



4th June, 2008

Dear investor,

We are writing to advise you of important recent developments and information with respect to your investment in the Basis Aust-Rim Diversified Fund ("Aust-Rim Fund").

Firstly, we are pleased to advise approximately A\$37 million will be returning to the Aust-Rim Fund as a result of a partial return of capital from the Basis Pac-Rim Opportunity Fund ("Pac Rim Fund") announced today. Please find attached a letter received today from the Pac-Rim Fund directors.

The return of capital was facilitated by an amendment to the Articles of Association of the Pac-Rim Fund, following overwhelming support by that fund's shareholders (including the Aust-Rim Fund). The return of capital is expected to be completed on or around 30th June, 2008.

The amount to be returned to investors in the Pac Rim Fund represents approximately 30% of its net asset value. This amount was realised through the sale of the Pac Rim Fund's Asian High-Yield securities and the harvesting and restructuring of cash flows from its Structured Credit investments, over the last 10 or so months.

This is an important development as it lays the foundation for Basis Capital Funds Management Limited ("Basis"), as Responsible Entity to the Aust Rim Fund, to return some capital to Aust Rim Fund Unitholders in the future.

The timing and amount of any partial return of capital will depend on the outcome of proceedings initiated by Basis Capital Funds Management Ltd, as Responsible Entity of the Aust Rim Fund and the Basis Yield Fund, in the Supreme Court of New South Wales.

These proceedings are set down for hearing on 24th and 25th June. Basis initiated the proceedings to ensure that it complies with its duties and obligations owed to members of the funds under the Constitutions of each of the funds and the Corporations Act.

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Secondly, in the proceedings mentioned above, on 2nd June 2008 Justice Hammerschlag made orders appointing the following parties as representative defendants:

(i) BT Portfolio Services Limited to represent investors who applied in June 2007 for units in each of the Funds ("the June Applicants");

(ii) Permanent Trustee Australia Limited, in its capacity as sub-custodian of Avanteos Investments Limited, to represent unit holders in each of the Funds who submitted redemption requests in the June 2007 quarter ("the June Redeemers"); and

(iii) ANZ Nominees Limited, in its capacity as sub-custodian of Synergy Capital Management Limited, to represent those unit holders in each Fund who are neither June Applicants nor June Redeemers.

We refer you to the attached Letter regarding further detail on his Honour's directions relating to the timetable for preparation of the matter through to hearing and confirmed the hearing dates fixed for 24 and 25 June 2008.

His Honour made no order as to costs. Basis is hopeful that the appointment of a single representative defendant for each of the June Applicants, June Redeemers and the unit holders in each fund who are neither June Applicants nor June Redeemers is the outcome most likely to minimise costs in these proceedings.

Basis has been working extremely hard for many months to seek a resolution of this matter in the interests of all investors. We are pleased that the orders will facilitate the expeditious preparation of the matter for hearing and we look forward to the final resolution of the proceedings.

Also, as 30th June approaches please note that in light of the proceedings discussed above, and the continuing suspension of the Aust Rim Fund, there will more than likely be a delay in the delivery of annual statements following the end of financial year. As the Aust Rim Fund is unlikely to declare any distributions this year we hope this will not be of a material inconvenience to members.

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Basis continues its endeavours to navigate the Aust Rim Fund, and the underlying credit investments in the Pac Rim Fund, through the recent crisis affecting global credit markets, the banking system and economies around the world. We will keep you informed of any developments as information comes available.

In the meantime please continue to refer to our web site for the latest investor updates and frequently asked questions. (www.basiscap.com.au refer to "Investor Communications")

Yours sincerely,

The Directors,

Basis Capital Funds Management Limited

Disclaimer:

Basis Capital Pty Ltd and Basis Capital Fund Management Ltd, their Directors and Officers, intend to keep investors informed but accept no responsibility for the accuracy of its contents nor for the forwarding or other means by which any person other than the intended recipient, gains access to this letter and its attachments. Additional information is available upon request. This letter and its attachments should not be considered to be financial product advice, in particular they should not be considered to be a recommendation or a statement of opinion intended to influence you in making a decision in relation to financial products. The reader or user of this information should obtain their own advice from a financial advisor before making any decision in relation to the matters in this letter or its attachments.

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Basis Pac-Rim Opportunity Fund

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To all Participating Shareholders

4th June 2008

Dear Participating Shareholder,

As you are aware, the Directors of Basis Pac-Rim Opportunity Fund (the "Fund") recently sought approval, in the form of the Circular dated 6th May 2008 (the "Circular"), from its shareholders to amend the Fund's Articles of Association to allow for a partial return of shareholders' capital as soon as possible.

We are pleased to confirm that 92.79% of the Fund's shareholders registered their unanimous support for the proposal and it is now the intention of the Fund's Directors (and its various Advisors) to return cash to investors before June 30th 2008.

The amount to be returned represents approximately 30% of the Fund's entire invested capital and has been accumulated through the realization of the Fund's Asian High-Yield securities and the harvesting of and restructuring of cash flows from Structured Credit securities.

In the meantime, the Fund's remaining assets continue to be managed in what the Directors consider to be the best interests of the Fund as a whole.

Following the Shareholder vote, the Directors met and resolved that it was appropriate to implement the amendments to the Articles contemplated by the Circular. Shortly, thereafter the amendments were effected by way of a Written Resolution of Pac-Rim Investments Ltd ("PRIL"), as the sole holder of the Fund's Management Shares. Corresponding amendments were also made to the Articles of Association of the Basis Pac-Rim Opportunity Fund (Master) (the "Master Fund").

To allow the Fund to effect a partial compulsory redemption of its Participating Shares the Directors of the Fund subsequently resolved, pursuant to Articles 51 and 72, to lift temporarily the existing suspension of the right to receive redemption proceeds.

Accordingly, the Directors hereby give notice that around 30% of your Participating Shares have been compulsorily redeemed and you will receive a corresponding cash payment on or about June 30th 2008.

The Directors would like to take this opportunity to thank you for your ongoing support and patience during what has been a very difficult time for all.

Yours faithfully,

David Mapley
Zahid Ullah

Disclaimer:

The Fund's Directors and Officers, Investment Manager, Investment Advisor and Administrator wish to keep investors informed but accept no responsibility for the accuracy of its contents nor for the forwarding or other means by which any person other than the intended recipient, gains access to this letter and its attachments. Additional information is available upon request. This letter and its attachments should not be considered to be financial product advice, in particular they should not be considered to be a recommendation or a statement of opinion intended to influence you in making a decision in relation to financial products. The reader or user of this information should obtain their own advice from a professional advisor before making any decision in relation to the matters in this letter or its attachments.



3 June 2008

Dear Investor

In the proceedings commenced by Basis Capital Funds Management Limited ("Basis") as Responsible Entity for the Basis Aust-Rim Diversified and Basis Yield Funds ("the Funds"), Justice Hammerschlag today made orders appointing the following parties as representative defendants

(i) BT Portfolio Services Limited to represent investors who applied in June 2007 for units in each of the Funds ("the June Applicants");

(ii) Permanent Trustee Australia Limited, in its capacity as sub-custodian of Avanteos Investments Limited, to represent unit holders in each of the Funds who submitted redemption requests in the June 2007 quarter ("the June Redeemers"); and

(iii) ANZ Nominees Limited, in its capacity as sub-custodian of Synergy Capital Management Limited, to represent those unit holders in each Fund who are neither June Applicants nor June Redeemers.

His Honour gave directions relating to the timetable for preparation of the matter through to hearing and confirmed the hearing dates fixed for 24 and 25 June 2008

In accordance with those directions, Basis is to file and serve its written submissions by 4 June 2008 and the affidavit evidence of the respective defendants should be served between 11 and 13 June 2008.

Basis will serve any further written submissions by 16 June 2008, with the defendants to serve their written submissions by 20 June 2008. There is provision for Basis to serve any written submissions in reply by 23 June 2008.

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His Honour made no order as to costs. Basis is hopeful that the appointment of a single representative defendant for each of the June Applicants, June Redeemers and the unit holders in each Fund who are neither June Applicants nor June Redeemers is the outcome most likely to minimise costs in these proceedings.

Basis has been working extremely hard for many months to seek a resolution of this matter in the interests of all investors. We are pleased that today's orders will facilitate the expeditious preparation of the matter for hearing and look forward to the final resolution of the proceedings.

We will continue to keep you informed of any developments in the future.

Yours sincerely

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