

# Basis Pac-Rim Opportunity Fund

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*To all Participating Shareholders*

24<sup>th</sup> December 2008

Dear Participating Shareholder,

This note is an update on your investment in the Basis Pac Rim Opportunity Fund. (BPROF)

Following extensive quantitative and qualitative analysis of the remaining assets in the BPROF portfolio, it has been decided that selling the remaining Collateralized Debt Obligation (CDO) assets into the current market is not in the interests of investors given the present lack of liquidity, and poor pricing transparency.

Whilst the performance of the CDO asset class has been severely impacted due to the global financial market dislocation, there are a number of CDO assets in the portfolio which are continuing to perform and have made consistent cash distributions over the last year. Analysis suggests that under a range of default assumptions, of which the management team feel are reasonable, these assets are likely to continue to produce cash flows which show a present value in excess of what we believe can be realised in the current secondary market.

To facilitate returning investor capital, the remaining Asian High Yield Investments in BPROF, which now total less than \$15 million of value, will continue to be sold down. These securities are also impacted by the illiquid and disrupted state of the markets – and the timing of such intended sales will largely depend on the markets' and investor appetite finding a more stable footing.

BPROF has put a "manager's estimate" value of 1.5 cents on the dollar for its investment in Basis Yield Alpha Fund (BAYF), due to the uncertainty regarding the timing and amount of any distribution that BAYF will receive from the liquidators of the BYAF Master Fund.

As has been the strategy for some 12 months, excess liquidity will be returned to investors by way of compulsory redemptions.

The portfolio and secondary market activity will continue to be monitored.

We appreciate your ongoing support and patience throughout this difficult period.

Yours faithfully,

Zahid Ullah, David Mapley

The Directors

Basis Pac-Rim Opportunity Fund

**Disclaimer:**

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