

Matthew Kiernan, Founder and Chief Executive of Inflection Point Capital Management (IPCM)

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Where do you see opportunities for powerful, effective investing today?

Dr. Kiernan: Our mission at Inflection Point Capital (as it was previously at Innovest) is to try to help harness and begin to redirect the trajectory of the capital markets and investment patterns, in ways that promote rather than undermine environmental and social progress. Importantly, this means sending strong signals to investee corporations about the priorities that we believe should inform their strategies, decisions, and practices. It's well accepted that corporate boards and executives are heavily influenced in setting their own priorities by what they perceive their *investors'* to be. Investors need to be clear: we *are* paying attention, and increasingly view companies' handling of environmental issues as a robust, forward-looking proxy for their overall management quality.

With specific regard to “environmental “ investment, I believe that the biggest single opportunity involves integrating the systematic consideration of environmental risks and opportunities across the *entire* capital markets spectrum, *not* simply confining it to the

relatively narrow vertical of “pure-play” environmental investing. In my view, environmental factors will prove just as important to the financial and competitive prospects of, say, Royal Dutch/Shell as they will for pure-play environmental companies such as Vestas. To the extent that initiatives such as the UN PRI can help accelerate that process, we can begin to dream about harnessing 100% of the power of the capital markets, and not just 2% or less.

What sector has had the most significant impact on the renewable energy landscape thus far? Why?

Dr. Kiernan: If I had to choose one, it would actually be the electric utilities sector. Why? Because in my view, the single greatest driver of the growth of renewables has become popular, political, and investor concern over climate change. And arguably the single largest contributor to the CO₂ emissions problem has been the electric utilities sector. At least six of the ten largest emitters in the world are from that sector: companies such as Huaneng Power, KEPCO Korea Electric Power, Datang International Power, China Resources Power, and others are, at least indirectly, creating stronger demand for renewables.

And the impact has been bi-directional; the growth of renewables has had devastating effects on the traditional utilities, especially in Europe. Companies such as RWE have already taken multibillion dollar write-downs and mothballed even modern plants, unable to compete effectively with renewables (public subsidies for renewables have, of course, played a big role in this process).

Debates about environmental issues and solutions are common among the public and governments. What role do you think investors could play in establishing active working relationships with all stakeholders to effectively address environmental challenges?

Dr. Kiernan: My answer would be very similar to that for the first question. Initiatives such as the UN PRI, with all of its challenges, have both driven and reflected a growing appreciation by investors of the importance of environmental and other “non-traditional” risk factors and opportunities. As I said earlier, this awareness must extend across all asset classes: equities, fixed-income, real estate, infrastructure, private equity, and so-called “real assets.” It cannot be confined to the environmental equities pure-play space; this will not mobilize enough capital to drive the necessary global industrial restructuring and meta-transition to a lower-carbon energy economy.

In general, I’d say investors are getting better and better at engaging with stakeholders, but one key group remains under-acknowledged: government. After all, it is governments that generally set the policy and regulatory frameworks within which both corporates and

investors must operate. For investors, energy and resources devoted to engaging with governments will arguably be more effective in driving real change at scale than the more familiar engagements with investee corporations and NGOs. The recent call to governments for a carbon price by 350 global investors representing some \$24 trillion in assets is a perfect example.

BIOGRAPHY

Dr. Kiernan is founder and chief executive of Inflection Point Capital Management (IPCM), a specialist, research-driven investment management boutique headquartered in London, with offices in New York, Paris, and Melbourne. IPCM was founded in 2009, and has roughly \$1 billion under advisement. The firm will be launching new, environmentally driven investment strategies in both listed real estate and climate finance in early 2015.

Inflection Point Capital's strategies are built around combining traditional fundamental and quantitative financial analysis with IPCM's proprietary research on forward-looking, "non-traditional" drivers of risk and return. These include companies' innovation capacity, adaptability, environmental sustainability, and strategic management capabilities, including their ability to harness emerging global megatrends.

Before the creation of the firm in 2009, Matthew had been founder and chief executive of Innovest Strategic Value Advisors, an investment research and advisory boutique which was rated as number one in the world in the sustainable investment space by institutional investors. At Innovest, Dr. Kiernan was instrumental in the creation of a number of innovative, sustainability-enhanced investment strategies, including the world's first "climate risk-adjusted" bond index, developed with J.P. Morgan. In total, Innovest had roughly \$1.5 billion in sub-advisory mandates, for clients including CalPERS and APG, the largest pension fund in Europe. APG became Innovest's largest external equity investor. The firm was sold to MSCI in 2009.

Prior to that, Dr. Kiernan served as director of the World Business Council for Sustainable Development (WBCSD) in Geneva and, in 1992, as a senior advisor to the Secretary General of the U.N. Earth Summit in Rio de Janeiro. His work at the WBCSD focused on the potential role of the global capital markets to drive systematic social, environmental, and economic change. Previous to that role, Dr. Kiernan had been a senior partner in the strategy consultancy of KPMG in North America. He had also served as a senior executive in a C\$100 million, tri-governmental urban revitalization project in Canada.

Dr. Kiernan has lectured on sustainable investment and finance in executive programs at the Wharton School, Columbia Business School, Oxford University, Stanford, the London

Business School, and HEC Paris, among others. He also served on the guest faculty of Cambridge University's Executive Program for Sustainability Leadership, founded by HRH The Prince of Wales. He holds advanced degrees in political science and environmental studies, as well as a doctorate in strategic management from the University of London.

Dr. Kiernan has published dozens of articles and book chapters on sustainable finance, and his most recent book is *Investing in a Sustainable World*. He is a frequent speaker at international investment conferences, and has addressed the World Economic Forum in Davos, Switzerland on a number of occasions. He received an award from the UN Environmental Program's Finance Initiative for "innovations in carbon finance" in 2007.