PERSON OF INTEREST

THE IRONMAN

Capital Innovations, LLC co-founder and CIO Michael D. Underhill applies the same discipline and tenacious focus to everything he does -- from navigating a world of real asset investments to running marathons.

There is a big difference between running a marathon at an 8:00 minute per mile pace and a 10:00 minute pace. That two minute difference tacks on nearly an hour over the course of a full marathon. Then again, hitting a certain finish time was never Michael Underhill's main objective. For him, every marathon is about discipline, consistency, a long-term focus... and the reason he laces up his shoes in the first place.

Over the years, Michael has completed 26 marathons and raised several million dollars for cancer research in honor of his father, a 2nd Marine Division vet who served in World War II. These were the guys who saw combat in the Pacific at Saipan and Okinawa. As a kid, Michael's father was a steady source of support and guidance, leading and teaching what he learned in the Marine Corps: *gesta non verba*. Deeds not words.

It's a motto that has defined Michael's professional career. In the early 1990s, he started out as a Quantitative Analyst at Lehman Brothers, a position that rotates analysts through various parts of the firm in order to expose them to everything from risk modeling to identifying investments for bond portfolios. After more than 16 years working for some of the best global investment management firms in the business, he decided to move from Wall Street to Main Street and set up his own shop, Capital Innovations, in a quiet Wisconsin town outside of Milwaukee.

Michael says that starting an asset management firm in 2007 was less like running a marathon and more like facing down an Ironman Triathlon. After all, the world was headed for a major financial crisis; housing prices would fall nearly 32 percent and unemployment would climb to more than 9 percent before it was over. However, Michael knew he had something to offer that big, style box-focused firms did not: real solutions to client problems and a desire to advance societal development worldwide.

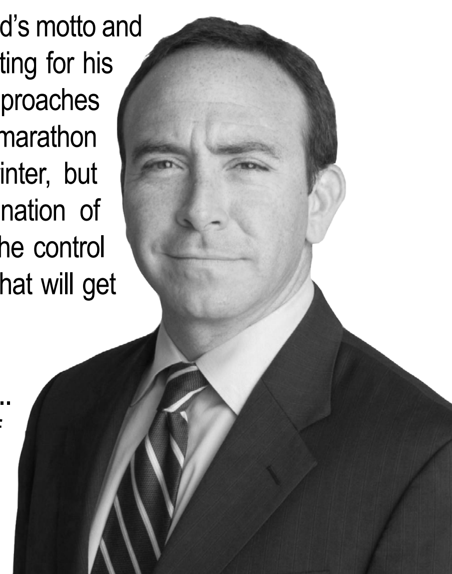
> **"IT'S NOT A QUESTION OF FINISHING THE RACE. IT'S AT WHAT PACE WE'RE GOING TO RUN."**
>
> **MICHAEL D. UNDERHILL**

Real assets (publicly traded infrastructure, timber and agriculture companies) aren't just one facet of his investment focus. They are the **sole** focus. That kind of singular attention has allowed Michael to develop an unmatched reputation as a leading authority on resource and infrastructure investing.

In the last 10 years, he was nominated as the first Chairman of the UN Principles of Responsible Investment initiative, authored a best-selling handbook for infrastructure investing, and has been a frequent guest speaker at CFA Society events. He manages an impressive institutional client roster that includes well-known global corporate defined benefit plans, thought leaders in the Canadian non-profit sector, union labor retirement and annuity benefit plans, as well as numerous global sub-advisory mandates.

Today, Michael lives by his dad's motto and puts words to action: advocating for his clients above all else. He approaches long-term investing like a marathon -- not with the fire of a sprinter, but with the methodical determination of someone who understands the control needed to sustain the pace that will get you to the finish line.

To him, success is discipline... and maybe a good pair of running shoes.



Q: What do you think is the greatest investment trend in our world today?

A: I think one of the biggest trends or series of trends that we're seeing is "food, fuel and forest." When you look at population trends from present day, modeling population demographics and population growth, by 2050 we'll have roughly 9.5 billion people on this Earth. We have to seriously examine how we will feed and house those people, how we accommodate urbanization in emerging markets like India and Africa... and how water scarcity is going to change how the world sustains itself. Investment in these areas is crucial.

Q: What role does new technology play in real assets?

A: Agribusiness, or the business of feeding the world, is a huge challenge and we've seen a great deal of merger acquisition activity occur in the last two years in this space. Companies involved in seeds and crop nutrient enhancement, drone-guided farm equipment, and efficiencies in irrigation and water conservation systems are at the forefront of product innovation.

Q: How are real assets different from fixed-income?

A: They have a very low degree of correlation to common stocks and bonds. This lack of correlation can provide some diversification plus inflation protection and volatility reduction.

Q: How does an investor gain access to real assets?

A: Typically institutional investors, endowments, foundations, public pension funds, and corporate defined benefit plans have gained access to real assets by investing in private funds, private equity structure funds or private deals. That requires an investment minimum of about $25 million. With the advent of publicly traded real assets (listed infrastructure, natural resource equities, publicly traded REITs and commodity stocks), investors can invest in a publicly traded equity security through a pooled fund in which they get transparency, a congruent governance model, low fees, and the ability to have an actively managed portfolio that can truly outperform.

Q: Why is active management important in this global space?

A: When you're investing in natural resources and infrastructure, it's critically important to have diversification by country and currency and sector. You've seen over the last two years with Brexit and the U.S. election the kind of disruption geopolitical issues can cause in a portfolio if it's concentrated in a single country or sector. Having a globally-diversified portfolio by country, currency and sector can provide better investment performance and thereby better investment return over the long-term. Active management plays a huge role in building relationships, evaluating risk and determining the right plays across multiple sectors and their diverse product lifecycles. ■

MORE ABOUT MICHAEL

Michael D. Underhill is responsible for overseeing global equity investment strategies and leads Capital Innovations' Investment Policy Group, a forum for analyzing broader secular and cyclical trends that Capital Innovations believes will influence investment opportunities. Recognized for his expertise in Real Asset investing, he is a regular contributor to Bloomberg Television, Radio and Bloomberg Events. Prior to co-founding Capital Innovations in 2007 with Susan Dambekaln, Michael was a Vice President portfolio manager at AllianceBernstein working with large global institutional clients.

Before joining AllianceBernstein, he was a Vice President and partner at INVESCO in the financial institutions asset management division where he was responsible for over $8 billion in assets. Prior to INVESCO, Michael helped build the institutional fixed income capabilities for Janus Capital Corporation where the nascent effort grew to $1.8 billion at its peak. He started his career at Lehman Brothers in the early 1990s.