

Basis Yield Alpha Fund (the "Fund")

C/- Fortis Prime Fund Solutions (Cayman) Limited

P.O. Box 2003

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Grand Cayman, KY1-1104

Cayman Islands

15th June 2010

Dear Shareholder,

We have previously informed investors (most recently in our letter dated 24 November 2009) that as part of their role, the Joint Official Liquidators ("JOLs") undertook an investigation into the affairs of the Basis Yield Alpha Fund (Master) (the "Master Fund") and the circumstances giving rise to the Master Fund's losses. The Fund and its Investment Adviser, Basis Capital Funds Management Limited, provided their full co-operation and assistance with those investigations. These independent investigations led to the JOLs identifying and pursuing a number of claims against counterparties to the Master Fund. In our last letter we stated that it was anticipated that, subject to the outcome of preliminary negotiations, proceedings in respect of two claims would be commenced in the US. We also stated that to the extent information regarding the claims becomes publicly available, the Fund would provide shareholders with the details of that information.

We can now inform shareholders that one of the US claims has been settled on confidential terms and the other claim is a securities fraud suit that has now been commenced by the Master Fund against Goldman Sachs and certain of its affiliates. A copy of the Master Fund's Complaint served on Goldman Sachs together with the Master Fund's official press release is available on Basis Capital's website at <http://www.basiscap.com.au>

It is too early to speculate on the outcome of the claim against Goldman Sachs and the potential return to investors if the Master Fund is successful.

Further, on 24 May 2010, the Fund was successful in obtaining an order from the Grand Court of the Cayman Islands that the liquidation of the now solvent Master Fund be permanently stayed. The Fund's application for the stay was brought with the agreement of the JOLs of the Master Fund, who will now step down and pass control of the Master Fund to its Board of Directors. The Fund considers that the retirement of the JOLs will result in material costs savings and

efficiencies going forward. The directors of the Fund wish to thank the JOLs for all of their hard work over the last 3 years and, in particular, their work on identifying and pursuing counterparty claims.

The directors of the Fund consider both of these developments to be positive for investors in the Fund and wish to thank all of its shareholders for their ongoing patience during this difficult time. The directors wish to reiterate that they remain committed to continuing to work in the interests of all shareholders to maximise returns.

Finally, the Master Fund continues to prepare for the hearing in the London Court of International Arbitration during the week of the 21st June 2010. As information relating to this private arbitration comes to hand we will try to keep investors informed consistent with applicable confidentiality restrictions.

Yours faithfully,

Peter Dobson
for and on behalf of the Basis Yield Alpha Fund