

DISCLOSURE NOTICE
BASIS YIELD ALPHA FUND

The Directors of Basis Yield Alpha Fund ("**Fund**") have been advised by Basis Capital Funds Management Limited, the investment advisor to the Fund, that that Basis Yield Alpha Fund (Master) ("**Master Fund**"), in which the Fund 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 the 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 the 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 the 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 has assessed that the 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 shares in the Basis Yield Alpha Fund to below one-half of the level as at 31 May 2007.

The Board of the Fund, working together with Basis Capital Funds Management Limited, are attempting to minimise the losses to investors and will continue to advise investors as more precise information becomes available.

Yours sincerely,

Basis Yield Alpha Fund

19 July 2007