

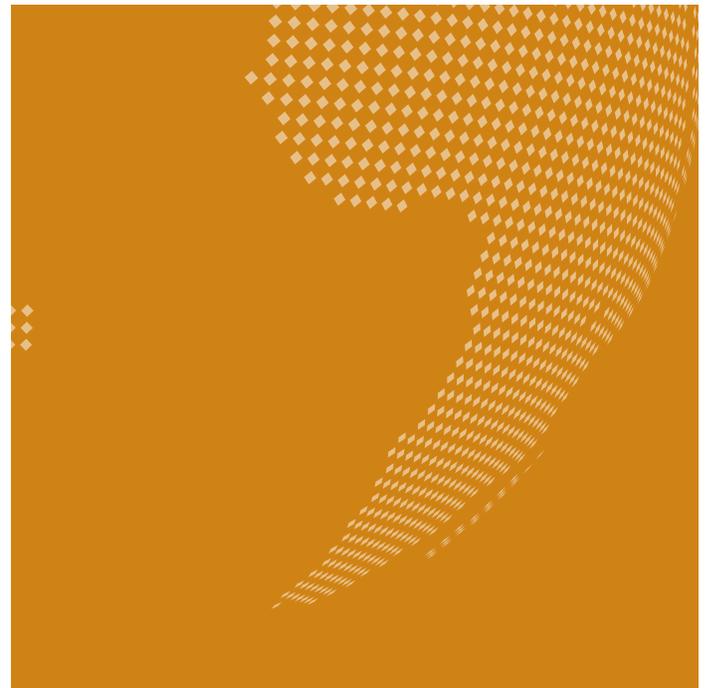
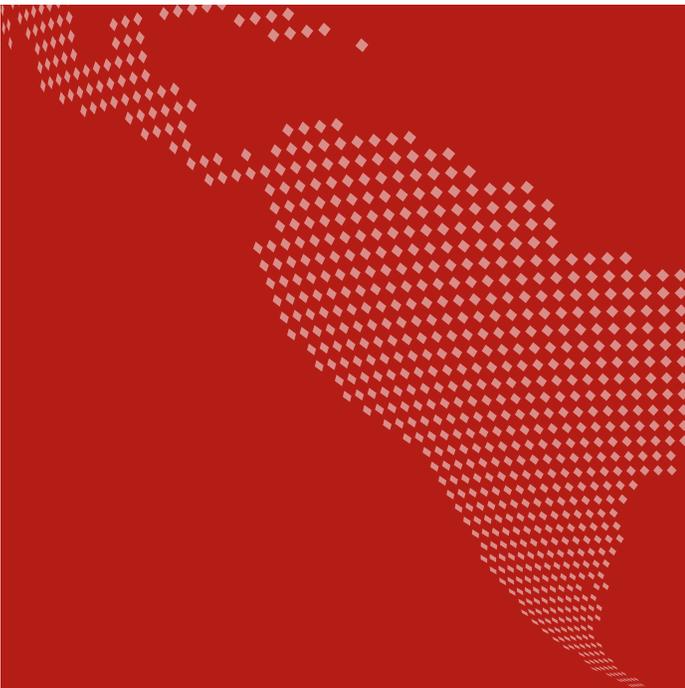


Rockefeller  
Brothers Fund

Philanthropy for an Interdependent World

# 2017 Annual Review

CHARTING OUR PROGRESS 2015-2017



# A Message from the President



Rockefeller Brothers Fund President  
Stephen Heintz

In 2008, millions of Americans, including myself, were inspired by the campaign pledges of then-candidate Barack Obama, who promised not only to reform our policies, but to transform our politics. It had been clear for some time that American politics were broken in fundamental ways. As president, Obama offered hope that he would usher in a new period of political progress, increase the role of citizens in our democracy, and put America on a path to a deeper degree of social justice. He would do so, he promised in his victory speech, with “a measure of humility and determination to heal the divides that have held back our progress.”

But after eight years in office, while Obama accomplished a great many things as president, the democracy reform agenda largely fell by the wayside. Since then, we have experienced what feels like an accelerating series of setbacks as much of the hard-won progress of recent years has been reversed. The political divides that Obama promised to heal have instead widened to a chasm, leaving many Americans feeling dispirited and helpless about the state of our country.

The Rockefeller Brothers Fund is not immune to the effects of this backsliding. The Fund and its grantees had been working toward a global climate agreement for more than two decades when President Trump announced the United States’ withdrawal from the Paris Accord in 2017. With the Iran Project and others, we had helped lay the groundwork for the nuclear agreement with Iran, which now hangs in the balance. Despite our fervent efforts, the insidious phenomenon of voter suppression is gaining legitimacy at the highest levels of our judiciary. Each new day, it seems, reveals the carnage of another decade of hard work unraveled overnight.

**Many Americans have experienced  
what feels like an accelerating series of setbacks.**

But I have not lost hope. In each of these cases, we at the Fund have tried to analyze what went wrong and quickly regroup—we have not given up, but rather revised our strategies, thought about the reasons for our losses, and developed new approaches to overcome them. Below are three points of reflection that guide us in this moment of political crisis.

## **Fundamental social change does not happen in a linear fashion.**

The American story furnishes numerous examples that illustrate the perilous path of progress. After a wrenching civil war and a failed process of Reconstruction, Ulysses S. Grant nearly succeeded in eliminating the Ku Klux Klan in 1871.

**Social change does not happen overnight.**

**It does not happen quickly, and it does not happen as a result of a fixed set of strategies.**

Then suddenly in the 20th century, there was a resurgence of white supremacy. A courageous and tenacious Civil Rights movement turned the tide for equality in the 1950s and '60s, and more than 50 years later we finally elected our first black president. Examples of loss and recovery abound in our American story. Have we got a long way to go? Absolutely. But we have proven the resilience of our founding values and our democratic system of self-governance. We can recover from setbacks, regroup, rethink, and set out anew on the struggle for peace, social justice, and environmental sustainability.

The RBF has traveled its own imperfect arcs of progress. For example, the Fund has been working on climate change since the 1990s. In the early 2000s, we had high hopes for federal Cap and Trade legislation and focused our activity in Washington accordingly. When that aspiration died with the failure of the Senate to pass the Waxman-Markey bill in 2010, we had to reflect, evaluate, learn, and redesign. We started ramping up our work with governors and mayors, with business leaders, with youth- and faith-based groups. All of these ultimately helped make Paris the success that it is: durable even without the participation of U.S. federal government because it is not just an agreement among nation-states, but a polylateral agreement that includes international organizations like the United Nations, as well as local governments, civil society, business leaders, and global investors.



RBF President Stephen Heintz with 350.org Executive Director May Boeve at COP21, the 2015 U.N. climate conference in Paris.

This long-view approach is part of the DNA of the Rockefeller Brothers Fund, stemming from the beliefs of its founders. From the establishment of the Rockefeller Foundation in 1913, the Rockefeller family has recognized that social change does not happen overnight. It does not happen quickly, and it does not happen as a result of a fixed set of strategies. Change happens over time; it happens because you are nimble and flexible, but it also happens because you stick with your goals while finding new ways to make progress even after experiencing setbacks.

### **But taking a long view of social change means risking failure in the short term.**

The private sector is beholden to shareholders and market demands. The public sector is beholden to the electorate. Philanthropy is beholden to neither, a status that affords us the unique freedom to set audacious goals and take risks on new and innovative approaches. Rob Reich, political scientist and co-director of Stanford’s Center on Philanthropy and Civil Society, argues that providing “risk capital” is the *raison d’être* of the philanthropic sector. If we aren’t taking risks and assuming the possibility of failure some of the time, we aren’t doing our jobs.

**If we aren’t taking risks and assuming the possibility of failure some of the time, we aren’t doing our jobs.**

In comparison with government and private business, institutional philanthropy is a small sector, giving away only about \$60 billion each year. Nonetheless, by spending our capital creatively, we can have impact that far exceeds our size. The history of philanthropy in the United States testifies to what we can achieve when we think imaginatively. Public libraries, the eradication of polio, same-sex marriage, and universal 911 service are just some examples of philanthropy’s achievements. “That we now take them for granted makes them no less astonishing,” write Susan Wolf Ditkoff and Abe Grindle in a September 2017 article for the *Harvard Business Review*. “They were the inconceivable moonshots of their day before they were inevitable success stories in retrospect.”

Philanthropic successes derive not from enormous financial investment, but from a vivid understanding of our values and a steadfast adherence to them, particularly in moments of adversity. Many of the most urgent setbacks we feel today—the threats to our environment, our democracy, our identities—are manifestations of an assault on our values. Whereas our tactics may have to evolve to meet the changing nature of these threats, the defense of our principles needs to be unwavering.

## **While audacious in ambition, we must be humble in approach.**

Early in his life, Benjamin Franklin—arguably America’s first philanthropist—conceived of a characteristically ambitious project to pursue moral perfection. He listed 12 virtuous habits that he presumed would point him toward this lofty goal. But without a remedy for Franklin’s pride, a friend pointed out, the list was incomplete. Franklin agreed, adding a 13th virtue to his list: humility.

## **Humility does not mean giving up or turning the other cheek.**

It was a fortuitous addition, since Franklin would later attribute his accomplishments in life more to this virtue than to any of the other 12. But if humility was the most rewarding of Franklin’s habits, it was also the most challenging. “In reality,” Franklin wrote in his autobiography, “there is perhaps no one of our natural passions so hard to subdue as pride.”

John D. Rockefeller would have agreed. He actively cultivated this essential virtue by repeating to himself proverbs like “Pride goeth before a fall.” And he passed his conviction about humility down through the successive generations of his family, where it still drives our grantmaking today.

Yet Rockefeller was also aggressively ambitious. His extraordinary success as a businessman and philanthropist confirms that entrepreneurial ambition and a humble attitude can live side by side. The humility Rockefeller had in mind does not mean giving up or turning the other cheek. Rather, it is stubborn, tenacious, and pragmatic. It means revising tactics and strategies when they aren’t working. It means recognizing that we are only a small part of the bigger story.



John D. Rockefeller passed his values down to his grandsons, pictured here in 1920, who would go on to establish the Rockefeller Brothers Fund. Photo courtesy of the Rockefeller Archive Center.



# Investment Portfolio and Rate of Spending

In 2017, the Fund's portfolio finished the year at approximately \$938 million. This result reflects a 2017 net impact performance of 18.31 percent and total spending of approximately \$46 million in expenditures that count toward the minimum distribution requirement, plus \$4 million\* for investment management expenses. The 2017 endowment level approached the historical high of \$993 million, reached in 2007 prior to the Great Recession.

Despite portfolio fluctuations, the Fund's program spending has exceeded its payout requirements since the Recession, generating excess distributions of approximately \$13 million from 2013 through 2017. Although these carry-forward credits could be applied over a five-year period against future IRS spending requirements, the Fund's long-term philanthropic commitments compelled it to minimize reductions in its programmatic spending. Spending in excess of five percent was approved by the trustees as the Fund sought to balance the challenges of variable performance with program activity to advance the Fund's mission.

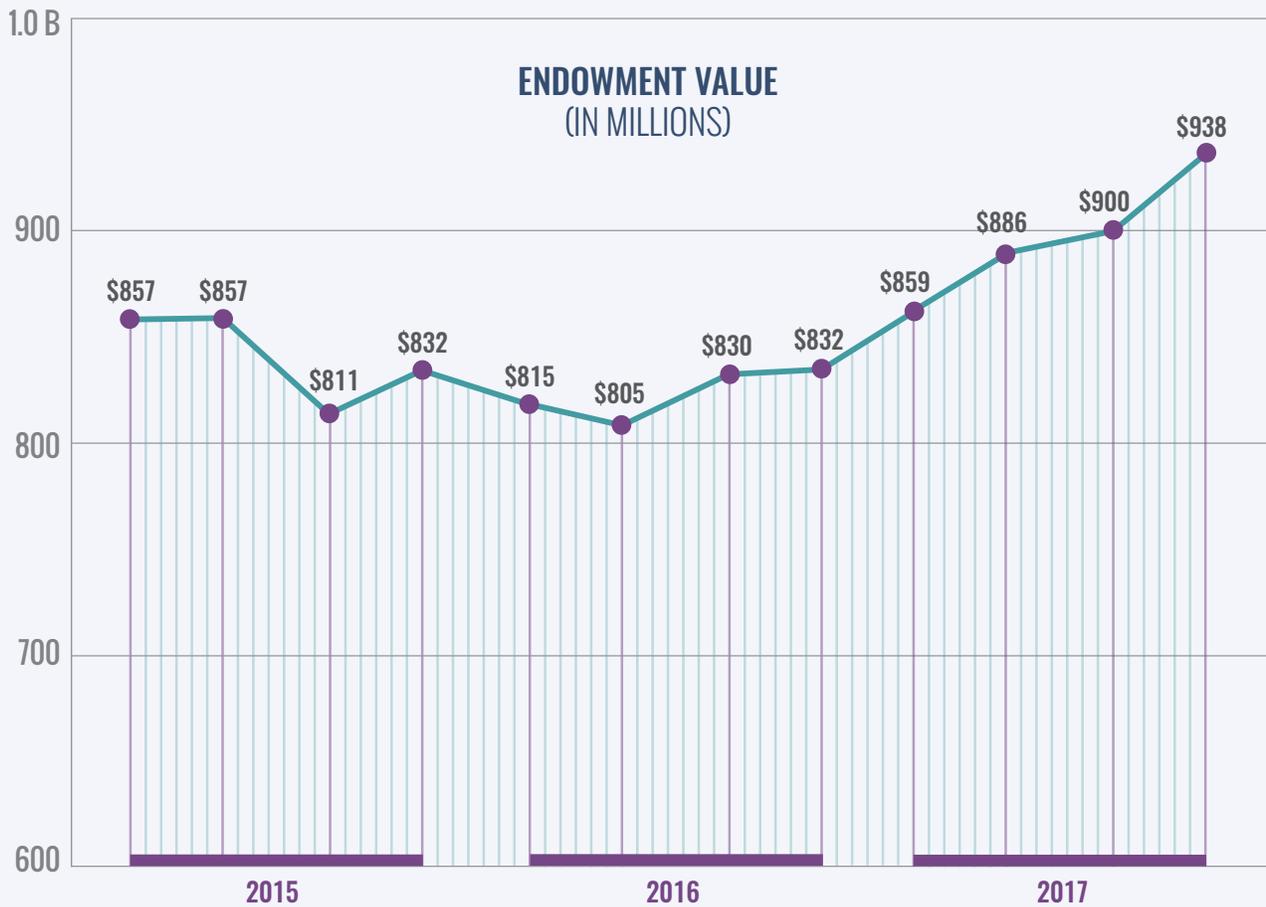
## Investment Performance and Rate of Spending

	2015	2016	2017
<b>Investment Portfolio (12/31)</b>	\$ 831,505,000	\$ 832,212,000	\$ 938,480,000
<b>Average Market Value of Portfolio</b>	\$ 846,723,000	\$ 815,768,000	\$ 880,524,000
<b>Investment Performance (net of fees)</b>	0.65%	4.40%	18.31%
<b>Total Spending†</b>	\$ 47,426,000	\$ 46,039,000	\$ 45,774,000
<b>Total Spending as a % of Average Market Value of Portfolio</b>	5.60%	5.64%	5.20%

† Exclusive of investment-related expenditures and excise taxes.

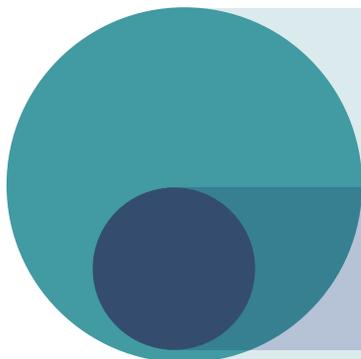
\* This figure does not include all fees paid to investment managers. It excludes the Fund's share of underlying management and incentive fees from alternative investment funds, private equity funds, and fund of funds, where investment fees are not directly invoiced, but rather netted against investment performance.

See page 22 for a glossary of [key terminology](#).



## Mission-Aligned Investments

Each year, the Rockefeller Brothers Fund is required by law to distribute five percent of its endowment for charitable purposes. Since 2014, we have also been working to align our investment portfolio with our mission to help build a more just, sustainable, and peaceful world. Over the years, the Fund’s efforts to implement mission-aligned investing policies have evolved and deepened.



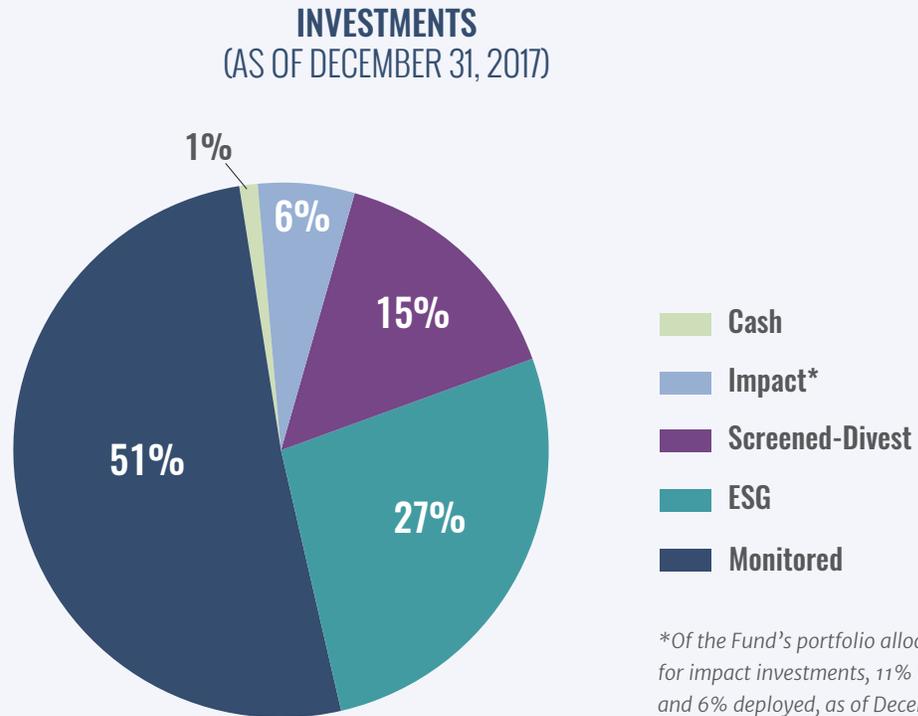
### MISSION-ALIGNED INVESTMENTS

- > All mandates evaluated under fossil fuel divestment objectives
- > Integration of ESG factors into investment process (primarily public equities)
- > Proxy voting implemented when possible

### IMPACT INVESTMENTS

- > Market grade investments in primary capital (e.g., private equity and debt, and real assets such as real estate and infrastructure) with meaningful and measurable impact advancing the RBF’s mission and program initiatives

The Fund’s **Mission-Aligned Investment Efforts** statement details our strategy, whereby we seek full alignment between our portfolio and the Fund’s mission and select market-grade impact investments that advance our mission and program initiatives. This mission-aligned investment lens includes divesting from fossil fuels; investing using environmental, social, and governance (ESG) criteria; deploying investment dollars to support broad mission and programmatic priorities; and leveraging our role as a shareholder in strategic ways to advance our mission.



\*Of the Fund’s portfolio allocation target of 20% for impact investments, 11% had been committed and 6% deployed, as of December 31, 2017.

For definitions, see glossary on page 22.

## ESG Investments as of December 31, 2017

Fund Name	Commitment Date	Investment	Asset Class	Geographic Focus
Generation IM Global Equity Fund	March 2014	\$ 106,823,920	Global Equity	Developed Markets
Agility Global Equity Impact Fund	January 2016	\$ 100,000,000	Global Equity	Global
Stewart Investors Worldwide Sustainability Fund	October 2016	\$ 23,163,276	Global Equity	Global
Ownership Capital Global Equity (USD) Fund	March 2017	\$ 48,008,981	Global Equity	Global
<b>Total \$ 277,996,177</b>				

## Impact Investments as of December 31, 2017

Fund Name	Initial Commitment Date	Commitment	Asset Class	Geographic Focus	Description	Mission Alignment
Generation Climate Solutions Fund II	October 2014	\$ 15,000,000	Private Capital	Developed Markets	Enhanced resource productivity/ reduced pollution, waste, and emissions	Sustainable Development
Turner Multifamily Impact Fund	April 2015	\$ 20,000,000	Real Assets	U.S.	Workforce housing	Broad mission / projected exposure to NYC
Elevor Equity III	June 2015	\$ 12,500,000	Private Assets	India and Latin America	Services to disconnected communities	Broad Mission
Sustainable Asset Fund (Vision Ridge)	August 2015	\$ 20,000,000	Real Assets	U.S.	Resource optimization across water, agriculture, renewable energy, energy efficiency, and transportation	Sustainable Development
New Energy Capital Infrastructure Credit Fund	February 2016	\$ 20,000,000	Real Assets	U.S.	Renewable energy development	Sustainable Development
Mainstream Renewable Power	July 2016	\$ 12,500,000	Private Capital	Africa	Expanding renewable power supplies across Africa	Sustainable Development
ARCH Venture Fund IX Overage, L.P.	November 2017	\$ 5,000,000	Private Capital	North America	Identify and capitalize on early-stage venture capital opportunities that arise from the convergence of advanced breakthroughs in life sciences, physical sciences, and information sciences.	Broad Mission
<b>Total \$ 105,000,000</b>						

For the most current information about our endowment, divestment efforts, and commitment to mission-aligned investing, visit the [Finance section](#) of our website.

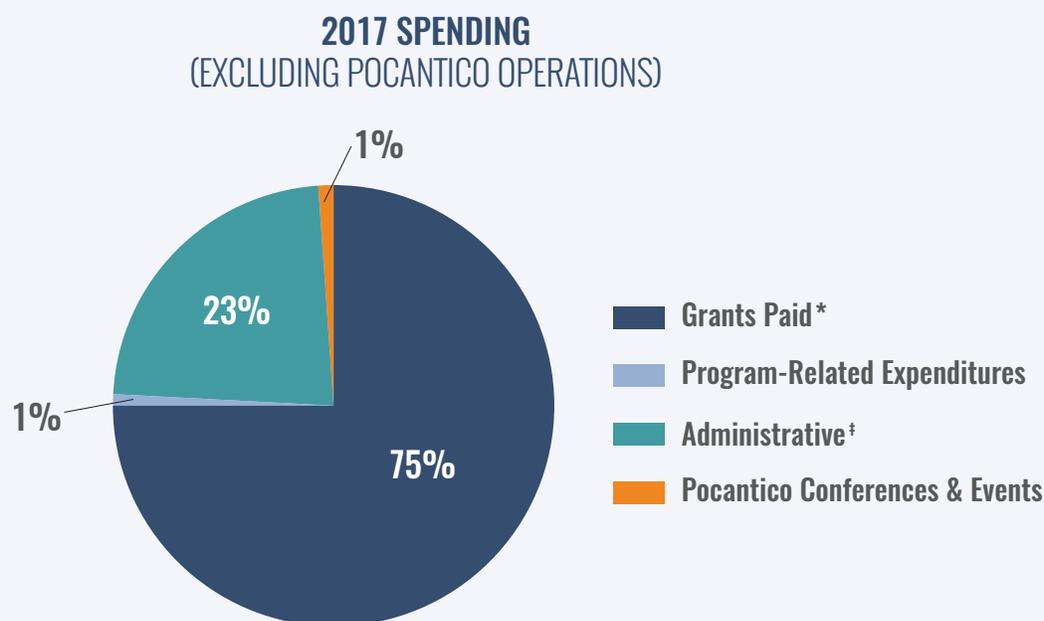
See page 22 for a glossary of [key terminology](#).

## Total Spending

Total spending for 2017 was \$45,774,000, reflecting a slight decrease of approximately \$265,000 from total spending in 2016.

When excluding core operating costs of The Pocantico Center from the RBF’s spending figures, grants represented 75 percent of spending in 2017, which is consistent with previous years. In addition to the \$30.7 million in grant payments, the Fund spent a combined total of \$1.4 million to further support grantees and other nonprofit organizations through program-related expenditures, conferences, and public programs at The Pocantico Center; other conferences and special events; and direct charitable activities. Spending on grantmaking and administration at the Fund’s headquarters and operations in China and the Western Balkans accounted for 90 percent of total spending. The Pocantico Center accounted for 10 percent.

	2015	2016	2017
Grants Paid*	\$ 32,764,000	\$ 30,120,000	\$ 30,706,000
Program-Related Expenditures	730,000	1,415,000	430,000
Pocantico Conferences & Events	312,000	345,000	312,000
Administration†	9,429,000	9,818,000	9,629,000
<b>Subtotal</b>	<b>43,235,000</b>	<b>41,698,000</b>	<b>41,077,000</b>
Core Pocantico Operations	4,191,000	4,341,000	4,697,000
<b>Grand Total</b>	<b>\$ 47,426,000</b>	<b>\$ 46,039,000</b>	<b>\$ 45,774,000</b>



\* Includes grant payments and employee matching gifts.

† Includes direct charitable activity and program-related administrative costs; excludes investment-related expenses.

## Analysis of Administrative and Capital Expenditures

The Fund’s combined administrative and capital expenses, net of estimated investment-related expenses and excluding Pocantico operations, totaled \$9,629,000 in 2017. Personnel costs (salaries and employee benefits) accounted for 67 percent of total administrative expenses, largely consistent with both 2015 and 2016.

Since the 2008 recession, the Fund’s management has been vigilant in seeking cost-containment measures where possible while maintaining the Fund’s operating capacity. This restraint is evidenced by a cumulative increase of 19 percent in the Principal Fund administrative budget over the 10 years from 2008 to 2017.

### 2017 ADMINISTRATIVE AND CAPITAL EXPENDITURES



# Grantmaking

In 2017, the Fund awarded 328 grants totaling \$34.4 million. This amount differs from the Grants Paid figure described in the Total Spending section (\$30.7 million), as some grants are payable over more than one year. An additional \$742,000 in Program-Related Expenditures and Pocantico Conferences and Events supported activities that further the Fund's grantmaking but do not take the form of grants, including consultancies and conferences.

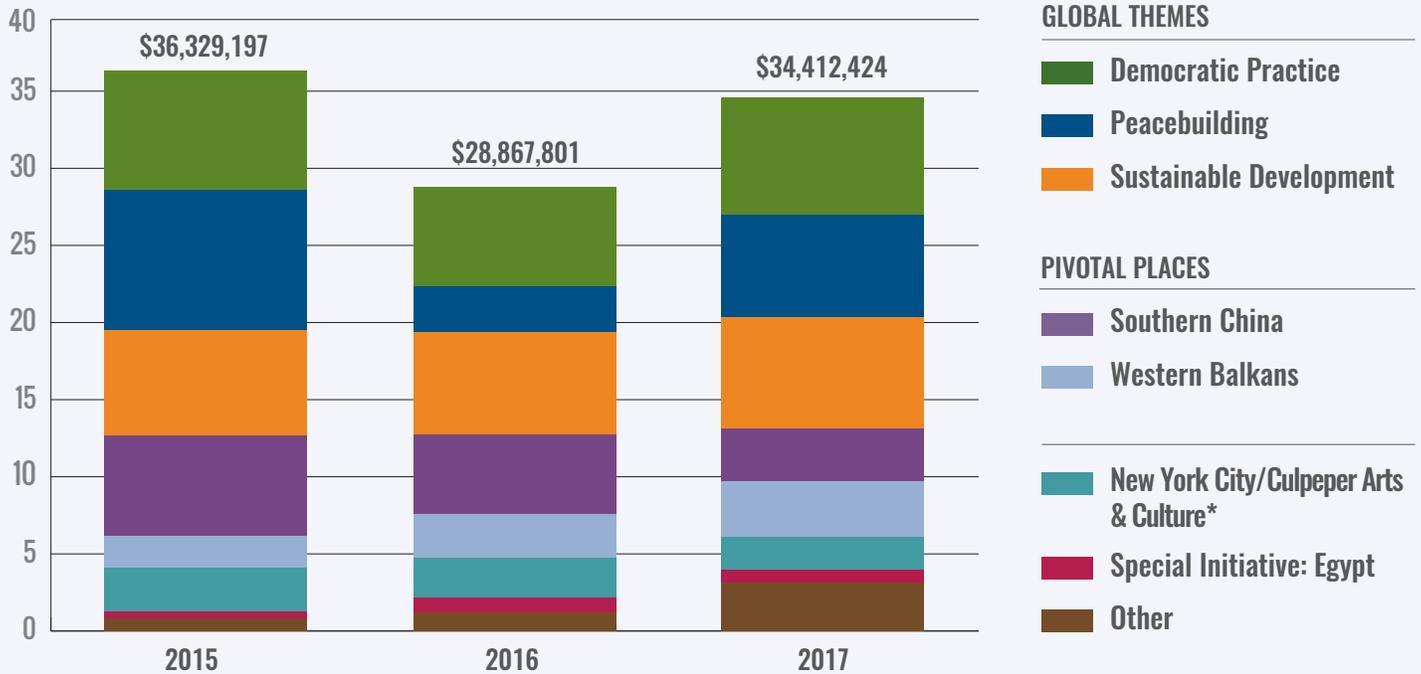
The Fund began the year with approximately 24 percent of the overall grantmaking budget committed for payment of grants awarded in prior years. This is consistent with the Fund's general pattern of grantmaking, although slightly lower than 2016, giving staff added flexibility for grantmaking in 2017.

Grantmaking includes contributions received from external sources used to support the Fund's programs. In total, the Fund drew on \$2.7 million in contributions from individuals and other foundations to support 2017 grantmaking for the Fund's China and Western Balkans programs, as well as a special initiative for Egypt.

The Fund's Board of Trustees also approved an additional \$3 million for the Fund's grantmaking in 2017 in response to the new political environment that challenged the Fund's mission, program priorities, and values. From this additional support, \$1.5 million was added to the Fund's Democratic Practice program; the other \$1.5 million was designated to support urgent efforts to defend people, principles, policies, and organizations under threat, included in Other below. The Fund's support of nonprofit and philanthropic infrastructure organizations and support for mission-aligned investing grantmaking, which the Fund has increased in recent years, is also included in Other in the charts on the next page.

Approximately 29 percent of the grants awarded in 2017 were for two or more years. The average grant size for 2017 was \$96,961, slightly higher than 2016's average of \$95,161. Also consistent with previous years, new grantees received 20 percent of grants awarded in 2017, and, of grants awarded to previous grantees, 41 percent were for new purposes.

## GRANT DOLLARS AWARDED BY PROGRAM (IN MILLIONS)



## Grants Awarded By Program

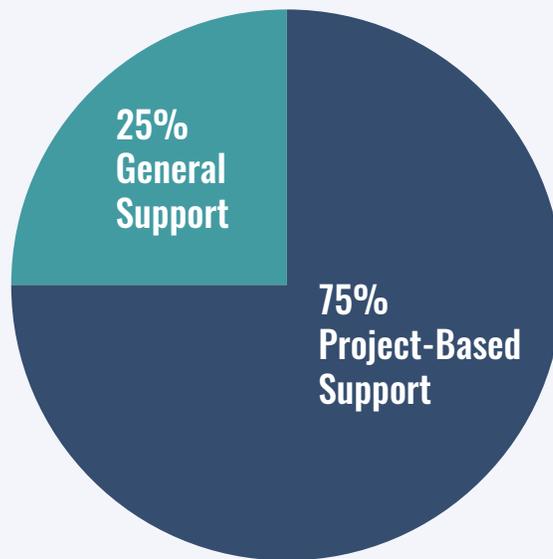
	2015	2016	2017
Democratic Practice	90	71	67
Peacebuilding	48	43	53
Sustainable Development	71	67	58
Pivotal Place: China	19	18	17
Pivotal Place: Western Balkans	30	32	31
New York City/Culpeper Arts & Culture*	35	36	37
Special Initiative: Egypt	4	10	7
Other	15	20	58
<b>Total</b>	<b>312</b>	<b>297</b>	<b>328</b>

\* The New York City Pivotal Place program was concluded in 2015. In 2016, the Charles E. Culpeper Arts & Culture program was established to house the Fund's longstanding interest in nurturing a vibrant and inclusive arts community in New York City.

## General Support

Twenty-five percent of all grant dollars awarded in 2017 was for general support to assist grantees in meeting core operating needs, down from 35 percent in 2016. General support has consistently made up 20–30 percent of the Fund’s annual grantmaking, but varies year to year within programs, depending on program strategy and the nature and size of requests from grantees.

**GENERAL SUPPORT VS. PROJECT GRANTS**  
2017

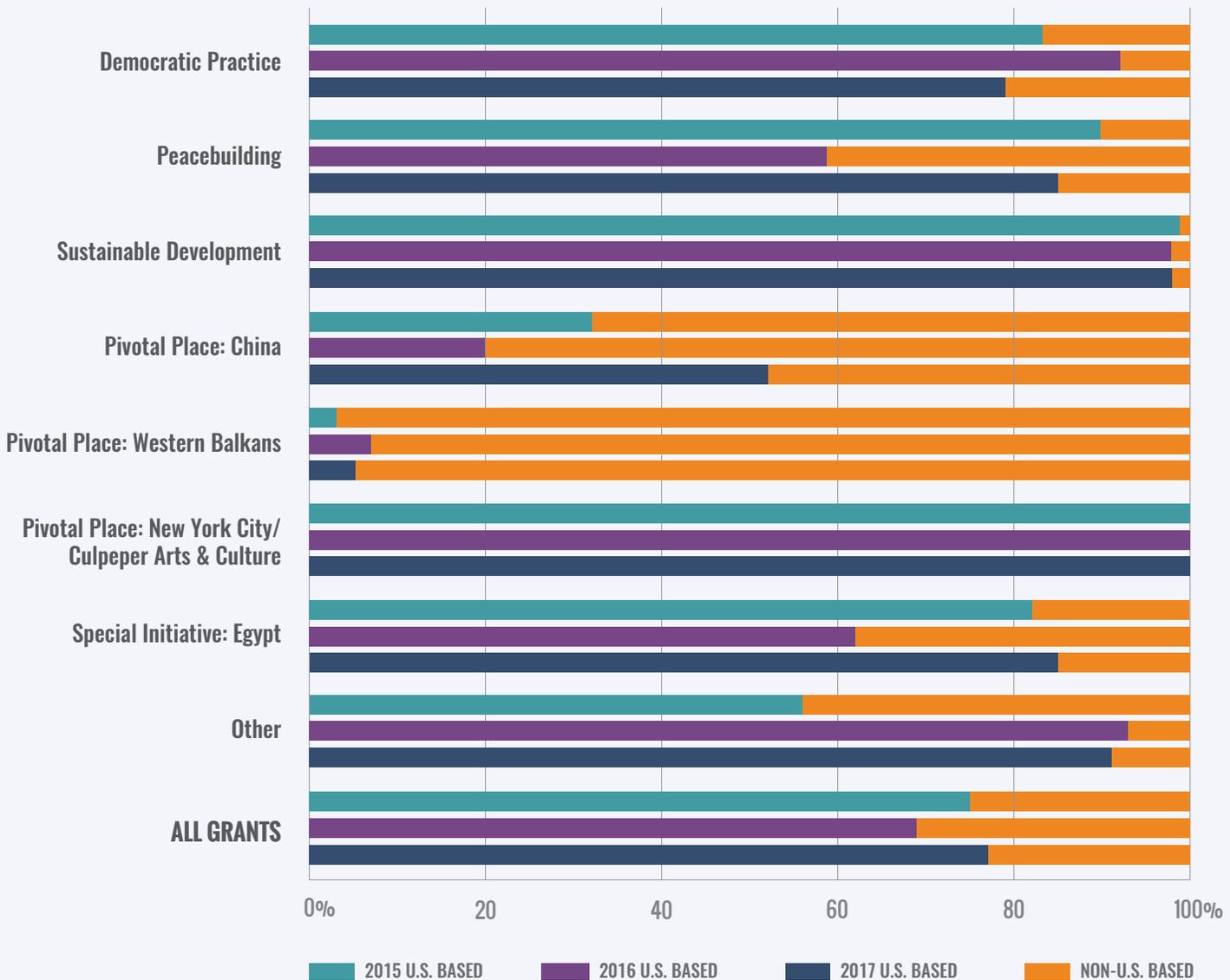


## Location

Organizations based in the United States were awarded 77 percent of grant dollars approved in 2017, up from 69 percent in 2016.

Sixty-four percent of the Fund’s 2017 support was for grantmaking with a focus outside of the United States. This figure differs from the percentage awarded to non-U.S. organizations as grants may be awarded to U.S.-headquartered organizations for work overseas. The Fund’s international programs are committed to supporting local organizations as much as possible.

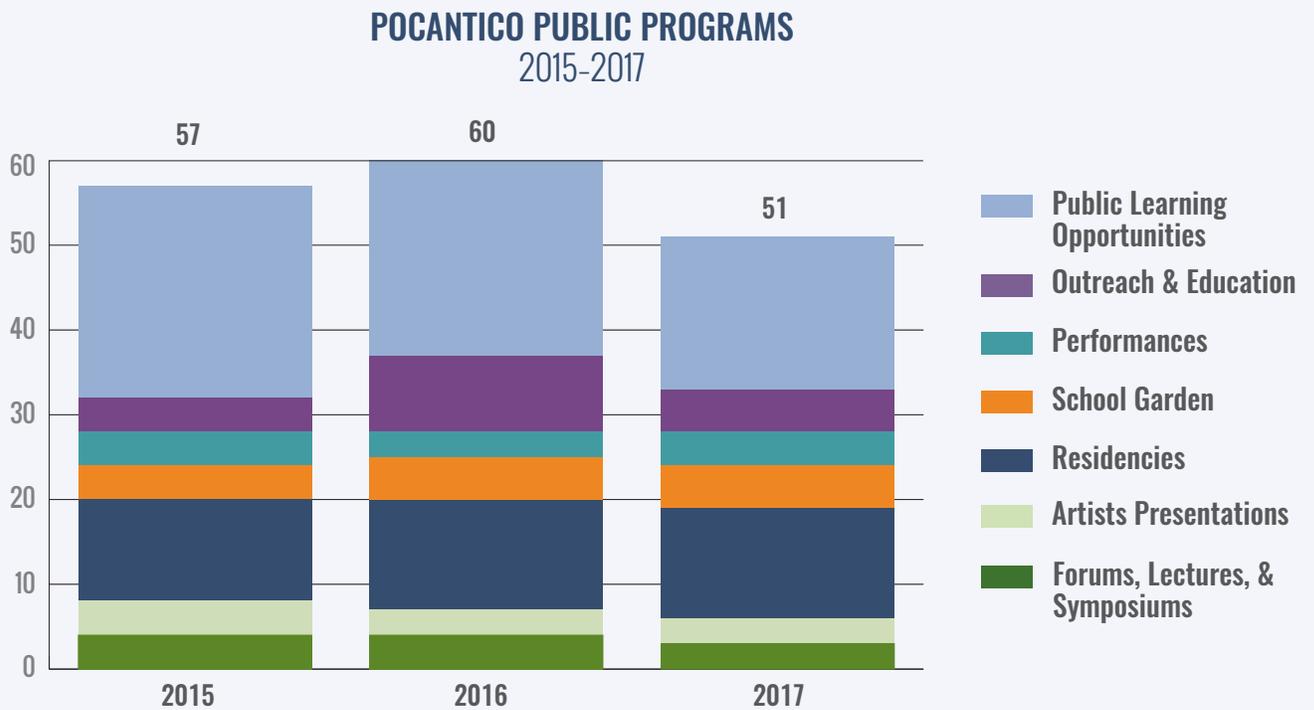
**LOCATION OF GRANTEE ORGANIZATIONS**  
 2015–2017

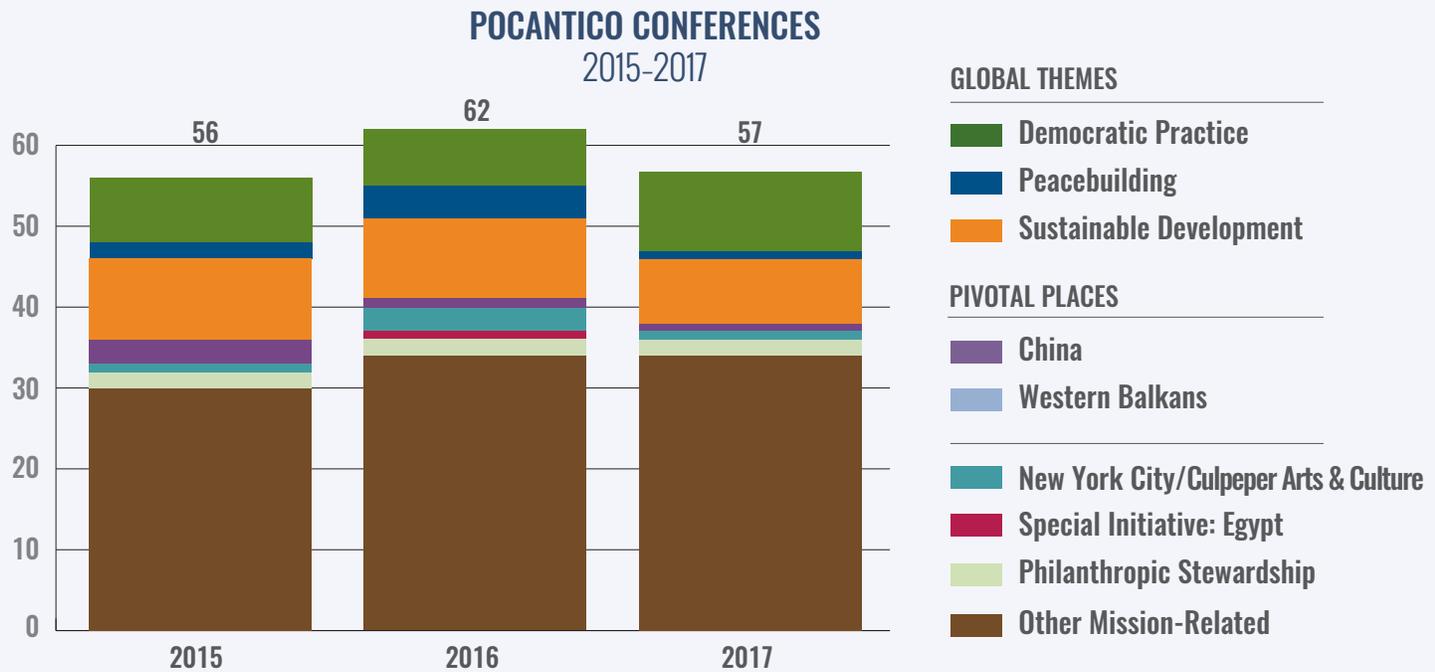


See page 22 for a glossary of [key terminology](#).

# The Pocantico Center

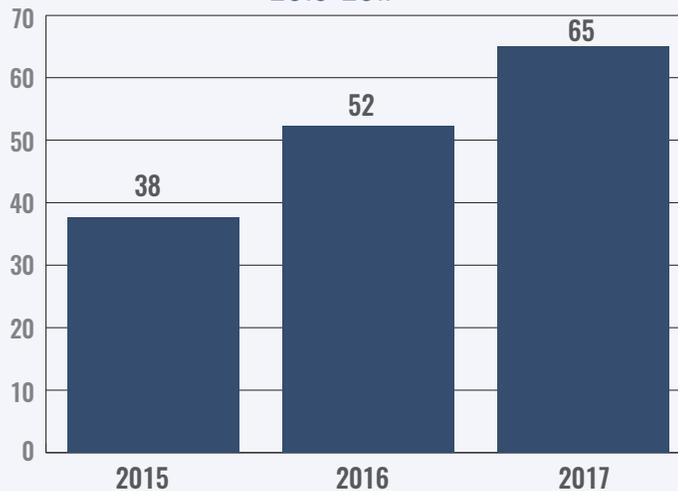
The Pocantico Center has served as a venue for conferences and meetings on critical issues related to the Rockefeller Brothers Fund's mission since 1994. It has also become a community resource, offering public access through lectures, cultural events, and a series of educational programs focused on the Pocantico Historic Area's buildings, gardens, and collections of decorative and fine art.





In 2017, The Pocantico Center held 57 conferences and meetings, 10 internal staff or trustee gatherings, and 51 public programs. Of the 57 conferences and meetings, 23 were directly related to the Fund’s grantmaking programs.

### ARTISTS IN RESIDENCE AT POCANTICO 2015–2017



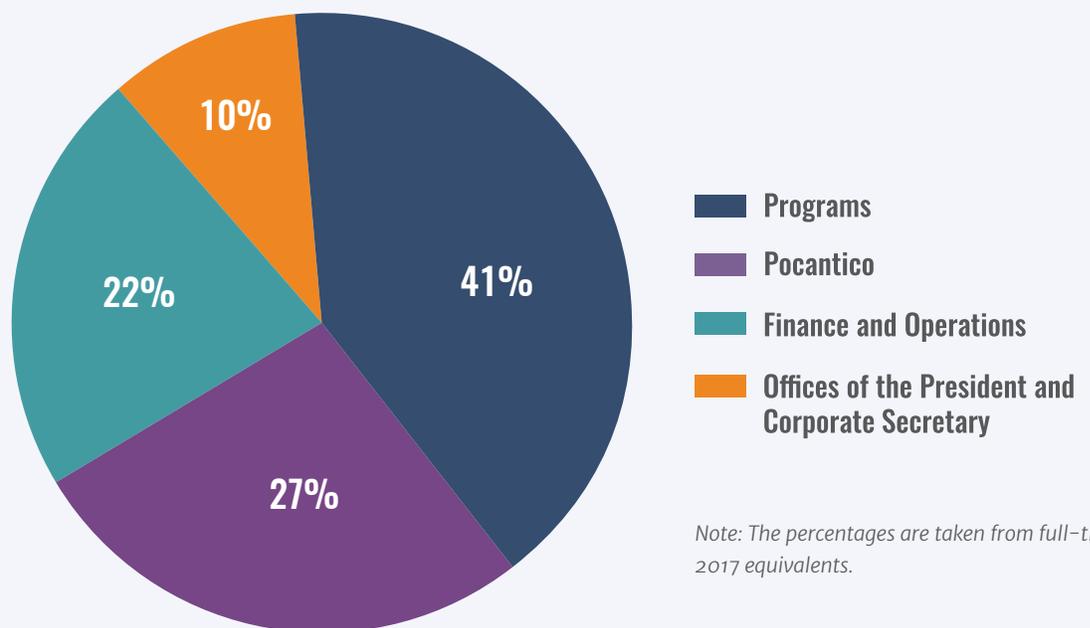
In collaboration with the Culpeper Arts & Culture program, The Pocantico Center also hosts residencies for a growing number of artists and shares the creative process with the public through on-site performances, readings, exhibits, various artist interactions, and learning opportunities. Sixty-five artists, including composers, playwrights, choreographers, and dancers, participated in 13 residencies at The Pocantico Center in 2017.

The Pocantico Center is managed by the Rockefeller Brothers Fund as part of its agreement with the National Trust for Historic Preservation. A public visitation program, offered annually from May through October, welcomed 36,390 visitors in 2017.

# Human Resources & Diversity

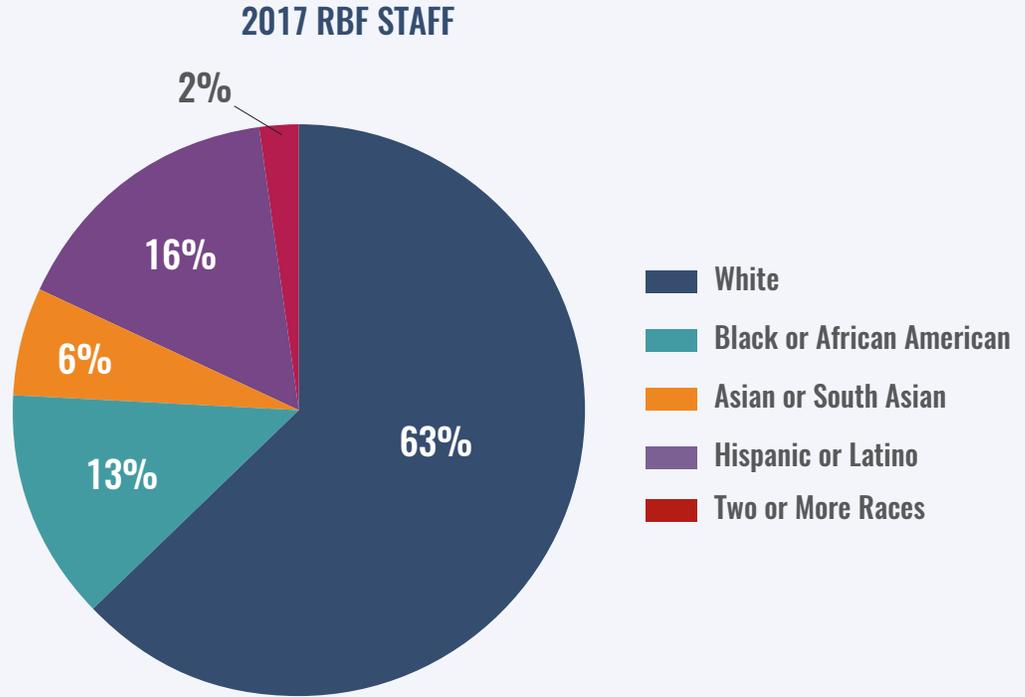
The Fund's 2017 staff total was 64, which included 41 full-time and 23 part-time employees. Of these part-time employees, one worked in Programs, one worked in the Office of the President, and two worked in Finance and Operations. Three part-time and 16 hourly employees provided operations and maintenance support to The Pocantico Center; the combined hours of these Pocantico staff members (part-time and hourly) are equal to approximately five full-time positions. The Fund filled five vacancies in 2017. The average tenure of RBF employees in 2017 was 10.9 years.

## 2017 STAFF DISTRIBUTION

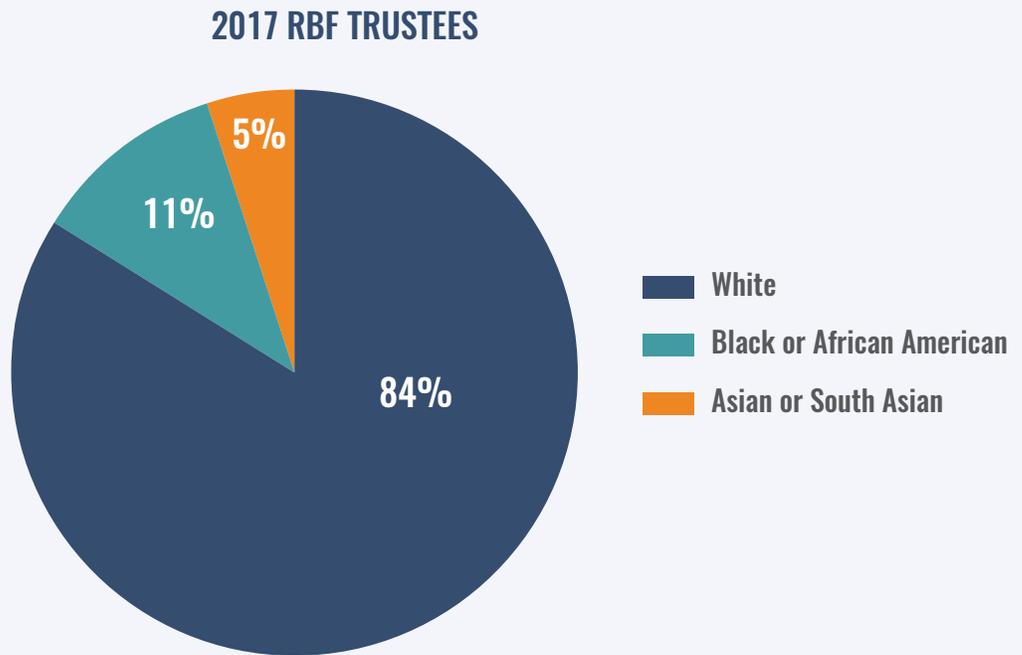


In 2017, certain services of the Rockefeller Brothers Fund's Human Resources, Operations, Accounting, and Information Technology departments were shared with the David Rockefeller Fund, the Rockefeller Family Fund, Environmental Grantmakers Associations, and the V. Kann Rasmussen Foundation. In addition, the Human Resources department provided support to the American Conservation Association, Asian Cultural Council, Rockefeller Archive Center, and the Trust for Mutual Understanding. These organizations reimbursed the RBF for their share of these services.

In 2017, 63 percent of the RBF staff self-identified as White, 16 percent as Hispanic or Latino, 13 percent as Black or African American, six percent as Asian or South Asian, and two percent as Two or More Races. Women represented 82 percent of the staff.



The 2017 RBF board consisted of 19 trustees, ten of whom are members of the Rockefeller family, including seven from the fifth generation. Of these 19 trustees, 84 percent are White, 11 percent Black or African American, and five percent Asian or South Asian.



## 2017 RBF TRUSTEES

Anne Bartley<sup>◇</sup>  
Ambassador Ryan Crocker  
Wendy Gordon, *Vice Chair*  
Stephen B. Heintz, *President*  
Miranda M. Kaiser  
Hugh Lawson  
Daniel Levy  
Heather McGhee

Jennifer Nolan  
Peter O'Neill  
Joseph Pierson<sup>‡</sup>  
Marnie Pillsbury  
Kavita Ramdas  
Wyatt Rockefeller<sup>‡</sup>  
Valerie Rockefeller, *Chair*  
Justin Rockefeller

David Rockefeller, Jr.<sup>‡</sup>  
Arlene Shuler  
Marsha Simms

◇ *Until June 22, 2017*

‡ *Effective June 22, 2017*

## Key Terminology

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**ESG:** Acronym for environmental, social, and governance; the three main areas of concern in measuring the sustainability and ethical impact of investments.

**Direct charitable activities:** Activities that are classified as administrative expenses, although they represent charitable activities (e.g., technical assistance and board service) carried out directly by RBF staff.

**Donor contributions:** When a donor prefers to work through the RBF, the Fund may accept contributions that are consistent with its philanthropic mission and enhance or complement its grant-making. [Read the full donor contributions policy.](#)

**Impact (investment-related):** Market-grade investment mandates that have a measurable impact on issues that align with the mission of the Rockefeller Brothers Fund.

**Monitored (investment-related):** Investments that do not fall within the RBF's Impact, ESG, or Screened Divest investment designations, but are evaluated for exposure to fossil fuels.

**Program-related expenditures:** Non-grant expenses for activities that support the RBF's grantmaking. This includes expenses such as consultancies and various expenses associated with convenings of the Fund.

**Screened divest:** Investment designation that incorporates fossil fuel screening criteria.

**Spending:** Expenditures that count toward satisfying the minimum IRS distribution requirement. Under IRS regulations, a private foundation generally must distribute at least five percent of the market value of its investments to support its mission. This amount for the Fund includes grants, program-related expenses, conferences and events, administration costs, and core operating and maintenance costs of The Pocantico Center.