

YX Funds Ltd

March 31, 2011

This *brochure* provides information about the qualifications and business practices of YX Funds Ltd (the “Adviser”), an investment adviser registered with the United States Securities and Exchange Commission (the “SEC”). Registration with the SEC or with any *state securities authority* does not imply a certain level of skill or training. If you have any questions about the contents of this *brochure*, please contact us at 214-720-2970. This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any *state securities authority*.

Additional information about YX Funds Ltd also is available on the SEC’s website at www.adviserinfo.sec.gov.

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Item 4. Advisory Business

A. General Description of Advisory Firm. The Adviser is an investment adviser with its principal place of business in Dallas, Texas. The Adviser commenced operations as an investment adviser on June 10, 2005 and has been registered with the SEC since July 1, 2005. YX Holding LLC is the general partner of the Adviser. Shannon J. Collins is the principal owner of YX Holding LLC.

B. Description of Advisory Services (including any specializations). The Adviser provides the following advisory services on a discretionary basis to its *clients*, which include individuals and institutions with separately managed accounts, registered investment companies and pooled investment vehicles intended for sophisticated investors and institutional investors: investment advisory services.

C. Availability of Tailored Services for Individual Clients. The Adviser does not tailor advisory services to the individual needs of *clients*.

Clients may not impose restrictions on investing in certain securities or certain types of securities.

D. Wrap Fee Programs. The Adviser does not participate in wrap fee programs.

E. Client Assets Under Management. As of March 1, 2011, the Adviser had approximately \$96,000,000 client assets under management. As of that date, the Adviser managed \$96,000,000 on a discretionary basis.

Item 5. Fees and Compensation

A. Advisory Fees and Compensation.

Asset-Based Compensation

The Adviser charges each *client* an investment management fee based on the value of the *client's* assets under management. The Adviser may also be paid a *performance-based fee*.

Client Interests are divided into "Series 1 Interests", "Series 2 Interests" and "Series 3 Interests". All Interests participate in all of the investments in the same manner. The only distinctions among the series are that they are charged the performance-based fee and management fee at different rates. At the time the investment is made, the *client* will be required to designate whether the capital contribution is for Series 1, 2 or 3.

| <u>Series Interests</u> | <u>Management Fee</u> | <u>Performance-Based Fee</u> |
|--|-----------------------|--|
| Series 1 Interests: Alpha-Based Performance Fee | 1.5% per annum | 20%, subject to an "underperformance carryforward" provision |
| Series 2 Interests: Absolute Return-Based Performance Fee | 1.5% per annum | 20% subject to a "loss carry forward" provision |
| Series 3 Interests: Flat Management Fee | 3.0% per annum | none |

Investment management fees are charged each quarter in advance based on the total market value of the assets in the *client* account (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) on the first day of the quarter. If a new *client* account is established during a quarter or a *client* makes an addition to its account during a quarter the investment management fee will be charged as of the effective date of the investment management agreement or the date of the additional contribution based on the value of the assets as of the applicable date and will be prorated for the number of days remaining in the quarter.

These fees are not negotiable.

B. Payment of Fees. The Adviser deducts the investment management fee from *client* accounts by instructing the prime brokers upon approval of the *clients*.

C. Other Fees and Expenses. In addition to paying investment management fees and, if applicable, *performance-based fees* or other compensation, *client* accounts will also be subject to other investment expenses such as custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; and costs, expenses and fees (including, investment advisory and other fees charged by investment advisers with, or funds in, which the *client's* account invests) associated with products or services that may be necessary or incidental to such

investments or accounts. *Client* assets may be invested in pooled investment vehicles. In these cases, *clients* will bear their pro rata share of the underlying fund's operating and other expenses including, in addition to those listed above: sales expenses, legal expenses; internal and external accounting, audit and tax preparation expenses; and organizational expenses. *Client* assets may be invested in money market mutual funds, ETFs or other registered investment companies. In these cases, the *client* will bear its pro rata share of the investment management fee and other fees of the fund, which are in addition to the investment management fee paid to the Adviser. *Client* assets may be invested in a master-feeder structure. Feeder funds bear a pro rata share of the expenses associated with the related master fund. In addition, *clients* will incur brokerage and other transaction costs. Please refer to Item 12 of this Firm *Brochure* for a discussion of the Adviser's brokerage practices.

D. Prepayment of Fees.

The *clients* are required to pay the Adviser's management fees in advance.

The *client* may obtain a refund of a pre-paid management fee in the following manner if the advisory contract is terminated or a withdrawal is made from the account before the end of a billing period: the management fee will be prorated for the number of days the client's investment was in the Fund. The "over-paid" management fee will be refunded to the client via wire.

E. Additional Compensation and Conflicts of Interest.

None.

Item 6. Performance-Based Fees and Side-by-Side Management

The Adviser and its investment personnel provide investment management services to multiple portfolios for multiple *clients*. The Adviser is entitled to be paid performance-based compensation by its private pooled investment vehicle *clients* and certain other *client* accounts.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with substantially similar investment objectives are treated equitably. The performance of similarly managed accounts is also regularly compared to determine whether there are any unexplained significant discrepancies. In addition, the Adviser's procedures relating to the allocation of investment opportunities require that all accounts participate in investment opportunities pro rata based on asset size. Finally, the Adviser's procedures also require the objective allocation for limited opportunities to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

Item 7. Types of *Clients*

The Adviser's *clients* consist of sophisticated individuals, endowments, investment companies, private funds, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities.

The Adviser requires that a *client* invests a minimum of \$2,000,000 to open an account.

With respect to any *client* that is a pooled investment vehicle, any initial and additional subscription minimums are disclosed in the offering memorandum for the pooled investment vehicle.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

A. Methods of Analysis and Investment Strategies. The Adviser utilizes a variety of methods and strategies to make investment decisions. Research on potential and existing investments will be extensive and fundamental in nature. “Secondary” research will be performed on a security by reviewing all available filings with the Securities and Exchange commission, reviewing generally available news articles and reviewing research reports from analysts. “Primary” research will be performed by meeting with management; interviewing suppliers, customers and competitors; interviewing industry consultants and experts; reviewing relevant trade publications; and attending company or industry events. All investment ideas of the Adviser are generated internally. As a matter of policy, the Adviser does not share ideas with investors or portfolio managers.

The Adviser employs the following investment strategies:

Short Selling. The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The investment objective of the Adviser is to profit by the decline in value of selected U.S. equity and debt securities.

Option Trading. The Adviser engages in an option trading investment strategy. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser may buy put and call options long in order to reduce risk and/or increase potential return of expected price movements in underlying securities.

These strategies involve significant risks and are only for those persons who can bear the economic risk of the loss of their investment and who have limited need for liquidity in their investment.

B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies.

Short Selling Risk. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

Hedging. There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Adviser’s investment portfolios than if the Adviser did not engage in any such hedging transactions.

Commodities. Commodity investments are affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on its commodity investments. Prices of commodity investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Adviser’s portfolio and the value of its investments. In addition, the value of the Adviser’s portfolio may fluctuate as the general level of interest rates fluctuates.

C. Risks Associated With Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks).

Commodity Futures and Options. Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a pooled investment vehicle engaging in commodity futures trading. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to such a pooled investment vehicle. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

Derivatives. Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the *client* or the Adviser. Further, transactions in derivative instruments are not undertaken on recognized exchanges, and will expose the *client's* account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

Equity Securities. The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geopolitical risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Non-U.S. Securities. Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

REITs. REITs in which the Adviser invests *client* accounts are affected by underlying real estate values, which may have an exaggerated effect to the extent that REITs in which the Adviser invests concentrate investments in particular geographic regions or property types. Investments in REITs are also subject to the risk of interest rate volatility. Further, rising interest rates will cause investors in REITs to demand a higher annual yield from future distributions, which will in turn decrease market prices for equity securities issued by REITs. REITs are subject to risks inherent in operating and financing a limited number of projects because they are dependent upon specialized management skills, and have limited diversification. REITs depend generally on their ability to generate cash flow to make distributions to investors.

Item 9. Disciplinary Information

This item is not applicable.

Item 10. Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration Status.

None.

B. Commodities-Related Registration.

None.

C. Material Relationships or Arrangements with Industry Participants.

None.

D. Material Conflicts of Interest Relating to Other Investment Advisers.

None.

Item 11. Code of Ethics, Participation or Interest in *Client* Transactions and Personal Trading

A. Code of Ethics. The Adviser has adopted a Code of Ethics (the “Code”) that obligates the Adviser and its *related persons* to put the interests of the Adviser’s *clients* before their own interests and to act honestly and fairly in all respects in their dealings with *clients*. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. *Clients* or prospective *clients* may obtain a copy of the Code by contacting Shannon J. Collins (Chief Compliance Officer) by email at scollins@yxfunds.com, or by telephone at 214-720-2970. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by *related persons*.

The Adviser, in the course of its investment management and other activities (e.g. board or creditor committee service), may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its *related persons* have invested or seek to invest on behalf of *clients*. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other *person*, regardless of whether such other *person* is a *client*. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to *persons* who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to *clients* and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the *client* or using such information for the *client’s* benefit. In such circumstances, the Adviser will have no responsibility or liability to the *client* for not disclosing such information to the *client* (or the fact that the Adviser possesses such information), or not using such information for the *client’s* benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

B. Client Transactions in Securities where Adviser has a Material Financial Interest.

None.

C. Investing in Securities Recommended to Clients.

None.

D. Conflicts of Interest Created by Contemporaneous Trading.

None.

Item 12. Brokerage Practices

A. Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions. The Adviser considers a number of factors in selecting a broker to execute transactions (or series of transactions) and determining the reasonableness of the broker's compensation. Such factors include net price, reputation, financial strength and stability, efficiency of execution and error resolution, offering to the Adviser on-line access to computerized data regarding a *client's* accounts. In selecting a broker to execute transactions (or series of transactions) and determining the reasonableness of the broker's compensation, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus a *client* may be deemed to be paying for research, brokerage or other services provided by a broker which are included in the commission rate. The Adviser's Chief Compliance Officer, Chief Operating Officer and analysts meet periodically to evaluate the brokers used by the Adviser to execute *client* trades using the foregoing factors.

1. Research and Other Soft Dollar Benefits.

The Adviser does not utilize soft dollars.

2. Brokerage for Client Referrals.

From time to time the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend these private funds as an investment to *clients*. The Adviser may place *client* portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

3. Directed Brokerage

Under certain circumstances, the Adviser may permit *clients* to direct the Adviser to execute the *client's* trades with a specified broker-dealer. When a *client* directs the Adviser to use a specified broker-dealer to execute all or a portion of the *client's* securities transactions, the Adviser treats the *client* direction as a decision by the *client* to retain, to the extent of the direction, the discretion the Adviser would otherwise have in selecting broker-dealers to effect transactions and in negotiating commissions for the *client's* account. Although the Adviser attempts to effect such transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Adviser will continue to comply with the *client's* instructions. Transactions in the same security for accounts that have directed the use of the same broker will be aggregated. When the directed broker-dealer is unable to execute a trade, the Adviser will select broker-dealers other than the directed broker-dealer to effect *client* securities transactions. A *client* who directs the Adviser to use a particular broker-dealer to effect transactions should consider whether such direction may result in certain costs or disadvantages to the *client*. Such costs may include higher brokerage commissions (because the Adviser may not be able to aggregate orders to reduce transaction costs), less favorable execution of transactions, and the potential of exclusion from the *client's* portfolio of certain foreign ordinary shares and/or small capitalization or illiquid securities due to the inability of the particular broker-dealer in question to provide adequate price and execution of all types of securities transactions. By permitting a *client* to direct the Adviser to execute the *client's* trades through a specified broker-dealer, the Adviser will make no attempt to negotiate commissions on behalf of the *client* and, as a result, in some transactions such *clients* may pay materially disparate commissions depending on their commission arrangement with the specified broker-dealer and upon other factors such as number of shares, round and odd lots and the market for the security. The

commissions charged to *clients* that direct the Adviser to execute the *client's* trades through a specified broker-dealer may in some transactions be materially different than those of *clients* who do not direct the execution of their trades. *Client's* that direct the Adviser to execute the *client's* trades through a specified broker-dealer may also lose the ability to negotiate volume commission discounts on batched transactions that may otherwise be available to other *clients* of the Adviser.

B. Order Aggregation.

The Adviser often purchases or sells the same security for many *clients* at or near the same time and using the same executing broker. It is the Adviser's practice, where possible, to aggregate *client* orders for the purchase or sale of the same security submitted at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for *clients* a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the *client* has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the *client* will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a *client's* account, the Adviser may be precluded from aggregating that *client's* transaction with others. In such a case, the *client* may pay a higher commission rate and/or receive less favorable prices than *clients* who are able to participate in an aggregated order. When an aggregated order is completely filled, the Adviser allocates the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to *clients*. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to all participating *clients*.

Item 13. Review of Accounts

A. Frequency and Nature of Review. Each *client account* is reviewed by the portfolio manager of the Adviser, on a daily basis to determine whether securities positions should be maintained in view of current market conditions. Matters reviewed include specific securities held, adherence to investment guidelines and the performance of the portfolio.

B. Factors Prompting a Non-Periodic Review of Accounts.

This item is not applicable.

C. Content and Frequency of Regular Account Reports. Each *client* that is a separate managed account will receive a monthly reporting package including the following from the Adviser, including the following: monthly cash activity, margin requirements and credit interest, profit and loss by security, short rebate report, dividend report and gross asset value reconciliation. Such reports may be delivered electronically to the client in accordance with the client's agreement with the Adviser.

A *client's* investors receive reports from the *client* pursuant to the terms of each *client's* offering memoranda or as otherwise described in the offering document of the *client*.

Item 14. Client Referrals and Other Compensation

A. Economic Benefits Received from Non-Clients for Providing Services to Clients.

None.

B. Compensation to Non-Supervised Persons for Client Referrals.

None.

Item 15. Custody

Clients (separately managed accounts) will receive account statements from the prime brokers and *clients* should carefully review those statements.

Item 16. Investment Discretion

The Adviser provides investment advisory services on a *discretionary basis* to *clients*. Please see Item 4 for a description of any limitations *clients* may place on the Adviser's *discretionary authority*.

Prior to assuming full discretion in managing a *client's* assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary *client*, the Adviser has the authority to determine (i) the securities to be purchased and sold for the *client* account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) (ii) the amount of securities to be purchased or sold for the *client* account. The Adviser electronically submits via the trading platform the allocation of securities to (or from) *client* accounts for each trade/order submitted. Although it is the Adviser's policy to allocate investment opportunities to eligible *client* accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser][a portfolio manager] to allocate securities to *client* accounts in varying amounts. Even *client* accounts that are typically managed on a *pari passu* basis may from time to time receive differing allocations of securities] based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors and breaches of investment guidelines and restrictions occur, the Adviser's error correction procedure is to ensure that *clients* are treated fairly and, following error correction, are in the same position they would have been if the error had not occurred. The Adviser has discretion to resolve a particular error in any appropriate manner that is consistent with the above stated policy. In the event that a *client* account incurs a trade error as a result of the Adviser's gross negligence, willful misconduct, or fraud, trade errors will be corrected by the Adviser as soon as practicable, in a manner such that the *client* incurs no loss. Trade errors that result other than by breach of the standard of care above are borne by the *client* account.

Item 17. Voting *Client* Securities

A. Policies and Procedures Relating to Authority to Vote Client Securities .

This item is not applicable.

B. No Authority to Vote Client Securities and Client Receipt of Proxies.

This item is not applicable.

Item 18. Financial Information

This Item is not applicable.

A. Balance Sheet.

B. Financial Conditions and Impairment of Contractual Commitments to Clients.

C. Bankruptcy Filings.

Item 19. Requirements for State-Registered Advisers

The Adviser is not State-Registered.

Appendix: Item 2. Material Changes

There have been no material changes since the Adviser's last annual update, which was filed on March 4, 2010.