BLACK CREEK
INVESTMENT MANAGEMENT INC.

Black Creek Global Leaders Fund
Second-quarter 2019 Commentary

Market Overview

- Investors entered 2019 shouldering a host of concerns, including slowing economic growth, lower corporate profitability, geopolitical uncertainty and heightened global trade tensions. Nonetheless, global markets went on to achieve positive results during the first half of the year, so it appears that all is well and good. How did this happen? While uncertainties remain, investors have embraced the prospect of renewed monetary policy stimulus from global central banks, as well as on optimism for progress in U.S.-China trade negotiations.

- Interestingly, assets across the risk spectrum rallied during the first half of 2019. The outlook for interest-rate cuts and liquidity to support growth and a return to a "lower-for-longer" rate policy at central banks led to gains across most asset classes for the first half of the year. In U.S.-dollar terms, the MSCI All Country World Index gained 16.2% over this period, led by the more cyclical sectors. Investors continued to prefer the U.S. market, which outperformed equities elsewhere. Within fixed-income markets, U.S. high-yield issues performed well, as did U.S. Treasuries at the opposite end of the risk spectrum.

Performance Summary

- Over the second quarter of 2019, Class F of Black Creek Global Leaders Fund (the "Fund") returned 2.4% compared with its benchmark, the MSCI World Total Return Index, which was up 1.7% over the same period.

- The Fund's outperformance was primarily driven by stock selection within the materials, industrials and health care sectors.

Contributors to Performance

- Top contributors to Fund performance over the quarter included Schneider Electric SE, HeidelbergCement AG and Booz Allen Hamilton Holding Corp.

- Schneider Electric is a global leader in energy management and automation solutions. The France-based company had a strong start to 2019, with year-over-year revenue up 9% and 6% organic growth. The company also confirmed its forecasted targets for the year.

- HeidelbergCement is one of the world's largest building-materials companies. The Germany-based company produces and distributes cement, aggregates, ready-mixed concrete and asphalt. HeidelbergCement began the year well with like-for-like revenue and earnings before interest, taxes, depreciation and amortization up 5% and 26% for the first quarter of 2019, respectively. Sales volume also increased across all materials, and the company confirmed its 2019 outlook.

- Booz Allen Hamilton Holding provides management and technology consulting services to government and private corporations. The U.S.-based company's year-over-year revenue increased 9.1% to U.S.$1.8 billion during its fiscal-year fourth quarter, driven primarily by continued strength in demand for its services, notably digital and cybersecurity consulting.

Detractors from Performance

- Top detractors from Fund performance over the quarter included Glanbia PLC, Asics Corp. and Makita Corp.

- Glanbia is an Ireland-based global nutrition group. It has leading market positions in sports nutrition, cheese, dairy ingredients, speciality non-dairy ingredients, and vitamin and mineral premixes. Glanbia's share price has dropped amid negative sentiment around the U.S. sports nutrition market, Brexit and U.S.-China trade concerns. The company has grown faster than its peers and has an attractive valuation. It continues to transition toward higher-value-added and higher-margin products.

- Asics is a global sports-apparel company based in Japan. The company's first-quarter 2019 earnings were disappointing. Asics has been investing in its brands to raise its profile with consumers and has also been investing in its digital platform, resulting in higher costs.

- Makita is a global leader in power tools for residential and commercial use. The Japan-based company also has longer-term growth opportunities to leverage its technologies into adjacent categories, such as the power lawn/gardening tool market. Makita's share price has been pulled down in large part by U.S.-China trade concerns.

Portfolio Activity

- In the second quarter of 2019, one new holding, Nutrien Ltd., was added to the Fund's portfolio.

- Nutrien is the world's largest provider of crop inputs (such as potash, nitrogen and phosphate) and agricultural services and solutions. The Saskatoon-based company is also the largest agricultural retailer, selling fertilizers, crop chemicals and seed directly to farms. In a world with a declining amount of arable land, its products help to grow crops more efficiently. Nutrien's competitive advantages include its substantial scale, unique wholesale-retail business model, its low-cost of production and global reach. Its stock has an attractive valuation.

- There were three outright sales: Henry Schein Inc., Wienerberger AG and Woodward Inc.

- Henry Schein is the world's largest provider of health-care products and services to office-based dental and medical practitioners. The U.S.-based company recently sold off its animal-health business to focus on dental and medical practitioners.

- Wienerberger of Austria is a leading producer of bricks, clay roof tiles, concrete pavers and pipe systems.

- U.S.-based Woodward is a leading global designer, manufacturer and service provider of control systems for the aerospace and industrial markets.

- All three of these holdings were sold from the Fund's portfolio after they produced strong market performance, which reduced their future return potential.

Outlook

- While the truce in the trade war between the United States and China is a positive development, it does not solve the more immediate concerns over moderating global economic growth. Moreover, an immediate resolution to the trade tension is unlikely as the Americans' tougher stance with China includes addressing issues such as intellectual property rights and cybersecurity, which will take longer to negotiate.

- The global bond market is offering up its own warning signs on the global economy. Proposed extensions to quantitative-easing measures by central banks have delayed the reversion to the mean in interest rates and has resulted in a record-high US$13 trillion in negative-yielding global debt across Europe and in Japan. While U.S. interest rates are comparatively higher – and not in negative territory – they have declined, resulting in an inverted yield curve, which for many investors indicates a greater risk of a recession.

- While eased monetary policies around the world continue to bode well for equity markets over the short term, this situation will eventually lead to a reduction in operating margins and returns on capital for most companies. Almost free and ubiquitous capital has lowered barriers to entry for many businesses. Along with rapid technological change, it may be the case that companies' life cycles are now shorter than ever. New entrants have largely adopted policies to spend as much as possible to gain market share at any cost.

- Low interest rates and low inflation have supported higher equity market valuations, which will lead to below-average returns. There is also a notable valuation gap between the U.S. and international markets. The latter currently offer a more attractive valuation and potential returns. The U.S. market has also become dominated by growth-oriented companies, the share prices of which have been driven up by the strong stock market.

- Investors have been willing to chase high near-term growth, but corporate profitability is distant in this investment environment. This is particularly evident in the U.S. initial public offering market, where companies are being valued on multiples of sales, which makes them more marketable as many are significantly unprofitable. The S&P 500 Index trades at an average price-to-sales multiple of 1.9 times trailing 12-month sales, and the S&P 500 Index's information technology sector trades at an average price-to-sales of 3.7 times. By comparison, valuation levels are excessive for many companies that have recently gone public. (For example, Beyond Meat Inc.'s price-to-sales ratio was 83.7 times, CrowdStrike Holdings Inc.'s was 54.5 times and Slack Technologies Inc.'s was 41.6 times.) Even with an optimistic promise of above-average growth and potential profitability over the next decade, there is considerable downside risk.

- It is also notable that there is a record US$2.5-trillion stockpile of private equity capital on the sidelines, which has led to larger and more aggressive privatization deals, with rising valuation levels and increased use of leverage.

- If this scenario endures, our concern is that current monetary policies may result in a loss of investor confidence.

- As always, we will continue to look past the market noise and use volatility to our advantage as we invest the Fund in winning businesses at attractive valuations. For Black Creek Investment Management Inc., successful investing requires evaluating companies that are interesting on a fundamental basis, and having the patience to take a long-term view.

Class F returns (in %) as at June 30, 2019	**Year-to-date**	**1 year**	**3 year**	**5 year**	**10 year**	**Since inception (06/12/2006)**
Black Creek Global Leaders Fund	11.2	4.4	12.6	11.2	13.2	9.6

Sources: Bloomberg L.P., MSCI Inc., S&P Dow Jones Indices, Morningstar Research Inc., StatPro Group plc and Black Creek Investment Management Inc., as at June 30, 2019.

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