

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

Meeting details: 12.00pm (WST) Wednesday 22<sup>nd</sup> February 2017  
 Members present: s 47F (Chair), s 47F and s (all by phone)  
 Apologies: NIL  
 Guests: Robert Marie  
 s 47F

Scheme Names:

s 22

Theta:

Sterling Income Trust

s 22

Previous minutes:

Sharepoint:

Item 1

The minutes of the previous Compliance Committee meeting held on 19<sup>th</sup> October 2016 in Perth were confirmed and signed, by s 47F as the Chairman of the Compliance Committee following the meeting.

s 22

Board Papers

NTA & cash-flow

VIML & TAML:

Sharepoint:

Item 2

RE

2Ai

2Di

2Dii

5Ci

19Ei

Board minutes and copies of the NTA calculations for October, November and December 2016 will be made available in Sharepoint following conclusion of the CC meeting.

A copy of the 12 months forward cash flow for both VIML and TAML are already included as an excel file in Sharepoint with a copy of the monthly Compliance reports to the Board.

No issues have been identified with either the NTA or forward cash flows for the reporting period.

Further modelling of the increasing FUM s 22 the Finance Manager will continue to undertake the modelling of several FUM scenarios to ensure no issues arise with the NTA.



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| <b>Registers:</b><br><b>Breaches</b>       | <b>Fund</b><br><b>20Ai</b><br><b>20Aii</b>                         | <p>s 22</p> <p>Three new breaches have been added to the register for Theta, one being on lodgement of the SIT 4th supplemental deed a check of the ASIC website highlighted that although internal records noted the deed as being submitted to ASIC, ASIC did not show the deed as ever having been lodged. ASIC were notified of the breach and a no further action letter was received from ASIC.</p> <p>s 22</p>                          |
| <b>Complaints</b><br>Sharepoint:<br>Item 3 | <b>RE</b><br><b>16Bi</b>   | <p>One new complaint has been added to the register for Theta for the SIT. An investor queried the liquidity of their investment in the SIT was further inflamed by the response given by a Sterling member of staff. As the liquidity of the SIT was being addressed by the lodgement of a withdrawal offering for SIT with ASIC, no further action was deemed necessary.</p> <p>s 22</p>   |
| <b>Conflicts &amp; Related Parties</b>     | <b>RE</b><br><b>8Ai</b><br><b>Fund</b><br><b>8Ci</b><br><b>8Di</b> | <p>The updated related party and conflict registers have been circulated via email to the Compliance Committee members to show that they have been updated with the related party matters arising from fund accounting and registry services being undertaken by Garigal Financial Services.</p> <p>All transactions have received Board review and approval, as being undertaken at an arm's length basis to both RE's and AFS licensees.</p> |
| <b>Scheme update</b>                       |  | <p>An updated ESP register is available on Sharepoint under the registers folder number 3. Reports have been received from all external service providers.</p> <p>s 22</p>   |

s 22

*Sterling First scheme:*


- Draft Redemption Notice to ASIC from Sterling, to notify of conditional redemptions Sterling Income Trust redemption facility of approximately \$500,000 to be made available from the new applicants' funds into the SIT.  
The terms and conditions of the redemption facility were reviewed by PMC.  
Lodgement notice was made by Sterling to ASIC.
- Although much improved, the Sterling schemes remain profiled as the highest risk within the suite of schemes provided by both Valuestream and Theta.

s 22

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| <b>Mandate Compliance and Offer documents</b> | Fund<br>8Bi<br>13Bi<br>15Bi<br>17Ai<br>17Bi<br>19Ci  | <p>remaining schemes are invested within their specific mandates, as stated in the offer document for each scheme and class.</p> <p>No issues have arisen over the reporting period.</p>  |
| <b>Quarterly custodial reporting</b>          | RE<br>1Ai<br>1Bi<br>1Bii   | <p>Quarterly Custodial reports for the period ending 31 December 2016 have been received from:</p> <ul style="list-style-type: none"> <li>s 22</li> <li>s 22</li> <li>AETL for s 22, SIT, s 22</li> </ul> <p>No issues were identified in any of the reports.</p>   |
| <b>Quarterly KPI review of ESP's</b>          | RE<br>7Bii<br>7Biii<br>Fund<br>12Ai<br>13Ai<br>13Aii<br>13Bi<br>14Ai<br>14Aii<br>14Bi<br>15Ai<br>15Aii | <p>Quarterly KPI reviews for ESP's providing custody, registry and fund accounting for the period ending 31 December 2016 have been completed based on the above information received and email communication over the period. The KPI reviews are based on the following criteria:</p> <ul style="list-style-type: none"> <li>Fees and expenses</li> <li>Unit Pricing and valuation</li> <li>Income and distributions</li> <li>Applications and redemptions for unit registry services</li> <li>Custodial</li> <li>Investment Management</li> </ul> <p>s 22</p> <p>All other ESP's performed as expected during the quarter.</p> |
| <b>31 December 16 distributions:</b>          |  | <p>s 22</p> <p>SIT 3 out of 4 classes have distributed income. However, the Management units did not distribute as there was no income for this class of the SIT.</p> <p>s 22</p> <p>No issues identified in relation to income collection.</p>   |
| <b>Promotional material:</b>                  | 11Ai<br>11Aii<br>19Ai  | <p>The list of new promotional material is in Sharepoint. It has not been circulated to the committee members via email.</p> <p>s 22</p>  |



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|   | <p>19Bi</p> <p>19Di</p> | <p>A memo has been sent out to the managers of the s 22 [REDACTED] SIT to ensure the managers are aware of impending changes to the PDS fee tables to meet the requirements of RG 97 compliance. ASIC will be notified by the GCM that the Theta group intends to take advantage of the extended transition period for the end of September 2017.</p> <p>A brief discussion ensued around the perceived benefits of the RG 97 disclosure regime.</p> <p>s 22 [REDACTED]</p> <p>SIT:</p> <ul style="list-style-type: none"> <li>• Unitholder statements are being sent by registry direct.</li> <li>• Formal 'withdrawal offer' notification for the 12 month period from end of January 2017, has been developed and will be lodged with ASIC for the SIT.</li> </ul> <p>s 22 [REDACTED]</p> <p>There is no outstanding promotional material.</p> |
| <p>31 December 2015 interim audits and 30 June 2016 statutory audit</p> |                         | <p>Delays continue with the field work for the interim audit of the Sterling Income Trust have meant that the statutory audit for the FY2016 period for the SIT has not been able to be completed and lodged with ASIC on time. A breach notice has been sent to ASIC notifying of the delay in the audited accounts. A standard letter has been received from ASIC noting their right to ask for further information from Theta over the delay. Despite a meeting being scheduled between senior</p>   |

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|   |   | executives of Sterling, the partner and senior audit associates of Pitcher Partners and Theta staff to go over outstanding matters and resolve the issues to finalise the audit – the audit remains outstanding, s 22  |
| <b>Annual CP &amp; Policy document reviews</b>                |   | <p>In accordance with the review schedule of Policy document, reviews continue throughout the year. The following Policy documents were updated in early 2017:</p> <ul style="list-style-type: none"> <li>• Privacy Policy and statement</li> <li>• AML/CTF Policy is being redrafted</li> <li>• BCP &amp; DRP has been reviewed as part of the on-going monitoring of the business by the Board.</li> </ul> <p>Copies are available on request.</p> <p>Work to rebrand the Policy documents for the sole use of Theta continued during the quieter months of the end of the year.</p> <p>The risk reports generated from the CompliSpace program are available in Sharepoint.</p> |
| <b>General business:</b><br><b>Sharepoint:</b><br>Items 6 & 9 | RE<br>3Ai<br>3Aii<br>4Dii<br>4Diii<br>7Bi<br>9Bi<br><br>Fund<br>SCI<br>RE<br>19Ei | s 22<br> <p>Upcoming reporting:</p> <ul style="list-style-type: none"> <li>• FOS annual survey to allow for the assessment of the annual invoice for continued membership will be due for completion in late March or early April 2017.</li> </ul> <p><i>New business:</i> Prospects were discussed in general terms only.</p>  |
| <b>Next meeting:</b>  |   | Proposed date of next meeting: Tentatively Wednesday 10 <sup>th</sup> May 2017 due to Easter leave, will be confirmed via email.   |

Signed as a true and correct record:

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 Chairman

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 Dated: