

[The Manulife Investment Management logo appears on the screen]

What we look at is really what's the real sustainable cash that this company will generate? And again, it takes a lot of work. To really understand it and understand where the cash is coming from, where it's going, you need to look at the last ten years of the financial statement, in our opinion, and it requires a lot of work. Every company according to the industry, depending on how the company decides to present their numbers, it will be different, so we have to make a lot of adjustments. It can take weeks, it can take months, but it pays off.

Because if you have that number and you really understand it, we think, one, you've got the right number. In my mind, cash is the real driver of economic value. But secondly, you're differentiating yourself. You have a unique perspective that nobody else has because nobody else, in our mind, really puts in the time to really understand it in this way.

And you can understand three key things about a company. You can understand the quality, meaning is this a company that's been generating cash year-over-year and I can expect it to generate cash going forward?

Secondly, the sustainability, meaning how much risk is there in this business? What happens if things go wrong? What happens to that cash if something goes wrong at the company? That will really define the risk that you're taking.

And third, but certainly not least, what should I be paying for this business? And if you understand the cash, in our mind, it gives you a better sense of what value resides in this business.

Now if we take a step back, we're pretty constructive on the market. We see a very healthy consumer who's employed, and we see companies that are actually delivering the highest profit margins we've seen in a long time.

So, but that said, when we build our portfolios, it really comes down to what are the best quality ideas based on a cash measure and which ones offer the best valuation based on a cash measure? And with that, we're building a portfolio of 40-odd names, fully invested, that we think can weather the economic environment, whether it's a positive one, whether it's a negative one, and our track record would point to consistency, downside protection, and long-term outperformance. So, it's really coming down to the basics, all about that cash.

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