

## CI International Equity Alpha Private Pool First-quarter 2020 Commentary

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Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	Since inception (2018/10/29)
CI International Equity Alpha Private Pool	-20.6	-12.7	N/A	N/A	-5.2

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 March 31, 2020.

### Market Overview

- The 2020 global market sell-off (in U.S.-dollar terms, the MSCI ACWI Index fell 21.4%) has been the fastest decline and one of the worst on record in terms of magnitude. For equity markets, the two main events that have dominated the dramatic change in investor confidence over the past several months are the global spread of coronavirus, and the price war between Saudi Arabia and Russia in the oil market. The supply surge, coupled with the drop in demand, led to a price collapse (Brent Crude fell 66%).
- The response from investors to the uncertainty caused by the spread of the virus has been severe. Investors flocked to safe-haven assets and fear of the coronavirus achieved what the failure of Lehman Brothers, the Greek debt crisis, Brexit and the U.S.-China trade war could not, as the U.S. 30-year Treasury yield fell through 2% (fell as low as 1.00%) for the first time and the U.S. 10-year Treasury fell as low as 0.54%.

### Performance Summary

- Over the quarter ended March 31, 2020, Class F of CI International Equity Alpha Private Pool (the Fund) returned -20.6%, while its benchmark, the MSCI EAFE (Net) Total Return Index, returned -15.2% over the same period.

## Fund Holdings

- During the quarter, among the Fund's top holdings were Koninklijke Philips NV; NOF Corp; Wienerberger AG; Carnival Corp.; Morgan Advanced Materials PLC; and ICICI Bank Ltd.

## Portfolio Activity

- During the quarter, there were three new holdings added to the Fund: Arkema SA, Koninklijke Philips NV and Wienerberger AG. Carnival Corp., Dentsu Inc., and Lloyds Banking Group PLC were eliminated from the Fund.
- Arkema is a French-based global chemical company with a significant presence in the global acrylics market. The company has also developed a strong portfolio of higher margin speciality chemical offerings. It is organised into three segments: high-performance materials, industrial specialities and coatings solutions.
- Royal Philips is a leading health technology company that operates in three segments: diagnosis and treatment, connected care and personal health. The company leverages advanced technology and deep clinical and consumer insights to deliver integrated solutions.
- Wienerberger AG is a leading international supplier of innovative building materials and infrastructure solutions. The company is the world's largest producer of bricks and has exposure to clay roof tiles, concrete pavers and pipe systems. We initiated a position in this holding after its share price declined on the fallout from the coronavirus impact on building material companies, given concerns around global growth.
- We sold the position in Carnival due to our growing concern about future cruise demand, coupled with higher leverage (stretched balance sheet) and plans for greater capital expenditure going forward. We continue to like the long-term prospects of the travel and tourism industry based on attractive demographics (increasing number of wealthy retirees) and rising incomes in the developing world, as well as technological changes, which make booking travel easier.
- Dentsu, a Japan-based global advertising company and Lloyds Banking Group, a leading U.K.-focused retail and corporate bank, were sold from your portfolio in favour of opportunities with greater future return potential.

## Outlook

- At Black Creek, we use fundamental analysis and seek to identify industry leaders that are gaining market share, providing a reasonable return on capital and reinvesting for future growth to support their competitive position over the long-term.
- In a time of crisis, such as now, we must ensure that the companies we own have sufficient liquidity and staying power to get through a temporary demand shock. We are asking the question of all our holdings: “Has anything in our investment thesis changed due to this event?” It has been our experience that, because we buy leaders who are gaining market share, our portfolio companies come out of challenging times in an even better competitive position. While this might not prevent material stock price declines in the short-term, the businesses should ultimately win. We are communicating with the management teams of our company holdings as this crisis deepens.
- Market volatility may provide an opportunity to improve or upgrade our portfolio, just as we did in the 2008-09 period when about half of our holdings changed. It is also an opportunity to increase or decrease a position size based on our evaluation of the underlying operating fundamentals of each company versus current market sentiment (share price). During this sell-off, investors have been indiscriminately selling companies to reduce equity exposure. We are currently looking at where we can upgrade the portfolio by trimming/selling our least favorite ideas and adding to/buying our top ideas (based on future expected return potential). Patience and a long-term outlook are generally rewarded as shorter-term market uncertainty abates.

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 in Black Creek.

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