



Dear Investor,

Please find attached a copy of the latest disclosure notice lodged with ASIC and pertaining to the status of the Basis Aust-Rim Diversified Fund ("Fund").

Additionally, given the Fund's significant exposure to the Basis Yield Alpha Fund, please also find attached a copy of the latest disclosure notice lodged with ASIC relating to the Basis Yield Fund, which also invests in that fund.

Basis Capital will continue to inform you of developments that affect the Fund.

Yours sincerely

Basis Capital Funds Management Limited

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Basis Yield Fund ARSN: **107 898 948**

Basis Capital Funds Management Limited ACN: **092 478 441**; AFSL: **230 576**

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DISCLOSURE NOTICE

BASIS AUST-RIM DIVERSIFIED FUND (ARSN 099 160 095)

Basis Capital Funds Management Limited (ACN 092 478 441) as the responsible entity of the Basis Aust-Rim Diversified Fund (“**Fund**”) advises that as at 31 May 2007 the Fund had approximately US\$79.8 million invested in the Basis Yield Alpha Fund which invests substantially all of its assets in the Basis Yield Alpha Fund (Master) (“**Master Fund**”). Attached is a copy of a Notice given in relation to the Basis Yield Fund which indirectly invests most of its assets in the Master Fund.

The Basis Aust-Rim Diversified Fund has other indirect investments in structured credit instruments although more than one-half of its assets as at 31 May 2007 were not in this category but were in readily marketable bond securities. The Basis Pac-Rim Fund (Master) in which the majority of the Fund’s assets are indirectly invested is not in default in meeting any margin calls and none of its financing arrangements have been terminated.

Basis Capital Funds Management Limited is using its best efforts to monitor and control the position and will advise investors as more precise information becomes available.

Basis Capital Funds Management Limited

Director
18 July 2007

DISCLOSURE NOTICE

BASIS YIELD FUND (ARSN 107 898 948)

Basis Capital Funds Management Limited (ACN 092 478 441) as the responsible entity of the Basis Yield Fund (“**Fund**”) advises that the Basis Yield Alpha Fund (Master) (“**Master Fund**”) in which the Fund indirectly invests most of its assets has liabilities to its financiers secured over most of its assets. The financiers have reduced their valuations of those assets as a consequence of the disruption in US credit markets following concerns in relation to sub-prime residential mortgages and have made margin calls. The Master Fund is in default in meeting some margin calls which has resulted in a number of its financiers declaring events of default. Some of the financiers are seeking to realise their security over the Master Fund’s assets. As there is no liquid market for many of these investments there is a serious risk of substantial losses in the Master Fund as the prices obtained by financiers may be significantly below the book value in the Master Fund’s accounts as at 31 May 2007.

The Master Fund is negotiating with its financiers and has appointed the accounting firm Grant Thornton to assist it to do so in an attempt to achieve an orderly sale of assets at prices which reduce the losses to investors. However, it can not control the exercise by financiers of their enforcement rights.

The prices which the financiers may accept for the assets of the Master Fund in the current market conditions are uncertain.

Basis Capital Funds Management Limited assesses that enforcement action by the financiers of the Master Fund at distressed sale prices would result in a reduction in the net asset value of the units in the Basis Yield Fund to below one-half of the level as at 31 May 2007. It is attempting to minimise the losses to investors and will advise investors as more precise information becomes available.

Basis Capital Funds Management Limited

Director
18 July 2007