

Basis Pac-Rim Opportunity Fund
c/o Fortis Prime Fund Solutions (Cayman) Limited
Grand Pavilion Commercial Centre
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PO Box 2003
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Cayman Islands

BY EMAIL AND COURIER

7th March 2008

Dear Investor

INVESTOR UPDATE

We are writing to provide you with an update on the position of the Basis Pac-Rim Opportunity Fund (Master) ("the Master Fund"), Basis Pac-Rim Opportunity Fund (US) ("the Onshore US Fund") and Basis Pac-Rim Opportunity Fund ("the Offshore Fund") (together "the Funds").

You will recall that during the course of last summer, the Master Fund experienced difficulties as a result of the widely reported global collapse in the structured credit markets, which affected both the value and relative liquidity of this asset class. Conversely, the Master Fund's Asian high yield assets have continued to perform well and have maintained their liquidity.

You will also recall that on 25 July 2007, the Boards of the Onshore Fund and the Offshore Fund suspended payment of redemptions effective 30 June 2007 ("the First Suspension").

By 25 September 2007, sufficient assets of the Master Fund had been realised to meet the 30 June 2007 redemption payments. Consequently, the Boards of the Onshore Fund and the Offshore Fund lifted the First Suspension. The Boards of the Onshore Fund and the Offshore Fund then suspended all further redemptions until further notice ("the Second Suspension").

The Second Suspension remains in effect and to lower leverage and reduce risk the Master Fund has continued to realise certain assets in a controlled fashion for the best value achievable.

In the meantime, the Boards of the Onshore Fund, the Offshore Fund and the Master Fund have entered into discussions with the principals of BCFML to restructure the Funds.

As you will be aware, the Onshore US Fund and the Offshore Fund (together "the Feeder Funds") are presently invested exclusively in the Master Fund. The Master Fund, in turn, has invested in various asset classes, as anticipated in the offering documents for the Feeder

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Funds. In particular, the Master Fund holds both structured credit assets and Asian high-yield assets.

In formulating an action plan to improve the position of the Funds, the Boards of the Funds have been considering a number of potential options. The Boards have concluded that it may be in the best interests of the Funds and their investors to split the Master Fund, so that its relatively well performing Asian high yield assets are separated from the difficulties faced in the structured credit markets by the Funds' holdings of structured credit investments.

The Directors have been actively investigating the steps that will need to be taken to implement a restructuring, including the costs and mechanics of any such restructuring. In the event that the proposed restructuring proceeds, it is anticipated that it will be managed on the advice of a newly established investment advisor which will be located in Sydney, and will be staffed by the existing members of the Basis Capital Funds Management team currently responsible for advising in connection with the Master Fund's Asian high yield assets. This will ensure continuity of investment and risk management expertise.

Further details regarding the proposed restructuring will be provided to investors as soon as any decision to proceed with such a restructuring is taken. If it is decided that it is not viable to pursue the proposed restructuring, the Boards of the Funds will have to decide what should be done in the best interests of the Funds and their investors and you will be notified of any alternative strategy that the Directors decide to pursue as soon as possible.

Finally, certain investors have queried the role of Blackstone in the Master Fund's restructuring process. Blackstone was initially retained by the Master Fund to provide advice regarding restructuring options including a sale of the Master Fund's assets or any portion thereof. However, their role has proved less significant because a sale of the Master Fund's assets could not be agreed to on terms considered in the best interests of investors. Concurrently and in the interests of investors, the actions by the Investment Advisor, which saw a material reduction in the Fund's financing and risk exposures, ensured a 'fire-sale' of assets was avoided. The Boards of the Funds are driving this restructure with the assistance of the Investment Advisor. The Boards do not presently anticipate that Blackstone will have any further role in the process and their initial engagement has now lapsed.

Pac-Rim Investments Ltd ("PRIL"), upon the advice of the Investment Advisor, continues actively to manage all of the Master Fund's assets, pending completion of the proposed restructuring. Whilst illiquidity in the structured credit markets has limited the Master Fund's activities in that arena, it continues to trade in the high yield markets. PRIL continues to be entitled to receive management fees in accordance with the existing Investment Management Agreements, although, as such fees are calculated against NAV, accrual for such fees is substantially lower than in prior trading periods. Furthermore, in the Letter to Investors dated 28th September 2007 the Directors announced "...for the purposes of calculating performance fees, the Directors and the Investment Management and Advisory teams have decided not to re-set the Fund's High Water Marks." Consequently, existing investors will not be charged performance fees on their existing investment until their respective High Water Mark has been reached.

To the extent that investors have any queries with respect to matters set out above, they are invited to address them in writing to the Administrator, Fortis Prime Fund Solutions. Responses will be provided to all queries directly, unless the query is one likely to be of

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general interest to all investors, in which case it will be addressed in the next Investor Update, due in April.

Yours faithfully

The Directors
Basis Pac-Rim Opportunity Fund