

Dear Sir/Madam

Notice to the Unitholders regarding the wind up of the Sterling Income Trust

Theta Asset Management Ltd (ACN 071 807 684) (**Theta**), as responsible entity of the Sterling Income Trust (ARSN 158 828 105) (**SIT**) closed the trust to new applications for Units and withdrew the then current Product Disclosure Statement on 1 May 2018.

Since then, Theta in conjunction with the investment manager, Sterling Corporate Services Pty Ltd (**Sterling**) has been considering the future of the SIT having regard to the 4 classes of units on issue, being Income Units, Growth Units, Development Units and Management Units. Theta and Sterling have consulted with the SITs auditors and the Australian Securities & Investments Commission regarding the future of SIT.

After this review Theta and Sterling determined Theta was not in a position to reissue the SIT PDS as the 31 December 2017 half year audited accounts were not yet finalised. This meant the SIT would remain at its current size for the foreseeable future.

Currently, the SIT is below the size that a managed investment trust is economic to operate. That is the management fees, based on the funds invested, do not currently exceed the operating cost of the SIT. To date Sterling has been absorbing some of these costs and they have indicated they were not planning to continue to absorb these operating costs in the future.

It is not economic for the existing Unitholders to carry all the operating costs of the SIT based on its current size.

In addition, Theta explored operating one or more of the unit classes separately but again as there were no plans to open the PDS the remaining unit classes would not be large enough to operate cost effectively for the remaining Unitholders.

For these reasons Theta and Sterling believed it would be in the best interests of all Unitholder to wind up the SIT.

Theta has sought legal advice regarding this decision and the advice received has confirmed that it is not in the best interests of the Unitholders as a whole to continue the operation of the SIT; and as a result, Theta hereby gives notice that the SIT shall be wound up in accordance with clause 17.1 of the SIT's (**Constitution**), with effect from 13 August 2018.

Clause 17.1 of the Constitution provides that

"The term of the Trust will end on the earlier of:

- (a) the date determined by the Trustee as the date on which the Trust is to be terminated; and*
- (b) the date on which the Trust is terminated under this deed or by law."*

Theta will now consider, with the assistance of Sterling, the process for an orderly sale of the investments and ultimately wind up the SIT. This process will proceed in a manner that will be in the best interests of all Unitholders, taking into account the investments made and the rights attaching to each class of units.

Whilst SIT is closed for applications and withdrawals, income distributions, where possible, will continue during the winding up period. At present it is anticipated that distributions will continue for Income Units and Growth Units, whilst they are not expected for Development Units and Management Company Units.

Unitholders will receive their proportionate entitlement from the net assets of the SIT though the winding up process.

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We note that in winding up the SIT, the Theta may:

- distribute an asset of the SIT to a Unit Holder in specie;
- postpone the realisation of the assets for as long as the Theta thinks fit; and
- retain any part of the assets which may be required to meet any actual or contingent liability of the Theta or payable to the Theta under the Constitution, including for the costs of or incurred in relation to the winding up.

Theta will review all the portfolio assets of each unit class immediately and expects to report to Unitholders by the end of September 2018. If available, the half year and full year audit for financial year 2017/18 will be provided at this time.

In this report Theta and Sterling will provide more details of the assets to be realised for the benefit of unit holders and the timing relating to their sale.

Please contact us or the SCS investment officer, Brian Ruzich on 0418 906 007 or by email investors@sterlingfirst.com.au if you have any questions about this process.

Theta Asset Management Ltd
as responsible entity of the Sterling Income Trust



Robert Marie
Director

Important Information

This letter has been prepared by Theta Asset Management Limited (ACN 071 807 684, AFSL No 230920) ("Theta") the Responsible Entity of the Sterling Income Trust (ARSN 158 828 105) in consultation with Sterling Corporate Services Pty Ltd (ACN 158 361 507) ("Sterling") Investment Manager appointed by Theta. Sterling is appropriately authorised to perform this function as a Corporate Authorised Representative (Number 444776) of Libertas Financial Planning Pty Ltd (ABN 27 160 419 134) (AFSL No. 429718).

The information in this letter is general information only. It is not financial product advice and has been prepared without taking into account your investment objectives, financial circumstances or particular needs.

Information regarding the SIT can be found via the website www.sitfund.com.au or by contacting Sterling on 0418 906 007.