



Dear Investor

Recently you would have received a Disclosure Notice from Basis Capital Funds Management Limited ("BCFML"), the Responsible Entity (RE) of the Basis Yield Fund ("BYF"), regarding the appointment of certain individuals of Grant Thornton as joint provisional liquidators ("JPLs") of the Basis Yield Alpha Fund (Master) ("Master Fund").

As a consequence many of you have called with questions regarding the reasons for this decision and actions taken subsequently.

As stated in our recent disclosure notice, the Grand Court of the Cayman Islands appointed the JPLs at the request of the Master Fund and the appointment is intended by the Master Fund to protect and preserve the assets of the Master Fund for an orderly realisation to enhance any surplus (after payment of creditors) which is available for the benefit of all underlying investors. BCFML will work with the JPLs to achieve the best outcome for all investors.

The appointment of the JPLs does not relate in any way to BCFML, which continues to provide investment advice to the Basis Pac-Rim Opportunity Fund (Master), into which the Basis Aust-Rim Diversified Fund indirectly invests most of its assets, and remains RE for both the Basis Aust-Rim Diversified Fund and the Basis Yield Fund.

A number of you have expressed disappointment at having to read media reports before receiving any communication directly from the RE regarding the appointment of the JPLs to the Master Fund and the application for Chapter 15 Bankruptcy Protection in the US and its equivalent in the UK.

We make every effort to communicate directly to our investors so that they are aware of information pertaining to the Fund before it is made public and we recognise that the circumstances in this case were unfortunate. However, any announcement to investors ahead of the applications and the granting of any interim or final protection orders ran the risk of alerting the Master Fund's creditors and causing them to take exactly the kind of action the protection orders are designed to protect against.

Basis Capital Funds Management Limited, as RE to the BYF, will continue to inform investors directly and in a timely manner of developments regarding the Master Fund.

Please find attached a series of frequently asked questions on the appointment of the JPLs and the current status of the Master Fund.

Please feel free to contact us if you have any further questions.

Yours sincerely

Basis Capital Funds Management Limited
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Why have you appointed joint provisional liquidators (“JPLs”) to the Basis Yield Alpha Fund (Master) (“Master Fund”)?

The Master Fund has appointed the JPLs with the intention of creating a stable environment, during which its remaining assets are protected from further action by creditors, to allow the JPLs to analyse the options available to the Master Fund following the purported enforcement of security by a number of secured counterparties, without further diminution of the net asset value of the Master Fund.

What is a JPL and what is its role?

The JPLs are certain representatives of Grant Thornton who are located in the Cayman Islands, the UK and Australia who were appointed to the Master Fund by the Grand Court of the Cayman Islands upon the application of the Master Fund. The JPLs are independent from the management of the Master Fund and are officers of the Grand Court. They have been given powers by the Grand Court, among other things, to:

- a) locate, protect, secure and take into their possession and control all assets and property of the Master Fund;*
- b) carry out such investigations as they may consider appropriate into , among other things, the business, dealings, affairs or property of the Master Fund; and*
- c) do any acts or things considered by them to be necessary or desirable for the protection of the assets and property of the Master Fund.*

How long will this process take?

The process can take as long as is required for the JPLs to perform their duties.

What role has Grant Thornton played

Grant Thornton was initially appointed to assist the Master Fund in negotiating with its secured creditors in an attempt to facilitate an orderly sale of assets and to prevent a 'fire-sale'. Despite their best efforts to negotiate with counterparties to achieve this outcome, Grant Thornton were unable to prevent certain creditors from acting independently and purporting to enforce their security by seizing assets of the Master Fund.

They were subsequently asked to advise the Master Fund on the best way to protect assets from further action by creditors pending a complete analysis of the options available to the Master Fund following the precipitate steps taken by secured creditors. This resulted in the appointment of the JPLs.

What is Blackstone's role?

Blackstone is a restructuring advisor to the Master Fund and the Pac-Rim Opportunity Fund (Master).

Why not just lock up the Master Fund and allow prices to recover?

The JPLs, in consultation with the directors of the Master Fund and its respective advisors, will consider all options available to maximise returns to investors.



Disclaimer:

This email and its attachments have not been approved by the appointed joint provisional liquidators to the Basis Yield Alpha (Master) but is correct to the best of our knowledge at the time of sending and are intended for the addressee only. 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, interception or other means by which any person other than the intended recipient, gains access to this email and its attachments. Additional information is available upon request. This email and attachments are for information purposes only.

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