



OPENING THE DOORS OF LEARNING IN SOUTH AFRICA

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ABOUT THE AUTHOR

Kelly is responsible for originating and managing investments in the Schools and Education Investment Impact Fund (Schools Fund). She has 12 years of work experience in asset management, across both the listed and unlisted investment space.

KEY TAKEOUTS

- AFFORDABLE, QUALITY EDUCATION PLAYS A KEY ROLE IN ADDRESSING THE INEQUALITY IN SOUTH AFRICA.
- IMPACT INVESTING IS AN EFFECTIVE CHANNEL FOR THE PRIVATE SECTOR TO CONTRIBUTE TOWARDS ADDRESSING THE IMBALANCE IN THE EDUCATION SECTOR WHILE ACHIEVING A RISK-ADJUSTED RETURN ON THEIR INVESTMENT.
- PUPILS IN WELL-RESOURCED SCHOOLS, NO MATTER THE LOCATION, PERFORM WELL.



*K*elebogile lives in the sprawling township of Soshanguve. Since she started Grade R five years ago, she has been waking up at 3.30am to get picked up by a minibus at 4am to be dropped off at school in the Pretoria suburbs before 7am. And in the afternoons, the same minibus picked her up to have her home by 5pm. She hated that she couldn't stay after school to play any sports. And she always felt so tired before lunchtime – she always needed to refuel around that time to recover from her break-of-dawn start to the day. However, she knew her mother, a teacher herself, had worked hard to give her the best education possible. And until this year, that has meant a school over 30km away. Well, this year her life is different. She is now attending an affordable school right in Soshanguve, which means she now wakes up at 6am and still makes it to school at 7am. She has joined the netball team and drama class. She's even thinking of joining the robotics club – she loves technology and her science teacher is encouraging her to broaden her interest in it.

Due to the country's history, schooling in South Africa has provided vastly different experiences for different learners. The aforementioned snapshot is but one such experience; the deep inequalities carved by apartheid are still present. Where a child lives, even if the family has some resources, can create barriers to them receiving a worthy education. This is where independent, affordable schools can play a significant role.

RICH SCHOOL, POOR SCHOOL

The juxtaposition of “township schools” (historically black) against the former model C (historically white) schools, with their multiple sports fields, well-equipped laboratories and libraries, highlights the enduring infrastructure disparity in South Africa's education system. Many of the former often function in a state of disrepair, forcing those parents looking to provide quality education for their children to look towards the suburbs. The continued strong growth in the private education sector is being driven by, among others, population growth, growing demand from the emerging middle class, and a lack of capacity in existing schools and tertiary institutions.

Investing in affordable, quality schools located in areas that service previously disadvantaged communities can address much

of the building blocks for SA's inequality. For us to reach the inclusive society we strive for, we need to invest in all corners of our country. And given the scale of the country's education deficit, we must find and scale innovative and transformational models that bring excellence into the schooling system.

To address the education and infrastructure backlogs, and support improved education in South Africa, we have been investing in affordable, quality education since 2011, by raising and investing R1.4 billion through the country's first education impact fund, the School and Education Investment Impact Fund of South Africa (Schools Fund). In partnership with our school operators, the Schools Fund has committed itself to the “redress of past injustices in educational provision” by affording a quality school to those communities that have not had access previously.

WHAT OUR SCHOOLS FUND SCHOOLS DO:

- Provide learners with an affordable and a high-quality education
- Are dedicated to ensuring each learner's ongoing growth and development through the provision of a holistic approach to education
- Work harder, often employing extended day/extended year format of instruction, in order

- to change the trajectory of their learners' lives
- Prepare learners for higher education
- Are affordable, to provide low-income families with the opportunity to enrol learners.

These schools have been performing well. The 2018 matric pass rate of 94.4% compared favourably to the national average of 78.2% and the university exemption of 50.2% outperformed the national average by more than 16%. The results illustrate that schools in the townships that are well managed and adequately resourced perform better. Old Mutual Alternative Investments is currently raising its second education fund pursuant to the success of the Schools Fund. This will alleviate the growing education sector demand and continued shortcomings of public sector supply, and leverage the growing participation from the private sector to contribute towards addressing the imbalance in the sector. Its primary objective is to deliver sustainable investment returns while also providing investors with an opportunity to contribute towards making a positive social impact.

SEEDS OF CHANGE IN SOUTH AFRICAN EDUCATION

The picture of education in South Africa as it is unfolding on school grounds and in classrooms across the country, is complex, messy and often not easy to witness.

What should give us hope for the potential of our children? Well, we believe to move through the current crisis in education, South Africa must adapt, adopt and scale workable models.

High-impact, value-for-money and quality-assured education offerings will increasingly be demanded in South Africa, especially given the tough economic climate and high unemployment rate in the country. Human capital theory argues that education should be viewed as investment (rather than consumption) which brings rates of return to individuals and societies. Societies that provide education for their members are able to develop their economies by having better prepared workers, and they reap social benefits as well in terms of healthier, more prosperous citizens. Investing in affordable, accessible and quality education pays off.

MARKET INDICATORS

AS AT 30 SEPTEMBER 2019

	DY %	P/E Ratio	1 Month %*	12 Months %*
FTSE/JSE All Share Index	3.8	15.8	0.2	1.9
FTSE/JSE Resources Index	4.4	12.2	-1.1	7.9
FTSE/JSE Industrial Index	3.4	15.6	-0.7	1.8
FTSE/JSE Financial Index	5.7	12.3	3.5	-4.2
FTSE/JSE SA Quoted Property Index	9.3	10.8	0.3	-2.7
ALBI BEASSA Bond Index			0.5	11.4
STeFI Money Market Index			0.6	7.3
MSCI World Index (R)			2.0	9.7
MSCI World Index (\$)			2.2	2.4

* Total return index percentage change.

Economic Indicators		Latest Data	Previous Year
Exchange Rates			
Rand/US\$	September-19	15.14	14.15
Rand/UK Pound	September-19	18.61	18.44
Rand/Euro	September-19	16.50	16.42
Rand/Aus\$	September-19	10.22	10.22
Commodity Prices			
Gold Price (\$)	September-19	1490.3	1192.4
Gold Price (R)	September-19	22536.0	16821.2
Oil Price (\$)	September-19	60.8	82.9
Interest Rates			
Prime Overdraft	September-19	10.0%	10.0%
3-Month NCD Rate	September-19	6.8%	7.0%
R186 Long-bond Yield	September-19	8.3%	9.0%
Inflation			
CPI (y-o-y)	August-19	4.3%	4.9%
Real Economy			
GDP Growth (y-o-y)	June-19	1.0%	0.7%
HCE Growth (y-o-y)	June-19	1.5%	1.9%
Household Consumption Expenditure (HCE) Growth (y-o-y)	June-19	-0.4%	-1.8%
Gross Fixed Capital Formation (GFCF) Growth (y-o-y)	July-19	-2.4%	1.6%
Manufacturing Production (y-o-y) (seasonally adjusted)			
Balance of Payments			
Trade Balance (cumulative 12-month)	August-19	\$6.8	\$8.8
Current Account (% of GDP)	June-19	-4.0%	-3.8%
Forex Reserves (incl. gold)	August-19	\$761.1	\$733.6

Sources: JSE, Iris, I-Net

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