FINANCIAL ADVICE ASSOCIATION AUSTRALIA

The next CSLR "Black Swans" – Shield Master Fund and First Guardian

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Concerns about potential future large scale CSLR matters were reinforced by a media release issued on 27 May 2025 by the CLSR Operator. Whilst this media release was focussed on an underspend of the 2024/25 CSLR levy, it included a clear warning "beyond DASS, the CSLR has seen multiple large-scale firm failures within the personal financial advice sector, with at least two of these failures potentially leading to more than 800 claims". Previously released average claim values for Dixon Advisory and United Global Capital (UGC) have been around or above $120k. 800 plus claims at a cost of $120k each, could easily mean $100m or more**.**

The financial advice profession has already been stung very hard by the CSLR exposure to Dixon Advisory and UGC, and many advisers are concerned about when and where the next major event will come from. It appears that there are two new matters that they should be rightly concerned about. These two matters, which have achieved a lot of media coverage in the last six to twelve months, are Shield Master Fund and First Guardian Master Fund.

There are striking similarities between these two new matters, both involving the collapse of investment funds that appear to have been invested in property development, property loans and other business loans.

Shield Master Fund first came into the mainstream media spotlight as a result of an ABC article in July 2024. This article described the business model employed, based around cold calling and high-pressure sales tactics, naming a specific advice firm called Venture Egg.

The problems with First Guardian did not generate media attention until earlier this year, although the fund had suspended withdrawals in May 2024. From what has been stated in the media, it seems that each of these funds had around half a billion dollars in client funds under their management.

Understanding the relevance to financial advice

This raises a question as to why the collapse of two investment funds has a direct impact on the CSLR exposure of the financial advice profession. Firstly, it shouldn't, unless the provision of personal financial product advice to retail clients is involved, and unless the likely successful AFCA claims are large enough to bring down one or more of the licensees who were involved. If numerous licensees were involved and none were overly exposed, then this is less likely to be a material factor impacting the CSLR.

ASIC's web pages on Shield and First Guardian clearly set out which licensees and, for some licensees, which advice practices, it believes have been involved in the distribution of these products. We have included these details in the table below:

Shield Master Fund RE: Keystone Asset Management (in liquidation) c. 5,800 investors		**First Guardian RE: Falcon Capital Limited (in liquidation) c. 6,000 investors**	
Licensee	**Authorised Reps**	**Licensee**	**Authorised Reps**
Interprac Financial Planning Pty Ltd	• Venture Egg • Reilly Financial	• Interprac Financial Planning Pty Ltd	• Venture Egg • Reilly Financial
Financial Services Group Australia Pty Ltd (licence Cancelled)	• Rebellis Financial Services • 5 Point Australia • AS Financial Planning • STC Financial	• Financial Services Group Australia Pty Ltd (licence Cancelled)	• Rebellis Financial Services • 5 Point Australia • AS Financial Planning
MWL Financial Services Pty Ltd		• United Global Capital Pty Ltd (In Liquidation)	
Next Generation Advice Pty Ltd (In Liquidation)			

ASIC's table above suggests that only four advice licensees were involved with Shield and three with First Guardian. Concerningly, however, two licensees were involved with both. It is also understood that Venture Egg and Financial Services Group Australia, are controlled by the same person. What is further alarming is that Next Generation Advice and United Global Capital are already in liquidation, so complaints related to these licensees are likely to end up with the CSLR.

Limited number of platforms involved

ASIC also published the following details on the superannuation platforms that seem to be involved with these matters.

Shield Master Fund	First Guardian
Macquarie Wrap	Netwealth Superannuation
NQ Super	NQ Super
Super Simplifier	Your Choice Super
	Australian Practical Superannuation

Estimating the likely impact

At this stage we do not know the scale of the losses in either Shield or First Guardian, however there is potential that the losses will be substantial. Seemingly, many of the clients have ended up with a large percentage of their portfolio invested in either one or both of these funds. Neither do we know the extent of the exposure of each of the licensees to each of these funds, however what has been publicly reported already provides some useful insight:

- A 16 February 2025 article by the AFR reported “The turbocharged funds flow into Shield in 2022 and 2023 was from a small group of financial advisers in Melbourne”. This article includes a statement attributed to the owner of Venture Egg, that “His firm, which is an Authorised Representative of InterPrac, has 5,000 clients with about $250 million in Shield”.
- A 4 March 2025 article in the Australian includes a statement that “Venture Egg has about 3,600 clients with $192m invested in First Guardian”.

When combined, based upon these two media articles, it would appear that Venture Egg has an exposure of around $442m to Shield and First Guardian.

On 27 February 2025, ASIC issued a media release to confirm that the Federal Court had frozen the assets of Ferras Merhi, the owner of Venture Egg. This would suggest that ASIC is taking this matter very seriously. Interprac’s authorisation of both Venture Egg and Ferras Merhi ceased on 31 May 2025. On 13 June 2025, ASIC announced the cancellation of the AFSL for Financial Services Group Australia and the permanent banning of the sole Responsible Manager.

Licensee response

Sequoia Financial Group, the parent entity of Interprac, issued an ASX statement and Media Release on 7 April 2025 to acknowledge ASIC's investigation of Interprac and Ferras Merhi, however noted that it was reviewing the obligations of rating houses, the conduct of the funds, the obligations of trustees, auditors and custodians, and the obligations of platform providers.

We will need to carefully monitor the progress of the Shield and First Guardian matters to understand the likely impact on the CSLR, however the warning sirens are certainly going off.