



Frequently Asked Questions, Basis Aust-Rim Diversified Fund

(as at 26 February 2008)

1. Is BARDF in Liquidation?

No, neither Basis Capital Funds Management Limited ("BCFML") nor BARDF is in liquidation or any similar type of insolvency administration. BARDF is presently closed to new investment applications and has suspended redemptions.

2. Does the Fund or its Responsible Entity ("RE") pay Up-Front or Trail commissions to Financial Advisers?

No. BCFML pays contributions, on behalf of investors, to financial advisers if directed to do so on the investor's application form. The contribution is paid out of the investor's application moneys and the amount of their investment is reduced by the amount of the contribution. The nature and amount of these contributions is a matter for the investor and his or her adviser.

3. Is the manager continuing to extract a management fee while the Fund remains suspended?

Yes, the manager continues to manage actively all of the Fund's underlying assets and receives management fees in accordance with BARDF's Constitution and underlying Investment Management and Advisory Agreements currently in effect.

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4. Is the Manager entitled to be reimbursed by the Fund for any expenses incurred in operating the Fund, despite its being suspended?

Yes. In accordance with the PDS, BCFML, as Responsible Entity, is entitled to be reimbursed, out of BARDF's assets, for costs incurred by it in managing BARDF, including but not limited to fees payable to BARDF's accountant, auditor, legal, custodian and registrar.

5. What about performance fees?

No. The manager has communicated to existing investors that it will not receive any Performance Fees until the Fund's Net Asset Value achieves a new High Water Mark.

6. Will the Fund be making any distributions of income?

Not in the near term, as the performance of the underlying investments that produce BARDF's income has been negatively impacted by the turmoil in global credit markets.

7. When will the Fund's suspension be lifted?

It is the intent of BCFML, as Responsible Entity, to open BARDF for redemptions in as timely a manner as is possible. However, this is dependent upon BARDF's ability to recover moneys (by way of redemption or otherwise) from the Pac-Rim Opportunity Fund into which it invested almost all of its assets.

8. Is the Registrar of the Fund accepting redemption applications during the suspension in anticipation of the suspension being lifted in the future?

Yes, however, the Registrar will not process them until the suspension is terminated.

9. Can investors withdraw previously lodged redemption requests?
Yes provided that the withdrawal request is actually received before the termination of the suspension period. ¹

10. Can units be transferred whilst the Fund is suspended?

Yes. Registries Ltd, as the Registrar, is able to transfer units in accordance with the Constitution and Product Disclosure Statement. The Registrar requires a properly completed and executed Standard Transfer Form between the Transferee and Transferor be sent to them for processing.

11. Have there been any redundancies amongst the investment team?

No not from the investment team. Regrettably, however, there have been some staff redundancies in other areas of the business in line with a general scaling down of operations.

12. How are the markets impacting the Fund during its suspension?

Please refer to our September and December 2007 quarterly market updates for a comprehensive overview of both the Asian high yield and structured credit markets. They are available from Basis' website at: www.basiscap.com.au

13. Is there any future value in the CDO assets, which have been the root cause problem in the Fund's negative performance?

Yes, but the future value will be determined by a combination of factors, including but not limited to, performance and anticipated outlook of the underlying asset class, Rating Agency actions, investor risk appetite, market liquidity, participation of sponsor banks to provide transparent pricing and support, amongst other factors.

¹ This does not apply to redemption requests lodged for effect July 2nd, 2007. These redemption requests are the subject of Court proceedings initiated by Basis Capital Funds Management Limited to determine the status of those investors who lodged redemption requests valid for effect July 2nd, 2007.

14. What is the current asset allocation of the Fund's underlying investments?

BARDF indirectly invests almost all of its assets into the Pac-Rim Master Fund. As at the end of January 2008, the Pac-Rim Master Fund had an approximately 36% exposure to Structured Credit assets and an approximately 64% exposure to Asian High Yield Credit assets.

15. What is the level of gearing applied to BARDF's underlying assets?

There is no gearing in the Fund currently, but it invests indirectly into Pac-Rim Master Fund, which does apply gearing. As reported in the October to December investor update, the gearing was less than 1.2 times Net Asset Value.

16. To what extent did Basis employees invest in the Basis Funds?

Whilst it is not possible to give exact details it is possible to state that many employees had investments in the Basis Yield Fund as well as the Basis Aust-Rim Fund. Some of these investments were made as late as June 2007 and there have been no withdrawals since then.

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