

Gemini's Dedicated Managed Account (DMA) structure recently allowed a large public client to **save in excess of 100 basis points annually** in asset management fees and operating expenses.

As a consultant and trusted advisor, you work hard to try and generate positive returns for asset owners. Exposure to uncorrelated returns through large asset mandates may be an important part of your strategy, but along with these come important systems and governance to meet committee and board requirements. These groups may also demand that your pension increase investment transparency and reduce fees.

So how do you deploy your complex investment strategies and meet all these obligations in a cost-effective, operationally efficient way? A DMA may be the solution. The DMA provided the client the exact controls, services, due diligence, and reporting required to manage their investments in a cost-efficient and scalable way.

### OVERVIEW: The DMA Structure

Through a DMA, the asset owner is the sole investor, with full ownership and control over the account. You select preferred trading advisors, custodians, clearing houses, and other service providers, and delegate daily management of the account to an appointed manager. Your pension and each underlying fund are linked together only through an Investment Management Agreement. This structure provides the exact controls, services, and granular reporting needed to make more informed investment decisions. Specifically, a DMA provides:

**Transparency and Control.** DMA provides a full view of each managers' transactions, holdings, and asset values. The risk guidelines set forth between your pension and the manager give you better control over excessive risk, style drift, leverage, and exposure.

**Customization and Cost Reduction.** A DMA provides the manager and pension the flexibility to negotiate strategy customization, investment guidelines, and management and performance fees. Through this structure, service fees from service providers such as custodians, administrators, and auditors, can be reduced because of the scale the standardized platform offers. The fund manager also typically cannot charge non-investment operating expenses, such as those related to marketing or technology, the way it can with a commingled fund.

**Liquidity.** Through this structure, your pension is insulated from other investors' redemption activity since your assets are not commingled and the pension is the exclusive owner.

### Dedicated Managed Account

Through a DMA, you are the sole investor with full control over the separate account. This structure allows you to enact your complex investment strategies while providing:

- Significantly lower fees
- Full transparency and control
- Daily valuation
- Liquidity
- High degree of strategy customization

### ILLUSTRATIVE: Achieving Structural Alpha through a Dedicated Managed Account

By allowing the asset owner and investment manager to negotiate strategy guidelines and management and performance fees, a DMA may provide significant savings over a traditional multi-fund structure.

Asset Under Management	Basic Points Saved with a DMA	Structural Alpha Saved (assuming 100 bps savings)	Structural Alpha Saved over a 3-Year Period
\$250 Million	10-150 basis points	\$2.5 Million	\$7.5 Million
\$500 Million		\$5.0 Million	\$15 Million
\$750 Million		\$7.5 Million	\$22.5 Million

## THE GEMINI OFFERING

Gemini's Dedicated Managed Account offering provides the services and detailed reporting needed to make important decisions about complex and sophisticated investments. As the pension manager or consultant, you choose your service providers and Gemini works every step of the process to implement them. Our innovative structure grants pensions access to technology that supports and maintains oversight of their investments, which creates the ability to scale service requirements and reduce investment-related expenses. Gemini's DMA structure provides granular details and features, including:

### Gemini's DMA structure provides granular details and features, including:

- Position-level transparency
- Continued risk management and monitoring including, VaR, stress testing, and scenario analysis
- Data aggregation and custom reporting
- Guideline monitoring on predetermined requirements, including markets traded, benchmarks, etc.
- Portfolio rebalancing and cash monitoring
- Performance reporting and trading activity
- Daily liquidity

### Additionally, Gemini will support your customized DMA through:

- Extensive due diligence on trading advisors and counterparties
- Legal structuring of an appropriate investment vehicle
- Cash efficiency
- Account set-up with Futures Commission Merchants (FCMs), Prime Brokers (PBs), and custodians

### A DMA in Action

Gemini recently established a DMA for a state pension with approximately \$30 billion in assets and more than 350,000 members that saved the state in excess of 100 basis points annually. The pension's portfolio holdings include equities, options, future contracts, currencies, FX forwards, government and corporate bonds, private capital holdings, real estate, and fund investments. Gemini worked with the manager and consultant to establish a DMA that allowed the pension to:

- Allocate to multiple managers through one fund
- Reduce asset management fees through manager negotiation
- Provide complete transparency and control over the underlying investments
- Efficiently use cash through notional funding
- Aggregate data and build customized reporting to ensure adherence to established investment management guidelines
- Add or remove managers within one vehicle

Contact me for a diagnosis of your pension structure and detailed illustration of how a DMA may provide you greater control of your investments, reduced management fees, and increased transparency.

### Jon Reiners

Senior VP, Institutional Sales

P: 402.896.7498 | E: jon.reiners@thegeminicompanies.com | W: thegeminicompanies.com

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\* Structural alpha is the alpha a portfolio generates related directly to operational efficiencies and cost savings of the structure.

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