

**Item 1. Cover Page**

# **TMS Capital Management Ltd.**

9575 Katy Freeway, Suite 360

Houston, TX 77024

Phone: (713) 467-2300

Fax: (713) 467-2338

Email: [admin@tmstrade.com](mailto:admin@tmstrade.com)

[www.tmstrade.com](http://www.tmstrade.com)

March 31, 2013

TMS Capital Management Ltd. is an investment adviser that is registered with the United States Securities and Exchange Commission (the "SEC"). Registration with the SEC does not imply a certain level of skill or training.

**This brochure provides information about the qualifications and business practices of TMS Capital Management Ltd. If you have any questions about the contents of this brochure, please contact us at (713) 467-2300 or [admin@tmstrade.com](mailto:admin@tmstrade.com). The information in this brochure has not been approved by the SEC or any state securities authority.**

**Additional information about TMS Capital Management Ltd. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

We have included in this brochure references to private pooled investment vehicles advised by us for the sole purpose of describing our advisory business. This brochure is not intended as an offer of any of these private pooled investment vehicles, which are privately offered only to qualified investors pursuant to separate private offering memoranda or other pertinent documentation.

## **Item 2. Material Changes**

TMS Capital Management Ltd. ("TMS Capital") last annually updated its brochure in March 2012. Although TMS Capital notes certain changes below that have occurred since its last updated filing, TMS Capital recommends that you read this ADV Part 2 in its entirety.

TMS Capital is an investment adviser to a fund of funds client that also has an offshore feeder fund. TMS Capital also serves as a commodity trading advisor to two commodity pools. TMS Capital is not treating those pools as clients for ADV purposes because TMS Capital does not give advice to those pools regarding securities. In the past, TMS Capital included more detailed information about those two commodity pools in its ADV Part 2 brochure but for purposes of clarity, this ADV Part 2 brochure will omit that detailed information. Please see Item 10: Other Financial Industry Activities and Affiliations for more information.

## **Item 4: Advisory Business**

As of December 31, 2012, TMS Capital had \$42,379,226.43 of regulatory assets under management that it managed solely on a discretionary basis.

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#### **Item 4. Advisory Business**

TMS Capital, a Texas limited partnership and registered commodity trading advisor, was formed in July 2006 for the purpose of managing client assets. TMS Capital provides investment management services with respect to securities on a discretionary basis to a private pooled investment vehicle and an offshore private investment vehicle that is its feeder fund. The private pooled investment vehicle invests primarily in underlying commodity pools and the offshore fund invests all of its capital into the private pooled investment vehicle. TMS Capital in the future may advise separately managed accounts that will trade in parallel with the pool.

TMS Capital also serves as a commodity trading advisor to two private pooled investment vehicles that trade directly and primarily in commodity interests. TMS Capital is registered as a commodity trading advisor with the CFTC and is a member of the NFA. TMS Capital is not treating those pools as clients for ADV purposes and therefore is not detailing those pools throughout this ADV Part 2 brochure because TMS Capital does not give advice to those pools regarding securities. However, for more information on those two commodity pools, please see Item 10: Other Financial Industry Activities and Affiliations.

The principal owners of TMS Capital are the founders, Craig S. Wilkinson and Susan B. Wilkinson.

#### **Vehicles That Invest in Commodity Pools -- The Fund**

TMS Capital serves as the trading manager of a private pooled investment vehicle, Triad Trading Fund L.P. (the "Fund"), that invests primarily in underlying commodity pools and as the trading manager of a pooled investment vehicle organized offshore, Triad Trading Fund Cayman Islands Ltd., (the "Offshore Feeder") that invests all of its capital into the Fund.

Treasury Management Services, Inc. is the general partner of TMS Capital (the "General Partner"). The General Partner also serves as the general partner of the Fund and is responsible for the day-to-day operations of the Offshore Feeder. The General Partner is a registered commodity pool operator and commodity trading advisor.

As the trading manager of the Fund and the Offshore Feeder, TMS Capital generally allocates and reallocates the Fund's capital among commodity pools ("Underlying Funds"), each of which is managed by a commodity trading advisor (each, a "Trading Advisor"). Currently, the Underlying Funds are managed by Trading Advisors that are unaffiliated with TMS Capital, except that the Fund also invests in a commodity pool managed by TMS Capital—Trinergy Trading Fund L.P. (the "Energy Commodity Pool"). Generally, the Trading Advisors will invest the Fund's assets in a variety of commodity interests. The Offshore Feeder accesses the Trading Advisors solely through an investment in the Fund.

TMS Capital typically allocates substantially all of the Fund's capital among the Trading Advisors, but from time to time may determine to retain a portion of the Fund's capital in reserve, withheld from market risk, as well as for certain direct investments (generally for cash management, hedging or portfolio reallocation).

#### **Tailored Advisory Services**

TMS Capital tailors its advisory services to the needs of the Fund and the Offshore Feeder and adheres to the investment strategy in the offering document of the Fund.

#### **Assets Under Management**

As of December 31, 2012, TMS Capital had \$42,379,226.43 of regulatory assets under management that it managed solely on a discretionary basis.

## **Item 5. Fees and Compensation**

### **Management Fee**

At the end of each calendar month, the capital accounts of the Fund's limited partners are each assessed, in arrears, a monthly management fee of 1/12 of 1% (approximately 1.0% annually) of the net asset value of the limited partners' limited partnership interests in the Fund, calculated before deduction for the management fee and after any special profit allocation to TMS Capital (see below) that would have been made had the month-end been a calendar quarter-end. This management fee is payable to the General Partner and deducted directly from each limited partner's capital account. As noted below, the General Partner also receives a management fee from the Energy Commodity Pool. The management fee payable to the General Partner at the Fund level is net of all fees and expenses paid by the Fund at the level of the Underlying Funds.

### **Special Profit Allocation**

TMS Capital also receives, from each limited partner at each calendar quarter-end as well as upon any withdrawal by a limited partner, a special profit allocation equal to 5% of any new net trading profits (as defined in the Fund's offering memorandum) otherwise allocated to such limited partner's capital account for such calculation period. The special profit allocation is calculated on a "high water mark" basis. As noted below, TMS Capital also receives a performance allocation from the Energy Commodity Pool. The special profit allocation payable to the General Partner at the Fund level is net of all of the fees and expenses paid by the Fund at the level of the Underlying Funds.

### **The Offshore Feeder**

The Offshore Feeder is not itself subject to a management fee, but each shareholder will pay, indirectly through the Offshore Feeder's investment in the Fund, the management fees described above and the management fees relating to the Energy Commodity Pool described below. TMS Capital, as the trading manager to the Offshore Feeder, does not charge a separate incentive fee or allocation to the Offshore Feeder. However, it will receive a special profit allocation at the Fund level based on the Offshore Feeder's investment in the Fund and a performance allocation from the Energy Commodity Pool based on the Fund's investment in the Energy Commodity Pool.

### **Fees Related to the Underlying Funds**

The Fund (and indirectly through the Fund, the Offshore Feeder) will pay additional fees to the Trading Advisors of the Underlying Funds in which the Fund invests. The fees earned by the Trading Advisors may include both fixed fees based on the value of the Fund's assets allocated to each Trading Advisor (generally from 1% to 3%) and performance fees based on profits generated by each Trading Advisor (generally 10% to 30% of such profits). The performance fees paid to the Trading Advisors are calculated on the basis of the performance of each Trading Advisor considered individually, irrespective of the overall performance of the Fund. The General Partner credits to the Fund any rebates in fees that it is able to negotiate with the Trading Advisors.

As noted above, TMS Capital allocates a portion of the Fund's assets to the Energy Commodity Pool, a commodity pool managed by TMS Capital. The Fund is required to pay its *pro rata* share of the various fees and expenses of the Energy Commodity Pool, including the management fee payable to the General Partner and the performance fee payable to TMS Capital. These fees are in addition to the management fee and special profit allocation to which the General Partner and TMS Capital are entitled, respectively, at the Fund level.

With respect to its investment in the Energy Commodity Pool, the Fund's account with the Energy Commodity Pool will be assessed, in arrears, a monthly management fee, deducted directly and payable

to the General Partner, of 1/12 of 2% (approximately 2.0% annually) of the balance of such capital account, prior to reduction for the management fee but after accrual for any performance based fee that would have been made had the month-end been a calendar quarter-end. Also, related to its investment in the Energy Commodity Pool, the Fund will pay a performance allocation to TMS Capital equal to 20% of any new net profits (as defined in the Energy Commodity Pool's offering memorandum) at the end of each calendar quarter-end, as well as upon a withdrawal by the Fund. This performance allocation is calculated on a "high water mark" basis.

The Fund's special profit allocation payable to TMS Capital and the management fee payable to the General Partner, together with the compensation of the Trading Advisors, results in two levels of performance based allocations and fees and greater expense than would be associated with a direct investment in securities by limited partners. The Fund also bears its *pro rata* share of the expenses of the Underlying Funds, which in the aggregate could be substantial.

### **Negotiated Fees**

The General Partner or TMS Capital may waive or reduce the management fee or the performance-based fee/special profit allocation, respectively, with respect to certain limited partners, including principals, partners, directors, officers and employees of the General Partner or its affiliates, or accounts and collective investment vehicles for which the General Partner or an affiliate serves as general partner, investment adviser or investment manager, without entitling any other limited partner to such waiver or reduction.

### **Other Fees and Expenses**

In addition to the fees paid to TMS Capital and the General Partner, limited partners of the Fund bear indirectly some of the fees and expenses of the Fund, the Underlying Funds, and the General Partner.

The Fund bears all of its own direct investment expenses, including interest, brokerage and other transactional charges, commitment fees, fees of the Administrator, insurance and fees of the Trading Advisors. In addition, the Fund bears its direct accounting, audit, legal, printing, filing, escrow and other operating expenses. The Offshore Feeder invests substantially all of its capital in the Fund and therefore bears its *pro rata* share of the Fund's expenses. However, the Offshore Feeder also has its own operating expenses, including, but not limited to, directors' fees, administrative fees, accounting and legal costs. Each of the Offshore Feeder and the Fund bears a *pro rata* share of the combined expenses of the two entities in proportion to their respective net asset values.

The Fund also bears a portion of the overhead expenses of the General Partner, including without limitation salaries of accounting, investor relations and other personnel. General Partner overhead expenses are allocated *pro rata* among funds sponsored by the General Partner, including the Fund.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

TMS Capital receives performance-based fees as described above in Item 5: Fees and Compensation. TMS Capital does not manage any client accounts that do not pay performance-based compensation.

## **Item 7. Types of Clients**

TMS Capital provides investment management services with respect to securities on a discretionary basis to a private pooled investment vehicle and an offshore pool. The private pooled investment vehicle invests primarily in underlying commodity pools and the offshore fund invests all of its capital into the private pooled investment vehicle.

In general, the minimum initial investment in the Fund is \$25,000, and the minimum initial investment in the Offshore Fund is \$50,000. This brochure is not an offer to invest in the Fund or the Offshore Feeder.

## **Item 8. Methods of Analysis, Investments Strategies and Risk of Loss**

### **Methods of Analysis and Investment Strategies**

TMS Capital's general investment objective is to attempt to provide investors in the Fund with asset appreciation through investing with Trading Advisors who have demonstrated an ability to achieve capital appreciation while attempting to maintain a controlled level of risk. The Fund implements a concentrated multi-manager investment approach as opposed to many multi-manager funds which invest in 30 or more managers. Historically, TMS Capital has allocated the Fund's capital to strictly limited groups of Trading Advisors. Currently, the Fund's assets are allocated to four Trading Advisors with one Trading Advisor holding a little over 75% of the Fund's assets. A portion of the Fund's assets are allocated to the Energy Commodity Pool, for which TMS Capital acts as commodity trading advisor.

The cornerstone of TMS Capital's investment approach is evaluating the capabilities of Trading Advisors and the investment strategies they implement on behalf of Underlying Funds, and then using that information in conjunction with its own analysis of current economic and market conditions and likely near-term factors that might impact performance, as well the anticipated risks, rewards and correlation among Underlying Fund investment strategies, to construct diversified portfolios of Underlying Fund investments that TMS Capital believes have the potential to provide investors with attractive, risk-adjusted returns.

In selecting a Trading Advisor, TMS Capital considers, among others, the following factors: (1) amount, level and type of trading experience of the Trading Advisor and its principals; (2) trading methodology and orientation of the Trading Advisor; (3) effective risk management; and (4) historical trading results of the Trading Advisor. However, TMS Capital may allocate capital to Trading Advisors that lack historical track records if in TMS Capital's judgment, the Trading Advisors offer exceptional potential.

The Trading Advisors selected by TMS Capital have historically been focused primarily on the energy markets, particularly energy-related, exchange-traded futures and options contracts, as well as off-exchange instruments such as physical and spot market commodities, forward contracts and other derivative contracts. TMS Capital expects that this will continue to be the case for the foreseeable future.

TMS Capital may conduct certain direct (*i.e.*, not through a Trading Advisor) trading activities on behalf of the Fund. If TMS Capital deems it advisable for the Fund to take a direct position in a security, currency or over-the-counter derivative for hedging or portfolio reallocation purposes, TMS Capital may cause the Fund to trade directly in the markets, rather than investing through an Underlying Fund. TMS Capital does not expect any direct trading to constitute a significant portion of the Fund's investment activity.

TMS Capital will also attempt to maximize earnings from the Fund's net cash positions not committed to margin by proactively managing these assets. In this capacity, TMS Capital will invest in liquid U.S. government debt instruments such as bills, notes and bonds. The durations of these investments may extend beyond short term investments and may be managed by the use of options to either trigger entry points or manage risk.

## **Summary of Some Material Risks**

An investment in the Fund is subject to substantial risks, including a risk of loss of all or a portion of any amounts invested in the Fund.

The following is a summary of some of the material risks associated with the strategies expected to account for a significant portion of the Fund's investments. This summary does not attempt to describe all of the risks associated with an investment in the Fund or the Offshore Feeder. Although no summary can fully describe all of the risks associated with such an investment, the offering documents for the Fund and the Offshore Feeder contain a more complete description of the risks associated with an investment in the Fund or the Offshore Feeder.

*Energy Trading.* Energy market trading involves certain risks that are qualitatively different from those incurred in trading other financial instruments. Such markets are characterized by a lack of effective hedges and may experience unusually severe price movement disruptions as a result of natural disasters and the current unsettled political situation in the Middle East. The energy markets are susceptible to significant short-term price volatility as a result of a variety of factors, as summarized in the Fund's offering memorandum.

*Trading Advisor Risk.* TMS Capital has no control over the independent Trading Advisors. The Fund may experience losses due to a Trading Advisor's poor judgment or intentional or inadvertent deviations from the investment strategy or portfolio limitations TMS Capital anticipated the Trading Advisor would follow.

The decision by a Trading Advisor not to trade certain markets or not to make certain trades may result at times in missing price moves and hence profits of great magnitude, which other trading managers who are willing to trade these commodities may be able to capture. A Trading Advisor's approach is dependent in part on the existence of certain technical or fundamental indicators. There have been periods in the past when there were no such market indicators, and those periods may recur.

*Highly Concentrated Portfolio.* The Fund's concentrated portfolio increases risk. The Fund's portfolio is unusually highly concentrated for a multi-manager fund – currently allocating capital among only four Trading Advisors as of the date of this brochure, all of which concentrate in the energy markets. TMS Capital does not expect the Fund's portfolio to become materially more diversified at any time in the foreseeable future (although TMS Capital reserves the right to modify the Fund's portfolio at any time). The Fund's lack of diversification could be expected to make its performance substantially more volatile than other multi-manager portfolios as well as extending substantially less risk control opportunity.

*TMS Capital's Analysis.* A number of multi-manager sponsors as a matter of policy do not attempt to take their economic views into account in allocating capital among managers due to the additional dimension of possible error and risk created by doing so. If TMS Capital's analysis of near to mid-term market conditions proves to be incorrect, TMS Capital may frequently allocate capital to Trading Advisors about to enter unfavorable, and from Trading Advisors about to enter favorable, periods. TMS Capital believes that informing the Fund's Trading Advisor allocation by TMS Capital's analysis of current market conditions can enhance the effectiveness of TMS Capital's asset allocations, although this approach does involve increased risk.

*Cash Management Risk.* The material risks associated with TMS Capital's cash management activities include, without limitation:

- *Interest rate and yield curve risk* – the risk of declining market value in a rising interest rate environment;
- *Sector risk* – the risk of declining market value if a sector should fall out of favor; and
- *Credit risk* – A decline in market value may affect near term returns but not the return of principal as long as the ability to repay investors has not deteriorated. Credit risk, in contrast, involves the potential loss of principal, if the borrower's ability to repay is impaired.

## **Item 9. Disciplinary Information**

TMS Capital has no legal or disciplinary events to report that would be material to a client's or prospective client's evaluation of TMS Capital's advisory business or the integrity of its management.

Neither TMS Capital, nor any of its directors, officers or principals has been involved in any investment-related criminal or civil actions in a domestic, foreign or military court.

Neither TMS Capital, nor any of its directors, officers or principals has been involved in any administrative proceedings before the Securities and Exchange Commission, any other federal regulatory agency, any state regulatory agency or any foreign financial regulatory authority.

Neither TMS Capital, nor any of its directors, officers or principals has been involved in any self-regulatory organization proceedings.

## **Item 10. Other Financial Industry Activities and Affiliations**

In addition to the investment management services with respect to securities that TMS Capital provides to the Fund and the Offshore Feeder, TMS Capital is a registered commodity trading advisor and serves as the commodity trading advisor to two commodity pools. One of these commodity pools, the Energy Commodity Pool, is an Underlying Fund into which the Fund invests a percentage of its assets. The fact that TMS Capital allocates a portion of the Fund's assets to the Energy Commodity Pool, through which the General Partner will receive a management fee and TMS Capital could receive performance-based allocations could present a conflict of interest. TMS Capital addresses this conflict of interest by calculating any performance-based allocation on a "high water mark" and by allocating only a small percentage of the Fund's overall assets to the Energy Commodity Pool.

As described in Item 4: Advisory Business, Treasury Management Services, Inc. (previously defined as the "General Partner") is the general partner of TMS Capital. The General Partner also serves as the general partner of the Fund and is responsible for the day-to-day operations of the Offshore Feeder pursuant to a sponsorship agreement between the Offshore Feeder and the General Partner. The General Partner is a registered commodity pool operator and commodity trading advisor. In addition, the General Partner acts as the general partner and commodity pool operator of the two commodity pools to whom TMS Capital serves as commodity trading advisor.

Craig S. Wilkinson and Susan B. Wilkinson are associated persons of TMS Capital and the General Partner.

The General Partner provides a Financial Markets Advisory Service (FMAS), an advisory, trading and hedge execution service for small to middle sized corporate clients designed to help manage the over-the-counter foreign exchange exposures and interest rate risk associated with doing business internationally.

Treasury Management Services International Ltd. ("TMS International"), an affiliate of TMS Capital located in the United Kingdom, markets products and services of the TMS group of companies to the international community. TMS International is registered with the Financial Services Authority. TMS International's activities presently are restricted to marketing interests in the Offshore Feeder to non-U.S. persons.

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

TMS Capital believes that client relationships are of the utmost importance to our continued growth and success. TMS Capital seeks to foster and maintain a reputation for honesty, integrity and professionalism, as our reputation is a vital business asset. As a result, all of TMS Capital's principals and supervised persons must not act or behave in any manner or engage in any activity that creates the suspicion or appearance of the misuse of material, nonpublic information, gives rise to any breach of fiduciary duty owed to any client or creates any actual or potential conflict of interest between any client, on the one hand, and principal or supervised person, on the other hand.

TMS Capital has adopted a Code of Ethics that sets forth standards of ethical and business conduct expected of TMS Capital's personnel and addresses conflicts that may arise from personal securities trading. The Code of Ethics, among other things, requires compliance with the federal securities laws, reflects TMS Capital's fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions, requires TMS Capital personnel to periodically report their personal securities transactions and to pre-clear certain securities transactions and addresses prevention of the misuse of material, nonpublic information.

A copy of TMS Capital's Code of Ethics will be provided to any client or prospective client upon request.

As discussed in Item 4: Advisory Business, the Offshore Feeder invests in the Fund, for which an affiliate of TMS Capital serves as general partner. The Offshore Feeder is not subject to a separate management fee or incentive fee. However, each shareholder will pay, indirectly through the Offshore Feeder's investment in the Fund, the management fee payable to the General Partner and any special profit allocation payable to TMS Capital at the Fund level. While this may create a conflict of interest, the purpose of the Offshore Feeder, as described in the Offshore Feeder's offering document, is to invest all of its assets into the Fund. So, investors are aware of any conflict of interest when they invest in the Offshore Feeder.

TMS Capital is responsible for selecting the Trading Advisors and allocating and reallocating Fund assets among them. Since TMS Capital allocates a portion of the Fund's assets to the Energy Commodity Pool and the Fund is required to pay its *pro rata* share of the various fees and expenses of the Energy Commodity Pool, including the management fee payable to the General Partner and the performance fee payable to TMS Capital, TMS has a conflict of interest between its obligation to act in the best interest of the Fund and any interest it may have in generating additional management fees and performance fees for itself and its affiliates by selecting itself and/or its affiliates to act as Trading Advisors for the Fund and allocating, and increasing the allocation of, the Fund's assets to Underlying Funds such as the Energy Commodity Pool. One should note that these fees are in addition to the management fee and special profit allocation to which the General Partner and TMS Capital are entitled, respectively, at the Fund level. TMS Capital addresses this conflict of interest by calculating the special profit allocation and management fees payable at the Fund level net of all expenses and fees paid at the level of the Underlying Funds, by strictly adhering to the Fund's investment program as set out in the Fund's offering memorandum and by allocating only a small percentage (currently less than 8%) of the Fund's overall assets to the Energy Commodity Pool. In addition, the Fund's offering memorandum clearly explains the conflict of interest so that investors in the Fund are aware of the situation.

TMS Capital, the General Partner, TMS International and their principals and employees are, or may be, invested in the Fund and/or the Offshore Feeder. Such investments are made on the same terms as those applicable to other investors so this should not be considered a conflict of interest.

Although currently this does not occur, in the future TMS Capital, the General Partner and their principals and employees may trade futures and futures contracts for their own accounts. Such proprietary trading could, in some circumstances, present a conflict of interest. TMS Capital addresses this potential conflict of interest by only allowing such proprietary trading to be done in parallel with the Fund and the Underlying Funds. In addition, TMS Capital's trading policy requires that any trades on behalf of the Fund be filled before any related trade for a personal managed account.

## **Item 12. Brokerage Practices**

TMS Capital generally does not itself trade directly on behalf of the Fund but may do so at any time. TMS Capital allocates and reallocates the Fund's capital among the Underlying Funds, which are managed by independent Trading Advisors. The Underlying Funds establish their own brokerage arrangements. TMS Capital has no control over the selection of the brokerage firms and the terms of those arrangements.

If the Fund accesses the advisory services of a Trading Advisor by having it directly manage its assets, the General Partner will be required to open an account at a commodity broker and negotiate the brokerage commissions and interest rates to be paid on the Fund's management directly.

Futures brokerage commissions are not subject to the same requirement of best price and execution as are securities brokerage commissions. Certain Trading Advisors will pay substantially higher brokerage commissions for other clients of the same broker and may receive certain services for doing so. TMS Capital will not, however, invest in an Underlying Fund unless it believes that the brokerage commission rates are reasonable. TMS Capital receives no portion of any of the brokerage commissions generated.

In futures and forwards trading for the Commodity Pools, transaction charges are a matter of negotiation.

### **Best Price and Execution**

TMS Capital from time to time may engage in certain direct investments on behalf of the Fund (generally for cash management, hedging or portfolio reallocation). In selecting broker-dealers to effect securities transactions for a client, TMS Capital will use its reasonable efforts to obtain best price and execution and will take into account, as applicable, such factors as (i) price, (ii) the broker-dealer's facilities, reliability and financial responsibility, (iii) the ability of the broker-dealer to effect securities transactions, particularly with regard to such aspects as timing, order size and execution of orders and (iv) the research, brokerage and other services provided by such broker-dealer to TMS Capital. TMS Capital will not be required to solicit competitive bids and will not have an obligation to seek the lowest available commission cost. Accordingly, TMS Capital may cause a client to pay a broker-dealer that provides brokerage or research services an amount of commission or transaction cost in excess of that which another broker-dealer would have charged, if TMS Capital determines in good faith that such commission or transaction cost is reasonable in relation to the value of brokerage, research or other services provided.

In the situation described above, TMS Capital does not have a conflict of interest with regards to research or services provided by brokerage firms because the cost of such research and services would otherwise be an expense of the Fund if not provided by a broker-dealer.

## **Trade Errors**

It is TMS Capital's policy generally not to reimburse clients for any clerical errors or mistakes of TMS Capital with respect to TMS Capital's placing or executing securities trades for the client ("trade errors"), as such errors are considered by TMS Capital to be a cost of doing business. However, subject to the pertinent investment management agreement's exculpation of liability and indemnification provisions, TMS Capital will be obligated to reimburse the client for any trade error resulting from a violation of TMS Capital's pertinent standard of care. TMS Capital, subject to its fiduciary obligations, will determine whether or not any trade error is required to be reimbursed in accordance with such liability and exculpation provisions. Any positive trade errors will be for the benefit of the client and not retained by TMS Capital (other than as an offset against trade error losses to be reimbursed by TMS Capital).

## **Item 13. Review of Accounts**

The Fund's accounts are reviewed on an ongoing basis by Craig Wilkinson who contacts the Trading Advisors of the Underlying Funds on an as-needed basis regarding gains or losses that exceed expectations. Limited partners in the Fund and the Offshore Feeder receive unaudited monthly performance information from a third party administrator and audited financial statements with tax-related information after year end which is December 31.

TMS Capital's general policy is to provide all limited partners with the same pertinent information. However, in certain circumstances, as initiated by a limited partner, such limited partner in the Fund or Offshore Feeder may be provided information regarding, as pertinent, the Fund or the Trading Advisors and Underlying Fund investments not generally available to other limited partners. Because the Fund and the Offshore Feeder permit voluntary withdrawals, a limited partner with such information may withdraw from the Fund or the Offshore Feeder, as pertinent, based on such information and avoid losses when other limited partners would not have that information to rely upon in assessing whether they should withdraw.

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

As noted in Item 10: Other Financial Industry Activities and Affiliations, TMS International, an affiliate of TMS Capital located in the United Kingdom, markets products and services of the TMS group of companies to the international community. TMS International will be compensated for these activities.

## **Item 15. Custody**

TMS Capital is deemed to have custody of TMS Fund assets because the General Partner, an affiliate of TMS Capital, acts as general partner of the Fund and is responsible for the day-to-day operations of the Offshore Feeder and has the authority to access clients' funds and deduct fees and expenses from clients' accounts.

TMS Capital maintains the funds and securities over which it has custody with an unaffiliated qualified custodian. The Fund and the Offshore Feeder are subject to an annual audit and the audited financial statements are distributed to each limited partner.

## **Item 16. Investment Discretion**

TMS Capital accepts discretionary authority to manage the Fund and the Offshore Feeder's investment accounts. Essentially, this means that, on behalf of the Fund and the Offshore Feeder, TMS Capital has the authority to determine, without obtaining specific client consent, the assets to purchase and the price at which to purchase the assets, when to acquire or dispose of investments and how to manage those investments while the Fund and the Offshore Feeder hold them. Despite this broad authority, TMS

Capital is committed to adhering to the investment strategy and program set forth in the offering memorandums of the Fund and the Offshore Feeder.

Before accepting their subscriptions for interests, TMS Capital provides all investors in the Fund and the Offshore Feeder with an offering memorandum or other disclosure document that sets forth, in detail, the relevant investment strategy and program. By completing the subscription documents to acquire an interest in the Fund or the Offshore Feeder, investors give TMS Capital complete authority to manage their investments in accordance with the offering memorandum or other disclosure document they each received.

## **Item 17. Voting Client Securities**

In its capacity as trading manager to the Fund and the Offshore Feeder, TMS Capital is rarely, if ever, requested to vote the proxies of traditional operating companies. Rather, TMS Capital or the General Partner from time to time may be requested to vote on behalf of the Fund in its capacity as an investor in an Underlying Fund. In such instances, TMS Capital will attempt to consider all aspects of its vote that could affect the role of the Fund in the Underlying Fund or the value of the Underlying Fund.

TMS Capital follows procedures that are designed to identify conflicts or potential conflicts that could arise between its own interests and those of its clients. If it is determined that any such conflict or potential conflict is not material, TMS Capital may vote proxies notwithstanding the existence of the conflict. If it is determined, however, that a conflict of interest or potential conflict of interest is material, appropriate personnel of TMS Capital will work to agree upon a method to resolve such conflict before voting proxies affected by the conflict.

Clients and investors in the Fund and the Offshore Feeder may request a copy of TMS Capital's Proxy Voting Policies and Procedures, as well as applicable proxy voting records, by contacting TMS Capital at (713) 467-2300.

## **Item 18. Financial Information**

TMS Capital is not aware of any financial condition that is likely to impair its ability to meet its contractual commitments to its clients.

TMS Capital has never been the subject of a bankruptcy petition.