

June 2010



**Gemini Fund**  
Services, LLC

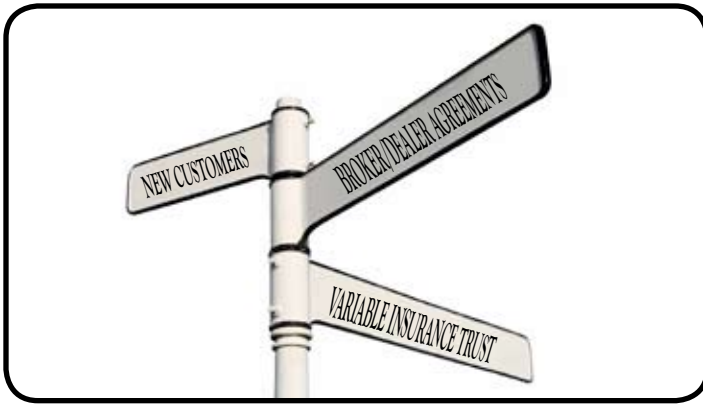


*Pooled Investment Solutions*

***Pooled Investment Solutions***  
*No matter the stage of your investment product.*

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New Avenues open up when Advisors start a mutual fund.

## Make Your Business Scalable

Separate account management by an Advisor requires portfolio investing at the client level. In addition, considerable time and resources servicing and maintaining these individual separate accounts must be spent by the Advisor. Each account, big or small, needs a periodic statement, which take a lot of manpower and time to print, fold, stuff, and mail. As an Advisor's business grows, maintaining separate accounts becomes a greater burden which will actually hinder an Advisor's future growth and certainly reduce profitability.

One way to combat these issues is by starting a mutual fund. Advising a mutual fund is totally scalable and actually becomes less burdensome as the fund grows. All portfolio investing is transacted at the fund level and shareholder servicing can be provided by a third-party service provider and is paid for as a fund expense.

Mutual funds afford you an incredible opportunity because they become part of your management strategy, which can open some new avenues for you. For example, you can sell your fund to other Registered Investment Advisors, obtain broker/dealer agreements or become part of a variable insurance trust.

What are the advantages of a mutual fund over a private fund? As opposed to a private (hedge) fund, mutual funds can be distributed to retail or institutional investors with very little limitation. Mutual funds become more efficient as the number of shareholders and assets increase. Private funds have extensive limitations on the type and number of investors. If becoming large is the goal, a mutual fund is clearly the vehicle of choice. A private fund is the right choice only if you have a very small select group of accredited investors and your management fee structure is heavily weighted on performance.

Consider these questions:

1. How many client prospects do you pass on because their initial investment is below your minimum account size?
2. How many accounts do you manage that are actually below your current minimum account size?

3. How many accounts do you manage that recent SEC rulings may consider being a "de facto" investment company?

4. You have a lot of accounts that have great potential but haven't quite grown to the level you need yet. Would you like to manage a business where these accounts and other accounts with identical investment objectives are pooled into one or more portfolios, allowing you the time to manage the assets of your core clients and obtain more core clients?

5. Do you believe that your investment style will appeal to the retail public and/or institutional investors?

If you have answered yes to any of these questions, a mutual fund may be the right vehicle for you.

All-in-all, for an Investment Advisor managing a multitude of similar accounts, starting a mutual fund may be a good decision. You already have a successful strategy and a positive track record. In order to fulfill your vision, select a provider that can provide comprehensive administration, accounting, compliance, and shareholder services for you. Make sure you select a strategic partner, like Gemini, that is willing to be an engaged partner with you and who shares your vision.

## Additional Fund Considerations

### Regulatory and Industry Mandates by the SEC

Many Advisors manage separate accounts with similar or identical objectives and have a model investment strategy in which the separate accounts are managed. If these Advisors do not carefully follow existing regulations (Rule 3a-4 of the Investment Company Act of 1940), the SEC has stated, in many cases, that these models may be deemed "de facto" investment companies and should be registered with the SEC as mutual funds.

### Utilization of Asset Allocation Programs

Many Advisors that use mutual funds as their primary or secondary investment vehicle utilize sector rotation, asset allocation or risk management strategies. These investment strategies require the periodic buying and selling of mutual funds. However, many mutual funds have reacted strongly to "market timing trading" and have imposed redemption fees to limit short-term investors. These redemption fees may limit Advisors from effectively implementing their investment strategies. Creating a mutual fund allows the Advisors to utilize alternative investments to implement their investment strategies, maintain cash positions, margin the account, and employ other defensive strategies such as derivatives and short selling without incurring the onerous redemption fees.

It is common for investment companies who are looking to start a mutual fund to become overwhelmed by the number of rules and regulations that must be followed. The easiest way to make it through the process with ease is to partner with a service provider that knows their way through the compliance maze and thrives on sharing those experiences with advisors.

Your company needs to work with administrators who will actively work with you to manage expenses, compliance mandates, performance measurements, and board materials. You should also look for administrators who will not only develop treasury budgets, but will actively assist you in managing and reducing expenses, such as printing, insurance, EDGAR filing fees, and other costs.

When starting a mutual fund, all an advisor should be responsible for is the vision and a solid strategy. Your service provider, if they are a good strategic partner, should do the rest.

Starting a fund is a process we understand and we're looking forward to sharing our knowledge with you. Call Gemini or visit us online to find out more on how to start your own mutual fund.

### Common Problem:

The increased level of regulatory requirements and the ever increasing costs of doing business in the fund industry have made it difficult to start a fund, compete, and remain profitable.

### A Unique Solution:

Joining a Shared Trust can help solve these issues by:

- Providing operational efficiency
- Providing economies of scale
- Providing compliance and board oversight

And a shared trust will also free up your time so you can:

- Manage your portfolios
- Focus on your client relationships

**Check out page 3 to find out more about how Gemini can help you conquer the compliance maze and ease your expenses.**

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## WHY CHOOSE GEMINI?

Because at the end of the day, Gemini's real goal is to wrap around your business. We take our talent, technology and knowledge and deliver that to you, our customer. Why do we do that at Gemini? Because that is what outsourcing is about: helping your business by understanding it and delivering what is important to you. Our mission and passion is to provide the best service in the industry.

We have been in the business of creating and servicing mutual funds and alternative investment solutions for over 25 years. We take pride in our company and it shows in our service. We are small enough to deliver personalized attention but large enough to attract, retain, and employ world-class talent. Unlike big firms, we do not lose you in layers of bureaucracy or impose the huge overhead costs of a mega-organization.

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## LAW FIRMS HELPING FUNDS

Your company will benefit from a relationship with a lawyer in many ways. Make sure you form a relationship with a lawyer with an extensive background in the mutual fund industry.

A lawyer can help your fund by providing:

- Representation in connection with the preparation of Form ADV and consulting and advisory agreements, handling federal and state registrations, and other regulatory matters.
- Organization of mutual funds, including preparation of initial securities registration and all offering and compliance documents, negotiation and preparation of service agreements with mutual fund service providers, preparation of materials for organizational board meetings, attend and direct organizational board meetings.
- Counsel to mutual fund boards, including independent directors, with respect to contract approvals, SEC inspections and general fiduciary matters.

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**F**or many advisors, starting a fund can seem too complicated or expensive. You can conquer the compliance maze and ease your expenses by joining a shared trust. By creating an association of independent funds, a shared trust can provide advantages on a scale that would not otherwise be achievable.

WHAT SHARED TRUSTS PROVIDE	BENEFIT TO YOU
<ul style="list-style-type: none"> <li>• Operational efficiency through joint management of corporate, board and regulatory governance</li> <li>• Economies of scale through reduced auditor, fund counsel, trustee, insurance and registration expenses</li> <li>• Compliance and proper board oversight</li> <li>• Enhanced fund sales through companies that arrange selling agreements with broker/dealers and other institutions, provide eligibility to be listed in advisor services programs, and get you listed on distribution platforms.</li> </ul>	<p>You are free to manage your portfolio and as a result, focus on fund performance and shareholder returns.</p> <p>Plus, you gain an instant Board of Directors and fund Counsel, along with some potential cost savings. This affords you an incredible time savings as well. Instead of trying to attract and retain board members and fund counsel, you can spend time doing what you are truly an expert in... managing your portfolio.</p> <p>In addition, you are spared a lot of legwork with the arrangements provided to you for enhancing fund sales.</p>

### Operational Efficiency

Due to the regulatory initiatives that have defined the mutual fund industry, many small- and medium- sized mutual fund families have found or will find themselves bogged down complying with the new regulations and managing their Board instead of concentrating efforts on what they do best: managing money and raising assets. By allowing a service provider with a shared trust to manage all aspects of a funds corporate, board, and regulatory governance, the advisor will be free to do what it does best. As a result, fund performance and shareholder returns may improve.

### Economies of Scale

Most small- to mid-sized fund families have a very limited number of portfolios. At that level, all services provided by auditors, fund counsel, trustees and custodian banks, blue sky filings, etc. and their related fees, are all negotiated on a one-off basis. By combining separate funds into a shared trust, service providers can negotiate economies of scale that could not be achieved on an individual basis. These economies of scale may reduce fund operating expenses, thereby improving the total return to your shareholder.

### Compliance and Proper Board Oversight

In today's regulatory environment, a fund board has been assigned much of the responsibility to ensure that a fund is in compliance with SEC regulations. Many directors/trustees of small- to mid-sized funds are very uncomfortable with these responsibilities and in some cases, members may be driven to resign their board positions. Combined with the proposed best practice that each board contain a financial expert, many boards do not have members that are qualified. As a result, many funds spend an inordinate amount of time on board issues, finding qualified members, and/or increasing the level of board compensation to attract new qualified members or retain existing members. This can be a major distraction for an advisor. By combining several independent funds into a shared trust, a service provider can attract extremely qualified board members that have the expertise to provide proper board oversight and pay them a fee commensurate with their qualifications. This will relieve the advisor of a major responsibility and by allocating board fees across many funds, reduce fund operating costs.

## NORTHERN LIGHTS FUND TRUST

**N**orthern Lights Fund Trust is a shared mutual fund trust comprised of independent funds, all managed by separate investment advisors. Advisors have joined the trust, administered by Gemini, to counteract the increasing costs of doing business and increased level of regulatory compliance in the mutual fund industry. Fund trusts have proven to be a successful way for the small- to mid-sized mutual fund to compete and remain profitable.

### Benefits of Joining a Trust

The trust offers many advantages achievable through the Trust on a scale not otherwise achievable by a solo mutual fund. They include:

- Operational efficiencies because funds in the trust share directors/trustees, chief compliance officers, Presidents and other officers required by SEC regulations

**W**hat are the most important offerings a fund service provider should have? Most advisors have better luck with providers that are totally immersed in the fund industry than with providers with limited expertise. The chart below illustrates what services you should look for in a provider.

	Series Trusts	Fund Administration	Fund Accounting	Transfer Agency	Shareholder Services	Custody Administration	Compliance Services	EDGAR and Printing Services
1940 Act Funds	✓	✓	✓	✓	✓	✓	✓	✓
Hedge Funds	N/A	✓	✓	✓	✓	✓	N/A	N/A

Your provider should not only offer you a broad range of services, but they need to be fully-integrated to ensure the maximum efficiency for your fund. There are many fund service providers in the industry today and each offers a cafeteria-style menu of services. Most providers provide the same types of services for mutual funds but you'll find some providers outsource some services to third-parties. You may find with those providers that their timelines could be longer and their prices could be higher, depending on the flow of business from them to the third-party and vice versa. At Gemini, all funds are treated equally and receive the same outstanding services at a reasonable cost.

*Continued on page 6*

### Northern Lights Fund Trust...Continued from page 3

- Ability to attract extremely qualified board members that possess the expertise to provide proper Board compliance and oversight
- Reduction in operating costs as expenses are now shared by a group of advisors – these include reduced auditor, fund counsel, insurance, legal, trustee, blue sky, and other expenses
- Frees the advisor to focus on portfolio and relationship management, which may result in better overall fund performance

### How the Northern Lights Fund Trust is different

We've taken the shared trust environment to the next level. Gemini, through the Trust has:

- Provided a network for advisors to interact and share marketing and distribution ideas with each other
- Coordinated trade show appearances through which each fund within the Trust is given exposure
- Provided additional fund exposure through the Northern Lights web site and various marketing efforts
- Created an opportunity for advisors to bring their funds together to form a more comprehensive fund family

### About the Northern Lights Fund Trust

The Northern Lights Fund Trust is comprised of almost 50 mutual funds totaling over \$2 billion in AUM. In addition, several funds are currently in the process of joining the trust. Could your fund be next?

### WHAT NEXT?

Whether you already run a mutual fund or you're just looking into starting one, the Northern Lights Fund Trust can help your fund compete and remain profitable. For more information on how you can use the Northern Lights Fund Trust to your advantage, visit us online at [www.NorthernLightsFund.com](http://www.NorthernLightsFund.com) or call us at 631.470.2600.



*Law Firms Helping Funds...Continued from page 2*

- Ongoing regulatory compliance of mutual fund clients by developing schedules and operating procedures, preparing proxy statements, reviewing shareholder and other reports, planning and conducting board meetings, and counseling independent directors.
- Support to litigation attorneys in securities enforcement actions by providing regulatory analysis and defense strategies.
- Assistance in various aspects of shareholder initiated proxy contests and related litigation.

**Thompson Hine, LLP**

Thompson Hine lawyers serve as counselors, advisors and advocates to a full spectrum of clients ranging from major public and private corporations to financial institutions, governments, nonprofit organizations, venture capitalists and individual entrepreneurs. They have the experience and resources to handle the most challenging legal issues their clients may face.

Please visit their web site at [www.thompsonhine.com](http://www.thompsonhine.com).

Thompson Hine has eight locations, one of which is located outside the U.S.

*Why Choose Gemini...Continued from page 2*

Gemini administrators actively work with clients to manage expenses, compliance mandates, performance measurements, board materials, and much more. For example, our administrators will not only develop treasury budgets, but will actively assist the advisor in managing and reducing expenses, such as printing, insurance, EDGAR filing fees, and other costs.

Investing in technology is not the same as efficiently using it. At Gemini, we do both. The seamless integration of our accounting, transfer agent, and administration systems gives Gemini a tremendous IT advantage. And, because we do not use main-frame based systems, any enhancements or customized reports are done quickly and for a much more reasonable cost.

Our impressive employees continue to develop, modify, and improve state-of-the-art technology to manage mutual fund company operations and customer transactions more efficiently and cost-effectively. The Gemini management team has the capability to take your business to the next level of efficiency, technology is just the accelerator.

**Gemini's Value Added Services:**

- State-of-the-art technology and systems for fund accounting, administration and transfer agency
- Extensive mutual fund experience in all areas of management
- Customized approach to each client situation
- Innovative and integrated products and services
- Significant value in product pricing
- Creative thinking combined with solid industry experience

You don't have anything to lose - call Gemini today and experience fund servicing at it's best.

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## WHAT IS A VARIABLE TRUST?

A variable insurance trust ("VIT") is a single registered entity through which a series of funds can be registered with the SEC. The funds within the VIT can be advised by multiple advisors and the funds within the VIT are added to insurance product platforms.

**Benefits of an Insurance Trust:**

Shares of VIT funds are offered to separate accounts of participating life insurance companies for the purpose of funding variable annuity contracts and variable life insurance policies. Because life insurance companies are very selective about the funds they allow on their platforms, joining a VIT can provide an "in" for most funds. Shares of the VIT funds are not offered directly to the general public, which can allow for access to otherwise elusive investors. And because the competition on insurance company platforms is limited, your fund has a better chance of gaining new investors than on a more widely used platform.

Another benefit of joining an insurance company platform can be more active distribution efforts. Because a non-insurance platform can be used by most mutual funds, your fund could get lost in the shuffle. On an insurance company platform, fund options are usually less than thirty in number, so the insurance company is essentially selling your fund for you when they are selling their products.

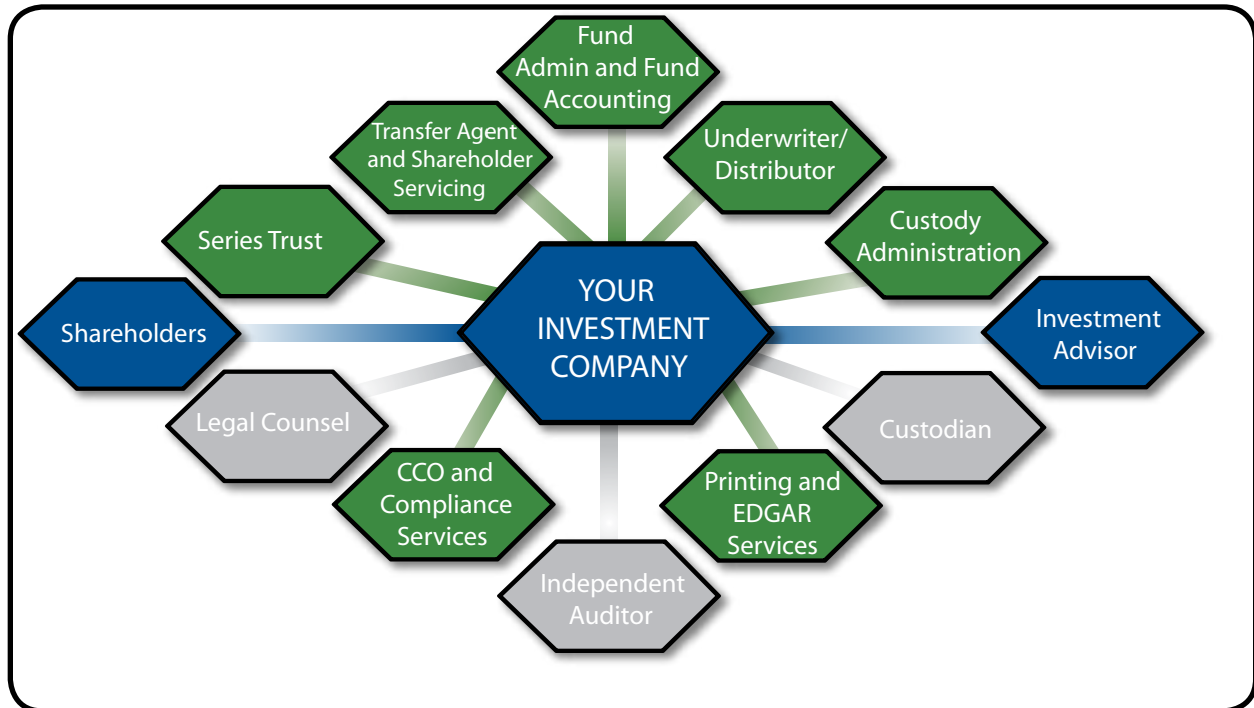
**Additional benefits:**

- Operational efficiency can be achieved through the trusts management of board and regulatory governance
- Economies of scale can be obtained through reduced auditor, fund counsel, trustee, insurance, and registration expenses

Gemini has formed the Northern Lights Variable Trust to service variable insurance trust funds. So far, four advisors have joined the trust utilizing multiple insurance companies.

*Complete Servicing...Continued from page 4*

As you can see below, there are many important services a mutual fund needs in order to be successful. The blue areas represent you, your business, and your shareholders. The green areas represent the services you should be receiving from your fund service provider. Your provider will be able to refer you to companies that offer the services in silver.



Why start a fund with Gemini? Because we have started over 75 funds in the past two years with great success. Our vast knowledge of the fund industry has enabled these businesses to grow by using our experience to their advantage. Gemini can help you with all the details of your fund while you focus on what you do best...manage your client relationships and raise assets. Sound good? Call us or visit us online for more information.

## Taking a Chance with Your Fund's NAV?

Our leading edge accounting system, coupled with the longevity and experience of our employees, has proven to be a winning combination for our clients. We understand how necessary it is to price your fund accurately and if you've experienced accounting errors with your current provider, you may want to give us a chance. Gemini believes in providing the best, most reliable service possible to our clients.

Gemini not only offers investment companies a broad range of services, but we have integrated them to ensure the maximum efficiency for each fund. There are many fund service providers in the industry today and each offers a cafeteria-style menu of services. When dealing with hedge funds, some providers' "standard" services are available only to a fund with more than \$1 billion in assets, and tax services are generally extra.

We believe in providing the most extensive offering of services possible – which means we'll provide them to you whether you have \$50 million, \$500 million, or over \$1 billion in assets. We cater to offshore funds, as well as domestic partnerships.

If you're interested in taking the chance out of your fund's NAV, call today or visit us online for more information.

## The Lowdown

In the securities world, the term Hedge Fund does not necessarily imply any use of hedging as commonly understood; for example, where commodity traders use options to hedge a commodity position. Currently, the term hedge fund refers to any type of Private Investment Company operating under certain exemptions from registration under the Securities Act of 1933 and the Investment Company Act of 1940. Hedge Funds are often referred to as alternate investment vehicles and are tailored to the needs of sophisticated, high net worth private investors.

A Hedge Fund is generally structured as a limited partnership having a general partner responsible for the investment activities and day-to-day operation of the fund, and limited partners who are the investors supplying capital but not participating in trading or operations of the fund. All of the investors' capital is pooled and is utilized by the General Partner or Investment Manager to implement its trading or investment strategy.

### Unregulated, but can't advertise.

Hedge Funds are Non-Public Offerings. The private offering exemption prohibits Hedge Funds from making any public offering. Therefore, Hedge Funds are prohibited from general advertising and generally secure investors through word of mouth, consultants, registered representatives, brokers or investment advisors.

Hedge Funds have investors that are either accredited investors or qualified purchasers. In general, the Federal Securities Laws define the terms accredited investor and qualified purchaser in terms of minimum asset and income threshold that must be met before they qualify to be investors in the Hedge Fund. Since the Hedge Fund generally limits investment to accredited investors or qualified purchasers, both of whom are required to meet certain minimal asset and/or income thresholds, the Fund Manager or administrator must gather background information on potential investors to determine whether they meet the minimum requirements to be accredited investors or qualified purchasers.

By making a non-public offering to certain kinds of investors, the investment vehicle will be exempt from registration requirements of The Securities Act of 1933 and The Investment Company Act of 1940. As an unregulated entity, the Hedge Fund Investment Manager is free to undertake greater risk on more volatile positions thereby exposing investors to potential substantial profit as well as substantial losses.

### Hedge Fund Fees

Typically, Hedge Funds provide for the payment of a Performance Fee to the Hedge Fund Manager/General Partner. Performance Fees range from 20% to 40% depending on the strategy employed by the Hedge Fund Manager.

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# PUBLIC RELATIONS FOR YOUR MUTUAL FUND

You might be wondering how a public relations firm can help your fund. A public relations, or PR, campaign provides your company a valuable link to the media that allows you to communicate with reporters and your target market to create name recognition, establish a desired image, and drive sales and revenues. A PR campaign helps you obtain the third-party credibility of editorial placements.

Here's how it works:

- A PR firm works with editors and writers of publications that serve your industry to get them interested in your story
- Articles and profiles about your company are published in various publications including key market publications, broadcast outlets, and on the Internet
- Investors become informed about products & services through features & profile articles about companies, investment products or services and spokespersons
- Once investors have read these articles, they ask for more information about the product or service
- Those inquiries can lead to direct sales
- In addition, your company and spokesperson(s) get media coverage that establishes them as industry experts

For a relatively low investment, a good PR firm delivers high value and effectively integrates your PR campaign with your other marketing and branding efforts. Every company has a unique story that needs to be told and communicated well. Find a PR firm that can do this in an honest, compelling and strategic way. In the end, they should seem like an extension of your organization and be able to provide seamless services to make you more successful and profitable.

## JCPR

JCPR specializes in working with RIA firms, mutual funds, hedge funds, investment banks and financial planning organizations. They focus on their client's unique value propositions and turn them into great story lines. In turn, JCPR utilizes its significant media contacts to effectively raise your company's visibility, credibility, name recognition, and more importantly, asset flow and revenues.

Call Jennifer Connelly at 973.732.3521 or visit their web site at [www.jcpublicrelations.com](http://www.jcpublicrelations.com).

Whether it's raising assets, fund distribution or compliance, let's face it, you need an expert to guide you and protect your fund, your employees, and even your shareholders from costly mistakes. As a company born and managed from investment advisor roots, we understand the challenges you face. What affects you affects us. Your quest to properly distribute your fund couldn't have a better advocate than Northern Lights Distributors, LLC. We are a FINRA member broker/dealer and mutual fund distributor offering a broad range of services to our clients to assist them in achieving success in growing fund assets.

## Why Choose Us?

- We strongly believe that mutual fund distribution can be simple and cost effective.
- We offer expanded distribution services to help you raise assets (see STAR Marketing below).
- As a broker/dealer registered in all 50 states, Puerto Rico and the District of Columbia, we have the expertise to assist clients in adhering to appropriate Federal, State and FINRA regulations.
- We facilitate payment of 12b-1 fees and commissions, and provide quarterly board reports.
- Through our membership with the National Securities Clearing Corporation ("NSCC"), we are able to obtain a clearing number for your fund, saving you the time consuming process of becoming an NSCC member.
- We can also assist your registered representatives in obtaining and maintaining appropriate licensing in accordance with FINRA and State laws.

## Advertising review

Our industry and regulatory knowledge allows us to:

- Assist you in understanding applicable regulatory requirements
- Review and file all fund-related sales and advertising materials with FINRA
- Maintain records of all filed sales and advertising materials

## STAR Marketing

Our expanded distribution services are designed to actively help you raise assets for your fund. They include:

- Value proposition and story development to help you consistently connect and communicate with your prospects
- Broker/dealer activation to help you complete due diligence requirements and activate your fund on broker/dealer platforms
- Strategic and tactical marketing efforts to help you plan a marketing strategy, develop materials to support your efforts, use those materials to communicate directly with broker/dealer representatives and track your results.

## What next?

Visit us online at [www.NLDistributors.com](http://www.NLDistributors.com) or call us at 402.493.1731 for more information.



*What About Hedge Funds...Continued from page 7*

Typically, the Performance Fee provides for a high water mark structure which provides that incentive fees are paid only to the extent that the fund continues to meet or exceed the high water mark. Additionally, typical Hedge Funds include Management Fees of 1% to 2% of all assets under management.

### Hedge Fund - Managers and Styles

Generally there are two kinds of Hedge Funds. There are the huge worldwide funds operated by charismatic managers such as George Soros. There are also small boutique-styled Hedge Funds identified with a particular segment or investment strategy. The Fund Manager's expertise, experience and background in recognizing investment opportunity will dictate that fund's particular niche.

For example, there are the Biotech Hedge Funds which are managed by experienced and highly qualified investment managers who may also hold advanced degrees in science and medicine. There are Tech Hedge Funds specializing in the technology sector managed by individuals having specialized experience trading in that sector.

The boutique Hedge Fund typically relies on the particular skill and expertise of the Investment Manager or Trader. The highly specialized Investment Manager may utilize a Sector style of investing focusing on a particular industry or economic sector. Conversely, an Investment Manager utilizing a Market Neutral style will maintain a portfolio of securities which are generally half short and half long. Some Investment Managers utilize a Value investment style based upon assets, cash flow and book value; while other Investment Managers follow the Emerging Markets style and invest in emerging and foreign market equity and debt. Each Fund Manager develops and uses a particular investment style that is unique to the experience, expertise and personality of its manager.

### What are the advantages of a hedge fund?

Hedge Funds raise money privately, are not highly regulated by the Securities and Exchange Commission, and offer investment diversification. They are not restricted from purchasing many types of derivative instruments, leveraging, short selling and other kinds of transactions.

Unlike the Mutual Fund Managers, the Hedge Fund Manager generally invests in the fund that they manage and participate in profits as well as risks with their investors. Unlike the Mutual Fund fee structure (which is determined on assets under management) the Hedge Fund Manager receives incentive allocations on performance.

Learn more about Hedge Funds on our web site, [www.geminifund.com](http://www.geminifund.com).

Whether you're looking to start a Hedge Fund or if you have one you'd like us to service, we have the expertise you require.

### Question: What is a "master/feeder" fund?

Answer: A "master/feeder" structure is one in which assets from domestic and offshore funds are dropped into a "master" fund which serves as the investment entity for both funds.

A master-feeder fund is, most commonly, a two-tiered investment structure in which investors deposit capital in a "feeder" fund, which in turn invests in a "master" fund that is managed by the same investment advisor. The master fund is the entity that invests in the market as prescribed in the partnership agreement. The feeder fund is generally where the capital investing begins: capital (cash or securities) flows from investors into feeders, and these in turn invest all or a portion of that capital into the master fund. The master fund then uses that infusion of capital to invest in securities and thereby generate profit and loss. This profit and loss that the master fund generates is then allocated to all of the master fund's constituent feeders. From the master fund's perspective, each feeder can be viewed as an investor.

When you think of a feeder fund investing in a master fund, think of it as a fund buying any other security. For example, the feeder fund (where all the limited partner/shareholder capital resides) buys "shares" of a master fund, similarly to the way it buys shares of common stock. One significant operational difference between purchasing common stock and purchasing shares of a master fund is that when a fund buys a share of common stock, it does not "peer into" the underlying income attributes of that stock. Rather, the total return of the stock comprises only price appreciation and dividend income distributions. By contrast, when a fund buys a share of a master fund, it is buying into an investment partnership, and thus all the different income attributes (such as dividends, interest, gains, and tax adjustments) that the master fund generates are passed through to the feeder fund.



**NORTHERN LIGHTS**  
COMPLIANCE SERVICES, LLC

**N**orthern Lights Compliance Services, LLC is a team of experts formed specifically to serve as Chief Compliance Officers (“CCO”) for investment companies on an independent consulting basis.

## Why Choose Us?

- Over 20 years of expertise specifically dedicated to mutual fund compliance
- Commitment to meeting the stringent SEC compliance requirements
- Tailored program that meets the needs of fund groups who cannot hire an expert CCO on a full-time basis

## Services to our clients include:

- Reviewing/assessing current policies, procedures, and agreements
- Identifying missing, incomplete or outdated policies, procedures, and agreements
- Recommending and providing guidance for drafting, updating and implementing the above
- Specifying responsible parties for implementing policies, procedures, and terms of agreements
- Identifying Conflicts of Interest
- Meeting with service providers, establishing working relationship with service provider compliance personnel, assessing adequacy of their procedures, and identifying potential risks
- On-site due diligence visits to each service provider at least once per year
- Oversight of the creation/maintenance of a compliance calendar and manual, providing for contractual periodic reports from service providers, and certifications regarding compliance with federal securities laws
- Monitoring and reviewing the above processes
- Conducting an annual review, creating a written report, and appropriate records
- Reporting in-person at least once annually to the Board of Trustees

Rest assured that your compliance needs will be handled with the accuracy and integrity they require.

## WHAT NEXT?

For more information visit us online at [www.NLCompliance.com](http://www.NLCompliance.com) or call us at 631.470.2600.

## Why shouldn't you hire a CCO full-time?

If you're a small- to medium-sized fund, our question back to you would be 'Why *would* you hire a CCO full-time?' CCOs must be experienced and are held responsible by the SEC for meeting their compliance requirements. That means their salaries aren't cheap and if you want to find an easy way to possibly increase shareholder return, why not hire a CCO on a consulting basis instead?

Think about it - you don't have to pay for their benefits, don't have to worry about vacation time or an office space, and the responsibility of compliance for your fund primarily resides with the CCO, rather than your firm. The CCO will report directly to your fund's Board and Board members have unlimited access to them for any questions regarding many topics, including compliance, fund operations, Board oversight responsibilities, or any other question the Board may have.

Sounds like a good deal to us. Call Northern Lights Compliance Services, LLC at 631.470.2600 for more information.

# COLLECTIVE INVESTMENT TRUSTS

Collective Investment Trusts (“CITs”) are rapidly penetrating the defined-contribution retirement market and represent a major business opportunity for asset managers who can meet the requirements of this investment vehicle.

Much like mutual funds, CITs are an institutional-only product that pools assets from retirement plan participants into a single portfolio. They have recently surged in popularity - based on Morningstar data, CIT assets nearly tripled from 2004 to 2007 and grew by more than 150% between 2005 and 2007 alone, reaching a total of \$500 billion in AUM at the end of 2007. Morningstar now tracks more than 800 CITs, in addition to at least 63 new collective trusts launched between January and April of 2008.

CITs have increased their penetration of the retirement plan market. In 2006, CITs were found in 41% of defined-contribution plans versus 32% of plans in 2003. During the same period, the portion of plans offering retail mutual funds dropped from 65% to 54%.

Advantages of a CIT include:

- Ability to invest in hedge funds and other alternative investment vehicles, as well as in listed securities, ETFs, and mutual funds.
- Exemption from the 1940 Investment Company Act and SEC registration. Instead, CITs come under the jurisdiction of bank regulators and the Department of Labor.
- Operating cost advantages, due to their relatively simple structure and regulatory status, which can translate into lower fees. Lower fees can enable asset managers to more cost-effectively launch new products and offer “assembled” advice products such as target date and target-risk funds.
- Negotiable and customizable fee structure.

With these advantages, CITs can give asset managers a relatively easier way to gain a foothold in the 401k market. If you’re considering establishing a CIT, give us a call and we’ll talk through it with you.

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## ADVISOR SUCCESS STORY

As an advisor, your goal is to provide investment solutions to your clients that meet their needs. Once you’ve acquired a large number of clients, it becomes increasingly difficult to service them while continuing to raise new assets. And, in a separate accounts environment, it can be very difficult to run a complex investment strategy. Starting a mutual fund, hedge fund or variable annuity can often help solve these issues. To illustrate how starting a fund can help your business, we’d like to share with you the story of one of our clients, we’ll call them Advisor X.

Advisor X, wanted to enhance their current investment strategy by adding vehicles such as futures and derivatives but found themselves up against a brick wall. Once Advisor X decided they needed a pooled investment vehicle in order to enhance their strategy, they asked Gemini to help them start a mutual fund.

Once Advisor X and Gemini had created a new mutual fund, Advisor X found it easy to enhance their strategy and add it into the fund. Now, they are not only able to execute the strategy, they can also take on accounts they previously passed over because the accounts were below the advisors minimum account size for separate account management. These smaller accounts fit easily into the mutual fund, allowing the advisor more time to focus on their higher net worth clients.

Advisor X had such great success with their mutual fund, they asked Gemini to create a fund for them that could be used in an insurance environment. In order to more comprehensively meet the needs of their clients with insurance assets, Gemini helped Advisor X create a fund that can sit inside a variable insurance trust. This trust is used on a large insurance platform and uses the same complex strategy utilized in Advisor X’s mutual fund.

A few months later, Advisor X decided to ramp up their strategy to make it more aggressive. In order to get the most leverage out of their newly enhanced strategy, they asked Gemini to start a hedge fund. This fund allows their clients an opportunity to work with the advisor they trust and invest in a much more aggressive vehicle. *Continued on page 13*

# SOLUTIONS YOU SHOULD CONSIDER



Fifth Third Global Securities Services, through its product known as CUSTODY PLUS, provides Domestic and International Custody as well as a suite of investment services to mutual funds and other organizations nationwide. Together, Gemini Fund Services and Fifth Third Global Securities Services will exceed the servicing expectations of any mutual fund group. **For more information, please call Mike Dailey at 866.719.0014.**



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*Advisor Success Story...Continued from page 11*

Advisor X, within a two-year period, started a mutual fund, a fund within a variable insurance trust, and a hedge fund which allowed them to shape their client base and increase the market reach of their business. Using Gemini as a business sounding board, Advisor X was able to clarify their offering, using only the necessary pieces to reach their goals and they were able to accomplish this at a competitive price.

Advisor X now offers a full slate of investment solutions that meet the needs of even their most sophisticated clients. Their dynamic product offering evolved from their desire to continue to raise assets, while servicing their existing clients to the best of their ability. High net worth clients qualify for their hedge fund or the separate accounts they already offered. Small- to medium-sized accounts are no longer passed over because they are below the minimum account size for SMA and fit right into Advisor X's mutual fund. Clients searching for insurance products to further diversify their portfolio are now able to do so within Advisor X's variable insurance trust.

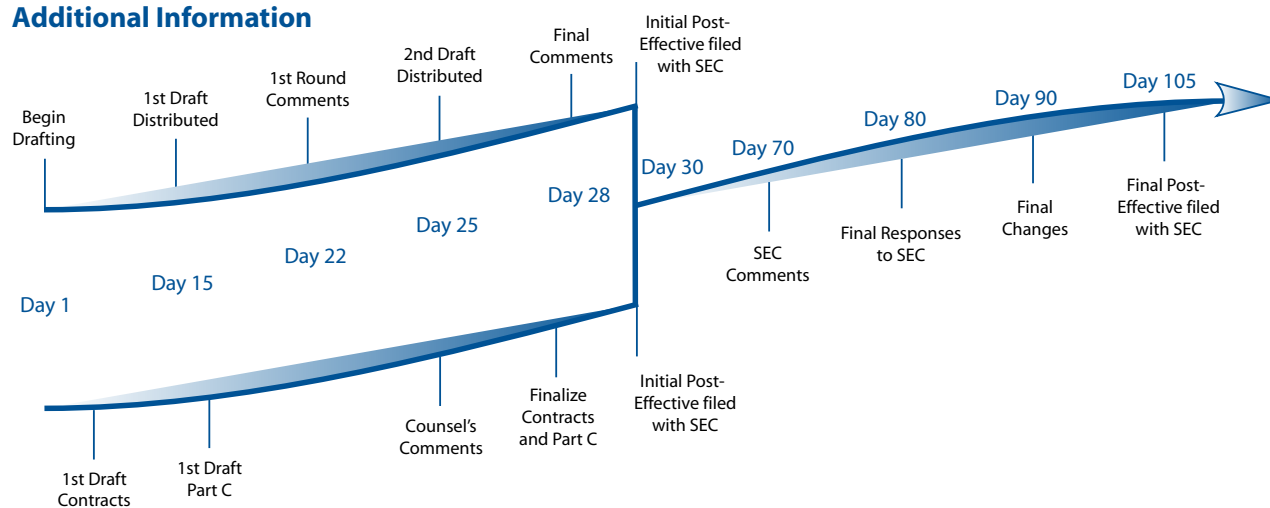
Starting a pooled investment has many advantages for your business. We are always available to talk through the process with you and offer your business the solutions you need.

## Time Concerns?

Are you concerned about the length of time it takes to start a mutual fund? Don't be. With a good service provider by your side handling most of the legal issues, your fund can be on the market in just a few short months.

Below is a sample time line with the steps your provider will help you through.

### Prospectus and Statement of Additional Information



### Part C and Service Contracts



***Large and established...***

***Small and growing...***

***Not yet started...***

Our ***Pooled Investment Solutions*** can help you, no matter the stage of your product - large and established, small and growing or not yet started.

For everything from simple mutual and hedge funds to variable annuities and complex alternative investments, Gemini Fund Services, LLC offers comprehensive and turnkey services including:

- Fund Administration
- Fund Accounting
- Transfer Agency and Shareholder Services
- Compliance Services
- Shared Fund Trusts

Find your solution - contact us today!



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***Pooled Investment Solutions***