

Quantifying Impact

An Interview with **Christina M. Alfonso,**
Co-Founder and Chief Executive Officer, Madeira Global

EDITORS' NOTE Prior to Madeira Global, Christina Alfonso served as a director at World Wide Investments Group, a Brazilian private equity firm, and as Senior Private Client Associate and Hedge Fund Liaison at AllianceBernstein in New York. She has been recognized as a "Women of Influence" by the New York Business Journal and received City & State Reports' "Pioneer Award for Distinguished Achievement in Impact Investing." Alfonso holds a B.S. in finance from Fordham University, an M.B.A. from ESADE Business School, and is an active member of the Milken Institute Young Leaders Circle and Women's Forum for the Economy & Society, serving as Co-Chair for the New York Chapter.



Christina M. Alfonso

COMPANY BRIEF Madeira Global (madeira-global.com) is a leading advisory and analytics firm dedicated to ESG (environmental, social, and governance) research and reporting. By applying a proprietary ESG evaluation and scoring framework to new or existing portfolios, Madeira enables asset managers to satisfy increasing demand for transparency while supporting a more informed investment decision-making process.

Would you talk about where you see impact investing today and how it has evolved?

Impact investing as an investment approach has made great strides in recent years. While early adopters opted for negative screening, or applying values-based filters to exclude investments in industries like alcohol, tobacco and gambling, investors today are shifting towards positive screening, or proactively seeking investment opportunities that aim to create a benefit to society or the environment.

As part of that evolution, we have also seen a migration from impact investing being primarily supported by high-net-worth individuals and family offices to institutional players like pension funds and global development banks.

Is there a strong understanding of what impact investing means?

While many early adopters were comfortable with a broad definition, today, an investor with a particular geographic or industry preference is more inclined to seek the financial products or specific investment opportunities that speak to that interest. In that sense, impact is very much in the eye of the beholder.

What I believe the industry is currently struggling with is how best to quantify and track that impact over time. Impact reporting, or the reporting of nonfinancial performance, has not yet been standardized, which we believe has paved the way for specialized ESG analytics firms like Madeira Global to address this market gap and serve as a trusted, independent resource.

How strong are the returns for this type of investing and are those returns appreciated by the market?

Like traditional investments, impact investments can be found in any geography, in any industry, in any risk profile, and in any asset class, which implies that they can also yield an equally wide range of returns. What distinguishes them is their orientation toward positive social or environmental outcomes in concert with financial results.

We don't believe that social returns and financial returns are mutually exclusive. In fact, Madeira Global was founded on the very hypothesis that financial and social returns can be achieved simultaneously and that qualitative indicators should support a more sound and well-rounded investment decision-making process.

Many think of impact investing as only relating to certain markets, like Africa. Are the opportunities in America well understood?

I would agree that early adopters prioritized earlier stage emerging and frontier market opportunities, seeking to, in part, create a sustainable alternative or complement to local philanthropic efforts. That has definitely changed.

In the U.S., the four key areas where we're seeing opportunity at scale are in the energy, healthcare, and real estate sectors. As an example, within the energy space, we have seen a growing number of companies focusing on developments in renewable resource technology like solar and wind power. In healthcare, we have seen exciting innovations in areas like bioinformatics and diagnostic tools for early disease detection. In real estate, we have seen a surge in affordable housing and assisted living projects.

What we are most encouraged by at Madeira Global is the fact that investor demand for socially responsible investment alternatives and increased transparency on the results of their investments has truly reached a global scale, and the financial services industry is responding accordingly. As our firm grows, we have the opportunity to quantify

performance-based results firsthand and to meet this rising demand.

Is it possible to provide metrics to verify impact?

Absolutely, and we are not alone in this conviction. In fact, Larry Fink (Chairman and CEO, BlackRock) recently issued a letter to the CEOs of the world's leading companies stating that ESG issues over the long-term have "real and quantifiable financial impacts."

It is very important to remember that this space is not driven by an attempt by global banks to push product; this is very much investor-demand driven and efforts made by institutional players to respond in accordance with this demand have been well received by the market.

Madeira's focus is on assessing and reporting on nonfinancial, or ESG, data because we believe that is what is needed in the space. Investors are increasingly demanding additional transparency and we believe that ESG data provides the necessary context for building the strongest financial models, and ultimately for making the most informed investment decision.

How has your business evolved as more opportunities have come in?

The impetus for Madeira Global was a desire to be an independent, trusted resource for investors and allocators in the area of sustainable investing. What sets Madeira apart is our unique framework for quantifying qualitative data because we have heard time and time again that the market needs and values greater transparency, stakeholder alignment, and performance validation.

Over the course of the past five years, our aim has been to broaden the application of our data analytics and reporting work, and we have been fortunate to work with a wide range of clients, from alternative funds to holding companies to single and multifamily offices. In some cases, our clients are not necessarily seeking to implement impact investment strategies, but are interested in broadening their own dataset, incorporating nonfinancial data as a compliment to the financial data used in their projections and decisions. In that sense, they are simply acknowledging that they have a fiduciary responsibility to identify the best investment opportunities within a particular investment strategy, and are considering all factors that can influence financial performance, including ESG data. Madeira Global's responsibility is to arm them with that information and, so far, I believe we are one of the strongest players, if not the strongest, in our field to provide that reporting capability. ●