

J.P. Morgan Endowments & Foundations Group

Private foundations

Your vision. Our insights.

Creating a private foundation is often one of the most exciting and enriching experiences a family can have.¹ Whether your philanthropy becomes a second career or remains an avocation, a private foundation can help your family organize an approach to giving, while working together, and collaborating with like-minded groups to achieve important goals.

Private foundations can also bring family members closer together, to learn about investments, effective giving, and to create or preserve a family legacy. Additionally, private foundations can encourage younger family members to become involved with the family's philanthropic goals. This allows families to pass down their philanthropic values, and helps younger generations to develop their own philanthropic voices and to establish continuous giving through the generations.

The J.P. Morgan Endowments & Foundations Group's team of specialists has deep knowledge and experience in managing family foundation investments. Whether you are exploring the idea of establishing a foundation or already have a fully staffed board and investment committee, our team has access to an extensive range of services to help customize portfolios—allowing you to focus on achieving your philanthropic vision.

Our integrated platform addresses the needs of private foundations

J.P. Morgan has assisted families with their philanthropic endeavors for generations. Our fully resourced firm can help you at every step of your philanthropic journey by leveraging the expertise of the entire firm.

PLAN HOLISTICALLY	DEVELOP YOUR MISSION/LEARN BEST PRACTICES	MANAGE ADMINISTRATION AND OPERATIONS	ACCESS CUSTOMIZED INVESTMENT SERVICES	DRIVE SUSTAINABILITY
Wealth Advisory	The Philanthropy Centre	Fiduciary/Private Foundation Services	Endowments & Foundations Group	Social and Sustainable Finance
<ul style="list-style-type: none"> Develops and implements tax-efficient wealth transfer techniques Offers insights into charitable structures, advises on legacy planning, and helps understand legal and tax reporting requirements 	<ul style="list-style-type: none"> Helps develop clients' philanthropic approaches and effective private foundation management Organizes global thought leadership forums and provides insight into current trends and innovations 	<ul style="list-style-type: none"> Provides foundation administration, grant-making and tax services as agent or co-trustee Oversees grant-making decisions for over 200 client foundations and charitable trusts 	<ul style="list-style-type: none"> Develops and implements customized investment strategies Provides access to full discretionary management and brokerage services Offers reporting, administrative services and consultative analytics 	<ul style="list-style-type: none"> Offers thought leadership and engagement on critical social and environmental issues Develops investment strategies that achieve positive social and environmental outcomes

Working together to make a difference

The Endowments & Foundations Group serves as a single point of entry to the global resources and intellectual capital of J.P. Morgan. To address the wide-ranging needs private foundations face every day, we connect you to the talent and depth of experience that are available across the firm. We can also help you think through how best to optimize your resources. As a result, we have outlined below some key steps, and resources, which may help your foundation meet and manage the realities of today's environment so that it can accomplish its mission.

The philanthropic journey

STEP 1: Plan holistically for your wealth and legacy

Ideally, your foundation harmonizes with your plans for your family's wealth. Proper use of income, gift and estate tax techniques may increase the wealth available to both your foundation and your family.

Our Wealth Advisors work closely with your counsel to:

- Create and review estate plans
- Identify which assets may be most appropriate for funding a foundation
- Provide financial modeling based on our firm's understanding of the markets to show the economic implications of your estate plan²
- Help select the most appropriate structure for your foundation (trust or nonprofit corporation)

STEP 2: Develop your mission and learn best practices

Creating a foundation is one thing; running it effectively is quite another. The foundation's mission is critical, as it provides a roadmap for the organization. Our Philanthropy Advisors work closely with families to plan and refine their foundation strategies over time. They can also collaborate with you to:

- Outline or refine your foundation's mission to reflect your philanthropic goals and provide a roadmap for giving

- Determine the appropriate funding strategy for the foundation based on your objectives
- Formulate your foundation's governing and operating procedures and succession plans
- Explore your field of interest and consider creating grant-making guidelines to reflect your intentions
- Connect with like-minded philanthropists, thought leaders and professionals in your areas of interest

STEP 3: Invest to meet the unique needs of your private foundation

Investing foundation assets is significantly different from investing for an individual. Whether the purpose of your foundation is to have an impact for a finite period or serve its mission into perpetuity, coordinating a foundation's investment objectives with its distribution policy is essential. Private foundations typically need to earn approximately 6%-7.25% on their investments annually to maintain a 5% annual required distribution plus keep up with inflation and administrative costs.³

A good place to start is the foundation's investment policy statement, which memorializes the investment expectations, objectives and guidelines. A foundation's investment objectives should take into account the return on investment necessary to meet growth objectives and payout requirements. Effective portfolio management begins with these criteria, and will help a foundation meet its investment objectives and guidelines.

The Endowments & Foundations Group can collaborate with you to:

- Develop a deep understanding of your organization's specific investment requirements and parameters
- Build and monitor portfolios to help meet your investment time horizon, risk tolerance and asset allocation needs
- Provide access to board member best practices, insights and information on topics pertinent to private foundations

STEP 4: Manage your foundation's operations and legal obligations

In the United States, family foundations are regulated by the IRS and overseen by state attorney generals, who are charged with ensuring that these foundations' funds are devoted to the public good. When you create or join the board of a private foundation, you take on a personal, fiduciary responsibility to ensure that the foundation complies with all applicable legal requirements and regulations. To assist you in managing the administrative, operational, and financial and tax requirements, our Fiduciary/Private Foundation Services team can offer a range of services:⁴

ADMINISTRATION AND OPERATIONS	GRANTMAKING	FINANCIAL AND TAX MONITORING ⁵
<ul style="list-style-type: none"> • Apply the terms of the governing documents and applicable law to the administration of the foundation, including payment of fees, taxes and expenses • Estimate projected income and payout requirements, and monitor annual distributions • Coordinate liquidity needs for grants and expenses • Organize and facilitate foundation meetings, and provide relevant materials 	<ul style="list-style-type: none"> • Coordinate and track materials from grantees and foundation offices • Prepare and distribute grant checks and letters of declination and approval • Respond to inquiries and distribute guidelines, often acting as the address of record • Execute on proposal review procedures and verify charitable status of applicants • Manage day-to-day communication with prospective and current grantees 	<ul style="list-style-type: none"> • Maintain files and retain necessary information in accordance with IRS and account procedures • Oversee the preparation of the 990-PF tax return and state filings • Aid client's counsel in elements of tax strategy • Monitor compliance with federal, state and local laws • Calculate and pay any required quarterly estimated tax payments

STEP 5: Safeguard your foundation's assets

Because managing a foundation entails safeguarding charitable funds, great care should be given to the custody and protection of these assets.

J.P. Morgan is one of the world's most experienced custodians globally, managing over \$19.6 trillion in assets (as of September 2015). Our clients receive state-of-the-art information systems and technology solutions.⁶

We support you on many fronts

J.P. Morgan has been privileged to assist families in their philanthropic endeavors for more than 170 years. We understand the demands placed on private foundations and the rewards that come from fulfilling a mission. Often, competing priorities stretch resources, and finding the right skill set to help build an effective foundation and manage those assets can be a challenge.

Whether you are establishing a private foundation or you are part of a foundation that is looking for comprehensive portfolio management strategies tailored to your foundation's specific objectives, J.P. Morgan can provide access to a range of services that integrate advice and capabilities to empower your foundation to focus on what is important—your mission and philanthropic legacy.

ENDNOTES

- ¹ Family foundations, according to the Council on Private Foundations, are defined by having their funds come from the members of a single family. Other types of private foundations include corporate foundations. Statistics are the latest available from The Foundation Center, and come from its 2011 report on family foundations.
- ² Neither JPMorgan Chase & Co. nor any of its affiliates offer tax or legal advice.
- ³ Amount necessary to generate rate of return in excess of distribution rate, inflation and expenses.
- ⁴ Advisory services available to select clients. For more information about these services, please talk to your J.P. Morgan representative.
- ⁵ JPMorgan Chase & Co. and its subsidiaries do not render accounting, legal or tax advice. Estate planning requires legal assistance. You should consult with your independent advisors concerning such matters.
- ⁶ J.P. Morgan Custody Services.

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ENDOWMENTS & FOUNDATIONS

Your mission. Our insights.

Making a difference



J.P.Morgan

FIVE ESSENTIAL QUESTIONS



Monica Issar
Global Head
J.P. Morgan Endowments
& Foundations Group

You are committed to ensuring your organization has the resources needed to accomplish its mission, and we understand how challenging this responsibility can be.

The Endowments & Foundations Group at J.P. Morgan is dedicated to working with not-for-profit organizations across the globe to help with their complex investment and financial management needs.

In our experience, an organization's long-term success is greatly enhanced when the not-for-profit's leaders have specialists to help them think through their answers to five essential questions:

LAYING THE GROUNDWORK FOR SUCCESS

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OPTIMIZING RESOURCES

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DESIGNING PORTFOLIOS

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TAPPING GLOBAL OPPORTUNITIES

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MEETING ALL YOUR NEEDS

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We would welcome the opportunity to get to know your organization better and to discuss our insights with you.





CASE STUDY*

CUSTOMIZED STRATEGIES

The investment committee of a not-for-profit hospital asked us to review its portfolio.

We observed that the hospital's foundation and operating assets were being invested similarly despite their different time horizons.

We advised the committee to:

- Define its various investment pools according to their intended use and sources of risk
- Customize an investment policy for each of these pools

With these insights, we partnered with the committee to manage investments, the hospital's pension and operating assets. We adjusted these allocations to better match liabilities and reduce funded status volatility. This helped the hospital's finance department to better forecast the hospital's cash flow needs.

As a result, the hospital was able to move closer toward fulfilling its core mission.

* All organizations and people described in this document are fictional. These are hypothetical case studies based on typical experiences. Any resemblance to actual organizations or individuals is coincidental.

Is your Investment Policy Statement helping you achieve your goals?

Before discussing asset allocation and investment decisions, we believe it is useful to make sure that your investment strategy is truly aligned with your operating budget.

This alignment, we believe, is possible only if your organization has a sound Investment Policy Statement.

Because an Investment Policy Statement is the blueprint created by the board of directors to guide investments, it is critical that this statement allows you to balance risk with opportunity to grow so that you can meet your organization's needs and goals.

START WITH A SOUND INVESTMENT POLICY STATEMENT

One of an investment committee's most important tasks is to create, update and revise the organization's Investment Policy Statement. As advisors to many not-for-profit organizations, we are able to share best practices with you.

AN INVESTMENT POLICY STATEMENT SHOULD:

- Empower managers, advisors and board members to make decisions
- Be specific about return/risk objectives
- Address the potential for disconnect between long-term expectations and interim results
- Match time horizons to investment cycles, rather than the number of years the organization is expected to be in existence
- Create flexibility so that the distribution policy, asset allocation and other portfolio variables can be adjusted as conditions change

CREATE A THOUGHTFUL STRATEGY

WORKING WITH ENDOWMENTS AND FOUNDATIONS, WE HAVE SEEN THAT THE MOST EFFECTIVE INVESTMENT STRATEGIES TAKE INTO ACCOUNT:

GROWTH AND INCOME OBJECTIVES FOR THE NEAR AND LONG TERM

How dependent are your operations on the returns generated by your invested assets?

RISK TOLERANCE

How much volatility can your portfolio tolerate to achieve its investment goals?

GOVERNANCE

Are board members and trustees aware of all the rules regarding conflicts of interest and self-dealing?

INVESTMENTS

What mix of asset classes is suitable for your organization?

ANALYTICS

Do you have tools necessary to measure your portfolio's performance and the risk you are taking?

SOCIAL AWARENESS

Does your organization want to invest for social impact?

Are your resources being put to their best use?

Ideally, investment committee meetings focus on the drivers of portfolio returns—policy, asset allocation, governance and regulations.

But, of course, significant time must also be devoted to such tasks as performing due diligence and selecting fund managers. Investing today requires great attention and specialized knowledge. Markets are increasingly correlated and complex, while investment choices and regulations seem to multiply.

J.P. Morgan's Endowments & Foundations Group can act as an extension of your team. By handling investment specifics, we can free your committee to focus on larger issues. We are able to provide any level of support your organization may require, from simply supplying your staff with J.P. Morgan research and analytics, to our assuming full fiduciary responsibility for your portfolio, including recommending an appropriate asset allocation, providing customized metrics and identifying execution preferences.

At every level of support, we pride ourselves on maintaining a consistent, connected and transparent relationship with our clients. We create strategic partnerships, and clients often tell us that we are unusually accessible.

We invite you to consider how your organization might take advantage of J.P. Morgan's industry-leading knowledge, experience, research and specialists.

CASE STUDY*

TIMELY APPROACH

Five financial executives pooled resources to start a \$30 million foundation. Its mission: to help support social services in their city.

At the outset, the founders sat on the investment committee and managed the foundation's portfolio. As they had each made millions for their clients with their investing acumen, they knew they were qualified for the task.

It soon became apparent, however, that career demands left the committee members with insufficient time to take advantage of time-sensitive investment opportunities on behalf of the foundation. Clearly, full-time attention was needed.

The committee redrafted the foundation's Investment Policy Statement to identify spending goals and target return.

The committee also asked J.P. Morgan to manage the foundation's portfolio on a day-to-day basis. Our endowments and foundations specialist helped the foundation by creating a portfolio that reflected its Investment Policy Statement.

Now, the founders can use their time to focus on identifying community organizations they wish to support. Meanwhile, the foundation's target returns are being met, and grants are flowing.

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SELECT AND TARGETED

ASSET CLASS STRATEGIES

Our clients vary greatly in size and skills. Many have investment professionals in-house and choose to work with us to gain access to our industry-leading global investment insights and the specialists we have embedded in local markets around the world.

Seeking to stay ahead of the evolving investment landscape, clients often ask us to provide customized solutions, ranging from single-strategy to multi-asset-class offerings. Our single-strategy boutique offerings reflect the depth and focus of the teams we have dedicated to them. Our multi-asset-class solutions are based on our objective perspective of relative valuations across asset classes—a perspective that our firm is fully resourced to provide.

We also complement many organizations' capabilities by executing their internally managed, self-directed investments and by providing access to our co-investment platform.

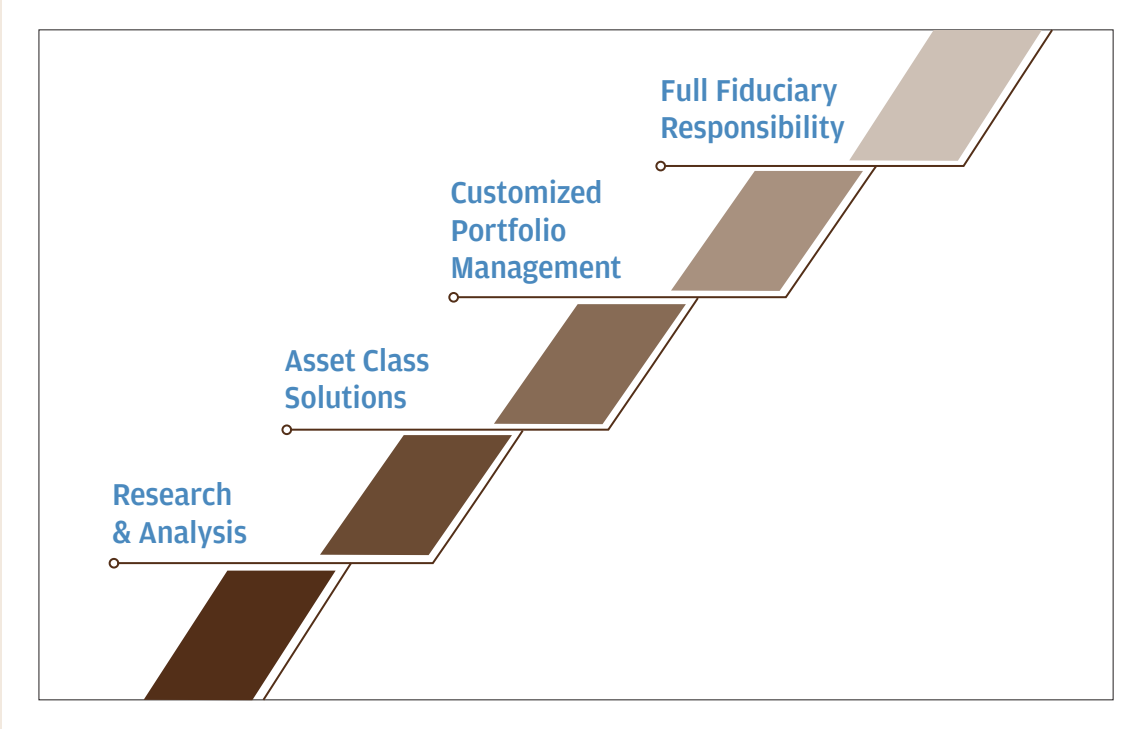
FULL FIDUCIARY CAPABILITIES

CUSTOMIZED PORTFOLIO MANAGEMENT

Many endowments and foundations ask us to take full fiduciary responsibility. As fiduciary, we work to enhance resource efficiency and customize the organization's portfolio. This allows the portfolio to benefit from both our well-considered, long-term capital market assumptions and our agile tactical allocations, which are made in response to fast-moving markets.

We are also committed to maintaining a constant dialogue with the organization's board, trustees and staff. Detailed data analysis and performance information are shared with the organization through regular reporting, transparent analytics and in-person meetings.

WHAT LEVEL OF SERVICE WOULD ENHANCE YOUR ORGANIZATION'S SUCCESS?



For illustrative purposes only

A young woman with dark hair, wearing a black long-sleeved shirt and a black and white striped scarf, is reaching up to a high shelf in a library. She is looking upwards and to the right. The shelves are filled with books, and the background is slightly blurred, showing other bookshelves and a bright, well-lit environment.

CASE STUDY*

THE BIG PICTURE

While the 2008 financial crisis taught some U.S. university endowments the challenge of relying heavily on alternative investments, it helped some university endowments in Europe see that completely avoiding alternatives also has its tradeoffs.

The investment committee for one European university endowment thought it was preserving liquidity by eschewing alternatives.

When the market dropped, the university discovered that its lack of alternative investments had left the endowment directly exposed to market volatility.

We helped this university's investment committee by discussing how alternatives can provide less-correlated returns and dampen volatility.

We also identified the university's level of appropriate liquidity, appetite for risk and target return. We then selected investments with an eye on the risk each manager was taking, as well as the university's short- and long-term needs.

This university's portfolio now includes an allocation to such less-correlated investments as real estate to help better manage market volatility.

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Is your portfolio designed to generate consistent, risk-adjusted returns?

Traditional portfolio construction strategies that rely on equity and fixed income investments may no longer enable not-for-profits to meet their required distribution streams and administrative costs.

To generate consistent returns, it is necessary to have well-designed portfolio construction and a carefully managed risk process.

PORTFOLIO CONSTRUCTION

It is critical to have diversification strategies that work to spread risk across credit, equities and alternative investments.

This task is increasingly complex, given the intricacies involved in using alternative and non-benchmarked traditional managers to help shape a portfolio's risk/return dynamic.

CHOOSING INVESTMENTS

Our specialists dedicated solely to investing for endowments and foundations develop a deep understanding of each organization’s specific requirements and investment parameters. This understanding guides our disciplined investing, which is designed to generate consistent returns in line with an organization’s goals.

Asset allocation, one key to long-term investment results, is the bedrock of our investment process and is informed by our forward-looking view of market returns, risks and correlations.*

APPROACH TO SOURCES OF RETURN

Strategic
asset allocation

Built on J.P. Morgan
long-term Capital
Market Assumptions**

Tactical
asset allocation

Adjusted to generate
return and manage risk

Manager
allocation

Our managers are selected
for their outperformance
relative to benchmarks

* Opinions, estimates, forecasts, projections and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. There can be no guarantee they will be met.

IDENTIFYING AND MANAGING RISK

Risk management is essential at every stage of the investment process.

To fully evaluate and allocate manager risk, we believe in going deeper than simple examinations of historical monthly returns and manager-scripted style definitions. To respond appropriately when new market risks arise, we move quickly to assess their potential impact on individual portfolios.

To accomplish these goals, we employ an array of analytic tools and frameworks, including:

- **Factor analysis**—We seek to break down monthly portfolio or manager returns, and separate the systemic or market risk a manager takes on in a portfolio (beta) from the manager-specific risk or true value added of a manager's investing (alpha)
- **Correlation analysis**—We identify and observe the movement of funds and markets over time, with particular attention paid to those that move in tandem
- **Asset projections**—We can show the evolution of your portfolio over time. Results are displayed both in dollars and as probabilities. Our analysis incorporates cash flow, allocation choices, illiquidity and taxes (when appropriate), as well as J.P. Morgan's forward-looking, long-term equilibrium assumptions

** J.P. Morgan Capital Market Assumptions, which include our forward-looking views, are developed through an all-encompassing consideration of existing trends and how those trends might change over a strategic timeframe, which we believe to be 10 to 15 years, or two economic cycles.

Are you benefiting from opportunities around the world?

Donors, grants, not-for-profits themselves and investments are all increasingly global.

We help clients benefit from this interconnected world by keeping them abreast of important regulatory developments and best practices, as well as creating opportunities for them to network with peers from other countries.

A worldwide understanding is also essential to getting the most from today's markets. When you establish a relationship with J.P. Morgan, you gain direct access to a global asset manager.

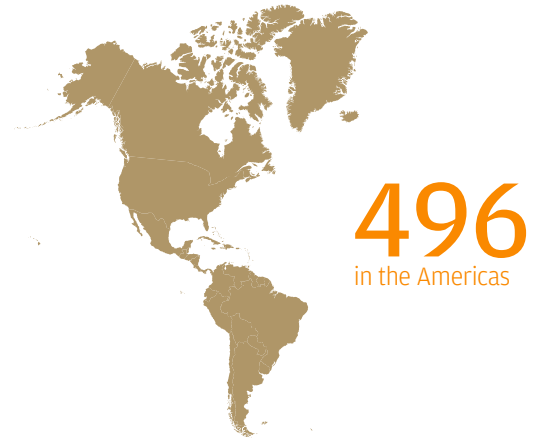
Our knowledge of the markets and economic conditions around the world is informed by:

- Market insights gained from relationships with leading investment managers globally
- Local-market analysis from our global network of investment strategists
- Extensive experience as a money manager serving clients worldwide
- Real-time analysis and market portfolio impact

We are committed to combining our global view with a thorough understanding of your perspective and needs so that the advice we provide is tailored to your organization.

GLOBAL INSIGHTS INFORMED BY IN-COUNTRY EXPERIENCE

J.P. MORGAN INVESTMENT PROFESSIONALS



916 ACROSS THE GLOBE*

* As of September 30, 2014.
Source: J.P. Morgan Asset Management

A pair of hands is shown from a top-down perspective, gently cupping a small, vibrant green seedling with two leaves. The seedling is growing out of a mound of dark, rich soil. The background is a soft, warm, out-of-focus light, suggesting a bright, sunny environment. The hands are positioned on either side of the soil, with fingers slightly curled to support it. The overall mood is one of care, growth, and nurturing.

CASE STUDY*

THE WORLD AT THEIR DOORSTEP

We helped the investment committee for a conservation organization in Latin America see that one of its key choices—to invest solely in its home country—was creating two challenges:

- **Missed opportunities**—Profitable investments were to be had in other markets
- **Hidden concentration risk**—Although the committee had been careful to invest across multiple asset classes, it did invest a majority of funds in home country markets. This

approach left the organization subject to one country's economic cycle, currency fluctuations and geopolitical risk

We helped the organization tap into timely investments in other regions, from which it has profited.

We also helped reduce risk by building a truly diversified portfolio: The organization now has an appropriate mix of global investments, while still maintaining about 25% of its investments in the home country.

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CASE STUDY*

A FAMILY COMMITMENT—AND LEGACY

A multigenerational family sold its business and decided to use some proceeds to create a foundation for a museum and arts school.

An advisor from The Philanthropy Centre at J.P. Morgan introduced the family to other philanthropists supporting arts organizations. The advisor also helped them think through the composition of the foundation board and its governance procedures.

An endowments and foundations specialist developed a strategy for financial sustainability. Taking into account spending needs, liquidity and risk tolerance, the specialist

helped the family establish a strategic allocation for the museum's endowment, with a plan to phase into markets. Our Banking and Treasury Services teams worked with the museum staff to simplify their operations.

This museum and arts school now meets with the J.P. Morgan team every quarter. Investment results, after four years in the markets, are satisfying all stakeholders: the family, the museum's staff and the community. The family has also been able to focus attention on what its members care about passionately: the core mission of the museum and arts school.

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Are the full range of your organization's needs being met?

Not-for-profits are multifaceted organizations with unique needs. That is why every Endowments & Foundations Group specialist is available to act as a full-service advisor, tapping into our firm's vast resources. We are not only a global investment powerhouse, but also a full-service financial institution.

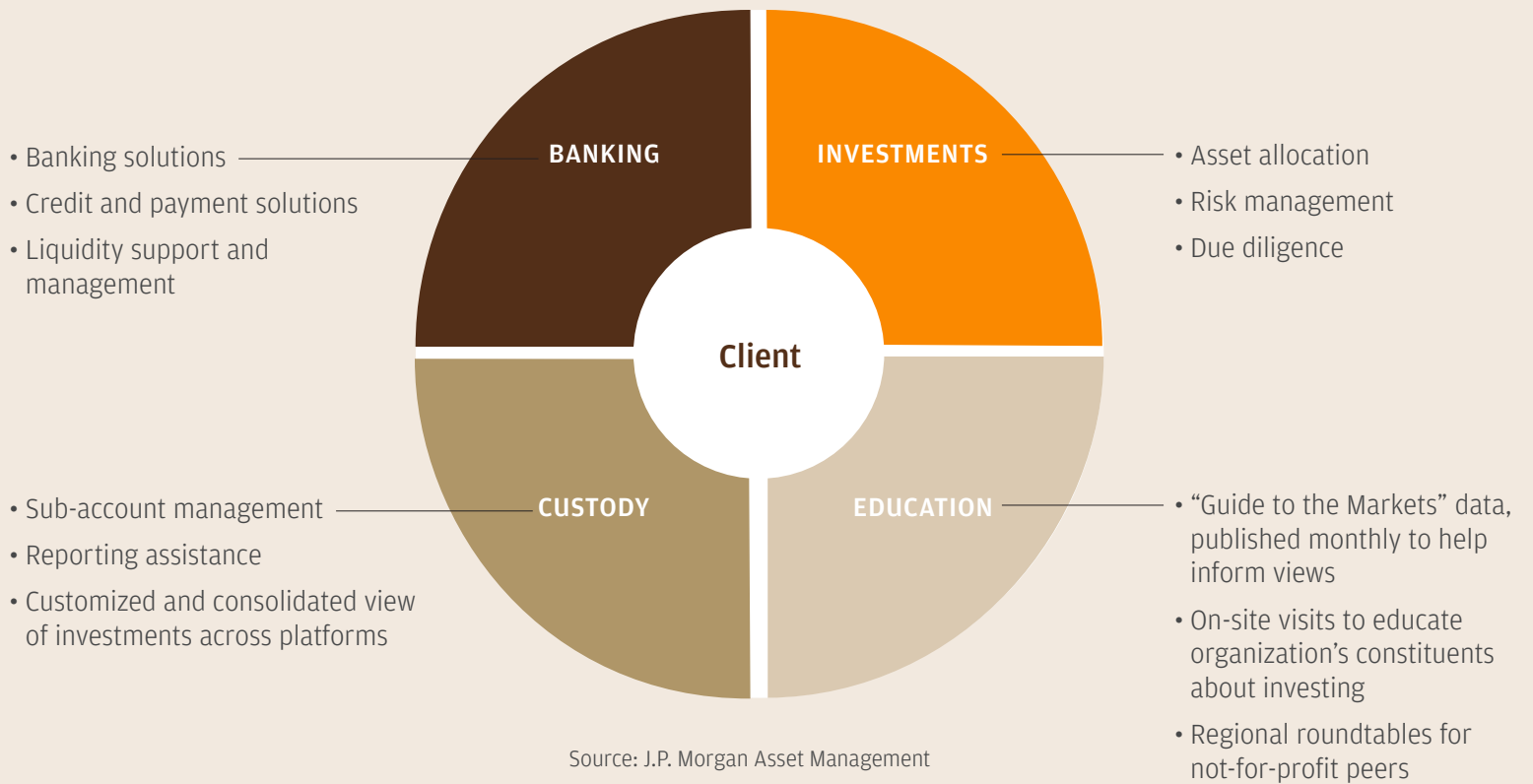
Your dedicated specialist can help you identify, customize and coordinate services so that your organization may satisfy needs for borrowing, banking and custody, as well as for investing.

As one of the most experienced, well-capitalized banks in the world, our deep custody capabilities also enable us to handle many security types, including:

- Single stocks and bonds
- Currencies and commodities
- Structured investments
- Separately managed accounts and mutual funds
- Exchange-traded funds
- Alternatives, including hedge funds, real estate, private equity and debt

HELPING YOU ON MANY FRONTS

A dedicated Endowments & Foundations Group specialist helps each client thoughtfully select from the broad range of J.P. Morgan resources, then orchestrates a seamless delivery of those services.



THE FIDUCIARY'S PERSPECTIVE

You have a perspective and a responsibility that are unique to your role as an investor and fiduciary serving a not-for-profit.

Our insights into the challenges you face are informed by our firm's experiences:

- Running the JPMorgan Chase Foundation
- Acting as a trustee for more than 160 years to multiple generations of some of the world's wealthiest families, endowments and foundations
- Managing portfolios for companies, institutions and individuals across the globe

This knowledge, our resources and a strong commitment to working closely with clients have led thousands of charitable organizations to entrust us with billions in assets.

The boards of these organizations—which range from small private foundations to many of the world's largest endowments—count on us to help them meet and manage the realities of today's financial markets so that they can accomplish their missions.

What are your organization's goals—and will you have the resources to achieve them?

We would welcome the opportunity to learn more about you and to explore how our dedicated Endowments & Foundations Group specialists might partner with you to accomplish your organization's mission.

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