

Message from the Chair

Foreword by the Chair of the Governing Council

The Van Leer Group Foundation funds the Bernard van Leer Foundation and the Van Leer Jerusalem Institute, and is a major donor of the Jerusalem Film Center. The endowment is managed centrally and includes an Israeli venture capital company.

Each part of the Van Leer Group has a remarkable history, spanning more than sixty years. Sadly, the last involved member of the Van Leer family, Lia van Leer, passed away in March 2015. Amongst many other accomplishments, under her leadership the Jerusalem Film Festival placed Jerusalem close to the heart of the global film industry.

The Governing Council has the responsibility to fulfil the purpose defined by the founders Bernard and Oscar van Leer, and to be inspired by their pragmatism and vision to keep the foundation relevant in a very different world.

Therefore, the Governing Council is engaged in a series of in-depth strategic reviews of each activity. Common themes are redefining the purpose for the next five to ten years, operating to the highest professional standards and developing high-impact partnerships.

We are proud of the unique contribution the different Van Leer Group organizations make but also very aware that our impact is determined by the quality of the partnerships we build. Only our partners in the public sector, not-for-profit organizations, academic institutions and business can provide the scale and resources for sustainable social change.

Following the review of the management of the endowment in 2013, we conducted an in-depth review of Crecor B.V., the Israeli venture capital company, in 2014. This has led to a set of clear objectives focused on realizing value in the next five years.

In 2015, we will conduct an in-depth review of the Van Leer Jerusalem Institute, seeking also to maximize the opportunities offered by the Polonsky Academy Building, opened next to the Institute in 2013.

We were greatly saddened by the passing away of Peter Bell in 2014. Until June 2013, he had been an inspirational chairman of the Bernard van Leer Foundation and a member of our Governing Council for twelve years.

The Governing Council continued the renewal of its members and I am delighted to welcome Sam Worthington to the Governing Council who brings highly relevant international experience of working with partners to improve living conditions in difficult circumstances.

I wish to take this opportunity to thank my colleagues on the Governing Council and the Executive Directors of each organization for their commitment and determination to use the VLG endowment and accumulated experience to maximize the realization of human potential, through early child development, the promotion of democracy, and the nurturing of the humanities and arts.

Jacqueline Tammenoms Bakker, Chair

Executive director's report

Background

The Van Leer Group Foundation's origins lie with Bernard van Leer, a Dutch industrialist and philanthropist. In 1919, he started a packaging company in the Netherlands that developed into a world leader in the packaging industry. Royal Packaging Industries provided him with the resources to pursue his philanthropic ideals: to use his wealth for the benefit of others. When he passed away in 1958, he had arranged that his business interests would continue to fuel his philanthropic activities. His wife Polly and their sons Wim and Oscar had already relinquished their inheritance rights and a humanitarian foundation had been established in 1949 in Lucerne, Switzerland. From these beginnings emerged the Bernard van Leer Foundation and the Van Leer Group Foundation in later years.

The Van Leer Group Foundation is a privately endowed charitable organization established in 1979 by Oscar van Leer. It performs the holding function for all the Van Leer charitable activities and as such supervises its investment portfolio and the governance of its charitable activities. The Van Leer charitable activities are currently embodied in the Van Leer Group Foundation in The Hague, the Bernard van Leer Foundation in The Hague, the Van Leer Jerusalem Institute and the Jerusalem Film Center. Apart from an investment portfolio managed by three international asset managers, the Van Leer Group Foundation fully owns Crecor B.V., which is active as an Israeli venture capital company through its Dutch subsidiary Docor International B.V. as well as its Israeli subsidiary Docor International Management Ltd. in Tel Aviv.

In its articles of association, the Van Leer Group Foundation defines three statutory objectives. These are:

- To promote the optimum development of socially and economically disadvantaged children up to the age of 8, with the objective of developing their innate potential to the greatest extent possible.
- To contribute to the development and strengthening of a Jewish democratic national home in Israel committed to a free, equitable and just society for all its citizens; to contribute to the pursuit of regional peace, for the benefit and betterment of social cultural and individual lives in Israel.
- To promote and advance the continuity and the preservation of the identity of the Van Leer entity.

The first objective is implemented by the Bernard van Leer Foundation in The Hague. This foundation is funded by the Van Leer Group Foundation.

The second objective is served by all organisations, but in particular by the Van Leer Jerusalem Institute and the Jerusalem Film Center. The Van Leer Group Foundation provides a substantial part of the funding for these organizations.

The third objective implies that the Van Leer Group Foundation is particularly responsible for ensuring that all organisations work together to further all objectives and for the way in which the legacy of the Van Leer family is translated into existing and new humanitarian ventures and income-generating activities. There is a personal union between the Van Leer Group Foundation

Governing Council, the Bernard van Leer Foundation Board of Trustees and the Supervisory Board of Crecor B.V. The Board of Trustees of the Van Leer Jerusalem Institute has currently two representatives from the Van Leer Group Foundation Governing Council. Personal unions, and frequent interaction between the Boards mentioned further facilitate the third objective.

The Van Leer Group Foundation does not donate any money to organizations other than the three organizations mentioned. It therefore has no donation policy and does not invite organizations to apply for grants and donations.

Financial information

The financial strategy of the Foundation is formulated as follows:

‘To maintain or add to the purchasing power of the investment assets, measured in euros, and to provide a relatively predictable, stable and, in real terms, constant stream of income for annual charitable expenses by the Foundation.’

The Foundation regards future generations of grant recipients equally important as the present generation. Since its aim is to exist in perpetuity, the real value of the investment assets should, over the years, not be eroded by excessive pay-outs. In order to realize the above mentioned strategy of at least maintaining the purchasing power of investments, the long-term investment total returns (net of investment management fees and other related costs) must at least equal the sum of the Foundation’s annual expenditures (expected to average 4% of asset value) plus the rate of inflation. Thus, the primary investment goal is to earn an average annual real total return of 4%, within acceptable limits of risk. The Foundation expects that this goal will not be realized every year, but could be achieved in most five-year periods. On December 31, 2014 the value of the global investment portfolio of the Van Leer Group Foundation amounted to EUR 693 million (2013: EUR 646 million).

The investment policy of the Foundation is implemented (with the exception of Crecor B.V.) by external Fiduciary investment management. Our model has some characteristics that are not common to most Fiduciary Management models. First of all, the Van Leer Group Foundation uses three Fiduciary Managers. Each has the same mandate. Furthermore, the managers are measured against a specific risk-return profile, and not against a specific asset allocation. This allows the managers to adopt their own optimal asset allocation, both strategic and tactical. This change towards a new model implied that the relationship with our Investment Advisor (Post Rock Advisors) had to be terminated and ended in the first quarter of 2014. The transition towards the new model started in 2013, was mostly executed in 2014, but will continue long into 2015 because of the illiquid nature of some of the assets to be transferred. The existing private equity portfolio will not be transferred, but will be run down (excl. Crecor B.V.) over the coming years. Because the new model requires stronger oversight at the Executive Office, a dedicated Investment Manager was added to the staff of the Office. This brought the total headcount to approximately 3.5 FTE. The year 2014 was a year of transition to this new investment structure. The transition involved substantial cash flows, administrative work and the creation of new reporting formats. As the financial statements and the Auditor’s Report show, the transition was executed successfully.

The total return on investments (net of all investment-related fees) in 2014 was 11.3%. This compared favourably to both our absolute return target and to the relevant market references. However, to assess the adequacy of an investment policy for the agreed upon pay-out for charitable activities (i.e. the sum of the Foundation’s annual expenditures), it is important not to concentrate on the total return figure of one single year. Instead, it is important to look at total

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return figures over a longer period of time. For the Van Leer Group Foundation this means looking at total return figures since 1996, the year that Royal Packaging Industries Van Leer went public and an objective value for our assets could be established. The average total return on the investment portfolio of the Van Leer Group Foundation since inception, i.e. 1996, has been 6.3% (at the end of 2013: 6.0%). After reduction of an average annual inflation figure over this period of 2.0% (Netherlands CPI) the annual real total return has been 4.2%. This annual real total return meets the long term investment objectives.

The breakdown of the foundation's expenditures over 2014 was:

	2014	2013
	EUR000	EUR000
Bernard van Leer Foundation	18,494	17,257
Van Leer Jerusalem Institute	3,863	3,665
VLJI/Polonsky Academy Building	214	-
Jerusalem Film Center	720	1,090
Incidental contributions	73	39
<i>Total</i>	<i>23,364</i>	<i>22,051</i>

The charitable spending pay-out in 2014 was 3.57% of the average assets over that year (2013: 3.56%). If the annual expenditures of the Van Leer Group Foundation itself are added, the overall total is EUR 24.690 million (2013: EUR 23.540 million). The actual total pay-out in 2014 was 3.77% of the average assets over that year (2013: 3.80%).

The Van Leer Group Foundation does not use derivatives or other complex financial instruments. Some of its investment managers may use them to a limited extent.

Developments

Regarding the statutory objectives of the Foundation, the strategic evaluation of Crecor B.V. stands out. This evaluation was one in a series of evaluations of all activities. The Bernard van Leer Foundation and the Van Leer Jerusalem Institute were evaluated in earlier years. To secure the highest level of quality an Israeli consultant was engaged to support the Governing Council. The Governing Council, based on the evaluation, decided to continue its Israeli venture capital activities through Crecor B.V. But the focus will be more on realization of exits and improvements in the rate of return by reduction in expenses and costs.

At the Jerusalem Film Center a turnaround plan, financed by the Van Leer Group Foundation, was implemented. The plan included cost reductions and changes in staffing. A new Director was hired to develop a sustainable strategy. The large deficits in the JFC budget have been eliminated, despite the difficult period during the International Film Festival organized by the JFC. The opening ceremony and many other activities were severely hampered by the 2014 Gaza conflict. The Van Leer Group Foundation has decided that it wants to develop its relation with the Jerusalem Film Center into a more arms' length relation. Therefore, in 2013 it was decided to withdraw a serving Governing Council member and the Van Leer Group Foundation Executive Director from the Board of the Jerusalem Film Center. The new relationship will be further developed over the coming years, in close cooperation with the Jerusalem Film Center and our long time partners in the Film Center in Israel.

Though slightly delayed against original planning and with a minor cost overrun, the new Polonsky Academy Building on the Campus of the Van Leer Jerusalem Institute was effectively used starting in 2014 after its official opening in late 2013. The process was overall successful and the new building is a magnificent addition to the campus of the Van Leer Jerusalem

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Institute. The coming years will challenge the Van Leer Jerusalem Institute to develop ways to make the new building financially sustainable and an integrated part of the activities on the campus. It was agreed with the Board of the Van Leer Jerusalem Institute that during 2015 a strategic review will be done of VLJI's activities.

For the Bernard van Leer Foundation an important change was the leadership transition that started after Lisa Jordan announced her resignation in mid-2014. A new Executive Director was found after an extensive, and open, search. The year 2015 will thus probably see some changes to the strategy as a result of different priorities and feedback from the results of previous years.

In my report last year, I shared the departure of Peter Bell, member of the Governing Council for many years and a person of the highest integrity. This year I must share the passing away of Lia van Leer in March 2015. Lia was the founder of the Jerusalem Film Center, together with her husband Wim van Leer. But more than that, she embodied the spirit of a ferociously free, open and secular Israeli society in which international and Israeli culture was shared. She was also the last living direct family member that linked us as a Foundation to the founding family. She will be missed.

Governing Council as of December 31st, 2014:

Gideon Frank (Israel)
 Rien van Gendt (Netherlands)
 Steven Kaempfer (Switzerland)
 Jonathan Kestenbaum (UK)
 Julia Neuberger (UK)
 Robert Swaak (Netherlands)
 Jacqueline Tammenoms Bakker (UK), Chair
 Sam Worthington (US)

The Van Leer Group Foundation remunerates the members of the Governing Council. Some members have waived the right to remuneration. Members are reimbursed for travel and other related expenses. The Van Leer Group Foundation has no remuneration policy for its four staff members. Compensation is determined on a case by case basis, according to market conditions and job requirements.

Staff as of December 31st, 2014:

Andre Betting, Executive Director
 Bob Galesloot, Investment Manager
 Tim Otto, Controller
 Rick Venster, Staff Accountant

Balance sheet as at December 31, 2014

(after appropriation of result)

	Note	2014		2013	
		EUR000	EUR000	EUR000	EUR000
Investments					
Participating interests	1		44,589		35,443
Financial investments	2		648,320		610,855
			<u>692,909</u>		<u>646,298</u>
Other assets and liabilities					
Tangible fixed assets		66		37	
Receivables	3	139		445	
Cash and cash equivalents	4	55		166	
Current liabilities	5	(14,450)		(14,948)	
Net other assets/(liabilities)			<u>(14,190)</u>		<u>(14,300)</u>
Total assets less liabilities			<u>678,719</u>		<u>631,998</u>
Capital and reserves					
Capital	6		2,268		2,268
Reserve BVLF		18,494		18,494	
Reserve VLJI		3,869		3,665	
Reserve VLJI building		1,444		1,513	
Reserve JFC		689		—	
Reserve other contributions		40		39	
General reserve		651,915		606,019	
			<u>678,719</u>		<u>631,998</u>
			<u>678,719</u>		<u>631,998</u>

Statement of comprehensive income and expenditure for the year 2014

	Note	2014		2013	
		EUR000	EUR000	EUR000	EUR000
Income					
Result from participating interests	1		3,881		(3,672)
Income from financial investments	11		19,899		14,726
(Un)realised differences in valuation of financial investments and exchange rate differences	12		50,968		40,880
Discretionary managers' fees			(2,210)		—
Transition fees			(95)		—
Fund managers' fees			(508)		(1,620)
Investment fees	13		(524)		(2,973)
			<u>71,411</u>		<u>47,341</u>
Expenditure					
General and administrative expenses	14		851		1,122
Remuneration and expenses Governing Council members	15		475		358
Incidental expenses	16		—		9
			<u>1,326</u>		<u>1,489</u>
Net result			<u>70,085</u>		<u>45,852</u>
Direct capital movements					
Contributions BVLFF	6	18,494		17,257	
Contributions VLJI	6	3,863		3,665	
Contribution Polonsky building Contributions	6	214		—	
Jerusalem Film Center	6	720		1,090	
Other contributions	6	73		39	
			<u>23,364</u>		<u>22,051</u>
Total result of the Foundation			<u>46,721</u>		<u>23,801</u>