



## Black Creek International Equity Fund Third-quarter 2020 Commentary

*Richard Jenkins, CFA, Chairman and Managing Director*  
*Melissa Casson, CFA, Director of Global Equities*  
*Evelyn Huang, CFA, Director of Global Equities*

Class F returns (in %) as at September 30, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2008-09-30)
Black Creek International Equity Fund	-18.3	-9.5	-4.6	2.1	7.6	8.7

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 International Equity Fund Class F (the Fund) returned 1.1%, trailing its benchmark, the MSCI EAFE Total Return Index, which returned 2.9% over the same period.



**BLACK CREEK**  
INVESTMENT MANAGEMENT INC.



- The Fund's performance was positive on an absolute basis but trailed its benchmark. Positive selection in materials, information technology and consumer discretionary was not enough to offset weakness in the communication services, industrials and health care sectors.

### **Contributors to Performance**

- Top contributors to Fund performance over the quarter included Alibaba Group Holding Ltd., Haier Electronics Group Co. Ltd. and Aryzta AG.
- Alibaba is a Chinese multinational holding company specializing in e-commerce, retail, internet and technology. Its stock surged after it reported very strong first-quarter results with revenue and earnings exceeding expectations. Investors rewarded strong results from its Chinese e-commerce sales, Alicloud cloud-computing platform and Ant Financial online banking service.
- Haier Electronics Group is the world's leading manufacturer of household appliances. Haier's share price rose on the news that its controlling shareholder, Haier Smart Home, proposed to privatize the company in a deal through a share swap, which will benefit the company's global growth.
- Aryzta is a Switzerland-based global leader in frozen par-baked goods. The company's shares rose on news that it was attracting interest from potential bidders. In September, shareholders of Aryzta also elected new leadership and shifted control to activist investors, Cobas Asset Management SGIIC SA and Veraison Capital AG.

### **Detractors from Performance**

- Top detractors over the quarter included Galp Energia SA, Bharti Infratel Ltd. and Sinopharm Group Co. Ltd.
- 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.



**BLACK CREEK**  
INVESTMENT MANAGEMENT INC.



- Bharti Infratel is a leading telecom tower infrastructures provider company in India. The company's share price has been under pressure due to the uncertainty around the financial health of a large customer, Vodafone Idea Ltd. Its share price recovered on the news of the approval of the long-pending merger with Indus Towers Ltd. to create the world's leading mobile tower operator outside China. The deal will allow Vodafone Idea to raise cash through the divestment of its stake in Indus Towers.
- Sinopharm Group's main business is drug distribution in mainland China. Other notable business segments are medical device distribution and retail pharmacies. It has been impacted as the regular sale of medicines, and medical devices by hospitals and pharmacies has been disrupted by the spread of the coronavirus. The company reported interim earnings in August that showed signs of recovery in growth from the first quarter's negative impact of COVID-19.

### **Portfolio Activity**

- In the second quarter of 2020, two new holdings, GlaxoSmithKline PLC and Telefonaktiebolaget LM Ericsson, were added to the Fund. ASM International NV and Schneider Electric SE were outright sales.
- GlaxoSmithKline is a global healthcare company based in the United Kingdom. It has three leading global businesses that research, develop and manufacture innovative pharmaceutical medicines, vaccines and consumer healthcare products.
- Ericsson is a world leader in information and communications technology solutions, including cloud services, mobile broadband, and network design and optimization. Ericsson has one of the industry's strongest patent portfolios and a high commitment to research and development. It is exposed to the attractive growth areas of cloud and 5G infrastructure buildout.
- Schneider Electric and ASM International were sold given share price appreciation, which reduced future return potential.



**BLACK CREEK**  
INVESTMENT MANAGEMENT INC.



## 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.

### **IMPORTANT DISCLAIMERS**

*Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns), including changes in security value and reinvestment of all distributions, and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.*

*The author and/or a member of their immediate family may hold specific holdings/securities discussed in this document. Any opinion or information provided are solely those of the author and does not constitute investment advice or an endorsement or recommendation of any entity or security discussed or provided by CI Investments Inc.*

*Certain statements contained in this communication are based in whole or in part on information provided by third parties and CI Investments Inc. has taken reasonable steps to ensure their accuracy. Market conditions may change which may impact the information contained in this document.*

*The contents of this piece are intended for informational purposes only and not to be used or construed as an endorsement or recommendation of any entity or security discussed. The information should not be construed as investment, tax, legal or accounting advice, and should not be relied upon in that regard. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies. These investments may not be suitable to the circumstances of an investor. Some conditions apply.*



**BLACK CREEK**  
INVESTMENT MANAGEMENT INC.



*The opinions expressed in the communication are solely those of the author and are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.*

*Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate,” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.*

*The comparison presented is intended to illustrate the mutual fund’s historical performance as compared with the historical performance of widely quoted market indexes or a weighted blend of widely quoted market indexes or another investment fund. There are various important differences that may exist between the mutual fund and the stated indexes or investment fund that may affect the performance of each. The objectives and strategies of the mutual fund result in holdings that do not necessarily reflect the constituents of and their weights within the comparable indexes or investment fund. Indexes are unmanaged and their returns do not include any sales charges or fees. It is not possible to invest directly in market indexes.*

*© 2020 Morningstar Research Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.*

*Black Creek Investment Management Inc. is a portfolio sub-advisor to certain funds offered and managed by CI Investments Inc.*

*CI Investments and the CI Investments design and Trusted Partner in Wealth are registered and unregistered trademarks of CI Investments Inc., its subsidiaries or affiliated entities. All other marks are the property of their respective owners.*

*© CI Investments Inc. 2020. All rights reserved.*

*Published October 14, 2020.*