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Education: A powerful investment in the future



"EDUCATION IS THE MOST POWERFUL INVESTMENT THE WORLD CAN MAKE FOR ITS FUTURE"

– UNICEF Deputy Executive Director

Education is vital to society and an essential ingredient for inclusive and sustainable growth. Its development lies at the core of most government policies. Traditionally, universal education was perceived as a public good that should be provided by nation states, but stretched budgets and a lack of capacity to meet the growing need for education presents a glimmering opportunity for private capital to become more active in the sector, bringing innovation and digitalisation. We envisage the emergence of a “blended learning environment” whereby information and communication technologies complement traditional education methods to satisfy growing

needs and changing demands. In an industry undergoing deep-set structural changes, new opportunities present themselves to investors. As it stands, education is 10% of GDP but represents less than 1% of listed equities.

Into the digital realm

Fall 2020 marks a clear inflection point as students, educators, and government leaders alike scrutinize the price and value proposition of higher education through the new lens of traditional classroom versus multiple modes of digital delivery – Harvard Business Review^[1]

Prior to the pandemic, the traditional education system lagged behind other industries in moving to a more digital business model. Classrooms and campus-based lectures were largely the norm — little-changed from a hundred years ago. However, by the middle of April, almost 200 countries had announced school or university closures, affecting roughly 1.6 billion students. The sudden need to shift activity online was disruptive, but it has accelerated the adoption of new, innovative methods to deliver lifelong learning, creating new growth drivers within the sector. Even after the pandemic is over, technology will play a bigger adjunct role in education. The growth potential is substantial; only 2% of the \$5 trillion education market is digital.



With regard to non-conventional education, online platforms were promulgating before the pandemic. Language learning apps such as Babbel and Duolingo were considered legitimate tools for learning a language (according to an independent study conducted by the City University of New York and the University of South Carolina, 34 hours of Duolingo are equivalent to a full university semester of language education). At the same time, so-called MOOC platforms (“massively open online courses”) such as Coursera, were democratizing education, making entire courses from renowned institutions such as Harvard and Yale, available to everyone, for free. These platforms leverage data from millions of learners, using machine learning to automatically grade assignments and deliver adaptive content and assessments.

We believe that such tools will continue to proliferate, driving growth in the sector and pushing education even further into the digital realm. Indeed, the crisis has given momentum to start-ups in the “edtech” sector in fields such as virtual and/or augmented reality, 3D printing and artificial-intelligence-enabled robot teachers.

Societal changes

As it

stands, 11% of the global population has no prior education. This is expected to decrease to 5% by 2050. As wealth increases in developing nations, the growing middle class is seeking education, recognising that it is a sure way to improve future prospects. Indeed, in China, one of the world's fastest growing economies, education has been the category that received the largest proportion of government spending since 2010. ATAWAD education "Any time anywhere, any device" broadens the potential target market, widening access, especially in rural areas.

In developed nations, there is also a desire for a higher education in order to enjoy better career prospects and a higher-standard of living. Many are in pursuit of a multi-faceted CV that improves their employability, sometimes through the traditional education route, sometimes through industry certifications (CFA, CAIA...). Growing and evolving demand entails innovation and it is recognised that educational programs and methods need to be changed, also to support professional development.

Millennials, in particular, are pushing up demand for education. While by old metrics, they may seem "poor" (having shunned traditional status symbols like houses, cars and possessions), they are in fact, hedging themselves for the future by making smart investments in education, which will help them succeed in the "new economy".



Lifelong Learning

The [post-Covid reality](#) will not be a carbon copy of what it was before, with the pandemic having ushered in the fourth industrial revolution quicker than expected. In light of this, there is a growing need for education to ensure that existing skillsets are not rendered obsolete. The ever-beating drum of technological change and advancement means that skills will have to be updated regularly if they are to stay relevant. We expect a shift away from one-and-done degrees, towards lifelong learning.

Indeed, companies are recognizing that training is more important than ever. Employees need to be given the opportunity to “upskill”, in order to have the knowledge, tools and ability they need to use advanced and ever-changing technologies in the workplace and their lives.

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All of the above combine to present a compelling case for the education thematic. Demand is set to grow, whether it be from developing economies with expanding middle classes or from developed countries whereby people wish to upskill and broaden their horizons. There is a multitude of technologies and innovations still to be exploited in this field, further expanding access and utility for the masses. Within the broad ecosystem of lifelong learning, there is an array of companies, from those that focus on educational content and tools, to those that focus on publishing (books, professional magazines, educational media...), to those developing edtech (software and hardware), to those providing educational facilities. The opportunities are vast.

Last, but certainly not least, the deployment of private capital into this thematic also yields wider societal benefits. While education is explicitly one of the UN's 17 Sustainable Development Goals, it is also instrumental in achieving some of the others such as reducing poverty and inequality, fostering more tolerant and peaceful societies and enhancing health. The world around, the pandemic has highlighted a great social divide that needs to be addressed if we are to achieve sustainable and inclusive growth. Education will be a major part of the prescription.

[1]

<https://hbr.org/2020/09/the-pandemic-pushed-universities-online-the-change-was-long-overdue>

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