



5th June, 2008

Dear investor,

We are writing to advise you of important recent developments and information regarding your investment in the Basis Yield Fund ("Yield Fund").

We wish to inform you of progress regarding proceedings initiated by Basis Capital Funds Management Ltd ("Basis"), as Responsible Entity of the Yield Fund and the Basis Aust-Rim Diversified Fund (the "Funds"), in the Supreme Court of New South Wales.

These proceedings are set down for hearing on the 24th and 25th June. Basis initiated the proceedings to ensure that it complies with its duties and obligations owed to members of the Funds under the Constitutions of each of the Funds and the Corporations Act.

On the 2nd June 2008 in the Supreme Court of New South Wales, Basis sought orders to appoint representative defendants for those proceedings. Justice Hammerschlag made orders appointing the following parties as representative defendants:

(i) BT Portfolio Services Limited to represent investors who applied in June 2007 for units in each of the Funds ("the June Applicants");

(ii) Permanent Trustee Australia Limited, in its capacity as sub-custodian of Avanteos Investments Limited, to represent unitholders in each of the Funds who submitted redemption requests in the June 2007 quarter ("the June Redeemers"); and

(iii) ANZ Nominees Limited, in its capacity as sub-custodian of Synergy Capital Management Limited, to represent those unitholders in each of the Funds who are neither June Applicants nor June Redeemers.

Basis Capital Funds Management Ltd
Level 37, Gateway Building
1 Macquarie Place
Sydney NSW 2000
PO Box N115
Grosvenor Place NSW 1220
T +61 2 8234 5500
F +61 2 8234 5501
www.basiscap.com.au

ACN 092 478 441
Australian Financial Services
Licence No.230576



We refer you to the attached Letter for further detail of his Honour's directions regarding the timetable for preparation of the matter through to hearing and in which he confirmed the hearing dates as fixed for the 24th and 25th June 2008.

His Honour made no order as to costs. Basis is hopeful that the appointment of a single representative defendant for each of the June Applicants, June Redeemers and the unitholders in each of the Funds who are neither June Applicants nor June Redeemers is the outcome most likely to minimise costs in these proceedings.

Basis has been working extremely hard for many months to seek a resolution of this matter it initiated in the interests of all investors. We are pleased that the orders will facilitate the expeditious preparation of the matter for hearing and we look forward to the final resolution of the proceedings.

Also, as 30th June approaches, please note that in light of the proceedings discussed above and the continuing suspension of the Yield Fund, there will more than likely be a delay in the delivery of annual statements following the end of financial year. As the Yield Fund is unlikely to declare any income distributions this year we hope this delay will not be of a material inconvenience to members.

Basis continues to work hard assisting the directors and Joint Official Liquidators of the Basis Yield Alpha Fund (Master) with a view to maximising any potential future returns to shareholders in the BYAF (including the Yield Fund).

We will endeavour to keep you informed of any further developments as information comes available.

In the meantime please continue to refer to our web site for the latest investor updates and frequently asked questions. (www.basiscap.com.au refer to "Investor Communications")

Yours sincerely,

The Directors,
Basis Capital Funds Management Limited

Disclaimer:

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