

**DRAFT**

8/26/2011

Version 13

Wednesday, August 31, 2011

**PROJECT MOLECULE – CLIENT DRAFT**

**Investment products: Not FDIC insured • No bank guarantee • May lose value**

Please see important information at the end of this presentation.

**J.P.Morgan**

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## **Agenda**

- A unique opportunity
- A unique approach
- How would it work
  - Donor case studies
  - Investments
  - Philanthropy
- Next steps
- Appendix

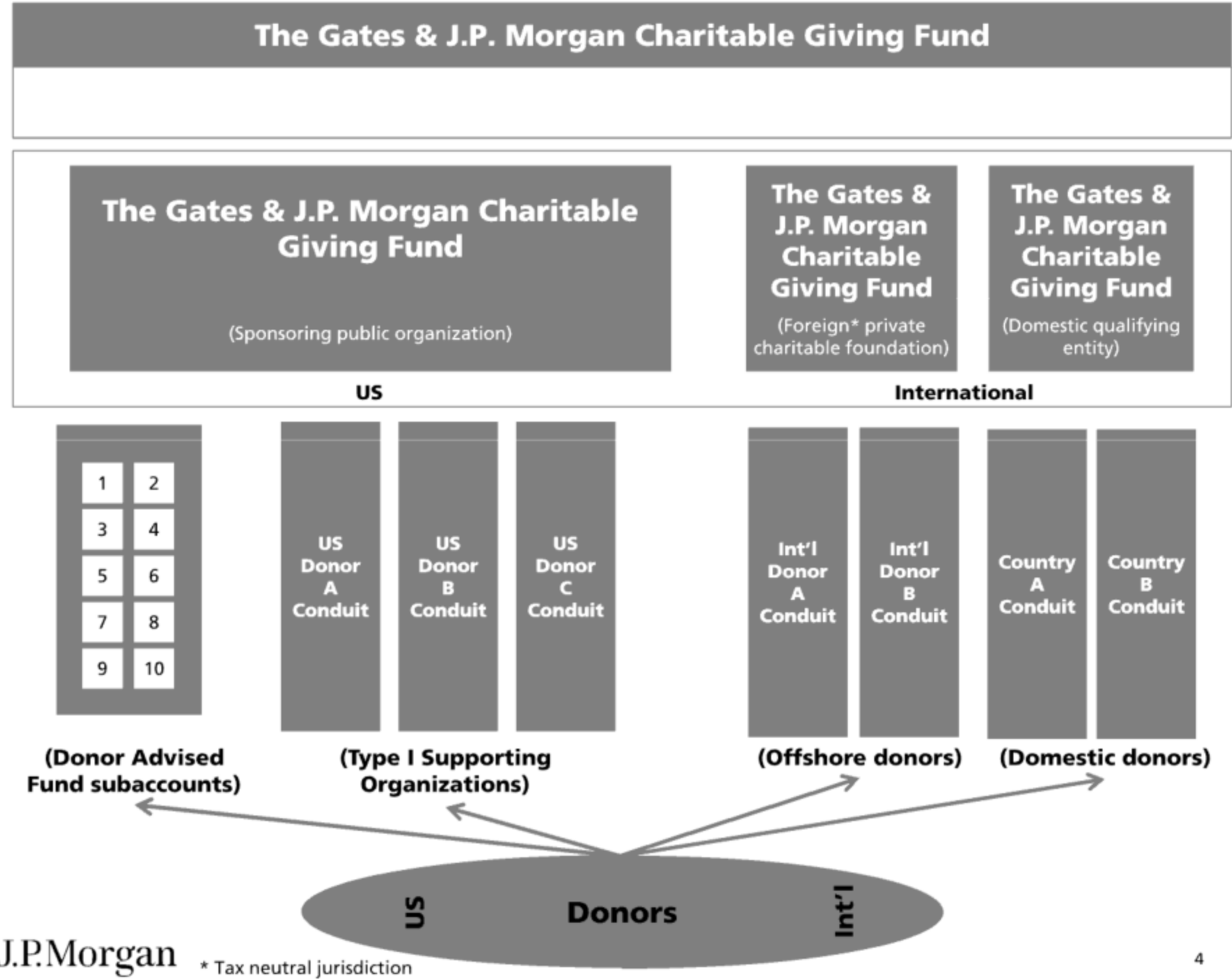
## Opportunity

- The Gates Foundation has established a leadership position in global philanthropy with over \$25Bn made in commitments since its inception in 1994
- There is an opportunity for the Gates Foundation to provide transformational philanthropic leadership for unprecedented dollars committed via the Giving Pledge and by other donors
- Donors globally have expressed strong interest in collaborating with the Gates Foundation to optimize philanthropic strategy and impact
- J.P. Morgan can establish an institutional bridge to link donors globally with forums processes for donor engagement, collaboration, and pooled giving
- J.P. Morgan can support the philanthropic missions of the Gates Foundation and collaborating donors with global reach and world class capabilities in investment management, individual wealth planning, fiduciary governance
- and perpetuate the institutional framework to sustain these missions in the future

## Objectives

- Enable collaboration of donors with the Gates Foundation
- Leverage the Gates Foundation's philanthropic expertise and execution on behalf of broader donor pool
- Leverage J.P. Morgan's global reach, infrastructure investment management and individual wealth structuring capabilities
- Create a structure for governance of individual and pooled philanthropy and investing
- Allow for perpetual operation and governance succession
- Provide advisory committee opportunities, targeted forums, and focused engagement with the Gates Foundation for significant donors
- Optimize structure, flexibility and tax benefits for global donors (as appropriate)
- Accept, manage and liquidate unique and/or illiquid assets
- Extend global networks, collaboration and philanthropic impact

Recommended structure



## Benefits and attributes of recommended structure

- A groundbreaking structure combines positive attributes of public and private philanthropic vehicles for U.S. donors and customized solutions for international donors

U.S. public charity benefits	International entity benefits*
<ul style="list-style-type: none"> <li>▪ Maximizes U.S. tax deductibility</li> <li>▪ Accommodates donations from private foundations</li> <li>▪ Avoids private foundation constraints               <ul style="list-style-type: none"> <li>– 5% annual payout</li> <li>– 2% excise tax</li> <li>– Restrictive self dealing rules</li> </ul> </li> <li>▪ Donor Advised Fund option preserves anonymity</li> <li>▪ Supporting organization allows for donor board positions</li> </ul> <p>Note: J.P. Morgan Chase will provide broad public fundraising</p>	<ul style="list-style-type: none"> <li>▪ Structure in a tax neutral jurisdiction will provide maximum flexibility for appropriate donors</li> <li>▪ Country-specific entity options to meet donors' tax and regulatory considerations</li> <li>▪ Facilitates cross border philanthropic giving and collaborative partnerships</li> <li>▪ Charitable foundation permits donor anonymity</li> </ul>

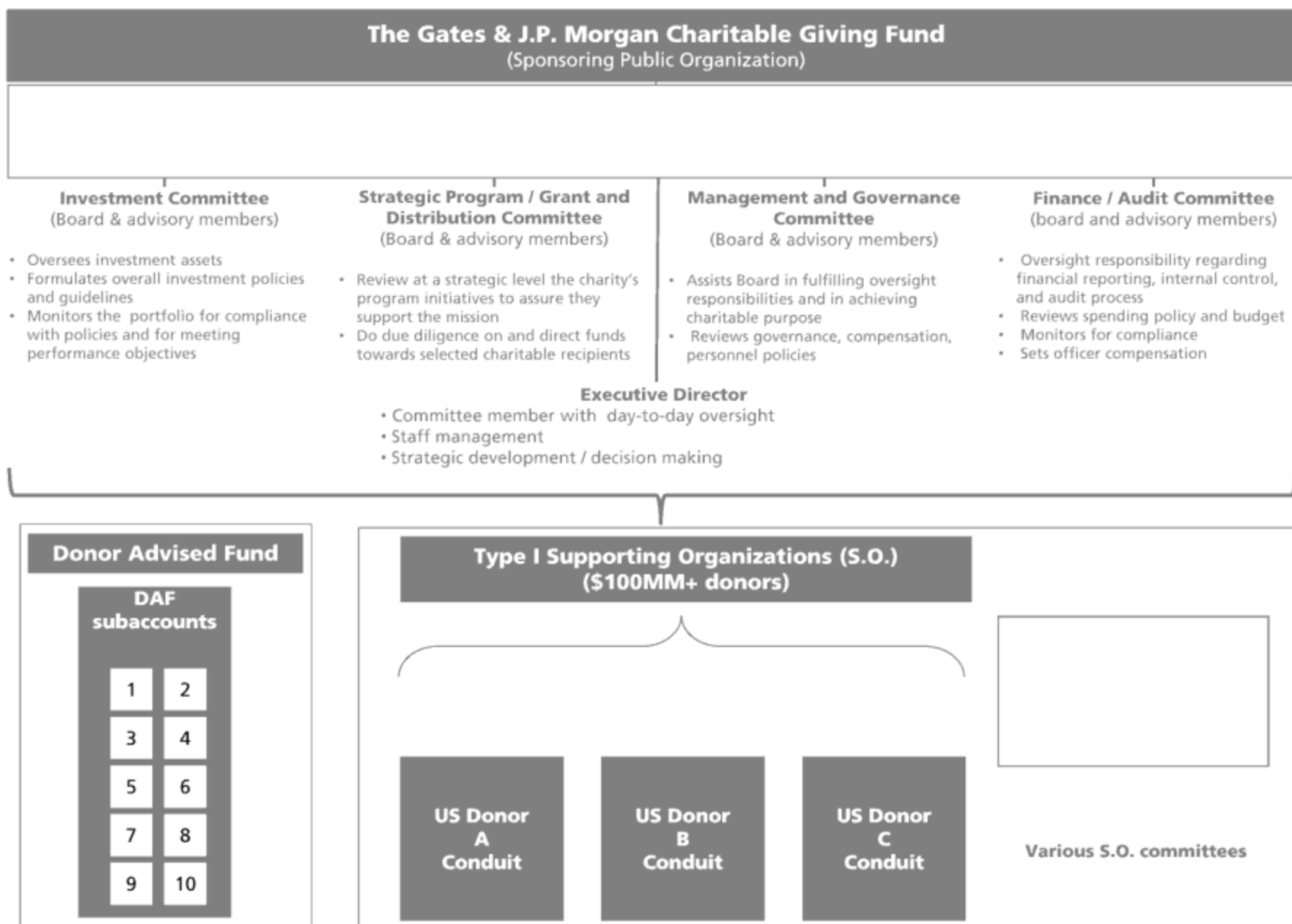
### Structural benefits

- Allows for participation by broad range of donors and pledged giving
- Provides framework for social impact investing
- Supports donor collaboration and access to expertise
- Provides professional institutionalized framework for longevity and board succession

### Investment benefits

- Tailored investment recommendations allowing each donor to receive customized portfolio construction and to make asset allocation recommendations
- Investment performance of one donor's contributions is segregated from other pools, minimizing drawdowns and preserving grant-making ability
- Allows diversification requirements to be more easily met and a longer timeline for liquidations relative to private foundations

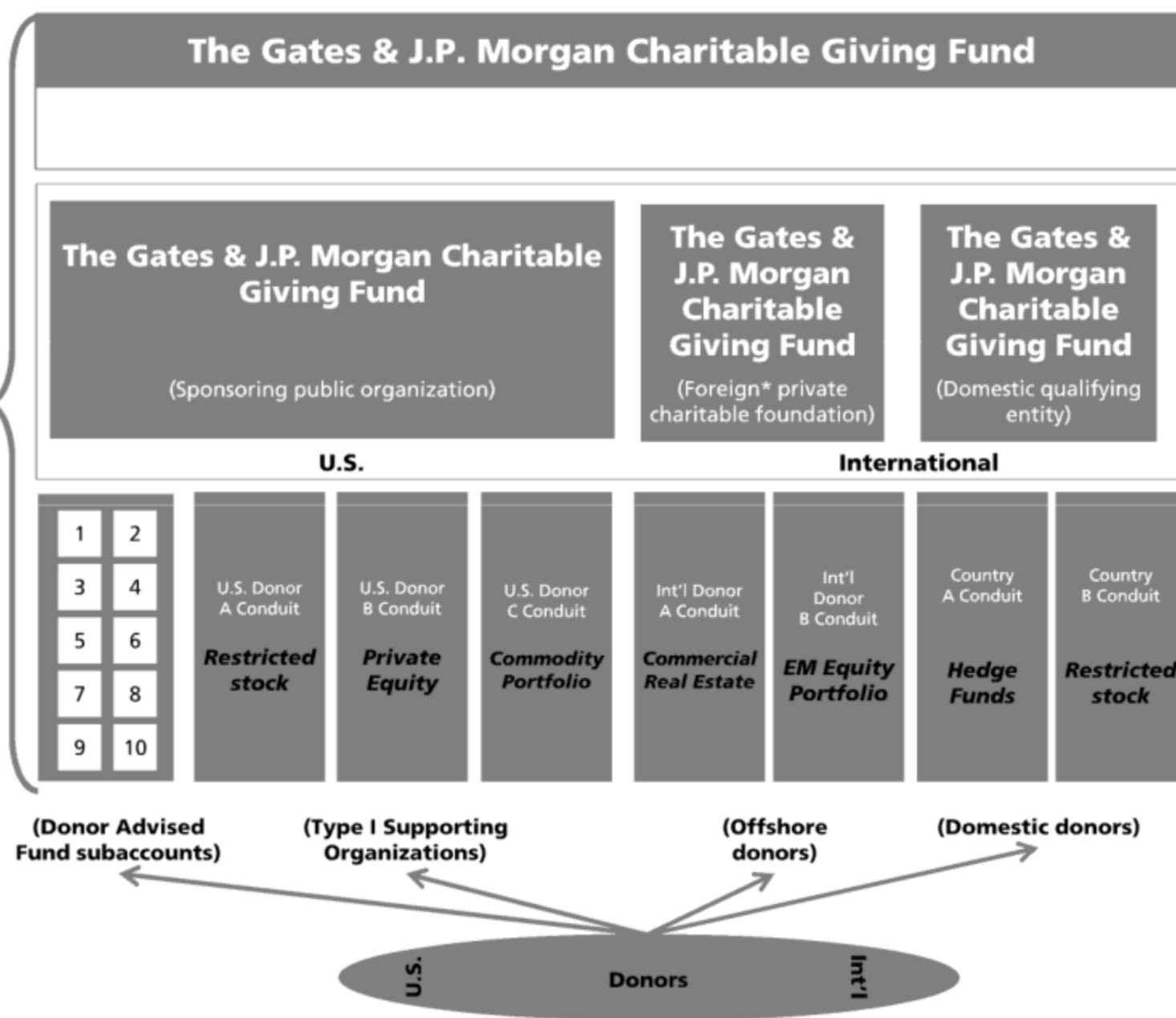
## Legal and organizational structure – U.S.



# Managing risk and fiduciary responsibilities for over 160 years

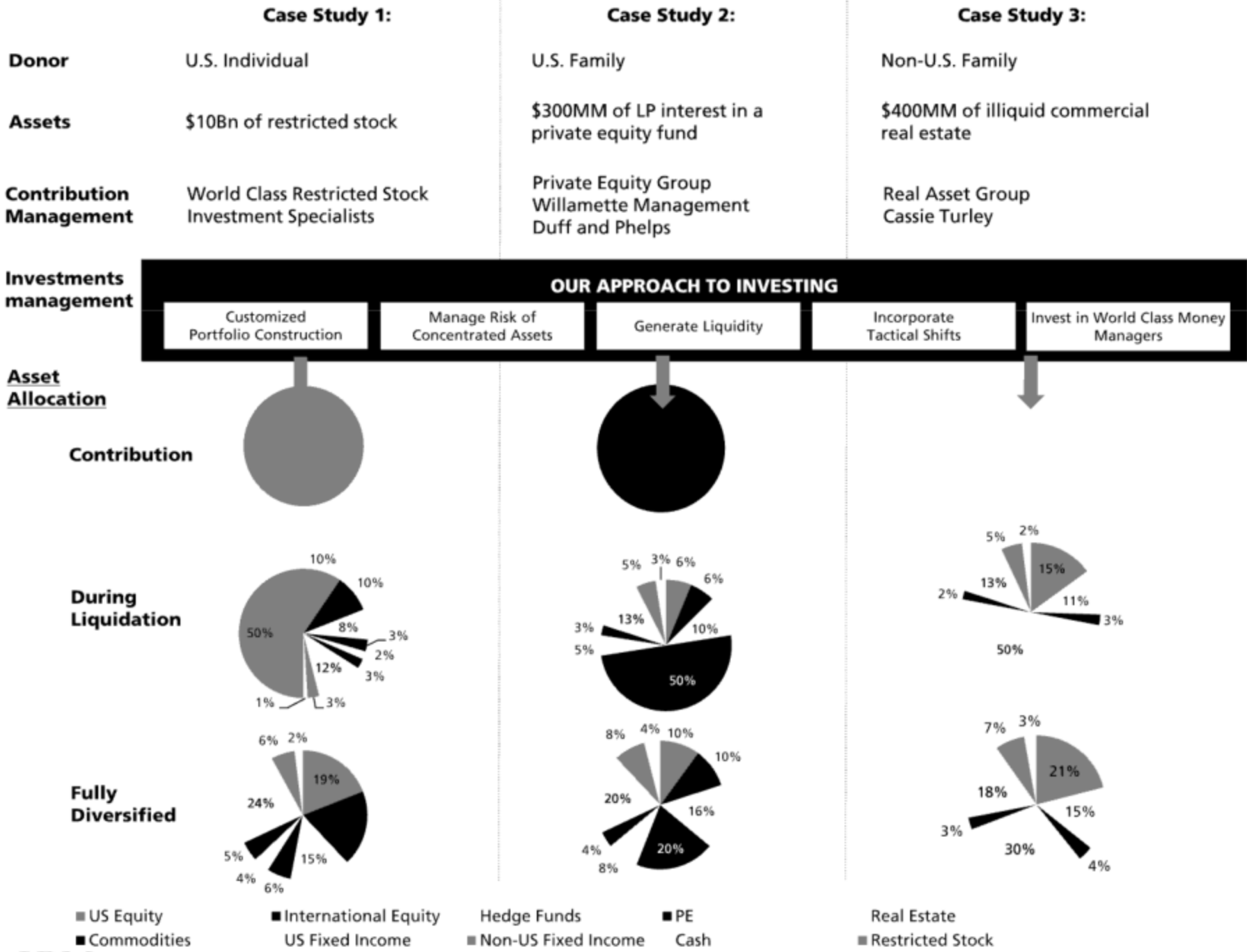
## Overall Portfolio Risk Management

- Liquidity
- Transparency
- Stress testing
- Drawdown
- Annual potential loss



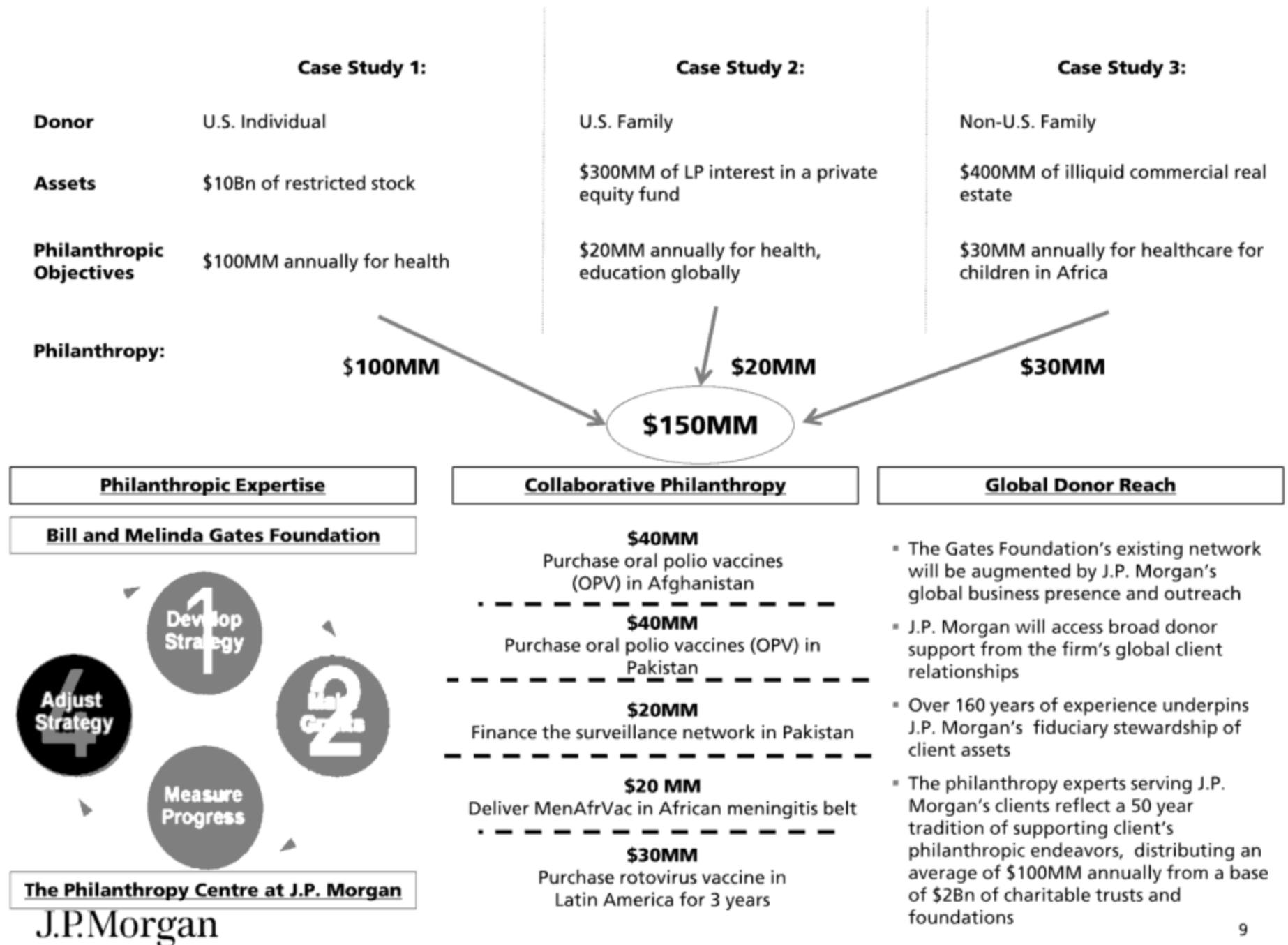


Three donors – Three pathways



# Individual philanthropists can leverage the deep resources and experience of the Gates Foundation and J.P. Morgan to forge powerful global partnerships in philanthropy

Case Study



## Harnessing a global network of investment insight and solutions

With over a century of experience serving our clients, we have built a formidable cache of global resources



- Worldwide network of investment professionals operating in 23 countries<sup>1</sup>
- Real-time access to local markets and investment opportunities
- Hundreds of millions invested each year in research programs globally
- Majority interest in Gavea Investimentos, one of Brazil's largest alternative asset managers
- Investing in Asia since 1972 and on the ground in Europe for more than 135 years

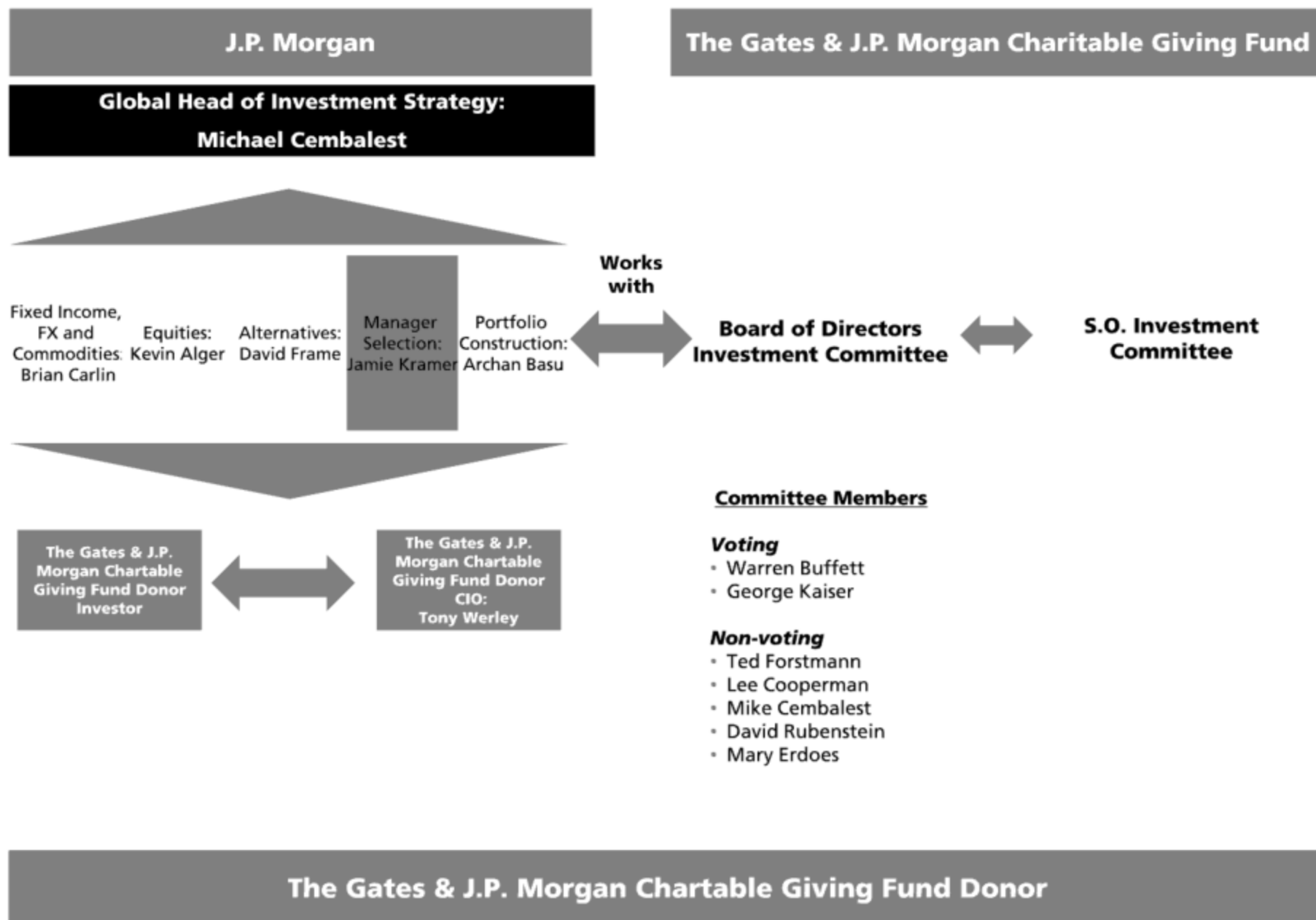
Gavea	J.P. Morgan Hedge Fund Advisory Group
Highbridge	J.P. Morgan Global Real Asset Group
J.P. Morgan Private Equity Group	The Philanthropy Centre at J.P. Morgan
Global Investment Strategy	J.P. Morgan Endowments & Foundations Group
Portfolio Construction	GMAG
Manager Due Diligence	Global Access Platform
Security Capital	Global Investment Specialists
Junius	Closely Held Asset Management Group
Restricted Stock Specialists	Advice Lab

ARTISAN FUNDS	BAILLIE GIFFORD	Apax PARTNERS	APOLLO	AVENUE CAPITAL GROUP
BRIDGEWATER	Calvert INVESTMENTS	The Blackstone Group	BRIDGEWATER	CLAYTON DUBILIER & RICE
Capital Guardian	EAGLE Asset Management	Coastal Management	GoldenTree Asset Management	KKR
FIDUCIARY MANAGEMENT, INC. Investment Counsel	Matthews Asia	OCH-ZIFF CAPITAL MANAGEMENT GROUP	PAULSON & CO. INC.	PERRY CAPITAL
PARNASSUS INVESTMENTS	PIMCO	PERSHING SQUARE	RIVER STONE	STARWOOD CAPITAL GROUP
Seix Investment Advisors LLC	WELLINGTON MANAGEMENT	SILVERLAKE	THIRD POINT	YORK CAPITAL MANAGEMENT

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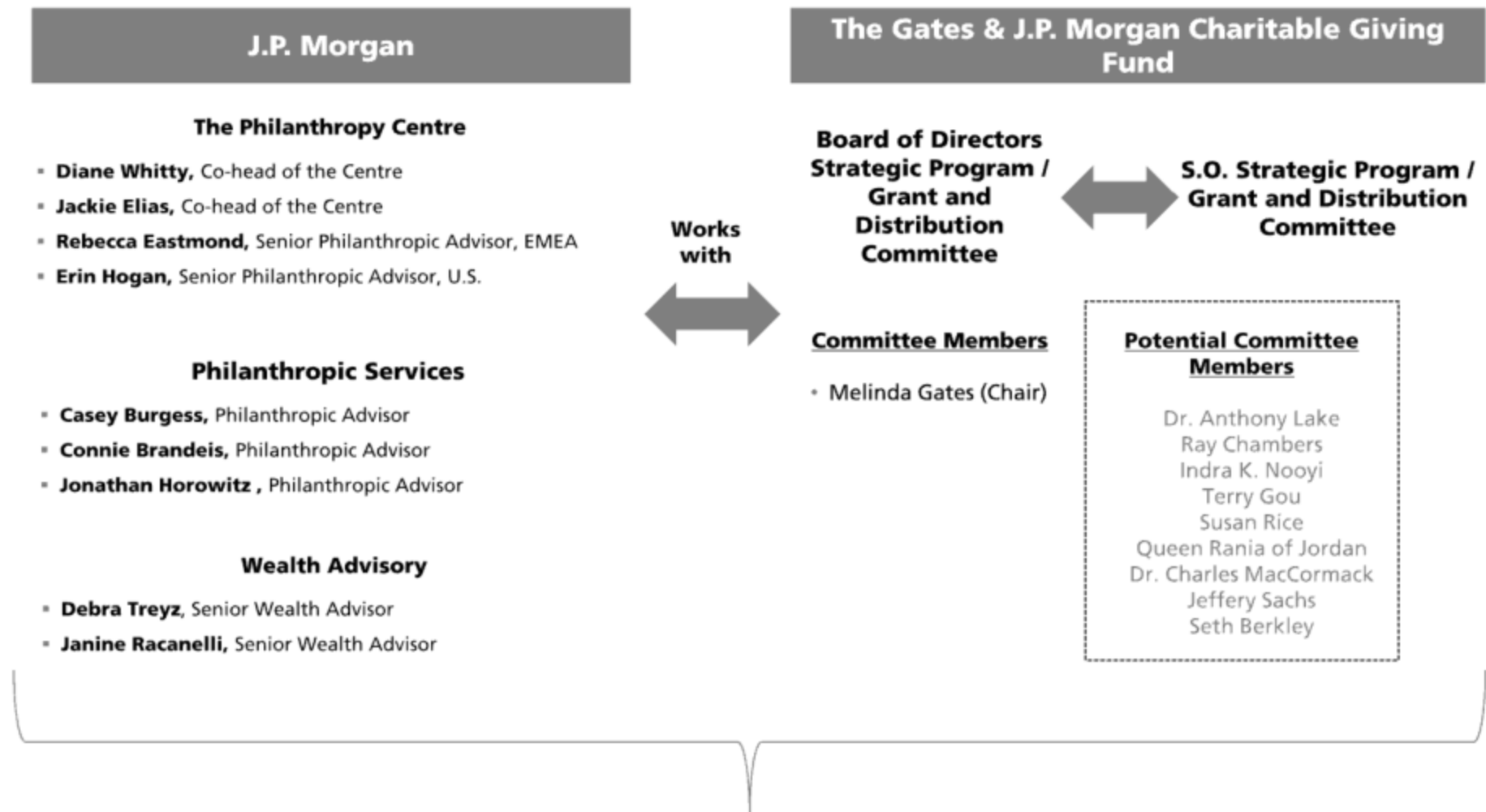
<sup>1</sup> As of March 31, 2011

## J.P. Morgan advises each donor as their own CIO



# The Gates & J.P. Morgan Charitable Giving Fund will benefit from J.P. Morgan's rich philanthropic history and resources

Philanthropy



**And will build on the successful Gates Foundation and J.P. Morgan partnership efforts in areas of global health and education**

J.P.Morgan

#### Donor requirements

##### Structuring and tax concerns

- Wealth to be allocated to philanthropic endeavors
- Timing of donations
  - One-time or overtime
  - During life or at death
- Degree of control to be maintained over invested assets and philanthropic grants
- Choice of charitable legal entity
- Governance options
  - Family
  - Experts
  - Individual or shared
- Time horizon
  - Pay down or in perpetuity
  - One or multiple generations
- Source of funding
  - Cash
  - Public securities
  - Private company stock
  - Illiquid assets
- Planning across borders for families in multi-jurisdictions

#### Wealth Advisory resources and solutions

- Average of 17 years experience as tax, trust, and estate planning lawyers
- Deep expertise in optimizing tax benefits for donors
- Multi-jurisdictional expertise and integrated approach to multi-jurisdictional wealth planning
- Provide integrated solutions for lifetime and testamentary planning
- Work in partnership with network of advisors in generating and sharing wealth planning solutions
- Advice Lab is dedicated to developing leading-edge, world class intellectual capital and analytical tools around the unique challenges wealthy families face, including taxes and gifting

#### 60 Wealth Advisors worldwide covering over 50 countries



## Next steps

