



16 July 2007

Notice to Investors in Basis Aust-Rim Fund

Dear Investors

Following our recent advice in relation to the Aust-Rim Diversified Fund's monthly estimate for June we advise that there have been further developments, which have materially affected the Basis Aust-Rim Diversified Fund ("Fund"). The Basis Pac-Rim Opportunity Fund (Master) in which the Fund indirectly invests most of its assets had, as at 31st May 2007, a long-term strategic investment of \$US79.84 million in the Yield Alpha Fund (Master). Market events that impact upon the Yield Alpha Fund (Master) therefore have an effect on the investment performance of the Basis Pac-Rim Opportunity Fund (Master) and the Fund.

The concerns surrounding US sub-prime mortgages have caused further significant disruptions in global credit markets with adverse implications for the valuation of a wide range of structured credit investments. The uncertainty regarding the valuations of these investments has resulted in difficulties for the Basis Yield Alpha Fund (Master), which has liabilities to its financiers secured over structured credit investments to which the Yield Alpha Fund (Master) has exposure. The valuation issues also affect certain assets held directly in the Basis Pac-Rim Opportunity (Master).

This recent turn of events has made it impracticable to be able to fairly calculate the net asset value of the Fund. For this reason Basis Capital Funds Management Limited as the responsible entity of the Fund has decided, in accordance with the constitution of the Fund, to suspend the redemption of units until the net asset value can be determined fairly. All reasonable steps will be taken to bring the period of suspension of the redemption of units in the Fund to an end as soon as possible. During this period, no applications for the issue of units in the Fund will be accepted.

Please be assured that we are attempting to clarify the position in the interests of investors in the Fund and will keep you advised of developments.

Yours sincerely

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