

**AXYS CAPITAL MANAGEMENT**  
**FORM ADV, PART IIA**

**Item 1 – Cover Page**

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June 30, 2013

This Brochure provides information about the qualifications and business practices of Axys Capital Management (“AXYS”). If you have any questions about the contents of this Brochure, please contact us at (512) 551-0413 or [info@axyscapital.com](mailto:info@axyscapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Axys Capital Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an Adviser.

Additional Information about AXYS is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 - Material Changes**

Melton & Melton L.L.P. (“MM”) – AXYS engaged MM, a Certified Public Accounting firm located in Houston, Texas with experience and expertise in auditing public and private investment funds. MM will perform inception to date audits of the Axys Capital Income Fund and Axys Capital Total Return Fund.

Pershing Advisor Solutions (“PAS”) – AXYS became and approved advisor on the PAS platform. PAS is a BNY Mellon company that focuses on supporting registered investment advisors and their clients.

Trust Asset Management LLC (“TAM”) - AXYS amended its Investment Advisory Agreement with TAM to incorporate an asset based fee. Prior to January 1, 2013, TAM provided non-discretionary investment supervisory services to four private investment funds sponsored by and managed by AXYS. In exchange for these services, TAM charged each fund a performance-based fee. The addition of the asset based fee in 2013 has the affect of reducing the performance based fee dollar for dollar and is intended to compensate TAM for the continuous services related to valuation of the funds investment portfolio holdings and each fund’s NAV.

Additional information about AXYS is available via the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s website also provides information about any persons affiliated with AXYS who are registered or are required to be registered as investment adviser representatives of AXYS.

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**Item 4 - Advisory Business**

Axys Capital Management ("AXYS") commenced fee based advisory services on June 29, 2009 and is owned by management.

AXYS provides investment management services to "Trust Fund Clients" which are trusts formed for various regulatory purposes as prescribed by various state laws. While AXYS provides investment advisory services directly to most of its trust fund clients' accounts, it does subcontract out the portfolio management of some of its clients' accounts to advisors and sub-advisors. AXYS also recommends that its trust clients invest in private pooled investment vehicles ("Private Funds") that AXYS also advises.

AXYS's management of client portfolios can be on a fully discretionary or non-discretionary basis. The firm actively manages portfolios with an overall goal of maximizing total returns subject to each client's risk profile and investment objective. AXYS does not consider the services offered to be "financial planning" or described by any similar term.

Types of Investments

AXYS recommends investment in a variety of asset categories, including cash and cash equivalents, equities, debt or fixed income investments, and alternative investments.

AXYS offers investment advice on and utilizes the following types of investments:

Types of Investments - continued

**Public**

- Money market funds
- Fixed income securities
- Common and preferred stock
- Limited partnerships
- Open end and closed-end mutual funds
- Derivatives based on tangible and intangible assets such options and futures

**Private**

- Real estate
- Energy Interest
- Energy Infrastructure
- Private Equity
- Private Debt
- Participation Interest

AXYS chooses combinations of these investments to form strategies it deems appropriate given the client's investment objectives and risk tolerance,

AXYS also uses some leverage and hedging techniques, including derivatives designed to mimic equity or debt positions, securities lending, buying securities on margin and selling securities short. Limitations of

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leverage and hedging are prescribed in each client's advisory agreement and investment policy statement.

Investment Strategies

AXYS invests and manages clients' assets in accordance with investment objectives selected by the client, in the form of model type portfolios of securities that AXYS believes best represents the client's investment objectives and restrictions.

The current investment strategies provided by AXYS portfolio s are as follows: 1) Long Term Capital Growth; 2) Balanced Growth & Income, and 3) Income with Preservation of Capital.

Clients and the state regulatory schemes to which they are subject may impose restrictions on investing in certain securities or types of securities.

Assets Under Management

As of June 30, 2013, the total amount of assets under management by AXYS was as follows:

***Private Investment Funds***

Discretionary Assets: \$172,771,668

Discretionary Accounts: 4

**Item 5 – Fees and Compensation**

AXYS charges a fixed-percentage fee per annum for investment advice based on assets under management. AXYS may also charge administrative fees for certain services such as the provisioning of custodial accounts at PAS, record keeping, account administration, portfolio accounting, performance measurement, and reporting. All fees are calculated monthly or quarterly, and billed in arrears. Clients give prior written approval for the deduction of fees from their accounts. Advisory fees are negotiable based upon the services required.

AXYS may also charge performance-based fees in addition to asset-based fees to its private fund clients.

Fee Schedules

The following describes AXYS's basic advisory fee schedule. In some cases, fees charged by AXYS may be greater than fees charged by other investment advisors for similar services, in other cases our fees may be lower.

***Trust Clients:***

Minimum Acct Size: None

All Dollar Ranges: 0.25% to 1.50%

***Private Fund Clients:***

Minimum Acct Size:     None

All Dollar Ranges:     0.25% to 1.5%

For private fund clients, AXYS may also charges performance-based fees, as described in Item 6 below.

**Item 6 - Performance-Based Advisory Fees and Side-By-Side Management**

In addition to the asset management fee outlined above AXYS may charge its private fund advisory clients a fee based on a share of earnings or capital appreciation. Returns are calculated based upon unrealized and realized earnings and are net of any ordinary expenditures of the fund such as asset-based fees, administrative, accounting, legal, and tax costs. The formula for calculating performance-based fees is described in each clients' advisory agreement.

AXYS may manage client accounts "side by side", meaning it may manage a client account hat also invests in a private funds.

**Item 7 – Types of Clients**

AXYS offers investment advice to trust funds formed for various purposes.

In addition, AXYS offers investment advice to private investment funds, pooled investment vehicles, and investment companies.

**Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

AXYS's method of security analysis is one that evaluates the fundamentals of the companies whose securities it purchases. Sources of information used by AXYS include financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses and filings with the Securities and Exchange Commission and company press releases.

With respect to alternative investments made by its private fund clients, AXYS has developed due diligence processes that are tailored to the particular type of investment presented by the alternative investment opportunity (e.g. real estate, oil and gas interests or promissory notes and other credit instruments).

Investment strategies employed include long-and short-term purchases; short sales; purchases on margin; option writing (including covered options, uncovered options and spreading strategies); and the use of certain other derivatives.

AXYS may enter into derivative transactions when the use is consistent with established client investment guidelines and the firm's investment strategy as selected by the client. A derivative is a financial arrangement between two parties whose payments or values are based on, or 'derived' from, the performance of some agreed-upon benchmark. Common benchmarks include securities, indices, commodities, interest rates, currency exchange rates, securities spreads and other assets or economic benchmarks with varying degrees and types of associated risks.

Derivatives can be used for a variety of reasons. For example, if a portfolio consists of foreign investments that are denominated in the currency of the country of the issuer, we may want to reduce the risk of fluctuations in the value of such currencies. Or, we may want to modify the risk/return profile of a portfolio without incurring huge transaction cost and without disturbing the portfolio. Derivatives can be used to achieve these and other goals.

There are significant risks associated with derivatives that can result in the loss of principal, or in certain cases, the loss of more than the initial investment. The primary risks associated with derivatives are (i) market risk (the risk that the market value of the investment will decline), (ii) credit risk (the risk that the counterparty to the transactions will default on its obligations), (iii) liquidity risk (the risk that the instrument will not be readily marketable) and (iv) valuation risk (the risk that because the instrument is thinly traded, it may have only one pricing source). Additionally, if these instruments are traded frequently, transaction costs will mount and will affect the overall return on assets of the client. In no event will AXYS invest in any derivative instrument on behalf of a client unless such investment is consistent with established client investment guidelines.

Please remember that investing in securities generally involves a risk of loss that clients should be prepared to bear.

### **Item 9 – Disciplinary Information**

AXYS has no history of disciplinary infractions. Nor do any of its officers, directors or key personnel have a disciplinary history.

### **Item 10 – Other Financial Industry activities and Affiliations**

AXYS utilizes the personnel and/or services of its affiliate companies in the performance of its business including accounting, real estate services and acquisition of client relationships. No additional fees or expenses are charged to the client for the parent's services except as set forth in the investment advisory agreement.

### **Item 11 - Code of Ethics, Participation in Client Transactions, Personal Trading**

AXYS has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. The Code identifies "material non-public information" about companies whose securities are traded in the public markets and forbids employees and others from using it for personal gain. No person supervised by

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AXYS may prefer his or her own interests to that of an advisory client or make personal investment decisions based on the investment management trading activities of advisory clients. In addition, all employees and others supervised by AXYS are required to keep all information about the Clients and their investments confidential. AXYS personnel are required not to accept or receive gifts from others that might influence investment decisions and must report other gifts that are valued at more than \$300.00.

Individuals employed or otherwise supervised by AXYS are required to consult with the Chief Compliance Officer prior to any trade if they reasonably believe that such trade might conflict with the Personal Securities Transactions policy.

If a security is held or about to be held in a AXYS portfolio for a AXYS client, the employee or supervised person is subject to a 24 hour blackout period with respect to trading that security. Purchases of certain securities, including shares in initial public offerings and shares or interests in companies making a private offering require prior approval from the Chief Compliance Officer.

No person holding a security in his or her own account or having any other interest in that company can recommend purchase or sale of that company's security for a Client, unless he or she discloses such interest in the targeted investment to the client beforehand. .

To supervise compliance with the firm's Code of Ethics, AXYS requires that persons with access to information about the firm's trading provide annual securities holdings reports and quarterly transactions reports to the firm's Chief Compliance Officer ("AXYS CCO"). The AXYS CCO must also obtain initial and annual certifications, in writing, from each Supervised person; that she or he has received a copy, read and understood it and agrees to abide by it.

AXYS, as a matter of policy, does not have a proprietary trading account and does not own any securities for its own account. Consequently, AXYS does not sell securities to or purchase securities from Clients.

The AXYS CCO is required to retain records concerning the codes of ethics that have been in place for the preceding five years; records of violations; written acknowledgment of receipt of the code annually; records of reports and other information related to the Code of Ethics and violations.

AXYS will provide a copy of the Code of Ethics to any client or prospective client upon request. Clients may request a complete copy of AXYS's Code of Ethics by contacting the firm's Chief Compliance Officer in person at (512) 551-0421 or in writing at [compliance@axyscapital.com](mailto:compliance@axyscapital.com) or,

Axys Capital Management  
Attn: Chief Compliance Officer  
1613 S. Capital of Texas Hwy Suite 300  
Austin, Texas 78746

**Item 12 - Brokerage Practices**

Under the AXYS Investment Advisory Agreement with each Client, the person or entity with authority to make decisions on behalf of the Client (i.e. the Trustee of each trust client or the manager of the private

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fund) has the responsibility to choose which securities broker through whom AXYS's investment advice and strategy is implemented.

As a part of the services it provides, AXYS makes recommendations to Clients as to brokerage platforms and other service providers and products that will be the most effective for its clients. In order to better serve its Clients, AXYS has entered into a services agreement with a Prime Broker whereby AXYS is able to use a proprietary online trading platform on behalf of its clients. In addition, AXYS has entered into services agreements with certain introducing or Executing Brokers. AXYS's clients often take those recommendations with respect to which broker or other service provider to use. However, both AXYS and the Prime Broker require that the Client enter into a separate agreement with the Prime Broker.

It is AXYS's policy to seek the best execution available in light of the overall quality of brokerage and research services provided to it or its clients. Best execution involves reasonably seeking the most favorable terms for a transaction under the circumstances. AXYS's relationship with the Prime Broker enables it to rely on that broker to help fulfill its obligation to seek best execution through use of the proprietary online trading platform.

The actual allocation of brokerage business between and between the Prime Broker and Executing Brokers may vary from year to year. In no case will AXYS make binding commitments as to the level of brokerage commissions it will allocate to a broker, nor will it commit to pay cash if an informal target is not met.

Directed Brokerage

Under its investment advisory agreement with AXYS, each Client has the option of directing AXYS to use a particular executing broker to effect particular trades in its account. In following the client's direction to use a particular executing broker to execute either all or part of the brokerage transactions from their accounts, clients must be aware that, in doing so, they may adversely affect AXYS's ability to obtain volume discounts on bunched orders or seek to achieve best execution.

When effecting bunched orders, we attempt to include transactions of clients who have directed the use of a particular executing broker in the bunched order. In such transactions, the previous executing broker must agree to transfer that portion of a bunched order relating to a client who has directed the use of a particular broker to the new executing broker specified by the client. If the previous executing broker does not agree to make this transfer, the order for the same securities on behalf of a client who has directed the use of a particular executing broker will be effected through the specified broker and the cost of the transaction may be greater.

In selecting Executing Brokers for a portfolio transaction, a Client must consider, without limitation, the overall direct net economic impact results to an account, including both price paid or received and any commissions and other costs paid, the efficiency with which the transaction is effected, the ability to effect the transactions at all where a large block is involved, the availability of the broker to stand ready to execute possibly difficult transactions in the future, responsiveness to AXYS and the financial strength and stability of the broker.



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Trade Aggregation and Allocation

AXYS seeks, but is not obligated, to bunch orders for the purchase or sale of the same security for client accounts where AXYS deems this to be appropriate and in the best interests of the accounts, consistent with applicable regulatory requirements. AXYS has implemented an electronic and automated Order Management System to better accomplish this task. When a bunched order is filled in its entirety, each participating client account will participate at the volume weighted average share price for the bunched order on the same business day, and the transaction costs shall be shared pro-rata based on each client's participation in the bunched order. When a bunched order is only partially filled, the securities purchased will be allocated on a pro-rata basis to each account participating in the bunched order based on the initial amount requested for the account, subject to certain exceptions (such as de minimus orders) and each participating account will participate at the volume weighted average share prices for the bunched order on the same business day.

AXYS performs investment advisory services for multiple clients and may give advice and take action, with respect to any of those, which may differ from the advice given or the timing or nature of action taken with respect to any other client. Provided that, over a period of time and to the extent practical, AXYS allocates investment opportunities to each client and account on a fair and equitable basis relative to other similarly situated client accounts.

Cross Transactions

AXYS does not engage in agency or principal cross transactions. However, there are some circumstances where Client "A" needs to liquidate some of its positions in its account while Client "B" needs to acquire more of that same security. AXYS arranges for an Executing Broker to execute Client "A"'s sell transaction and Client "B"'s buy transaction, and rely on the broker's best execution policy and procedure.

Research

Currently, AXYS does not use client brokerage commissions (or markups or markdowns) to obtain research services.

**Item 13 - Review of Accounts**

The Chief Investment Officer is responsible for monitoring and maintaining compliance with the Client objectives and conducts reviews periodically throughout the year. Formal reviews are conducted at least annually. This includes a review of client portfolio asset allocation, the effects/or demands of external cash flows, investment strategies, securities, adherence to client investment guidelines and benchmarks, and performance analysis.

Written account and performance information are available to clients on a quarterly basis. More frequent reports may be provided upon request.

### **Item 14 – Client Referrals and Other Compensation**

AXYS does not enter into agreements with or make commitments to broker-dealers or any other persons or entities under which AXYS is obligated to compensate them for client referrals. A change in AXYS policies requires a determination to do so by AXYS's sole Manager. If such a change occurs, we will inform clients about the terms of that policy and compensation to others under it.

### **Item 15 – Custody**

AXYS does not have Custody of client accounts.

### **Item 16 – Investment Discretion**

Under the terms of the discretionary investment advisory agreement it has with each client, AXYS has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, amount of securities to be bought or sold, broker or dealer to be used and commission rates paid. Under these agreements, AXYS's clients grant it full discretionary authority over securities purchases and sales, subject to investment objectives and guidelines that are established by the Investment Policy Statement prescribed for each client and agreement between AXYS and the trustee or manager of the client at the time the account is opened and subject to the Client's ability to name an executing broker.

### **Item 17 – Voting Client Securities**

#### Proxy Voting Policies and Procedures

AXYS does not vote proxies for its clients with respect to securities of companies held by its clients. That is a responsibility retained by the trustees or managers of AXYS clients. If and when it receives any proxy informational or voting materials, AXYS forwards those on promptly to the trustees of the trusts or managers of the private funds that hold the securities.

#### Class Action Lawsuits

AXYS is not responsible for exercising clients' rights to participate in the proceeds of class action lawsuits affecting securities they own or have owned. AXYS will generally not notify clients regarding class action lawsuits and will not transmit proof of claim forms to clients except upon client request.

### **Item 18 – Financial Information**

As an adviser that has discretionary authority and does not seek Client fees six months in advance, AXYS is required to disclose any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients. At the present time, AXYS knows of no such financial condition.

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**Item 19 – Requirements for State Registered Advisers**

AXYS is not a State registered adviser.