



Black Creek Global Balanced 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 (2007-01-29)
Black Creek Global Balanced Fund	-2.4	1.5	2.0	4.5	8.0	5.9

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

- Over the third quarter of 2020, Black Creek Global Balanced Fund Class F (the Fund) returned 1.8%, underperforming its blended benchmark, the MSCI World Index (60%) and the J.P. Morgan Global Government Bond Index (40%), which returned 3.8% over the same period.



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- The Fund's equity holdings had a positive absolute return, however, underperformed the benchmark. Positive selection in materials was more than offset on a relative basis by weakness in consumer staples, industrials and energy.
- Overall, the fixed income asset class had a positive absolute return that outperformed its benchmark. Within the bond component, high-yield corporate exposure provided both positive absolute and relative contribution. The U.S. high-yield corporate bond spreads compressed during the quarter, as investors embraced the U.S. Federal Reserve's bond-purchase program, which now includes bonds rated below investment-grade. The government bond portion (U.S. Treasuries) of the fixed income sleeve detracted mainly due to currency, as U.S. Treasury yields remained stable over the quarter. Relative to the benchmark, not holding European government debt (at very low-to-negative yields) was a detractor, as rates continued to fall (prices rose). Bond investors embraced the European Union's plan for a coordinated £750 billion recovery fund, representing an historic step in bringing together national finances.
- The currency component contributed to performance, as the partial hedge benefitted from the Canadian dollar rising 1.9% relative to the U.S. dollar, during the quarter.

Contributors to Performance

- Top contributors to Fund performance for the quarter included Nutrien Ltd., Inovalon Holdings Inc. and Wienerberger AG.
- 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.



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- Wienerberger is a leading international supplier of building materials and infrastructure solutions, and is the main manufacturer of bricks, globally. The company's share price rose on better-than-expected second-quarter earnings due to an improvement in demand after some pandemic-related restrictions were eased in North America and Europe. The company also modestly increased its full-year profit outlook.

Detractors from Performance

- Top detractors from the Fund's performance for the quarter included Greencore Group PLC, Ontex Group NV and Galp Energia SA.
- Greencore Group is a leading manufacturer of convenience foods for retail and food service customers in the United Kingdom. The company has been impacted by a greater-than-expected slowdown in sandwich and other ready-made meal sales through grocers than initially expected during the coronavirus lockdown. The company was also required to temporarily shut down a facility in Northampton due to a coronavirus outbreak.
- Ontex Group manufactures disposable personal hygiene products in the baby, feminine and adult care categories. While the company announced profitability in the second quarter of 2020 that exceeded expectations on positive tailwinds for raw materials costs and cost saving initiatives, top-line revenue has been impacted due to currency volatility in key emerging markets, particularly Mexico and Brazil. Investors have also been concerned with elevated levels of debt, although this concern has diminished as profitability improves.
- Galp Energia is an Iberia-based integrated oil-and-gas operator that has a low cost of production due to offshore Brazilian assets. 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. This led the company to shut down its biggest Portuguese refinery. 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.

Portfolio Activity

- During the quarter, there were no new equity holdings added to or eliminated from the Fund.



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- During the quarter, no new fixed income holdings were added to the Fund. A Sabre Global Inc. 5.25% 11/15/23 (144A) corporate bond, was sold.

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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