



**The Unitholders,
Basis Aust-Rim Diversified Fund,**

22 December, 2011

Dear Investor,

We are writing to update you with respect to your investment in the Basis Aust-Rim Diversified Fund ("Aust-Rim"). Terms used in this letter have the same meaning as in the Constitution of the Basis Aust-Rim Diversified Fund unless stated otherwise.

As you are aware, in mid-July 2007, Aust-Rim was severely impacted by its indirect investment in structured credit markets via its shareholding in the Basis Pac-Rim Opportunity Fund ("BPROF"). Since that time, applications and redemptions for Aust-Rim have been suspended while Aust-Rim continues to await any further distribution from BPROF pending the outcome of certain litigation initiatives being undertaken by the Basis Pac-Rim Opportunity Fund (Master) and the Basis Yield Alpha Fund (Master), in which BPROF indirectly invested.

BPROF Liquidation Plan

As we have previously informed you, in order to preserve the value of BPROF's assets and maximise the potential distributions available to shareholders from the Master Funds' claims, on 5 August 2011 the Management Shareholder, acting on legal advice, resolved that BPROF should be placed into voluntary liquidation and that BPROF should implement a liquidation plan that preserves certain assets of BPROF for the benefit of shareholders ("Liquidation Plan").

In furtherance of the Liquidation Plan, pursuant to a Declaration of Trust made on 4 November 2011, the voluntary liquidator of BPROF transferred BPROF's shareholdings in the Basis Yield Alpha Fund and the Basis Pac-Rim Opportunity Fund (Master) to the trustees of the newly formed Pac-Rim Sub-Trust ("PR Sub-Trust"). In exchange for such property, the trustees of the PR Sub-Trust issued units ("PR Units") in the PR Sub-Trust to BPROF. The voluntary liquidator of BPROF has made an in-kind distribution of the PR Units to BPROF's shareholders, including Aust-Rim.

Aust-Rim Liquidation Plan

In keeping with the intent of the Liquidation Plan, BCFM now intends to implement a liquidation plan for Aust-Rim ("Aust-Rim Liquidation Plan") to further reduce the costs associated with maintaining the fund structure, so as to

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preserve the value of the Assets and maximise the potential distributions available to Members from the Master Funds' claims. If the Master Funds' claims continue for a further 2-3 years, which is possible, the savings resulting from the Aust-Rim Liquidation Plan will be in the order of several hundred thousand dollars. This is a material amount of cost reduction over time, particularly given Aust-Rim's present financial position.

As part of the Aust-Rim Liquidation Plan, BCFM intends, early in the New Year, to transfer the PR Units pro rata to Members according to the number of Units they hold by way of a further capital distribution. Following completion of this distribution, BCFM intends to give notice to Members pursuant to paragraph 21.2 of the Constitution specifying a date of termination of Aust-Rim. Following termination, BCFM must realise the Assets within 180 days if practical and in any event as soon as possible after that and distribute the net proceeds of realisation, after making allowance for all Liabilities of Aust-Rim (actual and anticipated) and meeting the expenses (including anticipated expenses) of the termination, pro rata to Members according to the number of Units they hold.

We thank you for your continued support and patience, as we work towards maximising further returns of investor capital. For clarification of any of the matters set out in this letter please feel free to contact Basis on (02) 8006 4469 or (02) 8667 3147.

Yours faithfully,

Peter Dobson
Director

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