we request the GS007 for the underlying investment manager?

79. The SQM Report provided (*inter alia*) that the proposed underlying investment managers for the SMF were CF Capital and Pearl / Watershed Funds Management.

80. During January 2022 and early February 2022, documents relating to Keystone, CF Capital and the SMF were uploaded into the MIML data room for the purpose of the IGT conducting due diligence on the SMF.

81. The documents included:

- a. Spreadsheets known as due diligence questionnaires (**DDQs**) completed on behalf of the SMF for each of the Conservative, Balanced and Growth classes of the SMF;
- b. a Financial Services Council Investment Management Questionnaire completed on behalf of the SMF in January 2022 (**FSC Questionnaire**);
- c. a Financial Services Council Operational Due Diligence Questionnaire completed on behalf of the SMF in January 2022;
- d. audited financial statements for Keystone for the year ended 30 June 2022;
- e. a SMF 'compliance plan';
- f. Keystone's annual audit completion reports prepared by BDO;
- g. Keystone internal controls questionnaire;
- h. back tested performance data for each of the Conservative, Balanced and Growth classes of the SMF, which purported to show a performance comparison between the SMF classes and superannuation funds using historical data from the underlying funds the SMF proposed to invest in and the volatility of that data;
- i. the PDSs and Supplementary PDSs in respect of the SMF, for each of the Conservative, Balanced and Growth classes;
- j. the TMDs for each of the Conservative, Balanced and Growth classes; and
- k. the SQM Report.

82. The PDSs for each of the Conservative, Balanced and Growth SMF classes stated that (*inter alia*):

- a. in relation to asset allocation:
- b. for the Conservative class, in section 2, that the aim was to provide exposure to an actively managed portfolio of a 50% allocation to defensive assets and 50% allocation to growth assets, and in section 5 that the target exposure allocation

was 57% growth assets and 43% defensive assets, with (*inter alia*) an allowable range of up to 30% in 'Real Assets' and 35% in 'Alternatives (i.e. Property)';

- c. for the Balanced class, in section 2, that the aim was to provide exposure to an actively managed portfolio of a 60:40 allocation between growth assets and defensive assets, and in section 5, that the target exposure allocation was 68% growth assets and 32% defensive assets, with (*inter alia*) an allowable range of up to 30% in 'Real Assets' and 35% in 'Alternatives (i.e. Property)';
- d. for the Growth class, in section 5, that the target exposure allocation was 83% growth assets and 17% defensive assets, with (*inter alia*) an allowable range of up to 30% in 'Real Assets' and 35% in 'Alternatives';
- e. and in section 2, that the principal elements of the investment strategy for the SMF included (i) asset allocation ... broadly across public markets, or private markets and related asset classes; (ii) sourcing investment opportunities; (iii) selecting the investments that are believed to offer superior relative value; (iv) seeking to manage the ... investment level and liquidity; and (v) seeking to manage risk through ongoing monitoring of the portfolio;
- f. in section 4.4, that CF Capital and Keystone have common shareholders, and common directors;
- g. in section 5.2, that the SMF may invest in underlying assets for which Keystone and/or CF Capital also provides services, including the Property Development Asset Class of the SMF;
- h. in section 5.2, that an internal investment approach had been crafted around dynamic asset allocation;
- i. in section 5.2, that the investment process included, *inter alia*, sourcing the best-in-breed fund managers for each desired asset type;
- j. in section 5.3, that dynamic asset allocation was the main focus of the multi-asset investment model and the principal driver of returns for investors; and
- k. in section 5.3, that the 'target exposure allocation' was an indicative representation of the estimated average weighting over the long term as at the date of the PDS and that actual weighting would differ, at times substantially, and potentially for extended periods.

83. The SQM Report (*inter alia*):

- a. gave the SMF a rating of 3.75 stars, being 'Favourable', 'Consider for APL inclusion' and 'Approved' investment grade;
- b. applied to each of the Conservative class, the Balanced class and the Growth class, but used the 'Balanced Portfolio' as 'the prime exemplar and key focus of analysis';
- c. identified, on page 5, as a weakness of the fund, that the Investment Manager (CF Capital) and RE (Keystone) share common members, and a number of related party relationships exist;
- d. included the following 'Fund Summary description':

The unlisted direct property component (20%) of the Balanced class (Advantage Diversified Property Class) is managed by CF Capital Investments (under Keystone AM), and the listed assets (covering all asset classes) (80%) is managed by Pearl / Watershed Funds Management.

- e. included (*inter alia*) the following information under the heading 'SQM Research's Review and Key Observations'

About the Manager

Keystone Asset Management Limited is wholly owned (100%) by Malana Management Pty Ltd (ACN 633 213 948). Malana Management Pty Ltd is 50% owned by Directors Paul Chiodo and 50% by Ilya Frolov. Keystone is an unlisted public company with three directors, Paul Chiodo, Ilya Frolov and Mark Yorston as the independent director.

CF Capital Investment Pty Ltd (wholly owned by Keystone) is the appointed Fund Manager and Responsible Entity of the Shield Master Fund classes (Growth, Balanced and Conservative).

.....

Investment Strategy

The Advantage Diversified Property Class (20% of the Fund) invests in the wholesale Chiodo Diversified Property Fund. CF Capital Investment Pty Ltd (CFC) is the investment manager for the Fund. CFC invests in development projects via special purpose vehicles ('SPVs'). Each development project will be managed via a separate CF Capital controlled SPV. The investment strategy of the Fund seeks attractive returns from investing in property developments predominately in the residential real estate sector. In the future, it expects to diversify the portfolio to include large residential projects, commercial, industrial and accommodation development projects.

...

FUM (Funds under Management)

The Shield Master Fund (Balanced Class) invests into two existing Funds in a 20/80 split. The underlying Funds and their FUM consists of;

20% into CF Capital Investments – Advantage Diversified Property Class. Total \$91M FUM mainly in the wholesale Chiodo Diversified Property Fund.

80% into Pearl/Watershed Funds Management Balanced Fund: circa \$60M FUM.

...

Weaknesses of the Fund

This is a new Fund – no performance or analysis can be made.

With regards to Governance, SQM notes the Investment Manager and RE share common members, and a number of related party relationships exist.

84. The FSC Investment Management Questionnaire stated that (*inter alia*):

- a. Chiodo Corporation Pty Ltd is 100% owned by Chiodo Family Trust and is the foundation appointed developer for the underlying property development funds. A portion of the Shield Master Fund investment will be invested in the property development funds as equity;
- b. CF Capital Investments' philosophy is founded on an active management unlisted approach and working with the best-in-breed listed fund managers;
- c. an internal investment approach has been crafted around dynamic asset allocation;
- d. the Fund may also invest in Underlying Assets for which the Investment Manager and or the Responsible Entity also provides services. For example, this could include the Property Development Asset Class of the Shield Master Fund;
- f. the funds are structured as 50/50 Growth/Defensive for the Conservative class, 60/40 Growth/Defensive for the Balanced class and 80/20 Growth/Defensive for the Growth class;
- g. the underlying strategies comprise 80% Watershed Multi-Asset (Conservative, Balanced, Growth) and 20% Chiodo Diversified Property Fund; and

- h. the property development aspect of our fund is managed in-house by CF Capital Investments, primarily by Paul Chiodo.
85. The DDQs for the Conservative, Balanced and Growth classes of the SMF recorded (*inter alia*):
- a target allocation to Australian property for the Conservative class of the SMF of 10% and for the Balanced and Growth classes of the SMF of 20%;
 - a maximum of 20% illiquid investments;
 - a maximum allocation to direct property of 35%;
 - that as at 12 January 2022 there were \$0 FUM in Shield but that there was \$116m in 'discretionary accounts' comprising the 'total FUM of the Investment Manager'; and
 - in the Underlying Holdings section that 100% of funds were allocated to a number of Watershed funds with 0% to Chiodo Diversified Property.
86. MIML engaged the NMG Consultant to assist with the review of the Conservative, Balanced and Growth classes of the SMF. This included consideration by the NMG Consultant of the DDQs, FSC Questionnaire, SQM Report and back tested data.
87. The IGT Manager subsequently conducted a peer review of the NMG Consultant's analysis.
88. The results of the NMG Consultant's analysis and IGT Manager's peer review of that analysis were recorded on the DDQs for each of the Conservative, Balanced and Growth classes of the SMF and included the following:

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
1.	Strategy and sub strategy	The Multi-Sector: Balanced'; 'The Multi-Sector Growth'	In relation to the Balanced Class: Strategy to be 'Multi-Sector: Growth'. Fund is targeting a 70/30 Growth defensive split with currently 72% in growth assets In relation to the Conservative Class: Agree with strategy/ sub-strategy selection, growth/defensive split for this fund is 50/50. In relation to the Growth Class: Agree with strategy selection, fund targets a growth/defensive split of 83/17.

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
2.	Concerns raised with Operational docs?	Yes - Escalated review of the RE financials In relation to the Growth Class: 'None as at 17/2/22'.	In relation to Balanced, Conservative and Growth Classes: No Comment
3.	Significant Negative Media?	In relation to Balanced, Conservative and Growth Classes: No	In relation to Balanced, Conservative and Growth Classes: No Comment
4.	Is the opinion from the financials modified? Comment if required.	In relation to Balanced Class: Follow-up - Added to the Tracker to follow up In relation to Growth Class: 'N/A' In relation to Conservative Class: 'N/A, New Fund.	In relation to Balanced, Conservative and Growth Classes: No Comment
5.	Other comments (note researcher date and rating)	In relation to Balanced, Conservative, Growth Classes: SQM research rated the Fund 'Favourable' as at October 2021.	In relation to Balanced, Conservative and Growth Classes: No Comment
6.	Balanced Class: Fund Strategy / Objective from PDS CPI + 4.5% Are changes to strategy considered Reasonable Conservative Class: Fund Strategy / Objective from PDS CPI + 3.5% Are changes to strategy considered Reasonable Growth Class: Fund Strategy / Objective from PDS CPI + 5.5% Are changes to strategy considered reasonable	In relation to the Balanced Class: Fund Summary: The fund is one of 3 as part of the Shield Master Fund. This fund is the 'balanced' option. The target asset allocation would put the fund in a balanced peer group with a 60/40 growth/defensive split according to the PDS (or 68/32 as per a different section of the PDS?). The Fund is structured as an open-ended unlisted registered managed investment scheme. The fund aims to outperform the annual rate of Australia's CPI (as provided by the ABS) by at least 4.5% p.a. over rolling 5 to 7 year periods, while limiting negative returns during poor investment environments Investment Process: The Shield Master Funds invest in the Chiodo Diversified Property funds (managed by CF Capital) and the Pearl-Watershed SMAs and Managed Funds. The CF Capital property component of the fund can be a maximum of 35% of the portfolio with a benchmark allocation of 20%. Currently there is no allocation to CF Capital in the Balanced fund. At this time all of the underlying holdings are managed by Watershed, which has some related party relationships. While the PDS does disclose related party relationships can and do exist, it is less clear in the PDS that all assets of the fund are currently managed by Watershed or how any underperformance would be managed. Rather, the PDS tends to indicate the fund will invest across	In relation to Balanced Class: Strategy to be 'Multi-Sector: Growth'. Fund is targeting a 70/30 Growth defensive split with currently 72% in growth assets. As above, Strategy to be 'Multi-sector: Growth' AA: DAA method use with a portfolio construction process focussing on: • Long term capital growth • Inflation Protection • Risk mitigation In relation to Conservative Class: Agree with strategy/ sub-strategy selection, growth/defensive split for this fund is 50/50. AA: DAA method use with a portfolio construction process focussing on: - Long term capital growth - Inflation Protection - Risk mitigation In relation to Growth Class: Agree with strategy selection, fund targets a growth/defensive split of 83/17 AA: DAA method use with a portfolio construction process focussing on: - Long term capital growth - Inflation Protection - Risk mitigation

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		multiple investment managers (see investment strategy on PDS page 9). In relation to the Conservative Class: Fund Summary: The fund is one of 3 as part of the Shield Master Fund. This fund is the conservative option. The target asset allocation would put the fund in a balanced peer group (around 50/50 defensive/growth split according to the PDS), although as noted below there is contradictory information in the PDS regarding target allocation. The Fund is structured as an open-ended unlisted registered managed investment scheme. The fund aims to outperform the annual rate of Australia's CPI (as provided by the ABS) by at least 3.5% per annum over rolling 5 to 7 year periods, while limiting negative returns during poor investment environments. Investment Process: The Shield Master Funds invests in the Chiodo Diversified Property funds (managed by CF Capital) and the Pearl-Watershed SMAs and Managed Funds. The CF Capital property component of the Conservative fund can be a maximum of 35% of the portfolio with a benchmark allocation of 10%. Currently there is no allocation to CF Capital in the Conservative fund. The asset allocation process involves: determining an asset exposure which reflects the prevailing views on global economic trends and financial market valuations; sourcing the best-in-breed fund managers for each desired asset type; and combining managers into a portfolio designed to meet the overall investment objective. At this time all of the underlying holdings are managed by Watershed, which has some related party relationships. While the PDS does disclose related party relationships can and do exist, it is less clear in the PDS that all assets of the fund are currently managed by Watershed or how any underperformance would be managed. Rather, the PDS tends to indicate the investment manager sources 'the best in-breed managers for each desired asset type' and that they 'combine these managers into a portfolio designed to meet the overall investment objective' (see 'Investment Strategy' on page 9 of the PDS). In relation to the Growth Class:	

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		Fund Summary: The fund is one of 3 as part of the Shield Master Fund. This fund is the 'growth' option. The target exposure allocation would put the fund in a growth peer group with a 83/17 growth/defensive split according to the PDS. The Fund is structured as an open-ended unlisted registered managed investment scheme. The fund aims to outperform the annual rate of Australia's CPI (as provided by the ABS) by at least 5.5% p.a. over rolling 5 to 7 year periods, while limiting negative returns during poor investment environments. Investment Process: The Shield Master Funds invests in the Chiodo Diversified Property funds (managed by CF Capital) and the Pearl-Watershed SMAs and Managed Funds. The CF Capital property component of the fund can be a maximum of 35% of the portfolio with a benchmark allocation of 20%. Currently there is no allocation to CF Capital. According to the PDS the investment strategy involves: (i) asset allocation broadly across public markets, or private markets and related asset classes; (ii) sourcing investment opportunities; (iii) selecting the investments that are believed to offer superior relative value; (iv) seeking to manage the investment level and liquidity; and (v) seeking to manage risk through ongoing monitoring of the portfolio. At this time all of the underlying holdings are managed by Watershed, which has some related party relationships. While the PDS does disclose that related party relationships can and do exist, it is less clear in the PDS that all assets of the fund are currently managed by Watershed or how any underperformance would be managed. Rather, the PDS tends to indicate the fund will invest across multiple investment managers (see investment strategy on PDS page 9 at 5.2). In relation to the Balanced, Conservative and Growth Classes: Team: There are 3 key team members of the Shield Master Fund. Ilya Frolov is responsible for analysing managers and monitoring performance. Paul Chiodo provides input on the property industry and market analysis. Werner Stals is an external consultant who provides insights from a global and local macroeconomic perspective and	

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		reviews and provides commentary from the Pearl Investment Team. Watershed was founded in 2009 and has an investment team of 6 who provided dedicated strategies in Australian Equities, International Equities, Income and combines these strategies to offer Diversified Portfolios. The Managers of Pearl multi-asset are Adrian Rowley (Portfolio Manager and Equity Strategist) and Ben Bowen (Portfolio Manager).	
7.	Has fund met performance objective stated in PDS?	In relation to Balanced and Growth Classes: N/A new fund. In relation to the Conservative Class: 'The fund is new so performance data is not available at this time.'	In relation to Balanced, Conservative and Growth Classes: Back tested data reviewed and shows fund outperformance. Given the underlying holdings the proxy data us considered appropriate for comparison to this strategy, no performance concerns
8.	Provide comment on reasoning for SRM selected.	In relation to Balanced Class: The Fund's PDS states that the risk level of the Fund is 'medium-high' (page 11). The SRM range for Multi-asset: balanced funds 5-6. The fund has targeted returns (CPI + 4.5%). According to the PDS the fund's risk is managed through diversified investment exposure to limit the risk to any given asset class, region and/or sector. The fund is new and has no performance history available. Additionally, it is noted there are a number of related party relationships that also raises counterparty risk, the extent of these relationships and concentration of assets with a single manager is not clearly outlined in the PDS. It is also unclear how underperformance would be managed in the case the managers of the underlying assets underperform given these relationships. In relation to the Conservative Class: The Fund's PDS states that the risk level of the Fund is 'moderate to high'. The SRM range for Multi-asset: balanced funds 5-6. The fund has targeted returns (CPI + 3.5%). According to the PDS the fund's risk is managed through diversified investment exposure to limit the risk to any given asset class, region and/or sector. The fund is new and has no performance history available. Additionally, it is noted there are a number of related party relationships that also raises counterparty risk, the extent of these relationships are not clearly outlined in the PDS. It is	In relation to the Balanced Class: 'Strategy range 6 Target allocation growth/defensive 70/30 Agree 6 is appropriate' In relation to the Conservative Class: Strategy range 5 - 6 Target allocation growth/defensive 50/50 Agree 5 is appropriate In relation to the Growth Class: Strategy range 6, agree 6 is appropriate

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		unclear how underperformance would be managed in the case the managers of the underlying assets underperform given these relationships. In relation to Growth Class: Proposed 6: SRM for multi-sector: growth funds is 6. The fund PDS lists the risk of the fund as 'High'.	
9.	DIVERSIFICATION ASSESSMENT Based on fund strategy and investment style, should there be changes to diversification flag. If yes, please provide comments Provide reasoning for flag selections	In relation to Balanced, Conservative and Growth Classes Proposed - Flag 4 All underlying holdings are currently invested in Watershed managed funds and SMAs. The underlying assets have not been disclosed (and therefore have not been assessed) but it is noted according to the FSC document the underlying assets are a diversified mix of assets, which can include: listed Australian/International investments, real assets such as precious metals, commodities, real estate, land, equipment and natural resources, and alternative assets (hedge funds, managed futures, distressed assets, digital assets and private equity), fixed income, cash and cash equivalents. It is unclear how the underlying manager ensures a sufficient level of diversification or the asset allocation rules of the underlying managed funds and SMAs.	In relation to Balanced, Conservative and Growth Classes Agree with diversification of 4.
10.	MANAGER CONCENTRATION ASSESSMENT Based on fund strategy and investment style, should there be changes to Manager Concentration flag. If yes, please provide comments	In relation to the Balanced, Conservative and Growth Classes: Proposed - Flag 1 The fund is currently solely invested in funds managed by Watershed, which has a team of 6 investment management staff. It is noted the Watershed funds also have investments in managed funds and SMAs but visibility into these underlying assets has not been provided/assessed. While the PDS suggests other managers may be appointed it is not clear how this will be managed given the structure of the fund.	In relation to the Balanced, Conservative and Growth Classes: No concerns given investment management has been delegated to Watershed.
11.	OTHER LIMITS ASSESSMENT Based on above, should there be changes to others limit. If yes, comment Are there any additional risks to be captured? Provide comment.	In relation to the Balanced, Conservative and Growth classes: Proposed Flag - 1 With 100% of assets currently invested with Watershed and a number of relationships existing between parties the fund carries with it a high counterparty risk. Additionally, the PDS is misleading, indicating the assets will be allocated to the 'best inbreed manager' rather	In relation to the Balanced, Conservative and Growth Classes: No flag warranted, investment management has been delegated to Watershed, manager selection refers to further look through of the underlying funds.

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
	Additional Limit Required?	than a single manager. Given the structure it is likely the fund does not have the level of diversification expected by investors, which should be clearly disclosed in the PDS.	
12.	Are the allocation in line with expectation based on the understanding of the fund's strategy?	In relation to the Balanced Class: 'The target growth/defensive allocation is unclear in the PDS. Under the section entitled "Asset Categories / Class" (page 9) the PDS indicates the target exposure allocation is 68% growth, 32% defensive but in the section entitled "Investment Target" (page 5) the PDS indicates the target allocation is 60/40. This difference is material as it would change whether the fund is part of the balanced or growth peer group. The maximum exposures per asset class according to the PDS are: listed equities 20-100%, real assets 0-30%, alternatives 0-35%, fixed interest 0-65% and cash 0-20%. According to the PDS the fund can invest in cash and fixed interest, Australian/International investments, real assets (e.g. precious metals, commodities, real estate, land, equipment and natural resources), alternative assets and can include exposure to hedge funds, managed futures, distressed assets, digital assets and private equity. The current allocations in this DDQ are currently all within the allowable ranges per the PDS.' In relation to the Conservative Class: The target growth/defensive allocation is unclear in the PDS. Under the section entitled 'Asset Categories / Class' (page 9) the PDS indicates the target exposure allocation is 57% growth, 43% defensive but in the section entitled 'Investment Target' (page 5) the PDS indicates the target allocation is 50/50. The maximum exposures per asset class according to the PDS are: listed equities 20-100%, real assets 0-30%, alternatives 0-35%, fixed interest 0-60% and cash 0-40%. According to the PDS the fund can invest in cash and fixed interest, Australian/International investments, real assets (e.g. precious metals, commodities, real estate, land, equipment and natural resources), alternative assets and can include exposure to hedge funds, managed	In relation to the Balanced, Growth and Conservative Classes: No concerns regarding the AA and targets

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		futures, distressed assets, digital assets and private equity. It is noted the target allocations in this DDQ do not align with the target allocations in the PDS on page 10. Despite this, the current allocations in this DDQ are currently all within the allowable ranges per the PDS. In relation to the Growth Class: Under the section entitled 'Asset Categories / Class' (page 9) the PDS indicates the target exposure allocation is 83% growth, 17% defensive. The maximum exposures per asset class according to the PDS are: listed equities 20-100%, real assets 0-30%, alternatives 0-35%, fixed interest 0-35% and cash 0-20%. According to the PDS the fund can invest in cash and fixed interest, Australian/International investments, real assets (e.g. precious metals, commodities, real estate, land, equipment and natural resources), alternative assets and can include exposure to hedge funds, managed futures, distressed assets, digital assets and private equity. The current allocations in this DDQ are currently all within the allowable ranges per the PDS.	
13.	Please provide a definition of what you consider to be a liquid and an illiquid investment, including your basis for this definition. Keystone Comments: 'Listed investments with the ability to sell down (high market liquidity) are deemed as liquid; Illiquid investments are defined as assets that cannot be divested within 5 business days.' Is the definition provided considered reasonable?	In relation to Balanced, Conservative and Growth Classes: Follow-up The definition is somewhat limited given the target allocations includes direct property and the assets are currently invested in managed funds. Would like to see consideration of whether the investment managers of the underlying funds have liquidation restrictions in stressed market conditions for example that has the potential to impact the fund's liquidity.	In relation to Balanced, Conservative and Growth Class: Some illiquidity evident in the funds, no follow-up required for this definition.
14.	Based on the asset allocation, would that have implications to the funds liquidity profile?	In relation to Balanced, Conservative and Growth Classes: Flag - No The fund currently has 0% allocation to illiquid investments, although it is	In relation to Balanced, Conservative and Growth Classes: No Comment

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		noted 20% of assets should be allocated to illiquid assets across the portfolio. Additionally, all funds are currently invested with the one investment manager, which may make exiting the entire position slower than using a more diversified mix of managers.	
15.	Based on the flows and the allocations to illiquid, would that have implications to liquidity?	In relation to Balanced, Conservative and Growth Classes: Flag - Yes The fund is new and so there is a significant risk that the fund will not achieve the scale required to be viable long term. The parent (Keystone Asset Management) is a 100% owner of the fund and 2 of the Directors of the parent are also Directors of the Fund	In relation to Balanced, Conservative and Growth Classes: No concerns, underlying holdings are considered liquid (large cap bias), fund size is also large noting that the fund being reviewed is the Class C offering as such concentrations are not indicative of the total holdings in the strategy
16.	Based on the investor profile, would that have implications to liquidity?	In relation to Balanced, Conservative and Growth Classes: Flag - Follow up Fund is new but it is noted according to the Operational Requirements Questionnaire the fund has advisor support for \$150m	In relation to the Balanced, Conservative and Growth Classes: No Comment
17.	Is the hedging policy considered reasonable?	In relation to the Balanced, Conservative and Growth Classes: Flag - Follow up According to the PDS The Shield Balanced Class will not utilise or trade in any derivatives directly, however Underlying Assets may utilise a wide range of derivatives for hedging and investment purposes	In relation to the Balanced, Conservative and Growth Classes: Liquidity profile and liquidation scenarios support flag of 5.
18.	LIQUIDITY ASSESSMENT Based on above, should there be changes to liquidity flag. If yes, please provide comments	In relation to the Balanced and Conservative classes: Proposed Flag - 3 20% of investments in illiquid assets (property development projects) across the portfolio. Able to exit entire position within 12 months with minimal price impact. In relation to the Growth Class: Proposed Flag - 3 Fund aims for 20% of investments in illiquid assets (property development projects) across the portfolio. Currently portfolio has 0% in illiquid assets. According to liquidity scenarios fund is able to exit entire position within 12 months with minimal price impact under all 3 scenarios.	In relation to the Balanced, Conservative and Growth Classes: Flag of 4 is more appropriate, liquidation scenarios support a flag of 4.
19.	FUM Comment based on research report.	In relation to the Balanced, Growth and Conservative Classes: SQM Research believes Keystone Asset Management and associated	In relation to the Balanced, Growth and Conservative Classes: No Comment

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		key counterparties are appropriately qualified to carry out their assigned responsibilities. Management risk is rated as moderate.	
20.	Is the fund considered Investment Grade?	In relation to the Balanced, Conservative and Growth Classes: Flag - Yes SQM rated the fund as favourable in October 2021	In relation to the Balanced, Conservative and Growth Classes: Agree with comment and conclusion
21.	Is the fund considered True to Label? -	In relation to the Balanced, Conservative, Growth and High Growth Classes: Flag - No Fund asset allocations are broadly consistent with PDS. The PDS has indicated as part of the process management sources the best-in-breed fund managers for each desired asset type and combines managers into a portfolio designed to meet the overall investment objective. At this time all investments are with the one fund manager (Watershed), which has a number of relationships with the Manager and RE. While the PDS recognises related party relationships do exist it does not make it expressly clear in the investment strategy that all investments would be with either one or two managers, both of which are related parties. As such, the PDS is likely to mislead the average investor who would likely expect their investments to be allocated to a number of 'best in-breed managers' based on their skills in different asset classes rather than with a single related party.	In relation to the Balanced, Conservative and Growth Classes: Fund is considered TTL, the best of breed review of managers is conducted via the underlying funds.
22.	Key risks / noteworthy findings	In relation to the Balanced, Growth and Conservative Classes: The PDS is misleading as it suggests the underlying holdings will be invested across a number of different managers based on an assessment their experience in particular assets. Currently the fund's underlying holdings are all managed by Watershed, which according to the DDQ (6.2) is part of the underlying strategy of the fund. The PDS is not clear that this is the fund structure and rather indicates the assets will be spread across a number of "best in-breed managers". It is also noted the fund also has a number of related party relationships, particularly at the Board level, which increases the counterparty risk. It is unclear how underperformance of the investment manager would be managed given the relationships	In relation to the Balanced, Conservative and Growth Classes: No additional findings

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		between RE and Investment Managers. In relation to the Balanced Class: The PDS also has some contradictory information regarding the asset allocation, e.g. the PDS indicates in one section that the target asset allocation is 60/40 while in another is 68/32. This difference is material as it is [sic] recommended the PDS is updated to reflect the expected allocations that all assets will be invested with either % Watershed Multi-Asset or Chiodo Diversified Property Fund. As a new fund the ability of the team to meet the benchmark in the longer term is yet to be proven and while there are considerable pledges from advisors according to the operational requirements questionnaire, these are from only 2 individual advisors and as a new fund there is the risk that the fund will not achieve scale required to be long-term viable. In relation to the Conservative Class: The PDS also has some contradictory information regarding the asset allocation, e.g. the PDS indicates in one section that the target asset allocation is 57/43 while in another is 50/50. It is recommended the PDS is updated to reflect the expected allocations that all assets will be invested with either % Watershed Multi-Asset or Chiodo Diversified Property Fund.	

Approval of the addition of the Balanced, Conservative and Growth classes of the SMF to Wrap

89. Between mid-February 2022 and 28 February 2022:

- a. The IGT Manager prepared a note, copied to the IGT and the IGT Head, recommending the addition or reopening of certain products to the Investment Menu of Wrap, including the Conservative, Balanced and Growth class of the SMF. The note included, at Appendix A, links to the due diligence undertaken for each of those products, including the Conservative, Balanced and Growth class of the SMF.
- b. the IGT Analyst also prepared a note, copied to the IGT and the IGT Head, with the subject 'Negative News Paper'. The purpose of the note was (*inter alia*) to

'provide confirmation that Negative News has been completed on investment options being approved'. No 'Negative News' article/s escalated for the Conservative, Balanced and Growth classes of the SMF were flagged. That is so notwithstanding that the IGT Analyst had previously identified 'Negative News' with respect to Mr Chiodo, as referred to in paragraph 75 above, which was resolved as outlined in paragraph 76 above.

90. On 28 February 2022, the IGT held a meeting that (*inter alia*) approved the inclusion of the Balanced, Conservative and Growth classes of the SMF on Wrap without any investment limits and without placing any of those classes of the SMF on a watch list such as the Watch List referred to in the IGF.
91. The IGT Head chaired the meeting. The minutes of the meeting record (*inter alia*) that NMG had performed due diligence on the Conservative, Balanced and Growth classes of the SMF. After discussing and noting the analysis and the due diligence which had been performed on the recommended funds, the IGT resolved to approve the addition of (*inter alia*) the Conservative, Balanced and Growth classes of the SMF to the Investment Menu of Wrap.
92. At the meeting, the IGT Manager presented, and the IGT noted, the Watch List Report as at 31 January 2022.
93. On 28 February 2022, the IMA between MIML and Keystone was executed.
94. The IMA, including Schedule 5 (Procedures Manual), imposed various obligations on Keystone as responsible entity for the SMF, including:
 - a. the requirement to provide performance information about the approved product and performance commentary on a quarterly basis;
 - b. the requirement to inform MIML and Morningstar (a company from which MIML obtained fund manager data with regard to, among other things, asset allocations and underlying holdings) within 15 Business Days after each month end of the percentage of assets held in specific sectors;
 - c. the requirement to provide annually within 60 Business Days after Financial year end, each approved product's annual audited report, the responsible entity's and fund manager's annual audit and controls or compliance audit;
 - d. the requirement to provide annually within 60 Business Days after the financial year end, and within 15 Business Days after a material change, updated

questionnaires (previously known as FSC questionnaires and Macquarie Questionnaires); and

- e. the requirement to respond promptly and in any event within 15 Business Days to any 'Macquarie Enquiries'.
95. On 1 March 2022, the Conservative, Balanced and Growth classes of the SMF were added to Wrap without placing any of those classes of the SMF on a watch list such as the Watch List referred to in the IGF.
96. On 17 May 2022, the IGT noted in its report to the SIIC that the SMF Conservative, Balanced and Growth classes had been approved on 28 February 2022.
97. By 1 March 2022, MIML knew each of the matters referred to in paragraphs 67 to 89 above, and therefore knew that:
- a. the SMF was a new fund and that the DDQs for each of the Growth, Balanced and Conservative classes of the SMF recorded that it had no funds under management;
 - b. the PDSs for the Conservative and Balanced classes of the SMF contained differing statements regarding the target asset allocations between growth and defensive assets;
 - c. the PDSs for the Conservative, Balanced and Growth classes of the SMF stated (*inter alia*) that one of the steps in the investment process was to source the best-in-breed fund manager for each desired asset type, and the FSC Questionnaire stated that CF Capital Investments philosophy was founded on working with the best-in-breed listed fund managers, whereas the DDQ indicated (*inter alia*) that all of the SMF's underlying holdings would be managed by Pearl / Watershed, with the intention that a target 20% of funds would eventually be invested in a property development sub-fund (Chiodo Diversified Property Fund) and the SQM Report also referred to 20% of the fund being managed by CF Capital and 80% by Pearl / Watershed Funds Management, causing the NMG Consultant to comment that the fund does not have the level of diversification of fund managers expected by investors;
 - d. there were liquidity risks arising from the proposed investment in the property development fund, Chiodo Diversified Property Fund, given that it was an illiquid asset, including where, as noted by the NMG Consultant, the PDSs for the

Conservative, Balanced and Growth classes of the SMF provided that the exposure to real assets could be up to 35%; and

- e. there was a potential for conflicts to arise given:
 - i. the related party relationships involving Keystone (the responsible entity for the SMF), CF Capital (the SMF's investment manager) and the Chiodo Diversified Property Fund, including CF Capital and Keystone having common directors (Mr Chiodo and Mr Frolov) and shareholders (entities associated with Mr Chiodo and Mr Frolov, including Chiodo Corporation Pty Ltd); and
 - ii. the fact that Chiodo Corporation Pty Ltd was identified as the manager of the underlying property developments that some of the funds would be invested in with that investment being managed by Mr Chiodo through CF Capital.

98. The matters known to MIML and identified in paragraph 9797 above warranted the inclusion of the Balanced, Conservative and Growth classes of the SMF on a watch list such as the Watch List referred to in the IGF, for closer monitoring, but, notwithstanding that, MIML / the IGT did not add any of those classes of the SMF to any watch list by or any time after 1 March 2022.

Due diligence on the High Growth class of the SMF

99. On 8 March 2022, the Associate Director, IPM, sent an email to Mr Frolov in relation to Keystone's application to add the High Growth class to Wrap, setting out minimum requirements as well as additional requirements for Super.

100. The following documents were provided to MIML in respect of the request for approval to add the High Growth class of the SMF to Wrap:

- a. a DDQ completed on behalf of the SMF for the High Growth class of the SMF (**High Growth DDQ**);
- b. back tested performance data for the High Growth class of the SMF, using historical data from the underlying funds the SMF proposed to invest in and the volatility of that data; and
- c. the PDS and Supplementary PDS in respect of the High Growth class of the SMF.

101. The PDS and Supplementary PDS for the High Growth class stated (*inter alia*):

- a. in section 5, that the target exposure allocation was 92% growth assets and 8% defensive assets, with (*inter alia*) an allowable range of up to 30% in 'Real Assets' and 20% in 'Alternatives';
- b. in section 2, that the principal elements of the investment strategy for the SMF included (i) asset allocation ... broadly across public markets, or private markets and related asset classes; (ii) sourcing investment opportunities; (iii) selecting the investments that are believed to offer superior relative value; (iv) seeking to manage the ... investment level and liquidity; and (v) seeking to manage risk through ongoing monitoring of the portfolio;
- c. in section 4.4, that CF Capital and Keystone have common shareholders, and common directors;
- d. in section 5.2 that the SMF may invest in underlying assets for which Keystone and/or CF Capital also provides services, including the Property Development Asset Class of the SMF;
- e. in section 5.2, that an internal investment approach had been crafted around dynamic asset allocation.
- f. in section 5.2, that the investment process included, *inter alia*, sourcing the best-in-breed fund managers for each desired asset type;
- g. in section 5.3, that dynamic asset allocation was the main focus of the multi-asset investment model and the principal driver of returns for investors; and
- h. in section 5.3, that the 'target exposure allocation' was an indicative representation of the estimated average weighting over the long term as at the date of the PDS and that actual weighting would differ, at times substantially, and potentially for extended periods.

102. The High Growth DDQ recorded (*inter alia*):

- a. a target allocation to Australian property for the High Growth class of 20%;
- b. a maximum of 20% illiquid investments;
- c. a maximum allocation to direct property of 35%;
- d. that as at 23 March 2022 there were \$0 FUM in Shield but that there was \$116m in 'discretionary accounts' comprising the 'total FUM of the Investment Manager'; and

- e. in the Underlying Holdings section that 100% of funds were allocated to a number of Watershed funds with 0% to Chiodo Diversified Property.
103. On 14 April 2022, the NMG Consultant conducted a review of the SMF's High Growth class. This included consideration by the NMG Consultant of the High Growth DDQ, FSC Questionnaire, SQM Report and back-tested data.
104. On 26 April 2022, the IGT Manager undertook a peer review of the NMG Consultant's analysis.
105. The NMG Consultant's analysis and IGT Manager's peer review of that analysis were recorded on the High Growth DDQ and included the following:

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
1.	Strategy and sub strategy	Multi-Sector: Growth;	Agree with strategy selection, fund targets a growth/defensive split of 83/17
2.	Concerns raised with Operational docs?	'None noted as at 15/4/22	No Comment
3.	Significant Negative Media?	No	No Comment
4.	Is the opinion from the financials modified? Comment if required.	Follow-up - N/A. Fund is new. Audited financials have been added to the DD Tracker to follow up.	No Comment
5.	Other comments (note researcher date and rating)	SQM Research report dated October 2021 rated fund as Favourable	No Comment
6.	Fund Strategy / Objective from PDS CPI + 5.5% Are changes to strategy considered reasonable	'Fund overview: The fund provides exposure to a predominantly active portfolio of growth assets (including listed Australian and international investments, real assets, real estate, land, equipment, natural resources, alternatives, hedge funds, managed futures, distressed assets, digital assets and private equity as well as defensive assets). The fund has a long term target exposure of 92% growth, 8% defensive and aims to exceed CPI by at least 5.5%p.a. over rolling 5-7 year periods while limiting negative returns. Investment Strategy: The fund uses a top down strategy, first determining a preferred asset exposure reflecting global economic trends and market valuations, then sourcing best-in-breed managers	'AA: DAA method use with a portfolio construction process focussing on: - Long term capital growth - Inflation Protection - Risk mitigation'

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
		(established or emerging boutiques) to combine managers into a portfolio designed to meet investment objectives. The asset allocation is intended to be dynamic and a mix of active and passive managers are used to achieve exposure consistent with industry benchmark index. Asset allocation is allowed to differ from target at times of extreme market conditions. Team: The team comprises of 3 investment committee members, Jake Ou (Fund Analyst) and Philip Anthon (Responsible Manager). Paul Chiodo of the investment committee also provides input on the property industry and market analysis and Werner Stals (an external consultant) provides insights from a local and global macro-economic perspective. The investment managers own the company with material financial investments, aligning their interests with clients. '	
7.	Has fund met performance objective stated in PDS?	N/A. The fund has only been operating since October 2021. It is noted the PDS indicates the fund benchmarks CPI + 5.5%p.a. over rolling 5-7 year periods. This differs from the benchmark listed (Vanguard High Growth Index). It is noted the Vanguard High Growth Index is likely to be a more useful benchmark given the fund strategy provides for a significant allocation to international equities and other foreign investments. The fund was incepted in October 2021 and as such meaningful performance information for the fund is not available at this time. The backtested data is based on the performance of the underlying investments in the relevant time periods. This is considered a reasonable proxy and indicates the fund does have the ability to meet performance objectives but it is recommended the actual performance be monitored moving forward.	Back tested data reviewed and shows fund outperformance. Given the underlying holdings the proxy data is considered appropriate for comparison to this strategy, no performance concerns.
8.	Provide comment on reasoning for SRM selected.	SRM for multi-sector: growth funds is 6.	Strategy range 6, agree 6 is appropriate
9.	DIVERSIFICATION ASSESSMENT Based on fund strategy and investment style, should there be changes to	Proposed - Flag 4 While the fund is managed entirely by Watershed at this time, the fund is currently invested across a range of asset classes through its use of Watershed asset management products.	Diversification of 5 is appropriate given the level of look through exposure

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
	diversification flag. If yes, please provide comments Provide reasoning for flag selections		
10.	MANAGER CONCENTRATION ASSESSMENT Based on fund strategy and investment style, should there be changes to Manager Concentration flag. If yes, please provide comments	Proposed - Flag 1 Fund is currently invested 100% in Watershed, which has a number of related party relationships. The investment strategy per the PDS indicates the fund selects the best-in-class manager per asset, rather than a single manager based on business relationships. This appears to be done through Watershed, although the actual holdings under Watershed have not been provided as part of the DDQ. It is possible the PDS may mislead consumers into understanding the fund is operated by CF Capital Investments directly rather than through its appointed manager. Additionally, details have not been provided to confirm that underlying holdings are consistent with the strategy of selecting the best manager per asset class. The amount of influence of Shield on Watershed is likely to be high given the related party relationships. SQM has noted the processes of Watershed in its manager selection, with the direct equity SMA managed internally and external managers and/or ETFs used for diversification. Watershed monitors the underlying manager performance through regular reports received on a monthly and quarterly basis, with reviews at this time as well as an annual review.	No concerns given investment management has been delegated to Watershed. No flag warranted
11.	OTHER LIMITS ASSESSMENT Based on above, should there be changes to others limit. If yes, comment Are there any additional risks to be captured? Provide comment. Additional Limit Required?	Proposed Flag - 1 SQM notes there are a number of related party relationships (including shared members) between the investment manager and RE. The PDS indicates the selection process involves selecting the best-in-class manager for each asset class but the actual underlying holdings have not been provided. It is recommended an in-depth look at the workings of the related party relationships be assessed, particularly noting how any disputes, underperformance or other issues are able to be addressed.	No flag warranted, investment management has been delegated to Watershed, manager selection refers to further look through of the underlying funds.
12.	Are the allocation in line with expectation based on the understanding of the fund's strategy?	According to the PDS the fund targets 65% listed equities, 7% real assets, 20% alternatives, 6% fixed interest and 2% cash. All allocations currently within allowable ranges.	No concerns regarding the AA and targets

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
13.	Please provide a definition of what you consider to be a liquid and an illiquid investment, including your basis for this definition. Keystone Comments: 'Listed investments with the ability to sell down (high market liquidity) are deemed as liquid; Illiquid investments are defined as assets that cannot be divested within 5 business days.' Is the definition provided considered reasonable?	Is the definition considered reasonable? Yes	No comment
14.	Based on the asset allocation, would that have implications to the funds liquidity profile?	No comment	No comment
15.	Based on the flows and the allocations to illiquid, would that have implications to liquidity?	Flag - No The fund will need to achieve strong growth to secure its long term viability. It is noted the fund has current pledges of \$50m (across the high growth class and the other 3 previously approved asset classes). It is understood from the pledge MWL Financial Group has already provided investment in the other 3 previously approved products (amounts unknown). It is recommended the actual uptake of the other Shield Funds be reviewed, particularly given the pledge provided also relates to other funds already on the Macquarie platform.	No concerns, underlying holdings are considered liquid (large cap bias), fund size is also large noting that the fund being reviewed is the Class C offering as such concentrations are not indicative of the total holdings in the strategy
16.	Based on the investor profile, would that have implications to liquidity?	No comment	No Comment
17.	Is the hedging policy considered reasonable?	No comment	No comment
18.	LIQUIDITY ASSESSMENT Based on above, should there be changes to liquidity flag. If yes, please provide comments	Proposed Flag - 5 Fund is invested in Watershed, which has a redemption policy of 5 business days. The fund is also limited to a maximum of 20% illiquid assets (direct property)	Flag of 4 is more appropriate, liquidation scenarios support a flag of 4.

No.	Item	NMG Consultant Analysis	IGT Manager Peer Review
19.	FUM Comment based on research report.	N/A – new fund	No comment
20.	Is the fund considered Investment Grade?	Flag - Yes All underlying funds are rated as investment grade and SQM have rated the fund as favourable in October 2021.	Agree with comment and conclusion
21.	Is the fund considered True to Label? -	Flag - No According to the PDS the investment structure is to select fund managers specialised in each asset class, region and sector. All underlying investments are currently managed by Watershed who also has related party relationships with the company. The management of these relationships will be important for the success of the fund. It is noted the actual underlying holdings of Watershed have not been provided. As a new fund performance information is not available at this time.	Fund is considered TTL, the 'best of breed' review of managers is conducted via the underlying funds.
22.	Key risks / noteworthy findings	The fund is new and as such there is no performance history available and the fund has not achieved the scale required for long term viability at this time. SQM Research consider the fund and its counterparties as being appropriately qualified and have a positive view of the team environment. SQM has noted the fees are below the peer group average and the manager interests are aligned with investors through the remuneration structure. The fund has a significant pledge worth around \$50m across 4 products offered. The greatest concern is the lack of independence from the investment manager (and other counterparties) and the process of ensuring the best-in-class manager would be selected per asset class when currently these are all managed by Watershed rather than directly by the manager. The management of this relationship, particularly where there is underperformance/disagreements/other issues will be critical to the long term success of the fund.	No additional findings. Back tested data is considered an appropriate reflection of the fund given the longer dated track records of the underlying funds.

Approval of the addition of the High Growth class of the SMF to Wrap

106. On 27 April 2022, the IGT Manager prepared a note, copied to the IGT and the IGT Head, recommending the addition or reopening of certain products to the investment menu of Wrap, including the High Growth class of the SMF. The note did not include any

recommendation to place the High Growth class of the SMF on a watch list such as the Watch List referred to in the IGF.

107. On 4 May 2022, the IMA was varied to include the SMF High Growth class.
108. On 6 May 2022, the SMF High Growth class was added to Wrap without placing that class of the SMF on a watch list such as the Watch List referred to in the IGF.
109. On 10 August 2022, a note with the subject 'IGT Quarterly Report – Ongoing and Upfront Due Diligence and Items of Note' included, at Appendix 1, the recommendation/approval for the High Growth class of the SMF on Wrap.
110. On 10 August 2022, the IGT noted in its quarterly report to the SIIC that the High Growth class of the SMF had been approved on 29 April 2022.
111. By 6 May 2022, MIML knew each of the matters referred to in paragraphs 67 to 89, and 99 to 105 above and therefore knew, in addition to the matters referred to in paragraph 97 above, that:
 - a. the PDS for the High Growth classes of the SMF stated (*inter alia*) that one of the steps in the investment process was to source the best-in-breed fund manager for each desired asset type, and the FSC Questionnaire stated that CF Capital Investments philosophy was founded on working with the best-in-breed listed fund managers, whereas the High Growth DDQ indicated (*inter alia*) that all of the SMF's underlying holdings would be managed by Pearl / Watershed with the intention that a target 20% of funds would eventually be invested in a property development sub-fund (Chiodo Diversified Property Fund) and the SQM Report also referred to 20% of the fund being managed by CF Capital and 80% by Pearl / Watershed Funds Management; and
 - b. there were liquidity risks arising from the proposed investment in the property development fund, Chiodo Diversified Property Fund, given that it was an illiquid asset.
112. The matters known to MIML and identified in paragraph 111 above warranted the inclusion of the High Growth class of the SMF on a watch list such as the Watch List, referred to in the IGF, for closer monitoring, but, notwithstanding that, MIML / the IGT did not add the High Growth class of the SMF to any watch list on or at any time after 6 May 2022.

F. PAYMENT PROGRAM

113. On 24 September 2025 MIML offered to ASIC, and ASIC accepted, an undertaking under s93AA of the ASIC Act.
114. A copy of the undertaking is annexed to this SAFA.
115. In summary, the undertaking requires the return to each of the affected members of Macquarie Super of an amount equal to 100% of the net capital amount they invested in the SMF (being the difference between the amount deducted from the cash hub of the affected member in order to give effect to an investment direction to acquire SMF units, less the amount credited to the affected member's cash hub following a direction to redeem SMF units).

G. ADMISSIONS OF CONTRAVENTIONS

116. In light of the facts referred to in the earlier sections of this SAFA, MIML makes the admissions set out in paragraphs 117 to 122 below for the purpose of the Proceeding.
117. By 1 March 2022 (being the date on which the Conservative, Balanced and Growth classes of the SMF were added to Wrap), MIML ought to have placed each of those classes of the SMF on a watch list, such as the Watch List referred to in the IGF, in order that they could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.
118. In the period between 1 March 2022 and 5 June 2023 (being the period during which the Conservative, Balanced and Growth classes of the SMF were investment options on Wrap), MIML ought to have placed each of those classes of the SMF on a watch list, such as the Watch List referred to in the IGF, in order that they could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.
119. By 6 May 2022 (being the date on which the High Growth class of the SMF was added to Wrap), MIML ought to have placed that class of the SMF on a watch list, such as the Watch List referred to in the IGF, in order that it could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.

120. In the period between 6 May 2022 and 5 June 2023 (being the period during which the High Growth class of the SMF was an investment option on Wrap), MIML ought to have placed that class of the SMF on a watch list such, as the Watch List referred to in the IGF, in order that it could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.
121. By reason of the matters referred to in each of paragraphs 117 to 120 above, at all times between 1 March 2022 and 5 June 2023, MIML failed to do all things necessary to ensure that the financial services covered by its financial services licence were provided efficiently, honestly and fairly, and MIML thereby contravened s 912A(1)(a) of the Corporations Act.
122. By reason of each of the contraventions referred to in paragraph 121 above, MIML contravened s 912A(5A) of the Corporations Act.

Date: 24 September 2025



Signed by Nicolette Bearup
Lawyer for the Plaintiff



Signed by James Campbell
Lawyer for the Defendant

COURT ENFORCEABLE UNDERTAKING*Australian Securities and Investments Commission Act 2001*

Section 93AA

The commitments in this undertaking are offered to the Australian Securities and Investments Commission (ASIC) by:

Macquarie Investment Management Ltd
ACN 002 867 003
Level 1, 1 Elizabeth Street, Sydney, New South Wales
(MIML)

1 Definitions

In addition to terms defined elsewhere in this undertaking, the following definitions are used:

Affected Investor means a person who invested in SMF through Wrap and, as at the date of this Court Enforceable Undertaking, continues to have funds invested in SMF through Wrap.

ASIC Act means the *Australian Securities and Investments Commission Act 2001* (Cth)

Corporations Act means the *Corporations Act 2001* (Cth)

Net Capital Amount means, in respect of each Affected Investor, the total amount deducted from the cash hub of the Affected Investor in order to give effect to an investment direction to acquire SMF units, less the total amount credited to the Affected Investor's cash hub following a direction to redeem SMF units, provided that the Net Capital Amount may not be less than zero.

SMF: see clause 2.2.

Wrap: see clause 2.3.

2 Background

- 2.1 Under s1 of the ASIC Act, ASIC is charged with a statutory responsibility to perform its functions and to exercise its powers so as to promote the confident and informed participation of investors and consumers in the financial system.
- 2.2 ASIC is investigating the management and operation of the Shield Master Fund ARSN 650 112 057 (SMF), a registered managed investment scheme. Keystone Asset Management Limited (KAM) is the responsible entity of the scheme and is now in liquidation.
- 2.3 Affected Investors invested in SMF through the Macquarie Superannuation Plan (RSE R1004496) (MSP), a 'platform'-style superannuation fund the trustee for

which was MIML, or through an investor-directed portfolio service (**IDPS**), the operator and custodian of which is MIML. The MSP and the IDPS comprise an investment platform known as 'Macquarie Wrap' (**Wrap**).

- 2.4 ASIC has conducted an investigation (**MIML Investigation**) into MIML's conduct in making SMF available for investment through Wrap.
- 2.5 The MIML Investigation has resulted in MIML proposing the Ex Gratia Payment set out in section 4 below and ASIC and MIML seeking to finalise ASIC's concerns in relation to MIML that are the subject of ASIC's investigation through an agreed Court outcome, involving MIML admitting to contraventions of ss 912A(1)(a) and 912A(5A) of the Corporations Act and agreeing facts in support of those contraventions in proceedings to be commenced by ASIC against MIML, with ASIC agreeing not to seek a civil penalty in respect of those contraventions.
- 2.6 The proposed proceedings in relation to the agreed Court outcome (**Proceedings**) relate to failures by MIML to place each of the classes of SMF on a watch list so that they could be subject to further monitoring including additional reporting, due diligence, performance monitoring or other follow up action.
- 2.7 MIML:
 - 2.7.1 acknowledges and admits it contravened ss 912A(1)(a) and 912A(5A) of the Corporations Act as set out in Attachment A;
 - 2.7.2 has agreed to make certain admissions in the Proceedings that will be commenced by ASIC to support ASIC obtaining declarations from the Court regarding the contraventions as set out in Attachment A (**the Declarations**). The admissions and facts upon which those admissions are based are recorded in a signed Statement of Agreed Facts and Admissions (**SAFA**), which will be filed in the Proceedings;
 - 2.7.3 will join with ASIC in making submissions to the Court in support of obtaining the Declarations; and
 - 2.7.4 has agreed to pay ASIC's costs of the Proceedings.

3 Implementation Plan

- 3.1 ASIC has been informed by MIML that:
 - 3.1.1 at the request of the Australian Prudential Regulation Authority (**APRA**), MIML appointed KPMG (the **Independent Expert**) to conduct a review of the design and operating effectiveness of MIML's Investment Governance Framework;
 - 3.1.2 the Independent Expert has completed the review, and its report was issued to APRA on 17 December 2024, before being provided to ASIC on 20 December 2024;

- 3.1.3 MIML has established a plan to address the recommendations made by the Independent Expert by timeframes acceptable to APRA and with assurance testing to be completed by 30 September 2026 (**Implementation Plan**);
- 3.1.4 assurance testing will be undertaken by the Macquarie internal audit function (**Internal Audit**) to review the design and operating effectiveness of all deliverables within the Implementation Plan, and report the conclusion of the assurance testing (**Assurance Report**);
- 3.1.5 MIML has also established a governance framework to oversee the completion of the Implementation Plan, including a steering committee that reports to the MIML Board;
- 3.1.6 a copy of the Implementation Plan was provided to ASIC on 6 March 2025;
- 3.1.7 within one week after the date of the Assurance Report, MIML will provide it to APRA and send a copy to ASIC; and
- 3.1.8 any findings identified in the Assurance Report will be addressed by MIML in a manner and time acceptable to APRA, with Internal Audit providing an updated assurance report to APRA, and sending a copy to ASIC (**Updated Assurance Report**).

4 **Payment Program**

- 4.1 Macquarie Group has commenced a program (**Payment Program**) in order to pay to each Affected Investor an amount equal to the Net Capital Amount. The Payment Program is comprised of the following steps:
 - 4.1.1 on 24 September 2025, MIML agreed to sell beneficial ownership of all units in SMF that it held for Affected Investors to Macquarie Financial Limited (MFL) in return for a cash payment that will be allocated to each Affected Investor's superannuation or IDPS account (as applicable) on or before 30 September 2025 (**Cash for Asset Swap**); and
 - 4.1.2 on or before 30 September 2025, MFL will make an ex gratia payment to each Affected Investor in an amount equal to their Net Capital Amount less the amount allocated to their superannuation or IDPS account as part of the Cash for Asset Swap (**Ex Gratia Payment**).

5 **Undertakings**

- 5.1 Under section 93AA of the ASIC Act, MIML has offered and ASIC, having regard to the Payment Program, the Proceedings and the matters referred to at paragraphs 2.6, 2.7 and 3, has agreed to accept as an alternative to other civil or administrative enforcement action against MIML arising from the MIML Investigation, undertakings from MIML that:

(Payment Program)

- 5.1.1 on or before 31 October 2025, it will arrange for the preparation, by a suitably qualified third party, of a report on the Payment Program (**Payment Program Report**), which will:
- i. assess whether payments made to each Affected Investor through the Payment Program are equal to the Net Capital Amount for each Affected Investor; and
 - ii. assess whether there are any Affected Investors who have not been paid an amount at least equal to their Net Capital Amount, and identify those Affected Investors (**Identified Affected Investors**) and the amount of their Net Capital Amount that has not been paid (**Shortfall Amount**); and
- 5.1.2 if there are any Identified Affected Investors, MIML will cause MFL to make payments to them of their respective Shortfall Amounts on or before 30 November 2025, failing which MIML will make those payments.

(Costs)

- 5.1.3 it will pay its costs and the costs of the suitably qualified third party in connection with the Payment Program and not seek reimbursement from or contribution towards those costs from any Affected Investor;
- 5.1.4 it will not seek any waiver or release from any Affected Investor of any claims it may have against MIML or any other company or individual;
- 5.1.5 it will pay the costs of its compliance with this court enforceable undertaking;
- 5.1.6 it will provide all documents and information requested by ASIC from time to time for the purpose of assessing MIML's compliance with the terms of this court enforceable undertaking.

6 Acknowledgements

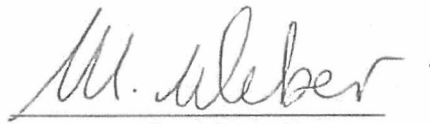
- 6.1 MIML acknowledges that ASIC:
- 6.1.1 may issue a media release on execution of this undertaking referring to its terms and to the concerns of ASIC which led to its execution;
 - 6.1.2 may from time to time publicly refer to this undertaking;
 - 6.1.3 will from time to time publicly report about compliance with this undertaking;
 - 6.1.4 will make this undertaking available for public inspection;
 - 6.1.5 may issue a media release referring to the content of the Payment Program Report;

- 6.1.6 may from time to time publicly refer to the content of the Payment Program Report; and
 - 6.1.7 may make available for public inspection a summary of the content of the Payment Program Report, or a statement that refers to its content.
- 6.2 ASIC acknowledges that it will not refer to any information from the Payment Program Report that:
- 6.2.1 consists of personal information of Affected Investors;
 - 6.2.2 consists of personal information of an identified natural person whose acts or omissions are not the subject of, or a concern mentioned in, the court enforceable undertaking;
 - 6.2.3 ASIC is satisfied would be unreasonable to release because the release of the information would unreasonably affect the business, commercial or financial affairs of MIML or a third party otherwise than in a way that arises from the execution, implementation and reporting of the outcomes of the enforceable undertaking;
 - 6.2.4 ASIC is satisfied should not be released because it would be against the public interest to do so; or
 - 6.2.5 MIML has asked not to be released if ASIC is satisfied:
 - i. it would be unreasonable to release because the release of the information would unreasonably affect the business, commercial or financial affairs of MIML otherwise than in a way that arises from the execution, implementation and reporting of the outcomes of the court enforceable undertaking; or
 - ii. it should not be released because it would be against the public interest to do so.
- 6.3 Further, MIML acknowledges that:
- 6.3.1 ASIC's acceptance of this undertaking does not affect ASIC's power to investigate, conduct surveillance or pursue a criminal prosecution or its power to lay charges or seek a pecuniary civil order in relation to any contravention not the subject of the MIML Investigation^{2.4}, or arising from future conduct; and
 - 6.3.2 this undertaking in no way derogates from the rights and remedies available to any other person or entity arising from any conduct described in this undertaking or arising from future conduct.
- 6.4 MIML acknowledges that this undertaking has no operative force until accepted by ASIC, and MIML and ASIC acknowledge that the date of the court enforceable undertaking is the date on which it is accepted by ASIC.

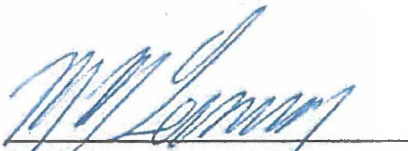
Executed by **MACQUARIE INVESTMENT MANAGEMENT LTD ABN 66 002 867 003** in accordance with section 126(1) of the *Corporations Act 2001* (Cth) by its duly authorised delegates:


Signature of authorised delegate

John Vincent Eastin
Name of authorised delegate

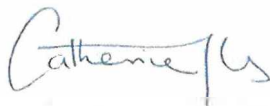

Signature of authorised delegate

MICHELLE WEBER
Name of authorised delegate


Signature of authorised delegate

Matthew McLennan
Name of authorised delegate

Accepted by the Australian Securities and Investments Commission under s93AA of the ASIC Act by its duly authorised delegate:



.....
Catherine Iles

Delegate of Australian Securities and Investments Commission

24 September 2025

ATTACHMENT A: DECLARATIONS

1. By 1 March 2022 (being the date on which the Conservative, Balanced and Growth classes of the SMF were added to Wrap), MIML ought to have placed each of those classes of the SMF on a watch list, such as the Watch List referred to in the IGF, in order that they could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.
2. In the period between 1 March 2022 and 5 June 2023 (being the period during which the Conservative, Balanced and Growth classes of the SMF were investment options on Wrap), MIML ought to have placed each of those classes of the SMF on a watch list, such as the Watch List referred to in the IGF, in order that they could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.
3. By 6 May 2022 (being the date on which the High Growth class of the SMF was added to Wrap), MIML ought to have placed that class of the SMF on a watch list, such as the Watch List referred to in the IGF, in order that it could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.
4. In the period between 6 May 2022 and 5 June 2023 (being the period during which the High Growth class of the SMF was an investment option on Wrap), MIML ought to have placed that class of the SMF on a watch list, such as the Watch List referred to in the IGF, in order that it could be subject to further monitoring action, including in accordance with the provisions of the IGF, additional reporting, due diligence, performance monitoring or other follow up action, but did not do so.

5. By reason of the matters referred to in each of paragraphs 1, 2, 3 and 4 above; at all times between 1 March 2022 and 5 June 2023, MIML failed to do all things necessary to ensure that the financial services covered by its financial services licence were provided efficiently, honestly and fairly, and MIML thereby contravened s 912A(1)(a) of the Corporations Act.
6. By reason of each of the contraventions referred to in paragraph 5 above, MIML contravened s 912A(5A) of the Corporations Act.

