

## Funds cut back on payments to charities

Editorial staff  
Amsterdam

Charity funds are forced to reduce their payments to all kinds of charitable organizations, since the deterioration of the market last year has seriously affected their buffers. A number of funds have proceeded to invest in a less risky manner by placing more money into saving accounts.

The Van Leer Group Foundation, which makes donations out of the capital of the founder of the Van Leer packaging company, has had to make major cuts in its expenditure. Over the last years, € 24 million was donated annually to projects in developing countries. This amount will gradually be reduced to € 18 million.

Fonds 1818, supporting social and cultural projects in the vicinity of The Hague, is forced to reduce its budget by € 1 million to € 9.5 million.

Recently, it was announced that the VSB Fund, the largest private fund in the Netherlands, will have to make severe cuts as well. This institution invested a large part of its capital in Fortis shares. The fund has been halved and has cut back its donations by half to € 26 million.

These funds operate almost completely out of capital acquired in the past. The objective is every year to take a percentage (3.8% at Fonds 1818, 4.5% at Van Leer) and divide the money over charitable causes. Because of this objective, the funds are unable to limit themselves to savings accounts and bonds. In the long run, these yield too little to donate and at the same time increase the capital in line with inflation.

Other funds, such as the Oranje Fonds or the Prins Bernhard Cultuurfonds, do not rely solely on return on investments, but receive additional contributions from, for instance, lotteries.

Last year, the Van Leer Group Foundation suffered a capital loss of 30%. As a result, the institution crossed its self-imposed critical boundary. Fonds 1818 lost 20% and for a short period of time it fell below its boundary as well.

According to Boudewijn de Blij, managing director with Fonds 1818, things could have been worse. By the end of 2007, the institution had invested € 274 million out of its total capital of € 483 million in shares. Before the summer, when the markets were relatively high, Fonds 1818 started to deflate its relatively large portfolio. The proceeds were put partially into other investments, such as property, commodities and loans to hedge funds; another part (about € 95 million) was spread over bank accounts.

Continued on page 13

**Van Leer**

## **Cutting down on the budget for underprivileged children**

From our editor  
Amsterdam

Burmese refugees in Thai reception camps are supported by the Van Leer Group Foundation. As are nomadic tribes in Kenya and India. The goal is to offer care and education to the young children of these population groups.

Help is given in Israel as well. The Van Leer Group Foundation wants to build bridges between Arabs, Bedouins and orthodox Jews by paying for schools. And in the United States of America, projects are supported in the delta of the Mississippi, where the predominantly black population lives in isolation and poverty.

When the economy was booming, the Foundation had no complaints about its financial scope. However, the credit crisis has caused capital to evaporate and there is less money to divide. Step by step, the budgets are cut, along the lines of the capital loss. Donations are reduced from € 24 million last year to under €18 million in 2010. As a result, the level of the donations will fall back to that of 2001, when the charitable fund was finally detached from the Van Leer packaging group.

Interim director Monique van 't Hek, charged with the allocation of the resources, has to take matters in hand at this point. She is going to shut down the aid projects in at least four out of 17 countries in which the Foundation is active. Her staff will be reduced from 44 to 32 staff members.

As a result of the decreased value of the investments, the capital of the Foundation has fallen € 140 million below the required level. Making up this deficit may well result in further cuts in the endowment fund.

'The fund used to receive a fixed percentage of the average capital of the Van Leer Group Foundation over a number of years. However, the question is whether we will be able to stick to this formula', André Betting, charged with investments, says. In his opinion, one thing is clear: the investment models that were applied failed to function during the financial turn in 2008. 'They were insufficiently capable of capitalizing invested capital between times. In the future, I will need manoeuvring room to temporarily deviate from the models.'

The damage was limited to some extent by disposing of a large part of the investments in October last. As a result, Van Leer was not affected as much by the subsequent further decline of the market in the first two months of this year. The returns over the total capital have been slightly positive in 2009 so far, in part thanks to Crecor, a venture capital fund in Israel. Crecor was founded after World War Two by Bernard van Leer, the founder of the oil barrel group of the same name, who wanted to give expression to his Jewish origin.

Crecor invested money in dozens of companies, primarily in pharmaceuticals and high tech. The medical sector in particular has succeeded in escaping the economic recession. 'There is

no end to the mergers in the pharmaceutical sector. We were able to sell some companies from the Crecor portfolio at a nice profit earlier this year.'

# **Van Leer charitable fund backs down after capital loss**

## **Gifts reduced by millions for the first time in sixty years**

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[caption under photographs:]

The Van Leer charitable fund focuses on education and care for underprivileged children all over the world.

The Van Leer Group Foundation charitable fund was hit hard by the financial crisis. The charitable fund, which controls the estate of the late industrialist Bernard van Leer, will have to cut down on donations after suffering a capital loss of 30% last year.

It is for the first time in the sixty years since its establishment that the Van Leer Group Foundation is forced to reduce its expenses by millions. The fund does not meet its obligations under the articles of association forever to maintain the original capital. 'We are in the same boat as many pension funds. However, it is scant consolation', managing director André Betting, in care of managing the fund, says. Prior commitments will be honoured, thanks to a number of emergency measures.

The late Bernard van Leer made his fortune producing oil barrels and stipulated that his capital would be used to help underprivileged children all over the world. In the Foundation safe lies a statement in which the heirs of Van Leer, who died in 1958, sign away their inheritance. Initially, the volume of the donations was linked to the dividend of the Van Leer group. When the company went public in 1996 and was later sold to the Finnish company of Huhtamaki, the capital was gradually freed up and the foundation was at liberty to invest in other sectors as well. For a long time, this was a lucrative course. By investing money in the financial sector, the return on investment was higher and more money could be spent.

Shortly before the credit crisis hit, 80% of the capital was invested in shares in hedge funds and private equity. Because of the turn in the financial markets, within a year's time, the capital was reduced from € 735 million to € 510 million.

### **Emergency situation**

#### **Storing assets with the bank rather than taking risks investing**

#### **Under funded**

#### **Fund capital has dropped below required level**

As a result, the fund dropped below the € 650 million barrier that is required to safeguard the purchasing power of the original capital. Managing director Betting does not feel that the fund has taken too many risks. The objective is to annually spend 4.5 % of the capital on charity work. Taking normal inflation into account, a return on investment of 6.5% to 7% is required.

This result cannot be obtained by putting the money in savings accounts. The foundation felt that it was sufficiently safe because it had diversified its investments, varying from property and commodities to biotech venture capital.

The expectation was that the sectors would never collapse all at the same time. However, that is what happened this time. After the bankruptcy of business bank Lehman Brothers, the fund management decided to liquidate a third of its investments. Storing assets at the bank, even though return on investments would be low, rather than increase the losses, was the reasoning behind this decision. 'We had to deal with an emergency situation, in which we opted for short-term time deposits and treasury bonds', Betting says.

As a result, the support that was promised can still be given, regardless of any new developments in the markets. Since two weeks, the Van Leer Foundation has once again become active in the market. The preference is for hedge funds that profit from the increased volatility and company bonds that are currently quite modestly priced. For the time being, however, managing director Betting will steer away from investments in index funds.