

Impact Investing

An Interview with Christina M. Alfonso, Founder and Chief Executive Officer,
and Alexandra P. Cart, Co-Founder and Director of Strategic Development, Madeira Global

EDITORS' NOTE Prior to founding Madeira in 2012, Christina Alfonso served as Director of Sustainable Investments for World Wide Investments Group, based in São Paulo, Brazil. Previously, Alfonso served as Senior Private Client Associate and Hedge Fund Liaison at AllianceBernstein, LP, in New York. She also served as a strategic consultant for Grameen Bank in



Alexandra P. Cart and Christina M. Alfonso

Dbaka, Bangladesh. She holds a B.S. in finance and management from Fordham University, where she graduated Cum Laude, and an M.B.A. from ESADE Business School in Barcelona, Spain. Alfonso is an advisor to the Centre for Social Innovation in New York.

Previously, Alexandra Cart served as Managing Director with G2 Investment Group in New York. She has worked with government agencies in the U.S., U.K., and Latin America, as well as the Council on Foreign Relations. For the City of New York, she worked on antipoverty initiatives and programs at the Center for Economic Opportunity (CEO) for the Office of the Mayor. She also served as a research analyst to the founder and president of the Poliarquia Consultores. Cart holds a B.A. in international studies and political science from Middlebury College. She serves on the Global Advisory Board of WEConnect International.

COMPANY BRIEF Madeira Global (*mgimpact.com*) provides impact investment advisory services to select private clients and family offices. Madeira optimizes the alignment of social and financial returns by crafting an investment strategy that complements clients' overall asset allocation and values-based investment philosophy.

How did the vision for Madeira Global develop?

Alfonso: We established the firm in 2012, after 10 years in my previous career where I familiarized myself with the global challenges and the needs of the families I worked with. They sought profit in their investments but also wanted to achieve some social objectives separately through their philanthropic initiatives.

Over the past five years, we've seen a real rise in the creation of social enterprises – for-profit social businesses. There is an increasing need in the marketplace for advisory services that pertain specifically to impact.

Madeira, as a model, is a hybrid structure touching both the for-profit and non-profit sides – tied by mission and seeking to achieve efficient capital deployment.

Was the model well-received early on?

Alfonso: The demand prompted us to start sooner than we had planned.

It began with individual engagements for some of the family offices that I previously

worked with who were looking for guidance.

They had questions such as, what are impact investments? How do you identify, vet, and structure them? What are the options? You see these concentrated in the family office space. Impact investing has been an attractive alternative for philanthropists.

How does the model work?

Alfonso: As a firm, we have developed a four-step process.

The first is creating an investment strategy specific to impact. Clients typically either have a traditional philanthropist profile or are looking at this as social venture capital. Where you are on that spectrum dictates your expectations for this type of investment.

Once we set these parameters, the second piece is search and selection. Our Madeira structure is designed to be similar to that of a private bank, so we have an advisory team but also a due diligence team. The purpose is to leverage their expertise either geographically or by industry in the field to identify these investments.

The third step is structuring and capital deployment. Once we have identified a set of options that may be attractive to a client based on their original parameters, they will decide how to move forward – we are not discretionary managers in that sense. But keeping true to the advisory approach, we offer guidance based on what they're looking for and can make suggestions on structuring.

The fourth step, once the capital has been deployed, is being an active manager and providing ongoing reports. We respect the standardized social metrics, but the quarterly reports we prepare for clients are customized.

How broad is the focus?

Alfonso: The focus is on for-profit social businesses.

There are many different types of business models that can be considered impact – like affordable housing, health care, biotech.

Alexandra's expertise lies in the types of families and individuals who are interested in performance-driven grants.

Cart: We have seen a lot of intergenerational approaches when it comes to interest on the philanthropic side versus the impact investing side.

We have spoken to families that have older generations interested in traditional philanthropy while the younger generations are focused on impact investing.

I focus a great deal on next gens – the conversation regarding the comfort level with this alternative form of philanthropy is different depending on the generation.

Strategic, performance-driven grant making can provide a solution that bridges these generations. The older generations can maintain comfort through, and reap the benefits of, traditional grant giving, while millennials, interested in supporting social ventures, are afforded the opportunity to exercise a sense of agency, supporting business models that demand more accountability and can achieve greater scale and, therefore, impact. Through our own hybrid for-profit/nonprofit structure at Madeira Global, we have watched the Madeira Global Foundation serve a similar role, acting as a platform for clients to transition from traditional philanthropy to impact investing.

Are you competing with traditional players in the space?

Alfonso: It's hard to think of one bank that isn't currently participating in global conferences or in creating conferences in-house to address the client-driven demand.

Where, historically, you have seen governments and NGOs responsible for catalyzing social change, you're now seeing that interest shift to private investors who have substantial capital to deploy.

Banks want to keep them happy and show that even if it's 1 to 5 percent of their overall asset base that is being allocated to impact, it's something they need to be able to show clients they are knowledgeable about.

What gives us flexibility is being a boutique firm with a strong due diligence arm. We have the global access and also have the ability to customize and cater.

Alexandra, what excited you about this opportunity?

Cart: There is an advocacy component to what we do. As social business models increase in number and popularity, family offices and multi-generational philanthropists alike are drawn to the unique and compelling characteristics inherent in impact investments. ●