Brookfield

Brookfield Asset Management Inc.
2017 First Quarter Results
Conference Call Transcript

Date: Thursday, May 11, 2018

Time: 11:00 AM ET / 8:00 AM PT

Speakers:

Bruce Flatt
Senior Managing Partner and Chief Executive Officer

Brian Lawson
Senior Managing Partner and Chief Financial Officer

Suzanne Fleming
Managing Partner, Branding and Communications

OPERATOR:

Welcome to the Brookfield Asset Management First Quarter 2017 Conference Call. As a reminder, all participants are in listen-only mode and the conference is being recorded. After the presentation there will be an opportunity to ask questions. To join the question queue you may press star, then one on your telephone keypad. Should you need assistance during the conference call, you may signal an operator by pressing star and zero.

I would now like to turn the conference over to Suzanne Fleming, Managing Partner of Communications. Please go ahead, Ms Fleming.

SUZANNE FLEMING:

Thank you Operator, and good morning. Welcome to Brookfield's First Quarter Conference Call. On the call today are Bruce Flatt, our Chief Executive Officer, and Brian Lawson, our Chief Financial Officer. Brian will start off by discussing the highlights of our financial and operating results for the quarter and Bruce will then give an overview of our market outlook and Brookfield's investment approach. After our formal comments, we will turn the call over to the Operator and take your questions. In order to accommodate all those who want to ask questions, we ask that you refrain from asking multiple questions at one time in order to provide an opportunity for others in the queue. We'll be happy to respond to additional questions later in the call if time permits.

I would like to remind you that in responding to questions and in talking about new initiatives and our financial and operating performance, we may make forward-looking statements, including forward-looking statements within the meaning of applicable Canadian and U.S. Securities Law. These statements reflect predictions of future events and trends and do not relate to historic events. They are subject to known and unknown risks and future events may differ materially from such statements. For further information on these risks and their potential impacts on our company, please see our filings with the securities regulators in Canada and the U.S., and the information available on our website.

Thank you, and I'll now turn the call over to Brian.

BRIAN LAWSON:

Great. Thanks Suzanne, and good morning. We've had a good start to 2017. In particular, we've announced a number of acquisitions which will put a significant amount of capital to work for our clients at very attractive returns. We've also been active in bringing new funds to market, capitalizing on the momentum created by our record flagship fund closings of last year, and strong investor interest. These include successors to existing niche strategies as well as new investment products. And we reported favorable financial results with most of our operations performing on target. I will now take a few moments to focus on the financial and associated operating results and Bruce will follow discussing our investing and fundraising activities.

Funds from Operations, or FFO was $674 million for the quarter and $3.2 billion for the last 12 months. These compare to $703 million and $2.7 billion for the comparable periods in 2016. There is a bit of noise in the results which I'll talk about in a minute, but if you strip that away we believe we are continuing to make good progress across the business, particularly in growing our fee related earnings.

Net income was $518 million compared to $636 million, and after giving effect to non-controlling interests and preferred share dividends, was negative $0.08 per share. We recorded fair value changes in the quarter as a result of a decline in stock market valued investments, whereas the prior quarter included market valued gains and appraisal increases in our property portfolio.

Breaking the results down a bit more, fee related earnings were $163 million in the quarter compared to $184 million last year in the same quarter. Those prior year results included $49 million of catch-up and transaction fees due to flagship fund closings and transaction activity, and that is part of the noise I was referring to earlier. Absent these items, fee related earnings were up by 21 percent which is more in line with recent performance. This also reflects growth in our annualized fee revenues which now stand at $1.2 billion and represent a 24% increase from this time last year. The gross margin was 57% compared to 56%, and on an LTM, last 12 month basis, fee related earnings were $691 million and that's also up 21%, so we're continuing to track nicely there.

We generated $171 million of carry in the quarter based on investment performance, bringing cumulative unrecognized carry to $1.1 billion. As we've noted in the past, we do not record carry in FFO until there is no risk of clawback, which means that carry is typically not booked until late in the life of the fund, and the majority of our carry eligible capital is in longer-life funds, so as a result we did not book any meaningful carry in FFO this quarter.

Operating FFO from our invested capital, which excludes gains, totaled $294 million for the quarter and $1.4 billion on an LTM basis. This compares to $307 million and $1.2 billion for the 2016 periods.
FFO from our property operations increased by 9% on the back of 4.2% same-property growth in our

office portfolio; 14% increase in FFO from opportunity funds, reflecting recent acquisitions, and a settlement gain at Canary Wharf. These positive variances were partially offset by the absence of FFO from properties that we've sold as part of our capital recycling initiatives and from lower currencies. Leasing activity achieved healthy spreads over the expiring leases and overall occupancy levels were largely unchanged.

In our renewable power operations, we exceeded generation targets although shorter term pricing continues to be lower than our long term expectations. Hydrology conditions are trending nicely which bodes well for our generation levels.

In Infrastructure, we achieved 10% same-store growth and recent acquisitions also made a nice positive contribution, and our private equity results were somewhat mixed. We saw improvements at a number of our operations but took some cost restructuring provisions at others, and we also completed the successful sale of a large industrial investment in one of our funds early in the quarter for an $82 million gain.

Finally, we also announced that the Board has declared the regular quarterly dividend of $0.14 per share payable at the end of June, and the Board also declared the previously announced dividend of shares in Trisura Group, which we expect to be valued at approximately $0.11 per share and will be distributed on June 22nd.

With that, I will now hand the call over to Bruce. Thank you.

BRUCE FLATT:
Thank you, Brian. Good day everyone. We made significant progress across the business, as Brian went through with you, to date this year. We successfully closed a number of transactions totaling about $10 billion of investments. We also advanced the $1.4 billion acquisition of TerraForm Companies for our renewable power business which we hope to close later this year.

With respect to the overall environment we see three things – funding, business and investing. First, the funding environment is excellent for both debt and equity capital from institutions. Interest rates are low, spreads are low and access to capital in most countries for most companies is very good.

Our view on the business environment is good to excellent with no real issues seen on the immediate horizon. Dealing with each of the areas we operate, in the U.S. business activity has picked up. In the U.K., we've seen significant resilience in the economy. In Europe one must pick your spots. In Brazil and South America, more broadly we are starting to see a recovery. Australia and Canada are mixed but healthy overall despite a commodity price drag, and India is growing significantly.

With respect to the investing environment, it is a tale of two cities. In the G7, our so-called developed countries, we continue to find singles and doubles for investment due to our strong market presence. We're also using this environment to monetize assets, as Brian mentioned, and we are developing assets for premium returns over what others which do not have these capabilities can acquire assets for.

In our developing market countries, many are still feeling the effects of the commodity slowdown and there is still less capital available in those markets. As a result, this is where we have been focused on large value investments at this time.

As an example of this, I'd point to our activity in India. Over the last 10 years we have incrementally grown the operations. Most of our major commitments though have occurred in the last three years as market dynamics and the availability of large scale opportunities moved strongly in our favor. We recently acquired nearly $5 billion of assets and have built a full-scale operating business to run those and to look after the operations. We now own approximately 15 million square feet of office space, 350 lane kilometers of toll roads and we'll soon own 43,000 telecom towers, making us one of the larger real estate and infrastructure investors in India.

The biggest current risk though, for India, is the excessive leverage in many of the corporations. Over $150 billion of non-performing and stressed loans are putting pressure on the banking sector and could constrain growth. This is an area that we've been watching closely as many of the sectors that we invest in – infrastructure, power, industrial businesses and real estate – are where much of the stress lies. But the important point to note is that while the companies are over-levered, many of the underlying assets are excellent; they are simply in need of refreshed capital structures. As a result, this has and will continue to present us with opportunities.

Now I will turn to a few comments about retail real estate as there have been many people asking our view. There are also some more expansive points in our Letter to Shareholders and I'd encourage you to have a look at those if you're interested.

Most of you know that directly and through our investments in GGP and Rouse we own a large number of retail real estate properties, predominantly in the United States. Most of these assets are very high quality and are in the best of the best retail locations.

The first point for you to note is that the revenues in our premier properties are very stable with only 10% of our leases expiring each year, and with built-in annual increases in rent. These increases provide us with growth without incremental capital investment and therefore provide a growing, long-term, stable cash flow stream.

Despite what you see in the news headlines—and I'm going to emphasize these three points—first, our portfolio of retail property assets is still growing cash flows on a same-store comparative basis. Second, for all intents and purposes, the properties that we own are currently 100% leased. Third, any space that has come available in our centers this year due to bankruptcy of tenants has virtually all been re-leased within months to tenants waiting to occupy.

With respect to the longer term view, we believe that the future of retail lies in the integration of online retail and brick and mortar retail. Successful online retailers are beginning to realize that brick and mortar locations are essential for their continued growth. We strongly believe that the future lies in the integration of online with brick and mortar retail, and we are working to ensure that we are a part of that with our premier assets, which represent about 90% of our investment in retail property assets.

With the balance of those assets, about 10% of them, we're focused on redeveloping these assets into other uses which is now the highest and best use is often residential office or hotels. Some of these urban locations are phenomenal redevelopment opportunities, but owners need skills, capital and time to accomplish this redevelopment.

We also have the opportunity to continue to reclaim some of the best real estate we know of, which are the department store spaces at our existing properties. As department store companies rethink their models, business models, they have been sellers of assets at prices we find attractive. We then integrate these boxes into our malls and redevelop these assets to bring in new tenants, generally earning 7% to 10% unlevered returns on cost, so not only are we generating 15% to 20% leverage returns on incremental capital, equity capital, but we're also improving our existing centers.

Bottom line, we do not believe the old adage has changed, which is that great real estate always wins.

In closing, I'd note that we are active with fundraising. We're in the midst of completing the final raise of capital for our $3 billion mezzanine debt fund, and we will begin fundraising for our next strategic real estate partners opportunity fund this quarter. Investors continue to allocate large amounts of capital to both real assets and private equity, and we find that our size and global operations are proving to be a great advantage in deploying that capital.

Despite the pace of investments, our Brookfield Asset Management parent company balance sheet continues to become more liquid, and in addition to the free cash flow that we generate we also have upwards of $10 billion of liquid financial assets and term bank lines between Brookfield and our permanent capital partnerships. Together, with the $20 billion of commitments to our private funds, this provides us with approximately $30 billion for investment in the future.

With that, Operator, I complete my remarks. I'll turn it over to you and we'll take questions if there are any.

OPERATOR:
Thank you. We will now begin the question and answer session. To join the question queue you may press star, then one on your telephone keypad. You will hear a tone acknowledging your request. If you are using a speaker phone, please pick up your handset before pressing any keys. To withdraw your question, please press star, then two. We will pause for a moment as callers join the queue.

The first question today is from Cherilyn Radbourne of TD Securities. Please go ahead.

CHERILYN RADBOURNE:
Thanks very much and good morning. There have been a number of surprising geopolitical developments over the last year, so I was just wondering if you could talk a bit about how you stay abreast of the issues that might be relevant to all of your businesses, and whether you find that that's been consuming more of your time of late.

BRUCE FLATT:

First, I'd say—thanks for the question. We try to stay abreast of everything to the extent it's meaningful in our business, and because we have people in every country of the world that's relevant to us and most of the countries that are relevant to the economy of the world, and our people in those countries can facilitate filtering up the relevant information to us.

Second, I'd say that we're a micro investor, not a macro investor, and what's very important to us is capital flows, and the foreign amount of money and how the banks and the corporations of the country are doing. If those aren't doing so well then usually there are more opportunities for us to invest. So I would say we pay attention to it but really try to not let the macro stories confuse us as to the micro investing that we're doing in assets every day and running our businesses.

CHERILYN RADBOURNE:

Okay, for my second question, just wanted to ask as you evolve your product offering to include credit strategies, can you talk a little bit about how you would differentiate, for example, between opportunities that would be appropriate for the flagship infrastructure fund versus and infrastructure debt fund?

BRIAN LAWSON:

Sure. Cherilyn, it's Brian. I'll take a first crack at that one. First of all, in terms of what goes into each fund, there's some pretty clear guidelines that are set out and agreed upon with investors right from the get-go, and those really form the primary guidelines that would direct where an investment is best allocated to. That's really the starting point.

If there is any grey around it, or any potential source of conflict, we have a well established process in that regard and we have conflict committees and we have the ability to reach out to LP—to our partners in the funds through LPAC committees and things like that, so it's obviously something that is very important to the business and we spend a lot of time ensuring that we are well positioned to deal with those appropriately.

CHERILYN RADBOURNE:

Great. That's my two, thank you.

OPERATOR:

The next question is from Ann Dai with KBW. Please go ahead.

ANN DAI:

Hi, good morning. Thank you. Bruce, in your commentary around the environment for investing, you talked about seeing the opportunity set in developing countries as somewhat more constructive for the most part, and I was just hoping to dig into that a bit, specifically for real estate as you begin raising the new fund.

If we look at the investment in Fund II they seem fairly diversified across sectors and you were able to put a good amount of money from that fund to work in the U.S. So, looking ahead to the next fund, I'm just wondering do you think that can remain the case or do you think the next fund will have more of a global skew based on the investment set today?

BRUCE FLATT:

I would say first one never knows. When we raise a fund we never know where that's going to be deployed and that's the importance of having global funds and having the ability to deploy money globally. So, we generally can't predict where the money is going to go because, as these macro changes happen in countries, therefore we are putting money where capital isn't flowing, usually, and so I'd say that's the first point.

The second one is that the environment in the United States and the size of business that we have in the United States usually allows us to find many opportunities just because of the scale and presence that we have. So I would suggest, if I had to guess, that again 50% of any fund that we raise will get put in real estate, and will get put to work in the United States just given the vast portfolio you have and the opportunities that come to us because of that.

So, even when I say there's singles and doubles, they're not huge opportunities but each quarter, six months, we're putting $0.5 billion or $1 billion to work in great opportunities, and it's largely because of the scale and presence that we have in the U.S. I think it will still be half the money even though the comments I make which are there's larger opportunities other places.

ANN DAI:

I appreciate the colour. Also just quickly on expenses, there were some slightly higher costs and you guys attributed those to an expansion operation for future fundraising and building out capabilities in targeted regions. Could you maybe just expand a little bit on each of those points?

BRIAN LAWSON:

Sure. It's Brian. Thanks, Ann. As we are developing new fund strategies and expanding a bit more geographically as well, as you can imagine it's really important to get the resources in place, and this is one of the things that we think we are well positioned to do, and this is in part where the balance sheet comes into play as well, is that we will actually develop some of our strategies on balance sheet and get the teams in place, put the necessary resources, whether it's technology, otherwise in place, in anticipation of bringing in the capital, so as noted, we're spending some time developing new credit strategies and so that would be absolutely where some of the uptick in expenses were and we would expect to see some good future growth in fees associated with those initiatives as well.

ANN DAI:

Thanks, Brian. That's it for me.

BRIAN LAWSON:

Thank you.

OPERATOR:

The next question is from Jack Keeler with CitiGroup. Please go ahead.

JACK KEELER:

Good morning and thanks for taking the questions. First question is was also reading through the shareholder letter and noticed your commentary around retail real estate in America and the bifurcation, I guess, between what you see as private values and current public multiples in the marketplace. I was wondering if you could expand on how you plan on potentially taking advantage of that bifurcation that you see.

BRUCE FLATT:

I would just say that in all of our businesses, in our infrastructure business, in our power business, in our property business, both BPY and in the retail business, when we find private market values that are in excess of what we can invest in new properties, new developments and buying back stock, our job as stewards of capital is to continue to sell portions of assets or assets in whole and redeploy the capital elsewhere. Sometimes that means that we're putting it into developments to grow the portfolio. Sometimes it means we're buying other things in other places and redeploying the money, and sometimes it means we should be buying back stock.

To the extent that shares trade at discounts to their intrinsic value, we'll complete share repurchases and so I think those are the three ways that we're doing it.

JACK KEELER:

Got it, thanks for taking that. I guess as my follow up, public securities, I know it's a smaller piece of the asset management book for you but it seemed to turn in the first quarter in terms of flows. Just wondering, a) where you're seeing good momentum there, and then b) given that it's still a smaller part of the business if you'd consider any inorganic growth opportunities to maybe scale it up going forward.

BRIAN LAWSON:

Sure. Thanks, it's Brian here. We've definitely been making some good progress in that part of the business and some of it was refocusing it away from some of the, I'll say lower margin activities that we've been involved with in the past, but particularly leveraging a lot of the capabilities that we have on the whole infrastructure and real estate side. There's been a lot of interest in a number of the strategies. We've been trying to develop some, I'll say unique but some strategies that we think are particularly relevant to our clients; hybrid funds where there's a mix of private and public investing and things like that, and that seems to have drawn some good interest on that front.

Yes, it's smaller in terms of the net fee related earnings contribution but we see it growing and very complementary to the business.

JACK KEELER:

Got it, thanks. Then just as a quick follow up to that, on those hybrid funds, would that all flow through the public securities line? Then is the fee rate opportunity potentially higher there?

BRIAN LAWSON:

Yes to both.

JACK KEELER:

Great. Thanks for taking the questions.

BRIAN LAWSON:

Thank you.

OPERATOR:

The next question is from Mario Saric with Scotiabank. Please go ahead.

MARIO SARIC:

Good morning. I just wanted to circle back to the U.S. retail landscape really quickly and clearly kind of highlight the differentiated view between yourselves and stock market investors, so there's a with spectrum range in terms of the outlook for U.S. retail real estate, especially for poly retail real estate. Just curious, within that wide spectrum range where do you think sovereign wealth funds sit today in terms of their views and how would that compare to say six or nine months ago?

BRUCE FLATT:

I would start with saying that what I tried to point out is that what we see on the ground in these assets, and the fact is these assets that are premier assets in the economy, and that's not to say that there aren't assets which are poor and that aren't going to survive. There are assets that are in that situation and in those ones, they need to be redeveloped into something else. But on very high quality assets they continue to get better every day, and they have to be remade. There's no doubt the retail mix that's in centers has to change, but that has been changing for the last 100 years and this is not anything different. It may be more focused today because of what's going on with the Internet, but these assets have continued to evolve.

With respect to other investors, I'd say it's mixed. Some have a very strong view that these are great assets and continue to want to invest. I think most of our great assets would have strong, strong bids from many institutional clients if we wanted to bring them to market, and they'd be well bid. Some people probably have a view that if they don't know the industry or don't know the assets or they have some other view. But I'd say in general there's still a significant bid for these type of assets in the private market.

MARIO SARIC:

Okay. That's helpful. Just my second question on the asset management side, I noted that the amount of future fees that you'll earn on capital deployment increased about $12 million quarter-over-quarter and that's on a $1 billion increase in uncalled third party capital. I'm just curious in terms of whether you're seeing any trends in fund structure with respect to fee payment on deployment versus commitment and what you're kind of expectations are in terms of the structures of the successor opportunistic funds when you get them up and running, in terms of fee structure.

BRIAN LAWSON:

That's I guess something that continually evolves and we've seen those sorts of things shift around a bit over the last five years or so. We expect they'll continue to do that way. I think to a certain degree it depends on the strategy of the fund and having those sorts of fee structures may make more sense for some strategies and less for others. Then some of it also relates to back to—I'm talking more about the private funds there. Then also what you'll see from time to time is in the listed funds that we will have cash on the balance sheet that goes to credits against your fee base and then as that cash gets deployed that then increases the fee base as well.

MARIO SARIC:

Okay. That's it for me. Thank you.

OPERATOR:

The next question is from Andrew Kuske of Credit Suisse. Please go ahead.

ANDREW KUSKE:

Thank you. Good morning. I think the first question is for Bruce and it just relates to your asset management business and really what's taking greater precedence at this point in time. Is it expanding the client base that you have and just number, or increasing the dollar commitments that you have from existing clients, acknowledging that they're already pretty concentrated and pretty big ticket commitments already.

BRUCE FLATT:

We'd like both, Andrew.

ANDREW KUSKE:

That's a good answer.

BRUCE FLATT:

It is the short answer, but I think generally what you're seeing in the world is both—and maybe to be more specific about it—the bigger institutions want to have bigger commitments to larger funds because they want to have less relationships, and therefore, if you have a big fund you can have them as a client, and that's an important thing. There are many institutions in the world that are larger that just can't go into funds that are smaller and we thankfully fit into those with all of our funds and therefore we continue to get a share of their capital.

On the smaller institutional side or people that put of $25 million, $50 million, $75 million, $100 million, $150 million into funds, those institutions are generally smaller funds. They haven't had as much investment in alternatives in past, many of them, and we're continuing to penetrate those institutions with alternatives and they're just getting into the business, and each fund we do we continue to penetrate more of those institutions and if they get a good experience from us and others, we believe they're going to continue to expand the wallet of their institutional money towards alternatives and these real asset products and that should be good for all of us.

So, I'd say we're trying to do both, which is expand the relationships with the larger institutions because they can have big amounts in the funds and we can offer them co-invest and penetrate new smaller institutions.

ANDREW KUSKE:

That's helpful. Maybe just an expansion on the original question. When you think about some of the new strategies that you're starting to put out there to the market on a private basis, how much that is really driven by existing clients effectively asking you to be involved in new business lines or your own origination ideas of things that you'd like to be involved in because thematically you see them as being longer term good businesses?

BRUCE FLATT:

To be very specific about it, we're in the businesses we're in and we will offer the products that our clients want to buy in those areas. So, if somebody asks us to do something that we don't think we're comfortable in investing in, we won't do it. But if it's within our scope of expertise, like our open-ended—meaning money can come in open-ended over time to the fund—that product is what a number of institutions are looking for in the United States. It's been natural. It's been a business we've been in for a long time so we created it for them and we're now offering it to our clients.

So, I think that's, I guess, the important two points, to answer your question.

ANDREW KUSKE:

Finally, if I may, just on India, just switching gears a little bit? I appreciate the commentary in the Letter and really the decade to build up the business to where it is now. Should we look at the playbook that you used in India as something that you would look to do in, say China, for example, where it's an equally big market, where as it stands right now you have the Xintiandi JV and that's really your foothold? Is that something that you would look to borrow the Indian playbook and transport that into China? Acknowledging some differences between the two.

BRUCE FLATT:

Yes, so I guess I'd just say these things don't get built overnight, as you know, and it took us 10 years in India to really hit the ability to put capital to work comfortably for clients in China. We've been there really four or five years. We now have 50 people in an office where we have the Xintiandi partnership. We building industrial warehouses for Wal-Mart. We've bought—in TerraForm we're getting some solar plants in the country. We have one port investment in our Infrastructure business, but it's relatively modest dollars.

We're still getting comfortable and I do think there's going to be a number of opportunities. To date, we haven't made it a significant part of the business but I think at some time over the next 10 years it will be.

ANDREW KUSKE:

That's great. Thank you.

OPERATOR:

As a reminder, if you wish to ask a question, please press star, then one. The next question is from Alex Avery with CIBC.

ALEX AVERY:

Thank you. Bruce, you gave sort of an overall macro view of all of the major markets you're invested in at the beginning and a sort of non-descript description of Canada. The Canadian housing market I think has been a hot topic for quite some time but with what's happened with Home Capital and I think Moody's downgraded the Canadian Banks, not directly due to Canadian housing but due to the effect on consumer indebtedness. You don't have a lot of money tied up in this area but you do have a lot of services businesses that give you good insight into that industry. How are you feeling about that and do you think there's opportunity or risk there?

BRUCE FLATT:

We do have some business in Canada in residential. We have the brokerage business. We have a housing business, predominantly in Alberta and interestingly we're still doing well. We have a small business in Ontario that's highly profitable but not meaningful to the overall franchise. So it does affect us and we do watch it.

I would just say based on the information that we have, first, banks in Canada are extremely well financed and the mortgage market is different than what caused the problems in the United States. Therefore, we don't believe there's any issues in the banking system or on a macro basis to Canada.

I don't have any idea about ratings of the banks, of what got created, but from what I can see they're very well financed and the market, in general, isn't in an issue.

On the housing side I think you have seen the housing prices come down in Alberta. In Vancouver, they've been high for 25 years and that may stay. In Toronto, they've been very high over the past three years and there's no doubt at some point in time some of those prices are going to deflate a bit. I think we just hope that it's done in a prudent fashion, and I think the government and the banks have been trying to make all the right efforts to ensure that they control the situation.

We don't foresee any big issues.

ALEX AVERY:

Okay. In an earlier question you touched on keeping abreast of political developments around the world. I think I know the answer but can you just provide your view or your appetite on making investments where the outcome is subject to political decisions or events having to take place?

BRUCE FLATT:

I don’t know if this answers your question. I’m going to say this part and if it doesn’t you can ask it in a different way.

I would just say that what we do with our business is we are micro investors but overriding that, first we look at a country and to go there—remember, we set up in a country, we learn the rule of law—we learn the country, we put people there and then we start making investments. So, we have to believe that there’s a large enough opportunity for us to invest; it’s meaningful enough over time that we can deploy capital to put the resources there, and we believe that we have to have a situation where the environment is okay for us to invest in. What that means is that it has a rule of law, it has governance in the country and it has a respect for capital. If you have those things, every country in the world has an will in the future go through its own turmoil with economic situation. Everyone refers to Brazil and India today but one forgets the fact that United States went into a total meltdown in 2008 and 2009 and it was far worse in the United States. So I would just say every country has that, and we didn’t dissuade ourselves from investing in the United States in ’08 and ’09. In fact, we felt it was still a good country. It had rule of law. It had respect for capital and it had all the things we wanted to invest and therefore we put a lot of money there.

We don’t go to countries because—even if they’re really cheap, if we don’t believe that they’re good longer term. So I think that’s the important point is that we are value investors in places that we’re comfortable in putting money to work. We’re not value investors where we’re not comfortable, or where it’s not actionable. If we haven’t gone there and we haven’t learned the place, we’re not going to invest. That’s a very significant difference.

ALEX AVERY:

Okay, that’s great. Thank you.

BRUCE FLATT:

Thank you.

OPERATOR:

This concludes the question and answer session. I'd like to turn the conference back over to Ms Fleming for any closing remarks.

SUZANNE FLEMING:

Thank you everybody for joining. With that, we will end the call. Thanks.

OPERATOR:

This concludes today's conference call. You may disconnect your lines. Thank you for participating and have a pleasant day.