

SCHMIDT **FUTURES** 2019 - Year-End Reflections

“Driving higher investment in exceptional people to help others — a risk transfer strategy to create public value from private philanthropy”

In 2017, we founded Schmidt Futures with a vision: to take risks on exceptional people without a track record and on new ideas. From the start, we challenged ourselves to bring people together thoughtfully with science and technology to make the world better, and to make our work about others and not about ourselves. Whatever we were to build, we wanted it to be bigger than the founding team, and to last longer.

In 2018, we focused on learning by doing. Through seed gifts, grants, and investments, and through the development of larger programs such as the Schmidt Science Fellows, we experimented with different models. We learned the power of investing early, and being agile — not only funding efforts, but also facilitating startup activity, providing access to technical expertise, and even deploying talent directly into others' work. We searched for how we could contribute uniquely as a new philanthropy, with the potential to scale.

In 2019, we reengineered ourselves for greater impact at scale. We firmed up our mission of advancing exceptional people to do more for others. We deepened our partnership with the Rhodes Trust and others. We hired extraordinary people to run and grow Schmidt Futures, more in 2019 than in the three years prior combined. Our APM program stood up a new talent pipeline for recent computer science graduates looking to apply advanced computing for public benefit. We organized our activities into more focused programs rather than individual grants. We also increased the financial resources we could deploy, with our flagship program Rise serving as anchor to a billion dollar commitment by Eric and Wendy to talent development.

Perhaps most importantly, learning lessons from our first two years, we created the model or “doctrine” by which we plan to operate.

Doctrine matters; it sets our culture and guides our work.

Across our portfolio, the model we have built together is a method of risk transfer to increase investment in people without a track record or with highly experimental ideas. Many of these people have intrinsic motivation to help others and have some unusual insight about the future. They often feel isolated. By subsidizing some of the initial risk to invest in extraordinary people and their ideas, and by using both partnership and competition to drive higher returns from the network overall, we aim to develop more efficient and more inclusive “markets” for exceptional people with promising ideas to make the world better. In doing so we aim to attract others to follow us in investing at much greater scale.

A mandate to take risks on people and their ideas

Changing the world at scale requires the institutions with resources at scale — typically business or government — to act. These institutions have natural incentives to want the best people and new ideas for their own purposes. We in philanthropy cannot replace them; government spending in the U.S. alone, for example, was 50 times larger than philanthropic

spending last year. Even if we move more wealth from the sidelines into philanthropy, philanthropy will never achieve the same scale as government or business. So our impact will have to be achieved more creatively, inspiring action from others who can invest more.

Even where public benefit is a goal, various barriers prevent institutions with scale from betting on people without a track record or new ideas. Business, for example, often faces short term earnings pressure that reduces the ability to invest in experimental ideas with unknown time horizon for return. Government faces political hurdles in taking risk — and has delivery responsibility to all its citizens. At a time when the world needs institutions to deal with today's biggest challenges — such as economic inequality, climate change, threats to democracy, and more — those institutions are often poorly supported to take the risks needed to make the biggest gains. Perhaps it is unsurprising that trust in institutions is at an all-time low.

As stewards of private, philanthropic capital that aims to create public good, however, we are well positioned to take risks that make it easier for others to follow. We are fortunate that the Schmidt family has empowered us to take risks on exceptional people or ideas that could help solve the toughest problems but that often can't get the early access or support they need.

Our approach for impact at scale

At heart, our method has three elements: we reduce risk by developing networks that find exceptional talent and prove out their ideas; we drive higher returns through partnerships and competition; and we reinvest the returns. (See exhibit on the next page.)

If we can build an asset that is something that resource-holders want but that did not exist before, we can inspire them to change their behavior. What institutions with resources want in order to “win” in the modern world is talent. What talent wants is opportunity: opportunity to compete for resources, opportunity to be less isolated and join with others who are like-minded, opportunity to access modern technical tools for scale, opportunity to find jobs that help them advance their dreams. Both the talent and the institutions will change their behavior to achieve something they want. This is the basic insight at the heart of our model. **Talent will compete for opportunities that institutions provide, and institutions will compete to attract talent.** If we can find and build the talent — creating and de-risking an asset of public value — then we can motivate resource-rich institutions who want that same talent to act differently in ways that increase the public value at greater scale. They may co-invest in existing efforts, or start new efforts on their own or with others.

For example, most of the incentives in science point exceptional young people to stay in their fields and specialize further. However, in creating the Schmidt Science Fellows program together with the Rhodes Trust, we have reduced the risk for some of the best minds in science to buck the trend and broaden their work through interdisciplinary research. We place them into important labs, subsidize their postdoctoral work, and draw them into a network for mutual support and mentorship. For universities who want to encourage more inter-disciplinary science, we have reduced risk because they can show that good things happen when they send their best people into that work; they want their graduates to win Fellowships both because they want to help their best people to achieve and because it is prestigious for the institutions to win. For labs and other employers who want to hire the Fellows upon completion, we have

reduced risk because we have already done the work to find exceptional talent and have some of the most prominent scientists worldwide to vouch for them. As a result, over time we hope to see many more institutions encouraging interdisciplinary experimentation and betting on the people who do so — which would be a bigger shift than we could encourage through gifts alone.

The evidence that risk transfer can help institutions to change their behavior for public good goes beyond basic science. The depth of applications to our APM program has helped create a market between people with specialized technical skills and the groups that seek to apply advanced computing to a social problem. So many candidates from top computer science departments have sought to join the program that some universities are now changing their curricula to encourage the application of computer science for public benefit. Moreover, our Learning Engineering program has built a market for computer scientists working to improve learning outcomes for young people through partnership with education researchers. And the competition we held through our Alliance for the American Dream — working with four state university partners to help families to increase net income and stay out of poverty — has produced matching funding above expectations from businesses, universities, and in one case even state legislative appropriation from government.

Our approach doesn't aim to solve all human concerns. It will work better for some types of problems than others. It coexists with other theories of change that, for example, put individual causes first, or emphasize equal distribution of basic necessities as the best way to help people. We must have the humility to recognize that our way of working is only one way — a way suited to our strengths, our values, and our unique resources — that is always open to iteration, improvement, and learning from others.

The year ahead

So if 2017 at Schmidt Futures was about vision, 2018 experimentation, and 2019 a reengineering

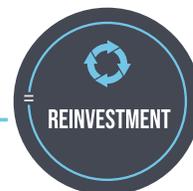
THREE ELEMENTS OF OUR MODEL



- Find underserved communities of exceptional talent without a track record or with promising and experimental ideas to help others
- Subsidize the organization of that talent into networks or platforms for exchange, helping correct underlying disparities in resources, to attract institutions with scaling capital
- Work with the talent to help them prove out their ideas and lower the risk for others to support them; then leverage the network quality to motivate institutions to invest more in those people and their ideas to help others



- Create incentives for talent to come into the network and improve their ideas by working with partners who can help
- Drive higher returns through phased or "progressive" competition for anyone in the network for both investment and other support, such as recognition and access to modern tools from science and technology
- Help institutions who seek access to the network and its assets to change their behavior and discover new opportunities for impact



- Encourage open architecture of data and method for greater use by others
- Retain successful talent in the network as mentors and role models
- Replay financial returns from social enterprise investments into the network
- Iterate to reflect lessons learned and share those lessons with others

for scale, then 2020 will be about delivery and courage. Both will be required.

We will receive valid critiques about other ways in which we could help people. We should embrace these critiques — operate in this way for a while, invite feedback, learn from success and failure, and change our approach. Seeing the model through will require us at Schmidt Futures to have the same persistence, the same compassion, and the same cleverness as the people we support. We shouldn't change in big ways every day or every month; the people and groups we support need to count on how we work and know that we will keep our promises. We'll aim to change in small ways every day and change in big ways when we have sufficient evidence accordingly.

As 2019 ends, closing a year of reengineering for scale, I am grateful to everyone on our team for an extraordinary year of redesign and growth. What an amazing group of people we have assembled — a group of people passionate about serving others and willing and able to put others' interests ahead of their own. Thank you to our mentors, advisors, friends, and partners, especially including the brilliant team at the Rhodes Trust, for teaching us something every day and for giving us the privilege of doing this work together. Thank you to the people we serve for giving us the opportunity to imagine a better world and to do our part in making it a reality. Thank you to Eric and Wendy for their boldness, generosity, and insight from years of experience with sister efforts we respect.

As 2020 begins, let's put people first and help them do more for others at greater scale globally. Let's find underserved communities of exceptional talent where we can and reduce the risk for investment; let's create networks for exchange and increase returns through partnership and competition. Success will require delivery and courage. We're ready.