



The Unitholders
Basis Aust-Rim Diversified Fund

23rd December 2010

Dear Unitholders,

We are writing to provide an update with respect to your investment in the Basis Aust-Rim Diversified Fund ("Aust-Rim Fund"). Please find attached a letter from the Basis Pac-Rim Opportunity Fund updating shareholders on the affairs of the fund.

The Responsible Entity remains committed to working with the Cayman Funds to return the maximum amount of cash to Unitholders over time. This includes realising value from the Basis Pac-Rim Opportunity Fund's investment in the Basis Yield Alpha Fund. These claims may return further capital to Aust-Rim Fund Unitholders although the amount and timing of any return is not determinable at this time.

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" then "Aust-Rim Fund") or call Peter Dobson on (02) 8667 3147. Applications and Redemptions are still suspended though Transfers remain open to be processed. All queries with respect to Transfers and Unit holdings (including changing addresses and banking details) should be made to Registries Limited as Registrar on 1300 660 198.

We appreciate your patience and support through these continuing difficulties for the Fund.

Yours faithfully

Directors
Basis Capital Funds Management Limited

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Basis Pac-Rim Opportunity Fund

c/o Fortis Prime Fund Solutions (Cayman) Limited
Grand Pavilion Commercial Centre
802 West Bay Road
PO Box 2003
George Town, Grand Cayman
Cayman Islands

23rd December 2010

Dear Shareholder,

We would like to take this opportunity to update all Participating Shareholders on the affairs of the Basis Pac-Rim Opportunity Fund as we continue progressing the wind down of the Basis Pac-Rim Opportunity Fund (Master) (the "Master Fund") into which the Basis Pac-Rim Opportunity Fund (the "Fund") invested.

Recent developments include:

- To date the Fund has returned over \$213 million dollars capital to Participating Shareholders;
- The legacy investment in the administration of Lehman Brothers International (Europe) was transferred from the Master Fund to the Fund and an official proof of debt has been submitted to the administrators;
- The remaining investment in the Basis Yield Alpha Fund ("BYAF") has progressed, see below; and
- The Administrator will soon be able to distribute audited financial statements for the Fund and Master Fund due for 30th September 2007 following agreement with the Auditors as to the valuations of the Master Fund's credit assets and required risk management statements. The Auditors have agreed with the directors to complete the Sep08 and Sep09 Financial Statements together and should be available to Shareholders shortly.

Finally, because of the continued management of the legacy issues mentioned in prior letters (and please also see the attached letter from the Basis Yield Alpha Fund), the Fund remains unable to lift the existing suspension of redemptions in the short to medium term.

Update from the Basis Yield Alpha Fund

As per previous correspondence the Fund owns shares in the BYAF which invested its capital into the Basis Yield Alpha Fund (Master) ("BYAF Master"). Please find the attached letter from the BYAF updating Shareholders of the ongoing status of the status of the BYAF Master's affairs.

Should you require further information please don't hesitate to contact Peter Dobson in Sydney on +61-2-8667 3147.

Yours faithfully

Peter Dobson
On behalf of the Board
Basis Pac-Rim Opportunity Fund

Basis Yield Alpha Fund (the "Fund")
C/- Fortis Prime Fund Solutions (Cayman) Limited
P.O. Box 2003
802 W. Bay Road
Grand Pavilion Commercial Centre
Grand Cayman, KY1-1104
Cayman Islands

23rd December, 2010

Dear Shareholder,

As 2010 draws to a close it is appropriate that we provide you with a brief update on the affairs of the Fund.

In June, the Basis Yield Alpha Fund (Master) ("Master Fund"), into which the Fund invests, resolved its dispute with a counterparty that was the subject of arbitration in the London Court of International Arbitration. Unfortunately, confidentiality restrictions prohibit the release of any information regarding the resolution of that dispute.

In our letter of 15 June 2010, we informed shareholders that the Master Fund had filed a claim in the US Federal Court against Goldman Sachs and certain of its affiliates ("Goldmans"). In the Master Fund's Press Release of 24 August 2010, it was noted that Goldmans had sought to take advantage of the recent Supreme Court decision in the *Morrison* case to argue that the Master Fund's purchase of Timberwolf securities was a foreign transaction and could not be the subject of a claim brought under U.S. securities laws. It was further noted in the press release that the Master Fund had forcefully argued that, unlike transaction in the *Morrison* case, the Timberwolf trade was a New York trade from start to finish, negotiated and implemented by Goldman personnel in New York.

At this time we are waiting for Judge Jones to hand down her decision on Goldman's motion to dismiss. We will inform investors of the outcome as soon as that decision has been received. We note that Judge Jones is also hearing the S.E.C.'s ongoing claim against the Goldman's trader Fabrice Tourre which is also the subject of a motion to dismiss on the basis of the *Morrison* decision.

We would like to take this opportunity to wish you happy and safe holiday period. We look forward to updating you further in the New Year.

Yours faithfully,

Peter Dobson on behalf of

Basis Yield Alpha Fund