

**Compliance Committee Minutes for the Theta Asset Group
Theta Asset Management Ltd and
Valuestream Investment Management Ltd**

Meeting details: 1.00pm (WST) Wednesday 1 August 2018

Location: Teleconference

Attendees (members): [REDACTED] S (Chair)
[REDACTED] S (by phone)
[REDACTED] S (by phone)
[REDACTED] 4

Apologies (members): -

Other attendees (guests): [REDACTED] S (Sydney office)
Robert Marie (M) (Sydney office)
[REDACTED] S (Sydney office)
[REDACTED] 475

Schemes: S 22 [REDACTED]

Theta:

Sterling Income Trust (ARSN 158 828 105)

S 22 [REDACTED]

<p>Previous minutes: Stored SharePoint Item 1</p>		<p>The minutes of the previous Compliance Committee meeting held on Thursday 26th April 2018 were approved.</p> <p>Minutes for the meeting are stored in SharePoint folder: SharePoint > <u>Compliance Committee</u> > <u>FY2018</u> > <u>FY2018 04 Theta and VIML Apr 2018</u> > 01 Committee Meeting Material .</p>
<p>Board Papers NTA & cash-flow VIML & TAML: SharePoint: Item 2</p>	<p>RE 2Ai 2Di 2Dii 5Ci 19Ei</p>	<p>Reports tabled (SharePoint):</p> <ul style="list-style-type: none"> • NTA calculation and cash flow forecast (April to June 2018) • Compliance Plan task results report Q4 2018 (April to June 2018) • Overdue task report (includes non-retail scheme) (as at 30/6/2018) <p>SharePoint > <u>Compliance Committee</u> > <u>FY2019</u> > <u>FY2019 01 Theta and VIML 1 Aug 2019</u> > 02 Board Mtg Minutes_Rpts to Board NTA</p> <p>SharePoint > <u>Compliance Committee</u> > <u>FY2019</u> > <u>FY2019 01 Theta and VIML 1 Aug 2019</u> > 03 Registers</p> <ul style="list-style-type: none"> • It was noted that the April NTA calculation was missing from SharePoint. This would be addressed after the conclusion of the meeting. • S 22 [REDACTED] • No issues have been identified with either the NTA or forward cash flows for the reporting period.

Registers: Breaches SharePoint: Item 3	Fund 20Ai 20Aii	<p>Reports tabled (SharePoint):</p> <ul style="list-style-type: none"> • Training register (as at 30/6/2018) • Breaches register incidents – full year (includes non-retail scheme) (July 2017 to date and April to June 2018) • Breach register – Q4 2018 • ESP incident report full year (includes non-retail scheme) (July 2017 to June 2018) • Incident summary report (includes non-retail scheme) (as at 30/6/2018) <p>FY2018 Q4 and a full year breach register are available in SharePoint > Compliance Committee > FY2019 > FY2019_01 Theta and VIML 1 Aug 2019 > 03 Registers</p> <p>Open breaches as at quarter end:</p> <ul style="list-style-type: none"> • s 22 [REDACTED] • [REDACTED] • SIT HY audit remains ongoing. • s 22 [REDACTED] <p>Breaches closed during the quarter:</p> <ul style="list-style-type: none"> • SIT tax return late lodgement on 29 June 2018
Complaints SharePoint: Item 3	RE 16Bi	<p>Reports tabled (SharePoint):</p> <ul style="list-style-type: none"> • Complaints register Q4 (April to June 2018) • Complaints incident task report full year <p>SharePoint > Compliance Committee > FY2019 > FY2019_01 Theta and VIML 1 Aug 2019 > 03 Registers</p> <ul style="list-style-type: none"> • One complaint was received during the period. SIT complaint recorded regarding the redemption of units by the estate of a late SNL lessee. PM noted the unit acquisition had been settled and the complaint required a closing letter to be sent to the complainant to close the matter.
Conflicts & Related Parties SharePoint: Item 3	RE 8Ai Fund 8Ci 8Di	<p>Reports tabled (SharePoint):</p> <ul style="list-style-type: none"> • Conflicts of Interest register (as at 30/6/2018) <p>SharePoint > Compliance Committee > FY2019 > FY2019_01 Theta and VIML 1 Aug 2019 > 03 Registers</p> <ul style="list-style-type: none"> • There were no new conflicts or related party matters to note during the period.
Scheme updates SharePoint: Item 5	19Ai 19Bi 19Di	s 22 [REDACTED]

		<p><i>Sterling Income Trust:</i></p> <ul style="list-style-type: none"> • HY audit remains in progress. Pending valuations and SFAL audited financial statement for FY2017. • No investor reports have been provided. <p>s 22</p>
Mandate Compliance and Offer documents	Fund 8Bi 13Bi 15Bi 17Ai 17Bi 19Ci	<ul style="list-style-type: none"> • All schemes are invested within their specific mandates, as stated in the offer document for each scheme and class. • No other issues have arisen over the reporting period requiring amendments to the disclosure documents.
Quarterly custodial reporting	RE 1Ai 1Bi 1Bii	<p>Quarterly Custodial reports for the period ending 30 June 2018 have been received from:</p> <ul style="list-style-type: none"> • s 22 • AEIL for s 22, SIT, s 22 <p>Annual review meetings have been conducted and no material issues were identified during the review process of the Custodians or in any of the reports received during the period.</p>
Quarterly KPI review of ESP's SharePoint: Item 5	RE 7Bii 7Biii Fund 12Ai 13Ai 13Aii 13Bi 14Ai 14Aii 14Bi 15Ai 15Aii	<p>Reports tabled (SharePoint):</p> <ul style="list-style-type: none"> • Annual review meeting notes (ESP Reviews) • Service Provider internal ratings (ESP Reviews) • Summary of ESP ratings (ESP Reviews) • Compliance statements (Fund) • Breach notice (SIT) <p><u>SharePoint > Compliance Committee > FY2019 > FY2019_01 Theta and VIML 1 Aug 2019 > 05 Fund and ESP information</u></p> <p>Quarterly KPI reviews for ESP's providing custody, registry and fund accounting for the period are ongoing. The KPI reviews are based on the following criteria:</p> <ul style="list-style-type: none"> • Fees and expenses • Unit Pricing and valuation • Income and distributions • Applications and redemptions for unit registry services • Custodial



		<ul style="list-style-type: none"> Investment Management <p>No KPI summary report was produced this quarter due to annual reviews conducted.</p> <p>There was one redemption matter with Sterling resulting in a complaint as noted above – refer register.</p> <p>The following service ratings were noted:</p> <ul style="list-style-type: none"> [REDACTED] s 22 [REDACTED] [REDACTED] s 22 [REDACTED] Sterling Corporate Services has been rated as a poor performer and that Theta continues to direct its resources to improving the result. All other ESP's were rated Good performers and performed in line with expectations during the quarter
Distributions:		<p>s 22 [REDACTED]</p> <p><i>Sterling Income Trust:</i></p> <ul style="list-style-type: none"> SIT classes have distributed income. <p>s 22 [REDACTED]</p> <p>No issues identified in relation to income collection.</p>
Scheme Promotional material	11Ai 11Aii	<p>s 22 [REDACTED]</p> <p><u>SharePoint > Compliance Committee > FY2019 > FY2019 01 Theta and VIML Aug 2019 > 07</u> Promotional material</p> <p>s 22 [REDACTED]</p> <p><i>Sterling Income Trust:</i></p> <ul style="list-style-type: none"> Income unit and Growth unit PDS withdrawn (cease to be In-Use) 30 Apr 2018 <p>s 22 [REDACTED]</p>

		s 22
Statutory audit FY2018 and late audits		<p>Half-year audit (FY2018):</p> <ul style="list-style-type: none"> SIT – remains pending completion of audit. A breach notice has been lodged with ASIC. <p>Full year audit (FY2018):</p> <p>s 22</p> <ul style="list-style-type: none"> SIT – Not yet started <p>s 22</p>
Annual CP & Policy document reviews <i>SharePoint:</i> Items 8	5D	In accordance with the review schedule of Policy document, reviews continue throughout the year. Privacy, Valuations, Unit Pricing, Authorised Representative and Liquidity policies were all reviewed during the period and are pending Board sign off so not tabled for the CC.
General business: <i>SharePoint:</i> Items 8	RE 3Ai 3Aii 4Dii 4Diii 7Bi 9Bi Fund 5Ci RE 19Ei	<p>Reports tabled (SharePoint):</p> <ul style="list-style-type: none"> Attestations Banned and Disqualification checks <p><u>SharePoint > Compliance Committee > FY2019 > FY2019_01 Theta and VIML 1 Aug 2019 > 08 Other information</u></p> <p><i>Other matters:</i></p> <p>The CC noted the following matters:</p> <ul style="list-style-type: none"> Annual review of banned and disqualified conducted with no adverse findings. Annual attestations of staff, CC and Board members were received with no adverse finding or declarations. Registry Direct is on watch due to their financial position and required delivery of system enhancements. <p>Upcoming reporting:</p> <p><i>New business:</i></p> <p>No new prospects noted in this period.</p>
ASIC communication		<p>Reports tabled (SharePoint):</p> <p>s 22</p> <ul style="list-style-type: none"> SIT ASIC communications <p><u>SharePoint > Compliance Committee > FY2019 > FY2019_01 Theta and VIML Aug 2019 > 06 ASIC Correspondence</u></p> <p>AIM notification of scheme auditor lodged</p> <ul style="list-style-type: none"> s 22 SIT – Cease to be In Use

	<ul style="list-style-type: none"> • SIT s33 notice response • SIT 912C notice response <p>RM provided an update on recent meetings and informal without prejudice communications with ASIC over the Sterling SNL business and its interaction with the SIT.</p> <p>ASIC had been directly contacting SNL holders who were unitholders in the SIT. There are 63 and around 45 have already had visits from ASIC. The SIT investors alerted Sterling to ASICs enquiries and RM requested a meeting with ASIC to understand the circumstances of their visits.</p> <p>Gary Bertram and Michael Darch of ASIC have been investigating the SNL and its relationship with SIT after Dep't of Fair Trading (DFT) Perth received a complaint about the SNL. ASIC felt that Sterling employees had been mis-selling the SIT as observed by DFT at property seminars. A meeting was convened with RM, s 47F (Ebsworth), s 47F and s 47F (Sterling), Gary Bertram, Michael Darch and Ingrid McCormick (ASIC).</p> <p>ASIC provided evidence of Sterling First Projects activity and brochures, whilst making no reference to the SIT, did make statements around the ability to redeem investments. Sterling were advised to cease marketing SNLs. Sterling are still on watch by ASIC for inappropriately selling financial products and ASIC may take further action in this regard.</p> <p>Subsequent to that meeting RM (and s 47F) met with ASIC GB, MD and Natalie Durr to discuss the SIT audit which ASIC is heavily focussing on as it remains outstanding. ASIC are seeking to understand what is holding up the audit and has arranged for weekly updates from RM until such time as the audit is finalised. Pitcher Partners have been requested to attend a conference call with ASIC in the coming week to explain the delay which remains dependant on property valuations and SFAL audit. RM noted ASIC were satisfied with the steps taken to contain any further issues by removing the PDS from use.</p> <p>RM also noted the exit strategy being considered by Sterling and Theta which would see Management Company, Development and Growth unit classes demised. MCU may be paid in-specie now that the shares are seasoned. Development units will be repaid in full subject to the underlying loans being refinanced. Theta understand that Macquarie have provided an indicative offer. Sterling are also seeking same from La Trobe. Growth units are proposed to be bought back by a Sterling entity. Timeframe to achieve these changes would be 3-6 months leaving only Income units as the only remaining investment.</p> <p>DH queried whether Theta has acted in accordance with the CP and queried what action we would take to remove the Manager. RM noted that whilst it may be necessary, it was not in the interest of unitholders or Theta at this time to change operations, however Theta would consider our options to engage directly with Rental Management Australia to manage the rental management rights without Sterling being a party.</p>
Next meeting:	Proposed date of next meeting: Wednesday 10 October 2018

In accordance with the Compliance Committee's obligations under section 601JC(1) of the Corporations Act:-

1. We confirm that the above minutes are a true and correct record of the meeting held and present this as a report of its findings to the Board of the RE's.
2. We confirm that based on the information provided to us and having made our own enquiries or requested additional information from the Compliance Manager as necessary we find:-
 - ☐ The RE has complied with the obligations set out in the compliance plans of its schemes and any deviation from this has been reported in the breaches register. There are no other matters to raise at this time.
 - ☐ We find that the RE has not met all of the obligations of the compliance plan and advise the Board accordingly. See attached
3. All breaches reported to us or identified by us have been recorded in the records of Theta's systems and are available to the Board for their review.
4. We find no cause to report any matter to ASIC at this time as may be required by the committee under s601JC(1)(c) in respect of any breach of the Corporations Act or any breach of the provisions included in the scheme's constitution in accordance with section 601GA.
5. We confirm:
 - ☐ The compliance plans are adequate in their current form.
 - ☐ We find that the compliance plans are not currently in a suitable form and our recommendations are set out as attached.

Signed for and on behalf of the Compliance Committee :

Chairman

Dated: