



Black Creek Global Leaders Fund Third-quarter 2020 Commentary

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Class F returns (in %) as at September 30, 2020	Year- to-date	1 year	3 year	5 year	10 year	Since inception (2006-06-12)
Black Creek Global Leaders Fund	0.4	8.3	5.2	10.5	11.9	9.3

Sources: Bloomberg Finance L.P., MSCI Inc., S&P Dow Jones Indices, Morningstar Research Inc., StatPro Group PLC and Black Creek Investment Management Inc., as at September 30, 2020.

Market Overview

- Global equities advanced in the third quarter, but gains continued to be uneven and narrow. The strong rally faded towards quarter-end on concerns of stretched valuations in certain areas of the market. The U.S. Congress' inability to pass further fiscal stimulus amid a bipartisan impasse also added to market volatility.
- In U.S.-dollar terms, global stocks (as defined by the MSCI ACWI Index) returned 8.1% for the quarter. Markets were supported by accommodative monetary and fiscal policy, signs of improving economic data and positive news on therapeutic treatments and vaccine progress.
- Investor preference continued to lean towards what has worked, with familiar high-valuation momentum and growth stocks favoured. Despite rising trade tensions, China (+12.5%) and the United States (+8.9%), led by large-cap technology and e-commerce stocks, were amongst the best-performing markets. The United Kingdom (-0.2%), which has been hampered by Brexit uncertainty, was among the laggards.



Performance Summary

- Black Creek Global Leaders Fund Class F (the Fund) returned 5.3% during the quarter, trailing its benchmark, the MSCI World Total Return Index, which returned 6.0% over the same period.
- Strong selection in the industrials, financials and health care sectors was more than offset by weakness in the information technology, consumer staples and communication services sectors.

Contributors to Performance

- Top contributors over the quarter included Makita Corp., Nutrien Ltd. and Inovalon Holdings Inc.
- Makita is a global leader in cordless power tools for residential and commercial use. The company is using its expertise in lithium-ion battery technology to move into areas such as lawn and garden tools. During the quarter, the company announced better-than-expected first-quarter 2020 operating profit and revenue, and maintained a positive outlook.
- Nutrien is the world's leading provider of crop inputs, services and solutions. It is also the world's main agricultural retailer, selling fertilizers, crop chemicals and seed directly to farms. The company announced that although there was a slowdown in the first half of 2020, free cash flow remained resilient and management declared a quarterly dividend. Results benefitted from higher volumes in the company's retail division. The company's outlook remains positive.
- Inovalon Holdings is a technology company that provides cloud-based platforms to the healthcare industry. During the quarter, the company disclosed that it has been selected by Walmart Inc. for a long-term association to provide cloud-based capabilities to Walmart's specialty pharmacy business through the Inovalon ONE Platform.

Detractors from Performance

- Top detractors over the quarter included Galp Energia SA, GlaxoSmithKline PLC and DS Smith PLC.



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- Galp Energia is an Iberia-based integrated oil-and-gas operator that has a low cost of production. Its shares fell on news that it had sustained a loss in the second quarter of 2020 due to the impact of the coronavirus and lockdowns in Portugal and Spain. To preserve cash, the company announced that it had suspended its interim second-half dividend. More recently, the company did note positive signs as countries began to re-open and refining activity resumed, but also cited a continued challenging environment.
- GlaxoSmithKline's second-quarter results showed that sales at its vaccines business had missed expectations, as vaccinations for standard diseases, such as hepatitis and meningitis, were disrupted by pandemic-related lockdowns across the world. The company stated that it anticipates vaccination rates will pick up as lockdowns ease.
- Cardboard box manufacturer DS Smith reported good year-over-year results due to increased e-commerce shopping during the coronavirus lockdown. To be cautious, the company cancelled its final dividend payment due to macro uncertainty, which led to a decline in its share price.

Portfolio Activity

- During the quarter, one new holding, Merck KGaA, was added to the Fund. Woodward Inc. was the sole outright sale.
- The Merck Group is a German multinational pharmaceutical, chemical and life sciences company that operates in three main segments: life sciences, performance materials and healthcare.
- Woodward is a U.S. based, global independent designer, manufacturer, and service provider of control solutions for the aerospace and industrial markets. We like the company, however, the stock price recovered significantly from its March lows and we believe valuation is well ahead of underlying business fundamentals – particularly given that aerospace will be slow to recover.

Outlook

- At Black Creek, we buy companies based on their underlying fundamentals and focus on businesses that are winning with their customers at prices that are inexpensive relative to their long-term cash flows. This approach has lagged in a narrowly led market, and the



pandemic has only compounded this trend. These are extraordinary times and, while near-term performance has not kept up with the market, we have confidence that, given our time horizon, our portfolio of winning businesses will ultimately demonstrate their value.

- We believe that whatever shape the post-pandemic recovery follows, it will favour a broader rally in stocks and help to rebalance equity markets that have become heavily tilted towards large-capitalization growth and momentum stocks.

We wish all the best to you and your families, and hope that you are healthy and safe. We thank you for your continued support and confidence.

Sources: Bloomberg Finance L.P. and Black Creek Investment Management Inc.

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