



“South Africa has one of the world’s worst education systems,” proclaimed The Economist headline this January¹. The London-based publication, citing the the latest Trends in International Mathematics and Science Study (TIMSS²), highlighted how a shocking 27% of pupils who have attended school for six years cannot read, compared with 4% in Tanzania and 19% in Zimbabwe.

Low maths literacy, untrained teachers, lack of teaching, high dropout rates, overcrowded classrooms, poor leadership and management – a myriad of challenges call for a greater investment into quality education for the country. And the solutions cannot be the sole responsibility of Government. Within this crisis, the private sector has an opportunity to get involved and use its capital for both purpose and performance. It’s becoming increasingly clear that to improve our education system, strong, effective partnerships will be key.

A REAL IMPACT

The Schools and Education Investment Impact Fund of South Africa (Schools Fund) officially opened its 23rd school, Crystal Park Prestige College, in Benoni, Johannesburg South on 11 January 2017.



FULL MARKS FOR IMPACT INVESTING

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ABOUT THE AUTHOR

Lala is responsible for originating and managing investments in the Schools Fund, while also overseeing the Schools Grant Fund, a non-profit company that raises finance for underprivileged learners.

The Schools Fund was the first impact fund of its kind in South Africa and is a shining example of impact investing for quality education. Funded by Old Mutual Life Assurance Company of South Africa, the Government Employees Pension Fund (managed by the Public Investment Corporation) and the Eskom Pension and Provident Fund, the Schools Fund is managed by Old Mutual Alternative Investments' Impact Funds team and aims to improve the level of education by creating access to affordable independent schools.

The Schools Fund schools have consistently performed above the national average matric results, and 2016 was no different.



815 MATRIC LEARNERS

WITH A **93.3%** MATRIC PASS RATE



AND A **44.3%** UNIVERSITY EXEMPTION (BACHELOR'S PASSES) 2016

PRINCESS PARK **100%**
PASS RATE

93.9% **MERIDIAN KARINO**

had its first Grade 12 class in 2016 and achieved a 93.9% pass rate and a 44.9% bachelor's pass rate.

Source: Old Mutual Alternative Investments, as at 31 December 2016

PICKING OUR PARTNERS

There are great success stories with schools funded by impact funds. The key lies in schools with effective leadership and management. When the Schools Fund invests in schools, it does so alongside a management company tasked to manage and support a group of schools. A number of leading operators have partnered with the Schools Fund, including Barnstone Education Management Services, the Royal Management Company, Curro and the BASA Management Company. These school operators are passionate about providing quality education to their learners, understanding that quality education is their best marketing tool.

They all have a passion for quality education, each with their unique approach to the delivery of the curriculum. In addition to this, to foster a culture of constant improvement in the standard of education, annual independent systemic tests are administered in grades 3, 6 and 9. This exercise allows for an intensive review and target setting exercise with the teachers and management of each school.

CLOSE TO HOME

Post-apartheid South Africa remains characterised by township-based children taking mini-buses over long distances to schools in the former whites-only suburbs. They are going there to gain access to schools that are better resourced and have better teachers than their equivalents in the townships.

KEY TAKEOUTS:

- SA FACES AN EDUCATION CRISIS
- PRIVATE SECTOR HAS A ROLE TO PLAY
- PARTNERS WITH A SHARED PASSION FOR QUALITY EDUCATION
- IMPACT INVESTING WITH SOCIAL AND FINANCIAL RETURNS

The Schools Fund is invested in establishing schooling infrastructure in under-resourced communities, including those in areas traditionally known as townships. Examples of these include the BASA schools in Soweto, Prestige Thornview in Soshanguve, a township to the north of Pretoria, and Meridian Newcastle located in Madadeni township, Newcastle.

Impact investing can help to facilitate the provision of high-quality education while yielding attractive returns for investors over the long term. However, impact investing in education

by the private sector is not intended to create a divide between the private sector and Government. The aim behind impact funds is to ultimately support Government in delivering quality education for pupils from historically disadvantaged backgrounds, albeit through independent schools – in most cases working very closely together as partners in making this possible.

¹ Source: The Economist, 7 January 2017

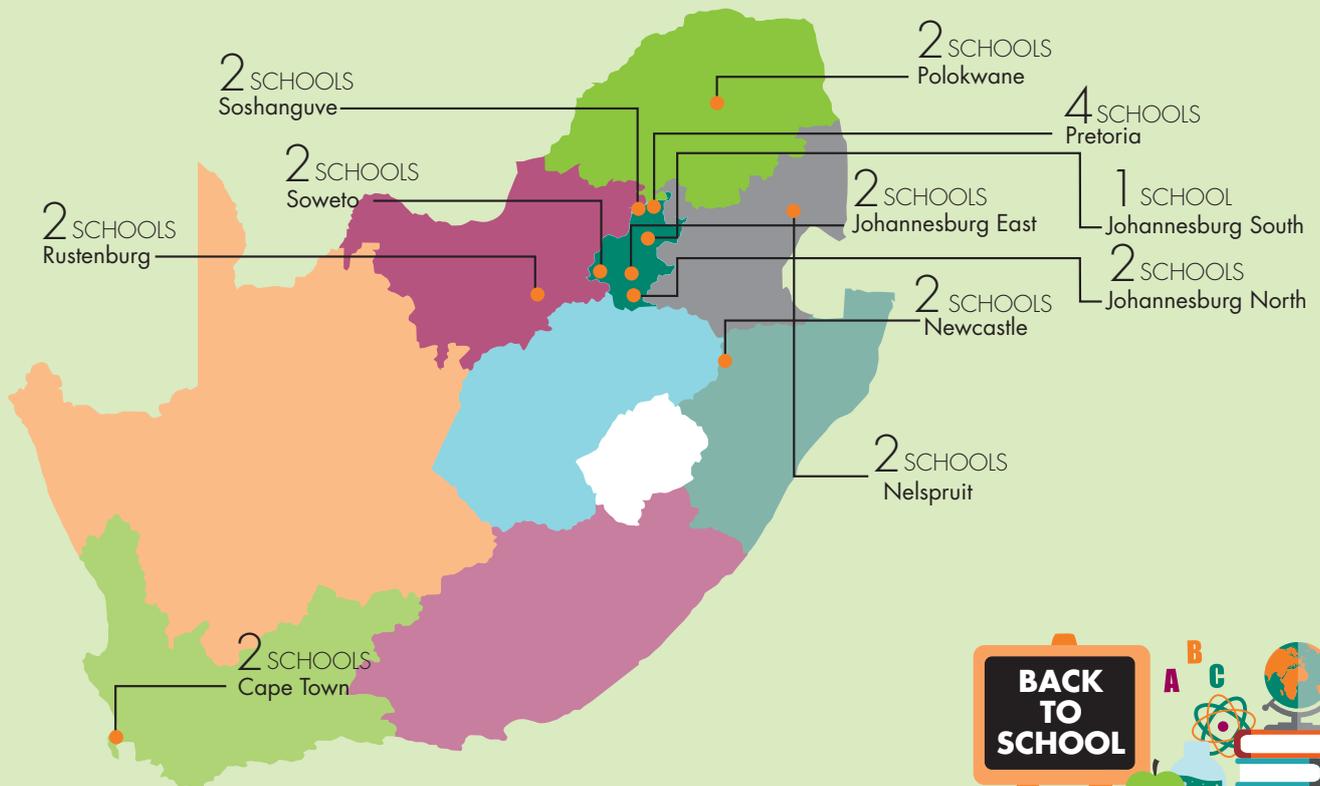
² TIMSS is a quadrennial test sat by 580 000 pupils in 57 countries. The latest results were released in November 2016.

INVESTING IN AFFORDABLE, QUALITY EDUCATION

The Schools Fund, managed by Old Mutual Alternative Investments, has R1.4 billion in FUM.

MAP OF SCHOOLS

As at 31 January 2017



Source: Old Mutual Alternative Investments, Impact Funds