Black Creek Global Balanced 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 (2007-01-29)
Black Creek Global Balanced Fund	-4.2	1.2	1.1	3.5	8.5	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 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 Balanced Fund Class F (the Fund) returned 7.0% during the quarter, underperforming its blended benchmark, the MSCI World Index (60%) and the J.P. Morgan Global Government Bond Index (40%), which returned 7.2%.

- The Fund's equity holdings had a positive absolute return, however, underperformed the benchmark. Positive selection in financials and information technology was more than offset by weak stock selection in consumer staples, health care and industrials.

- The fixed-income component had a flat absolute return for the quarter. The high-yield corporate bond exposure provided both positive absolute and relative contribution, as investors embraced corporate debt amid optimism over central bank and government support for markets. After falling in the first quarter, U.S. Treasury yields remained stable on the long and short ends of the curve over the second quarter, as demand for safety eased. The government portion of the fixed income portfolio was a relative contributor given an underweight position and shorter maturity holdings.

- A partial currency hedge helped, as the Canadian dollar rose 3.6% to the U.S. dollar during the quarter.

Contributors to Performance

- Top contributors to Fund performance for the quarter included Barrick Gold Corp., Dialog Semiconductor PLC and IPG Photonics Corp.

- Barrick Gold is a world-leading gold producer. The company's shares have benefitted from the rising price of gold bullion, a safe-haven asset, amid market uncertainty.

- Dialog Semiconductor is a fabless semiconductor company primarily focused on the development of integrated and power-efficient chips for consumer electronics, automotive and industrial end-markets. The company has benefitted from the global shift to "work and learn from home," which has led to stronger-than-expected demand for tablets, notebooks and wearables.

- IPG Photonics manufactures fibre lasers, which are used in a variety of applications including materials processing, medical applications and telecommunications. The company's first-quarter earnings exceeded analyst expectations. The company noted an improvement in

Chinese demand during March, and strength in new product (e.g., medical lasers) sales drove the stronger-than-expected results.

Detractors from Performance

- Top detractors from the Fund’s performance for the quarter included Varex Imaging Corp., Ontex Group NV and Greencore Group PLC.

- Varex Imaging is the world's leading independent supplier of medical X-ray tubes and image-processing solutions. The company’s share price has been impacted by the shutdown of airports and non-essential services at hospitals where their X-ray tubes are used for security and imaging systems for procedures. Investors are also concerned with an increased amount of leverage the company has taken on to manage through the pandemic.

- Ontex Group manufactures disposable personal hygiene products in the baby, feminine and adult care categories. The company’s share price has been impacted due to rising raw materials prices and currency volatility in key emerging markets, particularly Mexico and Brazil. Investor’s have also been concerned with elevated levels of debt.

- 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. It has a strong balance sheet with cash and undrawn committed credit facilities to help see it though the pandemic-related slowdown.

Portfolio Activity

- During the quarter, there were no new equity holdings added to the Fund. However, Nielsen Holdings PLC and DistributionNow Inc. were eliminated.

- DistributionNOW, one of the largest suppliers to the energy and industrial sectors, was sold during the quarter to facilitate an upgrade in the portfolio.

- 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.

- During the quarter, one new fixed-income holding, a two-Year U.S. Treasury note, was added to the Fund. A short-term (less than six-month) U.S. Treasury bill was sold.

Outlook

- 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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