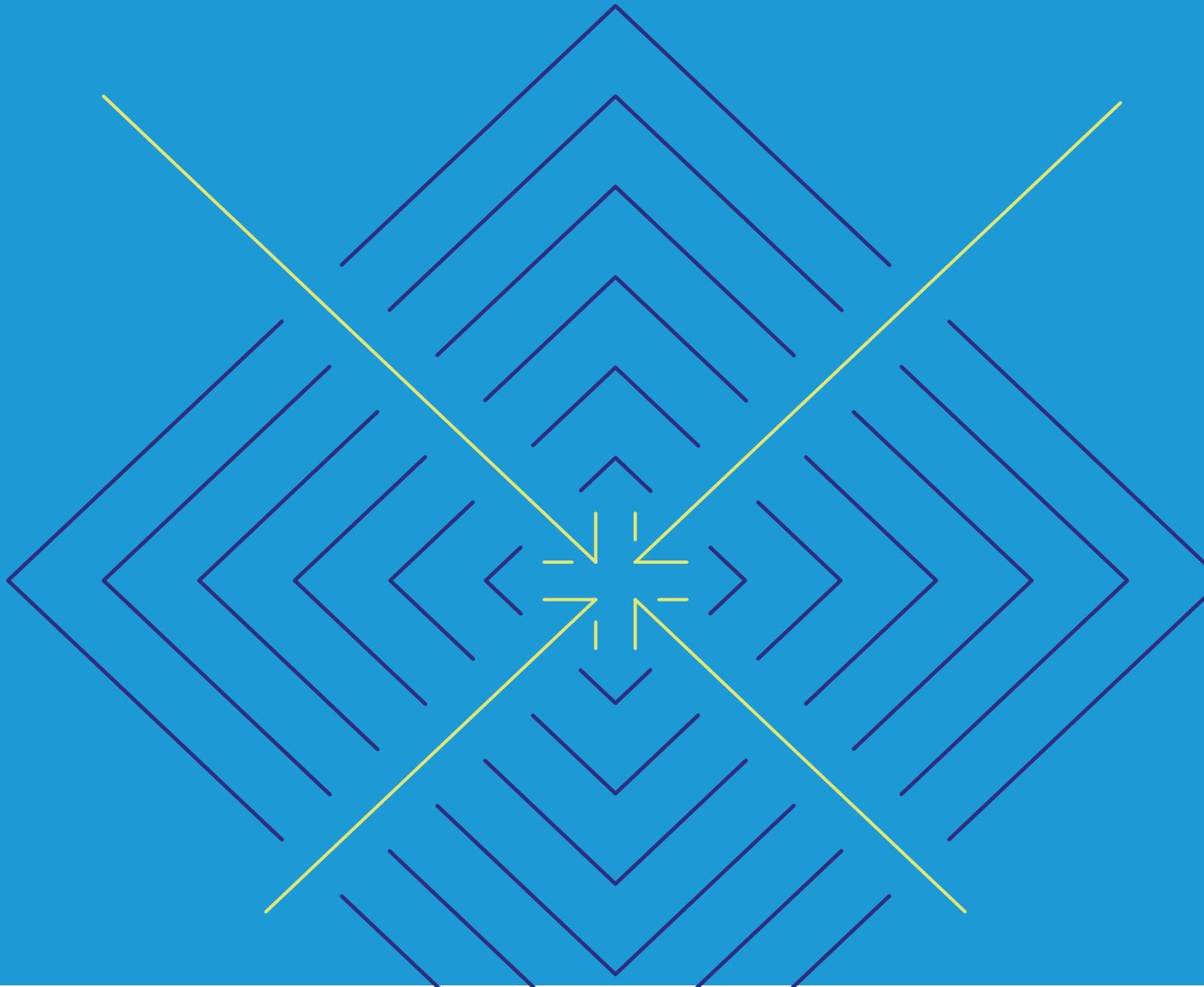




BERNSTEIN

2019

WOMEN LIFTING WOMEN



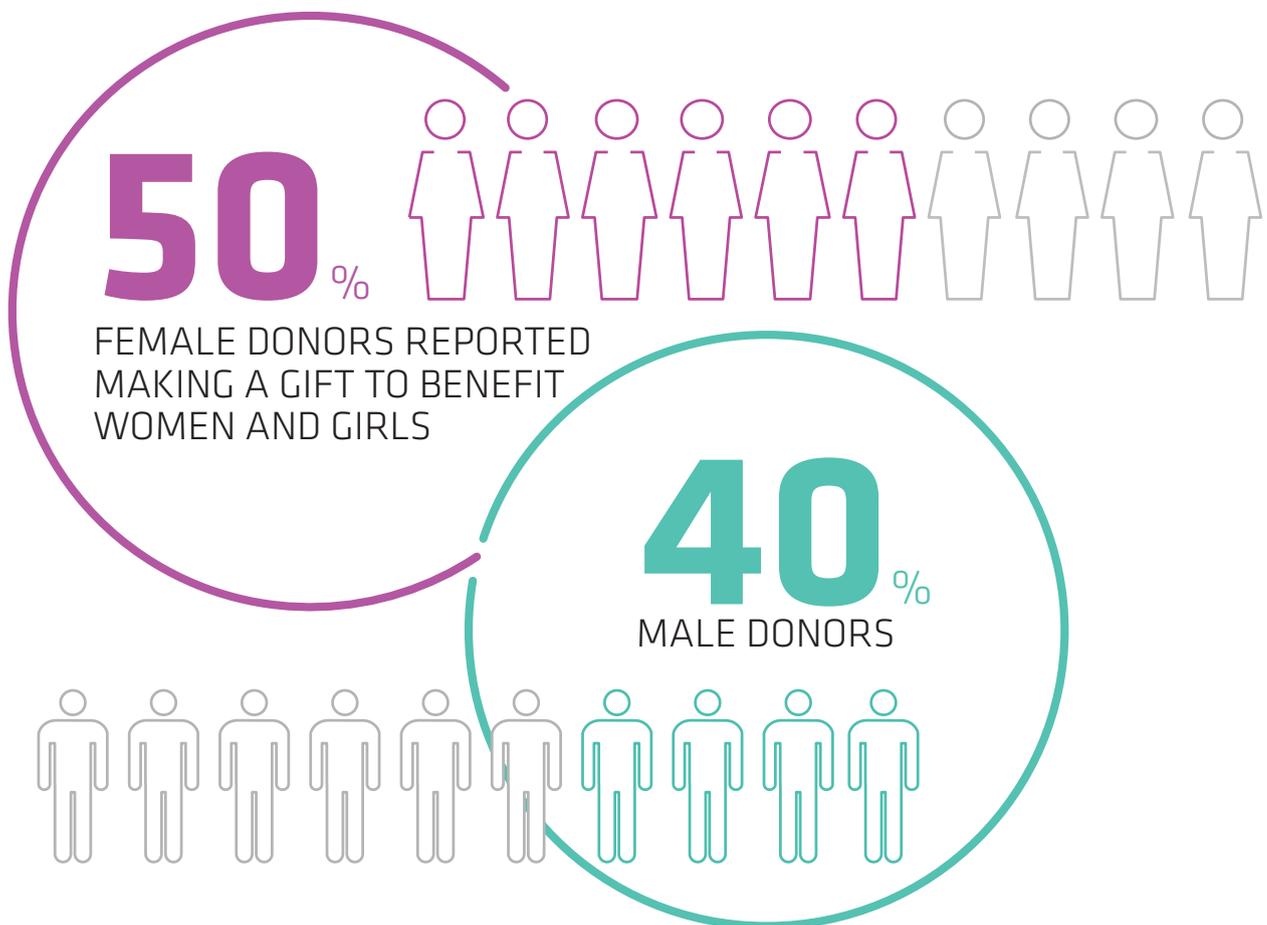
Women are gaining influence and stature in nearly every sphere of society. Yet despite their progress, inequality persists. As women embrace their economic potential, they are increasingly able to address these imbalances through the choices they make with their wealth. Whether by harnessing the power of philanthropy or investing through a responsible lens, women can help change the lives of other women and girls.

Female investors seem eager to take up the mantle. Studies from the Women's Philanthropy Institute show that compared to their male counterparts, women tend to favor causes related to the advancement of women and girls. Overall, 50% of female donors reported making a gift to benefit women and girls versus nearly 40% of men.

What motivates women to champion these causes? Research uncovered three primary drivers:¹

- » **Personal experience** with gender inequality
- » **Support for women's rights** overall
- » **Proven results** that nonprofits deliver

WOMEN TEND TO FAVOR CAUSES ADVANCING WOMEN AND GIRLS



Source: "Giving to Women and Girls: Who Gives and Why?" May 2016, Women's Philanthropy Institute at the Indiana University Lilly Family School of Philanthropy.

¹Dale, E. J., Ackerman, J., Mesch, D. J., Osili, U., and Garcia, S. (2017), "Giving to Women and Girls: An Emerging Area of Philanthropy," *Nonprofit and Voluntary Sector Quarterly*, <http://journals.sagepub.com/doi/full/10.1177/0899764017744674>.

CONSIDER ALL YOUR ASSETS

Whether you're aiming to promote economic empowerment, maternal and infant health, or girls' education, there are many ways to deploy your wealth. Philanthropy is one way to foster social change, but investing responsibly can make a difference, too.

Selecting the right option for you and your family can be both exciting and overwhelming. Such choices are deeply personal because they flow from your values and how you decide to fulfill your sense of responsibility to your family, society, and the world. Below are some ways we can help.

EXPLORE A DONOR-ADVISED FUND

Julie, a 50-year-old entrepreneur, is contemplating an exit from her successful interior design firm. Through years of hard work, she built the business, which is structured as an LLC, into a regional empire. Now, in addition to protecting her wealth, maintaining her spending, and purchasing a vacation home, she wants to make a meaningful gift to empower women and girls.

Julie's advisor suggests she consider a donor-advised fund (DAF). DAFs have been the fastest-growing vehicles for charitable giving in recent years because they offer a flexible and relatively low-cost way to give over many years—and a large, upfront tax deduction.

That means Julie will receive an immediate charitable income-tax deduction for the full amount of her gift to a DAF, even though her grants may be distributed over decades.² Plus, business owners like Julie who contribute company shares prior to a sale may avoid taxes on the shares donated.*

Above all, Julie appreciates that gifting to a donor-advised fund buys her time to educate herself. She can fund the DAF now without the immediate pressure of identifying the specific female-focused entities that she'd like to support.

PASS DOWN YOUR PHILANTHROPIC VALUES

Catherine has been a long-standing champion of causes benefiting women and girls. As a prominent female philanthropist, she has used her wealth, time, and charisma to influence others to promote gender equity. Now in her 50s, she wants to inspire her two teenage children to become more involved.

Catherine is smart to start early. Donating money to charity makes it more likely that her children will grow up to be givers themselves. But surprisingly, studies have shown that having intentional conversations about philanthropy with adolescent teens is more effective than modeling charitable acts alone.

Catherine's children know about her wealth, but don't fully appreciate its magnitude. Unsure where to begin, she works with her advisor to develop an engagement plan to convey her values. To encourage her children to feel more connected, Catherine explains her motivation for supporting women's advancement and how it relates to her own mother's struggles. The result was a healthy two-way dialogue that preserved vital aspects of her philanthropic legacy while leaving room for her children to pursue charitable aspirations of their own.

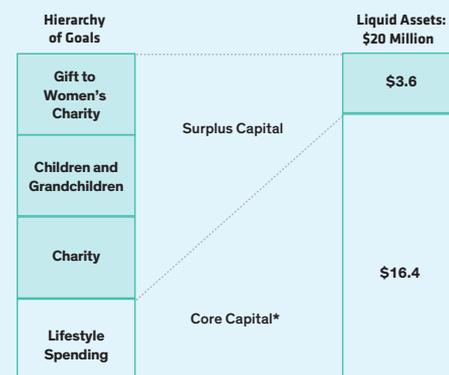
HOW MUCH CAN I GIVE?

You've decided to make a substantial gift towards the empowerment of women and girls. Your next question might be, "What is my capacity to give?" To answer this, we use our Wealth Forecasting SystemSM to conservatively estimate your core capital, the amount of money you need today to secure your living expenses for the rest of your life.

In determining your core, we assume that you may live beyond what the mortality tables would suggest, that high inflation might drive up your spending needs, and that deep bear markets may depress your portfolio value (at least temporarily). Your assets above your core capital are "surplus capital" that you could spend on big, optional purchases (such as vacation homes, planes, or a risky start-up investment) or give to family or charity (Display).

No one can predict future market returns with precision, so our approach doesn't supply answers. Instead, it provides perspective, enabling clients to make well-informed decisions about various strategies and the trade-offs they entail. Armed with this kind of knowledge, you'll have the confidence to make the most of your philanthropic impact.

DETERMINING CORE AND SURPLUS CAPITAL



*Core capital is defined as the amount needed today to support annual spending of \$500,000 after taxes and inflation with a 90% level of confidence. Portfolio is modeled as 60% global stocks and 40% bonds. Stocks are modeled as 21% US diversified, 21% US value, 21% US growth, 7% US small- and mid-cap, 22.5% developed international, and 7.5% emerging-market. Bonds are modeled as intermediate-term municipal bonds. Based on Bernstein's estimates of the range of returns for the applicable capital markets as of December 31, 2017. **Data do not represent past performance and are not a promise of actual future results or a range of future results.**

See Notes on Wealth Forecasting System.

Source: AB

* Assumes the donor will receive a tax deduction which would offset capital gain income. The units owned by the DAF are not subject to capital gains taxation at the sale. See Notes on Donor Advised Funds for more information.

² Under the Tax Cuts and Jobs Act, itemized deductions are mostly limited to mortgage interest, state and local taxes (capped at \$10,000), and charitable gifts. At the same time, the standard deduction was increased to \$12,000 for individuals and \$24,000 for married couples filing jointly. For those who have itemized deductions that exceed the standard deduction, under the Internal Revenue Code as it now stands, the maximum deduction you can use in any year is equal to 60% of your adjusted gross income (AGI), if you donate cash. If you donate appreciated assets, the maximum deduction you can use in any year is equal to 30% of your AGI. Deductions not used can be carried forward for five years.

EMPOWER WOMEN WITH YOUR PORTFOLIO

Responsible investing is on the rise—especially among female investors. While both men and women seem equally aware of the approach, research shows that women are more likely to want to learn more. Plus, women who embrace responsible investing tend to view it as a complement to their charitable endeavors; that's unlike men, who consider it a replacement.³

If you're intrigued by responsible investing, the organizations below represent exactly the kinds of entities that AB's sustainable and impact strategies focus on—demonstrating how female-focused investments can pay both financial and social dividends.

CASE STUDY: ETSY

Women's empowerment is an important sustainable development goal. Our search for companies that address empowerment attracted us to Etsy, an online marketplace for one-of-a-kind products made almost exclusively by small businesses and women.

The UN's eighth Sustainable Development Goal (SDG) advocates decent work and sustainable economic growth, with a particular emphasis on the development of small businesses. SDG #5 calls for gender equality. Etsy's business encourages entrepreneurship—especially for women—making it a natural fit for a sustainable thematic approach.

Etsy is a US-based online marketplace designed for specific types of products, such as crafts, handmade gifts, and unique clothing. Most of its two million sellers are small- and medium-sized businesses, including many artists. This profile is especially attractive for women, who account for 87% of Etsy sellers. In fact, 97% of Etsy sellers run shops from their home and 28% live in rural areas.

After identifying the company's thematic fit, our team conducted a detailed analysis of Etsy's business and cash flows. The company has faced significant challenges, including pricing controversies, policy decisions related to acceptable sellers on its platform, and competitive threats from an Amazon marketplace called Handmade. Etsy also made several strategic mistakes along the way.

But after new management was installed in May 2017, we believe the company started to turn the corner. Revenue growth has picked up, profitability has improved, and Etsy is reinvesting in the business to expand the tools that it offers sellers.

Since ESG research is integrated into our fundamental analysis, we scrutinize environmental, social, and governance risks that could affect the stock. As an e-commerce company, Etsy has little environmental risk. Yet social risks are acute because Etsy needs to hire and retain talent and must protect customer data. Governance risks were addressed during the company's restructuring, and Etsy now has an independent board, separation of CEO and chairman, and four female board members.

ETSY EMPOWERS WOMEN THROUGH ENTREPRENEURSHIP

87%



of Etsy sellers
are women

97%



of Etsy sellers
run shops from their home

28%



live in
rural areas

³ "How Women and Men Approach Impact Investing," Women's Philanthropy Institute, May 2018.

CASE STUDY: MT. SAINT MARY'S UNIVERSITY, LOS ANGELES

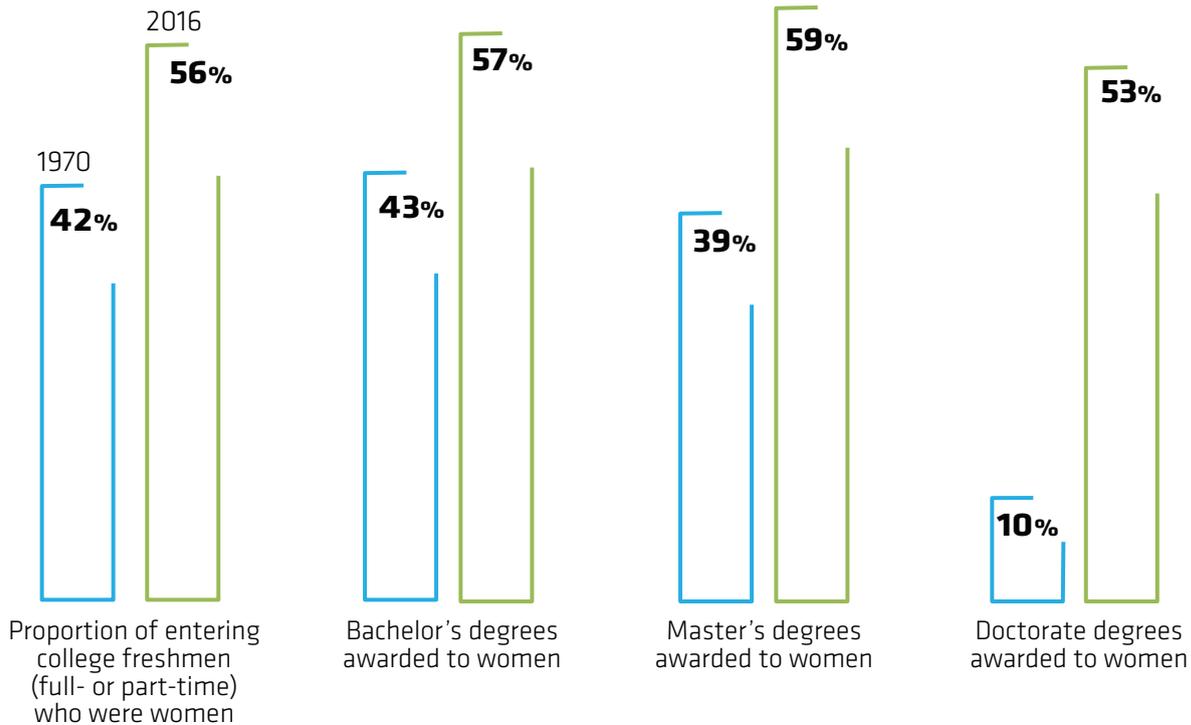
Women's empowerment begins with education. That's why schools like Mt. Saint Mary's University in California have an outsized impact on their surrounding community. The only Catholic university primarily for women in the Western United States, Mt. Saint Mary's holds the further distinction of being the sole women's university in all of Los Angeles. The school is nationally known for its research on gender equality, its innovative health and science programs, and its student commitment to community service.

Mt. Saint Mary also supports a diverse lower-income population—making it ideal for a strategy that focuses on underserved communities. Roughly two-thirds of its students receive needs-based aid from the federal government to attend college compared to just 36% of students in the rest of the state.

Notably, the university boasts a track record of success moving students up the economic scale, with 68% earning postgraduate degrees.

These statistics are consistent with the powerful outcomes women's colleges tend to deliver in general. For every 100 women majoring in math, science, or pre-med at a co-ed institution, there are 150 doing so at a women's college.⁴ The number of women who complete a graduate degree after attending a women's college in 2012 stood at 51%. After attending a co-ed liberal arts college or co-ed public university? Those figures dropped to just 33% and 27%, respectively.⁵ By investing in bonds issued by Mt. Saint Mary's, investors can pursue financial returns while delivering a positive social impact.

WOMEN'S EMPOWERMENT STARTS WITH EDUCATION



Source: National Center for Education Statistics, "Degrees conferred by postsecondary institutions, by level of degree and sex of student," https://nces.ed.gov/programs/digest/d17/tables/dt17_318.10.asp.

⁴Kratzok, Sara, and Casy Near, "Why a Women's College?" Collegewise.com, reposted by the Women's College Coalition, 2014.

⁵Hardwick Day, "What Matters in College After College: A Comparative Alumnae Research Study," Women's College Coalition, 2012, https://www.womenscolleges.org/sites/default/files/report/files/ain/2012hardwickdaycomparativealumnaesurveymarch2012_0.pdf.

ACTIVE OWNERSHIP

As active owners, we can use our voting rights and influence with corporate executives and boards of directors to raise environmental, social, and governance issues directly with company management. That means encouraging companies to adopt policies that enable women to earn an equitable living and play leadership roles—especially in fields where women are underrepresented.

Aside from benefiting morale, there is evidence that inclusive cultures are good for business. Consider McKinsey’s findings that public companies in the top quartile for ethnic and racial diversity were materially more likely to have financial returns above their industry peers.⁶ Plus, measuring diversity and inclusion can foreshadow where corporate cultures are heading. Other groundbreaking research has shown that when minority viewpoints are represented by around 25% of an organization, the majority’s views and culture shift to include more perspectives.⁷

Within our own portfolios, we have tangible evidence of a company in the throes of a cultural transition. American Water Works’ total employee base currently stands at just 26% female. But women are more prominent at the top: the board is 62% female and the company is led by a female chief executive. In the next decade, management expects material turnover in its overall workforce (which is currently mature) due to retirement—and has strongly committed to using that turnover to foster a more diverse workforce. By urging others to follow the example set by companies like American Water Works, investors can amplify their impact and help promote important changes in corporate behavior while enhancing shareholder returns.

ENGAGING WITH COMPANIES CAN ENCOURAGE DIVERSITY IN THE BOARDROOM



* “Women in the Boardroom: A Global Perspective.” Deloitte, 2019. <https://www2.deloitte.com/global/en/pages/risk/articles/women-in-the-boardroom-global-perspective.html>

† “The Fortune 500 Has More Female CEOs Than Ever Before.” <https://fortune.com/2019/05/16/fortune-500-female-ceos/>

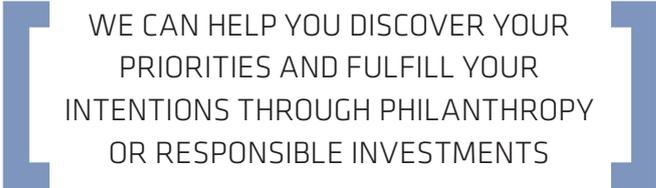
‡ Catalyst, Quick Take: Women in Management (August 7, 2019)

⁶ “Diversity Matters,” McKinsey & Co., February 2015, <https://www.mckinsey.com/~media/mckinsey/business%20functions/organization/our%20insights/why%20diversity%20matters/diversity%20matters.aspx>.

⁷ “The 25% Revolution: How Big Does a Minority Have to Be to Reshape Society?” Scientific American, June 8, 2018, <https://www.scientificamerican.com/article/the-25-revolution-how-big-does-a-minority-have-to-be-to-reshape-society/?redirect=1>.

MANY WAYS TO MAKE A DIFFERENCE

Not every female philanthropist will emphasize women's and girl's issues in her giving—nor should she. How you find meaning in your wealth is very personal. Plus, the most successful giving stems from issues that the donor herself feels passionately about. We can help you discover your own priorities and provide thoughtful guidance on the best way to fulfill your intentions, whether through philanthropy or purpose-driven investments. Either way, our goal is to empower you to maximize your impact as you explore ways to help others reach their fullest potential.



WE CAN HELP YOU DISCOVER YOUR
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INTENTIONS THROUGH PHILANTHROPY
OR RESPONSIBLE INVESTMENTS

Notes on the Bernstein Wealth Forecasting System

The Bernstein Wealth Forecasting SystemSM uses a Monte Carlo model that simulates 10,000 plausible paths of return for each asset class and inflation and produces a probability distribution of outcomes. The model does not draw randomly from a set of historical returns to produce estimates for the future. Instead, the forecasts: (1) are based on the building blocks of asset returns, such as inflation, yields, yield spreads, stock earnings, and price multiples; (2) incorporate the linkages that exist among the returns of various asset classes; (3) take into account current market conditions at the beginning of the analysis; and (4) factor in a reasonable degree of randomness and unpredictability. Moreover, actual future results may not meet Bernstein's estimates of the range of market returns, as these results are subject to a variety of economic, market, and other variables. Accordingly, the analysis should not be construed as a promise of actual future results, the actual range of future results, or the actual probability that these results will be realized.

Notes on Donor-Advised Funds

A pre-transaction charitable deduction is based on the fair market value of the units on the contribution date, as determined by a qualified independent appraisal (§170(e)(1) and Treas. Reg. §1.170A-1(c)(1)). The appraisal value may be subject to valuation discounts, reducing the value of the deduction. Additionally, the Donor Advised Fund may earn income that is taxable to the charity as unrelated business taxable income. Furthermore, the IRS may deem the capital gains tax unavoidable to the donor depending upon the timing of the pre-transaction contribution. A post-transaction contribution of cash or appreciated marketable securities avoids these potential issues. **Bernstein does not provide tax advice; investors should seek advice from their accountant before making any tax-related decisions.**

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