



Black Creek International Equity 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 (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.



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- 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.



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- 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.



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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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