

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

Meeting details: 1.00pm (WST) Thursday 26<sup>th</sup> April 2018  
 Members present: S 47F (Chair), S 47F (by phone) and S 47F (by phone)  
 Apologies: NIL  
 Guests: S 47F (by phone)  
 Robert Marie  
 S 22  
 Scheme Names: S 22

Theta:  
 Sterling Income Trust  
 S 22

Previous minutes: Stored Sharepoint Item 1		The minutes of the previous Compliance Committee meeting held on Wednesday 28th February 2018 were approved.  Minutes for the meeting are stored in Sharepoint folder <u>Theta Asset Group Intranet &gt; Compliance Committee &gt; FY2018 &gt; FY2018 04 Theta and VIML Apr 2018 &gt; 01 Committee Meeting Material</u> .
Board Papers NTA & cash-flow VIML & TAML: Sharepoint: Item 2	RE 2Ai 2Di 2Dii 5Ci 19Ei	Board minutes, NTA calculations and 12 months forward cash flow for the period are available in Sharepoint.  No issues have been identified with either the NTA or forward cash flows for the reporting period.  The Jul-Sep 2017 compliance committee report relating to compliance plan tasks is also in the folder. <u>Theta Asset Group Intranet &gt; Compliance Committee &gt; FY2018 &gt; FY2018 04 Theta and VIML Apr 2018 &gt; 02 Board Mtg Minutes CompliSpace Reports and NTA</u>
Registers: Breaches Sharepoint: Item 3	Fund 20Ai 20Aii	Updated registers for Complaints, Breaches, Conflicts and related party matters are in Sharepoint under Item 3.  Two breaches were added to the register for Theta for the reporting period. Both related to the SIT. 1. Unit valuation methodology not consistent with current PDS. Deemed material as it affected all Income Unit holders. The error has been corrected and Sterling made good any adjustment to unitholders. The total being around \$4,000. 2. Late lodgement of HY financial accounts. Audit is still in progress.
Complaints Sharepoint: Item 3	RE 16Bi	One complaint was received during the period and closed. PM noted there was a potential complaint received in April which is under investigation and will be noted in the coming period. Customer threatened media engagement. Sterling have engaged Ebsworth legal to draft communications to the investor as their complaint related primarily to SNLL. The register was available in Item 3 in SharePoint
Conflicts & Related Parties Sharepoint: Item 3	RE 8Ai Fund 8Ci 8Di	Two conflicts have been amended and two related party contracts have been entered into during the period.  Changes relate to the Income Trust and Growth Trust. Robert Marie having become sole director and Co-Sec of each of Income Holdings Pty Ltd and Growth Holdings Pty Ltd – trustees of the above. Each of these trusts are wholly owned sub trusts of the SIT. The changes remove Sterling entities from their control.
Scheme updates Sharepoint: Item 5	19Ai 19Bi 19Di	S 22

		<p><b>s 22</b></p> <p><i>Sterling Income Trust:</i></p> <ul style="list-style-type: none"> <li>Income Unit valuation breach lodged with ASIC. Work on effecting adjustments is complete.</li> <li>HY audit remains in progress. The substantial work involved in Income Unit correction and ASIC responses took resources away from the audit.</li> <li>RM noted that whilst SIT investments were fairly straightforward, the structure was complex and ASIC's queries and Theta's own enquiries also showed this was the case. It was noted that during the work undertaken in responding to the ASIC notices, it was determined by Theta, Sterling and Ebsworth that a supplementary PDS may be necessary to bring greater clarity to parts of the PDS. RM is working with Ebsworths to determine the appropriate inclusions.</li> </ul> <p><b>ACTION:</b> K2 requested the CC be provided with a simple document describing the product with flow chart / diagrammatic elements. – Theta to provide.</p> <p><b>s 22</b></p>
<b>Mandate Compliance and Offer documents</b>	Fund 8Bi 13Bi 15Bi 17Ai 17Bi 19Ci	All schemes are invested within their specific mandates, as stated in the offer document for each scheme and class. Supplementary PDS being considered for SIT. No other issues have arisen over the reporting period.
<b>Quarterly custodial reporting</b>	RE 1Ai 1Bi 1Bii	Quarterly Custodial reports for the period ending 30 March 2018 have been received from: <ul style="list-style-type: none"> <li><b>s 22</b></li> <li>AETL for <b>s 22</b>, SIT, <b>s 22</b>.</li> </ul> No issues were identified in any of the reports.
<b>Quarterly KPI review of ESP's</b> <i>Sharepoint:</i> Item 1	RE 7Bii 7Biii Fund 12Ai 13Ai 13Aii 13Bi	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: <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>



	14Ai 14Aii 14Bi 15Ai 15Aii	One issue was noted at this time for the registered schemes during the reporting period. Refer to the breach report for SIT Unit valuation and pricing. All other ESP's performed as expected during the quarter.
Distributions:		<p>s 22</p> <p>SIT classes have distributed income. Delays occurred due to the adjustments from the valuation and subsequent unit pricing error.</p> <p>s 22</p> <p>No issues identified in relation to income collection.</p>
Scheme Promotional material	11Ai 11Aii	<p>s 22</p> <p>SIT – Nil</p> <p>s 22</p>
Statutory audit FY2017 and late audits		<p>Sterling</p> <p>1. SIT HYDec17 – remains pending completion of audit. A breach notice has been lodged with ASIC..</p> <p>Audit for HY FY18:</p> <p>s 22</p> <p>4. SIT – Overdue</p> <p>s 22</p>
Annual CP & Policy document reviews Sharepoint: Items 5	5D	<p>In accordance with the review schedule of Policy document, reviews continue throughout the year. Complaints Handling Policy was reviewed in November and approved by the Board in February.</p> <p>Theta Asset Group Intranet &gt; Compliance Committee &gt; FY2018 &gt; FY2018_04_Theta and VIML Apr 2018 &gt; 08 Policies and Procedures</p>
General business: Sharepoint: Items 7	RE 3Ai 3Aii 4Dii 4Diii 7Bi 9Bi  Fund 5Ci RE 19Ei	<p>Other matters:</p> <p>The CC noted the following matters:</p> <ul style="list-style-type: none"> <li>FOS Annual Assessments were completed for VIML and TAML. This enables both entities to transition to AFCA once the new body is established.</li> </ul> <p>Upcoming reporting:</p> <p>New business:</p> <p>No new prospects at this time.</p>

ASIC communication	<div style="background-color: black; color: red; padding: 2px;">s 22</div> <ul style="list-style-type: none"> <li>• SIT – Breach notice unit valuation</li> <li>• SIT – Breach notice HY financial statement</li> <li>• SIT s33 notice</li> <li>• SIT 912C notice (rec'd 4.4.18)</li> </ul> <p>All material is in the Sharepoint folder below.  <a href="#">Theta Asset Group Intranet &gt; Compliance Committee&gt; FY2018 &gt; FY2018 04 Theta and VIML Apr 2018 &gt; 06 ASIC Correspondence</a></p>
Next meeting:	Proposed date of next meeting: <span style="float: right;">Wednesday 1 August 2018</span>

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:

*K11 ~ 1/8/18*