



7 May 2008

Dear Investor

Basis Capital Funds Management Limited ("Basis") is the Responsible Entity ("RE") for the Basis Aust-Rim Diversified Fund ("Aust-Rim"), which invests predominantly all of its assets into the Basis Pac-Rim Opportunity Fund ("Pac-Rim").

Basis as RE received a letter from the independent Directors of Pac-Rim that outlines certain amendments to Pac-Rim's Articles of Association that allow it to make partial returns of capital to all the Pac-Rim Fund investors simultaneously. A substantial portion of illiquid and dislocated assets remains within the portfolio and continue to be managed in the context of difficult credit markets. The independent Directors of Pac-Rim are seeking direction from investors and Basis, as the RE of Aust-Rim, intends to vote in favour of the proposed amendments, as it considers this is in the best interests of Aust-Rim investors.

Basis is continuing to pursue declarations from the Supreme Court of New South Wales with respect to applications received in June 2007 and redemption requests for the 30 June quarter. Any declarations made by the Court will allow Basis to determine the identity of Aust-Rim's members from 2 July 2007 onwards. These proceedings have been allocated provisional hearing dates of 24 and 25 June.

Otherwise, Aust-Rim continues to remain suspended to further applications and redemptions.

We will continue to keep you informed of developments as information comes to hand.

Sincerely

Basis Capital Funds Management Limited

Basis Capital Funds Management Ltd
Level 37, Gateway Building
1 Macquarie Place
Sydney NSW 2000
PO Box N115
Grosvenor Place NSW 1220
T +61 2 8234 5500
F +61 2 8234 5501
www.basiscap.com.au

ACN 092 478 441
Australian Financial Services
Licence No.230576