



Black Creek Global Leaders Fund Second-quarter 2020 Commentary

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Class F returns (in %) as at June 30, 2020	Year- to-date	1 year	3 year	5 year	10 year	Since inception (2006-06- 12)
Black Creek Global Leaders Fund	-4.6	1.9	4.9	8.4	12.7	9.1

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 June 30, 2020.

Market Overview

- As we begin the second half of 2020, worldwide coronavirus cases have passed the 10 million mark and deaths have exceeded a half million. Virus hotspots include much of Latin America, India and Russia, and we are seeing a resurgence of new cases in the United States.
- Despite this situation, equity markets saw a strong recovery in the second quarter. Central bank stimulus, positive commentary on vaccine trials and investor hopes for a swift economic recovery led U.S. stocks (S&P 500 Index gained 20.5%) to their best quarterly gain since the fourth quarter of 1998. In U.S.-dollar terms, global stocks (as measured by the MSCI ACWI) rose 19.2%. We, like many observers, think there is a disconnect between market prices and the real economy, perhaps driven by continued easy monetary policies from the central banks.
- We can find some attractive opportunities in the United States but continue to prefer companies in developed and developing international markets. In a world of uncertainty, U.S. equities (as defined by the S&P 500 Index) are currently priced for perfection with a forward price to earnings (P/E) multiple of 24 times. Outside the United States, the MSCI World ex-USA and MSCI Emerging Markets indices have more reasonable forward P/E multiples of 17.1 times and 14.1 times, respectively.



Performance Summary

- Black Creek Global Leaders Fund Class F (the Fund) returned 14.9% during the quarter, outperforming its benchmark, the MSCI World Total Return Index, which returned 14.4% over the same period.
- The Fund's strong performance was primarily driven by stock selection within the consumer staples and industrials sectors.

Contributors to Performance

- Top contributors to Fund performance over the quarter included BorgWarner Inc., Vinda International Holdings Ltd. and Schneider Electric SE.
- BorgWarner is a leading automotive industry components and parts supplier. The company's share rallied after it reported better-than-expected first-quarter results and on positive signs of a recovery in Chinese auto sales.
- Vinda International is a leading provider of high-quality household paper and hygiene products in Pan Asia. The company's shares have risen on increased demand for its products, including toilet tissue and hygiene products, such as its wet wipes, amid concerns around the spread of the coronavirus.
- Schneider Electric is a global leader in energy management and automation solutions. The company has exposure to attractive growth areas including data centres, industrial automation, industrial Internet-of-Things, and software and services.

Detractors from Performance

- Top detractors from Fund performance over the quarter included Nutrien Ltd., Glanbia PLC and Merck KGaA.
- Nutrien is the world's largest provider of crop inputs, services and solutions. It is also the world's leading agricultural retailer selling fertilizers, crop chemicals and seed directly to farms. Increased planting activity in the United States was positive for crop inputs and services, but investors focused on near-term potash prices that have been dragged down by weak offshore demand. Fertilizer demand has been hit by a combination of factors including



the drawn-out U.S.-China trade war and falling oil demand, which has dampened corn (biofuels) demand.

- Glanbia is an Irish global nutrition group. It has leading market positions in sports nutrition, cheese, dairy ingredients, specialty non-dairy ingredients, and vitamin and mineral premixes. Merck KGaA is a German multinational pharmaceutical, chemical and life sciences company that operates in three main segments: life sciences, performance materials and health care. Both companies' shares held up well during the market downturn but lagged in the second-quarter recovery.

Portfolio Activity

- In the second quarter of 2020, three new holdings were added to the Fund: DBS Group Holdings Ltd., Malaysia Airports Holdings Bhd and Woodward Inc. Conversely, Daikin Industries Ltd., FTI Consulting Inc. and Nielsen Holdings PLC were sold.
- DBS Group is a leading banking and financial services group headquartered in Singapore with operations across 18 markets, primarily Singapore, Greater China and Southeast Asia. The company is a leader in terms of using digitization to improve its customer experience, as well as loyalty.
- Malaysia Airports Holdings is one of the leading airport operator groups in the world in terms of number of passengers handled. It manages 39 airports across Malaysia (with five international airports, 16 domestic and 18 short take-off and landing airports), as well as one international airport located in Istanbul, Turkey.
- Woodward is a U.S. based, global independent designer, manufacturer and service provider of control solutions for the aerospace and industrial markets.
- Daikin Industries and FTI Consulting were sold for valuation reasons given strong share-price performance. Nielsen Holdings was sold given the company's intention to split into two separate entities and on our concern over higher levels of debt, which could make the company more susceptible to a slowdown in global economic output.

Outlook



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- We are currently in a world of little-to-no economic growth and facing a new redistribution of incomes and wealth. Equity investing will not be easy, but you wouldn't know that from looking at the stock indices recently. Passive investing and a narrowing of the markets to relatively few "must have" stocks (generally U.S. large-cap tech companies) has made traditional value investing challenging. The S&P 500 Index is supposed to be a broad and diversified representation of mid-to-large U.S. companies. However, the top five holdings (Microsoft Corp., Apple Inc., Amazon.com Inc., Facebook Inc. and Alphabet Inc.) now account for nearly a quarter of the index's market capitalization.
- We see much froth in certain equities now and the risk of a bubble in equities generally has increased. Investor interest in unprofitable concept IPOs has risen once again, with companies such as Nikola Corp., the electric and hydrogen truck maker, quickly garnering a market capitalization of over US\$20 billion before even selling a vehicle. We must continue to be aware of a changing world and find the best ideas we can. We are not traditional value investors who look for cheap stocks. We buy companies based on their underlying fundamentals, including their ability to grow future cash flows and earnings, but we are cognizant of value and valuation when buying and selling companies.

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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