This article is authored by MOI Global instructor Michael Melby, founder and portfolio manager at Gate City Capital Management, based in Chicago.

> "Oro y plata" –Montana State Motto

Translated from Spanish as "Gold and Silver", Montana's motto highlights the important role real assets had in the early days of my home state. While precious metals no longer circulate as legal tender, gold and silver have maintained their purchasing power over the last 130 years of Montana's statehood. This is quite a track record, especially when compared to the poor performance of numerous fiat currencies during that time including the German Mark (during the Weimar Republic), Zimbabwean Dollar, and the Venezuelan Bolivar.

The global transition from hard currency to paper/electronic money correlates well with the expansion in both government spending and the sovereign debt needed to support it. Even with the U.S. experiencing a decade-long economic expansion and the U.S. unemployment rate near record lows, the Federal Reserve recently decided to cut interest rates and Congress opted to raise the debt ceiling. Internationally, the situation is arguably much worse with over $15 trillion in debt yielding negative interest rates.

The only explanation I can find to justify the scenario where lenders pay borrowers to take their money is that there is a greater fool (in this case central bankers) who has a mandate to purchase debt at any price, even if it is guaranteed to generate a negative return if held to maturity.

Whether it is a central bank purchasing bonds with negative yields or index funds basing their stock purchases on market capitalization (the more overvalued the security the more the index fund should hold), we increasingly observe cases where extremely large sums of money are deployed into financial assets with little heed paid to the value of the underlying asset. Given these dynamics in the financial markets, we find it prudent to look for companies that own physical assets.

While some investors might critique these types of companies as asset plays, we find the ownership of tangible assets including land, buildings, and water to be especially attractive. While these assets might not generate cash on the same regular basis as companies selling financial services, software, or consumer products, that does not prevent these companies from generating significant cash when the assets are sold or preclude investors from earning attractive returns when purchasing these companies at a discount to intrinsic value.

Additionally, should the bizarre conditions in today's financial world revert to a more normalized environment, we take comfort in knowing our portfolio companies will continue to own key tangible assets that should retain their value regardless of how many electronic dollars central bankers and index funds have at their disposal.