

26 August 2008

Investor Update

Dear Investor,

On 4 June 2008, we advised you that the Pac-Rim Opportunity Fund ("Pac-Rim"), into which the Basis Aust-Rim Diversified Fund ("Aust-Rim Fund") invests, had allowed a partial return of capital to its investors. We said at the time that any on-distribution of these moneys to the Fund's investors was dependent on the outcome of the recent Supreme Court proceedings.

Consistent with this, Basis Capital Funds Management Ltd ("BCFM") now intends to make a partial return of capital of approximately A\$38 million to the Aust-Rim Fund's investors during September. This amount will be distributed to the Aust-Rim Fund's remaining members pro-rata. This amount represents approximately 24% of the Aust-Rim Fund's estimated NAV as at 31 July 2008 and approximately A\$116.43 per Unit.

The Aust-Rim Fund's remaining investment in Pac-Rim continues to be managed prudently through this period of continued credit and financial market uncertainty. Risk capital across the portfolio continues to be reduced and moved into cash and BCFM anticipates being able to make further partial returns of capital to the Fund's members in the future. As any details become apparent we will endeavour to keep Unitholders advised.

Meanwhile, following the recent final orders made by the Supreme Court of New South Wales, BCFM has returned subscription moneys to those persons who lodged applications for investment in the Fund in June 2007 and is calculating the redemption proceeds payable to those persons who had lodged a valid redemption request in respect of the 2 July 2007 Redemption Date. The payment of those redemption proceeds is expected to be completed by 30 September 2008.

BCFM appreciates the feedback received from the Fund's investors and for their continued support and patience.

Yours faithfully,

Directors

Basis Capital Funds Management Limited

Level 37, Gateway Building

1 Macquarie Place

Sydney NSW 2000

P: +61 2 8234 5500

F: +61 2 8234 5501

www.basiscap.com.au

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