Black Creek International Equity 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 (2008-09-30)
Black Creek International Equity Fund	-19.2	-11.3	-4.7	0.7	9.0	8.8

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 International Equity Fund Class F (the Fund) returned 9.8% during the quarter, underperforming its benchmark, the MSCI EAFE Total Return Index, which returned 10.1% over the same period.

- Strong selection in the information technology and communication services sectors was offset by weak selection in the industrials and consumer discretionary sectors.

Contributors to Performance

- Top contributors to Fund performance over the quarter included Capgemini SA, Bharti Infratel Ltd. and Wienerberger AG.

- Capgemini is a French global consulting and technology company. Its shares participated in the second-quarter market rally off its March lows. During the quarter, the company stated that revenue rose in the first quarter led by its digital and cloud advisory businesses. The company stated that the integration of Altran Technologies SA was on track, and significant cost and commercial revenue synergies were expected. It also announced a decrease in its proposed dividend to remain prudent during the pandemic.

- Bharti Infratel is a leading telecom tower infrastructures provider company in India. The company's share price recovered from March lows on increased expectations that its merger with Indus Towers Ltd. would close in the coming months. Amid the pandemic-related lockdown, the company did announce that it had extended its deadline for completion of the merger to August 31 given uncertainty around the financial health of a large customer.

- Wienerberger is a leading international supplier of building materials and infrastructure solutions, and is the largest manufacturer of bricks globally. The company's share price rallied along with other building materials stocks on expectations of increased infrastructure spending through government-funded fiscal stimulus programs.

Detractors from Performance

- Top detractors from Fund performance over the quarter included BAE Systems PLC, Grifols SA and Lloyds Banking Group PLC.

- BAE Systems is a global defence, security, and aerospace firm. The company's shares declined on the news that it was going to defer its 2019 dividend to preserve cash during the COVID-19 uncertainty. An update on the dividend payment will be provided at the half-year results on July 30. Investors also have concerns that the pandemic has stressed global government borrowing, which could lead to reduced defense spending in the future. The company is in a strong position with respect to liquidity and has a project backlog of 45 billion British pounds, in a world where geopolitical tensions are on the rise.

- Grifols is a Spanish-based specialist in therapies based on blood plasma. During the quarter, Grifols reported good first-quarter results, with revenue up nearly 12%. The company's share price fell on the news that the pandemic has caused a reduced number of donations and higher costs for obtaining blood plasma, which will impact profits in the short term. However, longer-term, the underlying demand for plasma derived therapies continues to grow worldwide given aging demographics and related diseases. Grifols has implemented a cost-containment plan of approximately 100 million euros to help offset the higher costs of collection.

- Lloyds Banking Group is a leading U.K. retail and commercial bank. Shares fell on the forced suspension of its dividend, lingering Brexit-related concerns, as well as on concerns around how the spread of the coronavirus would impact the U.K. domestic economy.

Portfolio Activity

- In the second quarter of 2020, one new holding, Ipsen SA, was added to the Fund. There were no outright sales.

- Ipsen is a global specialty-driven biopharmaceutical group focused on innovation and specialty care. It develops, manufactures and markets pharmaceuticals used in oncology, neuroscience and rare diseases, as well as consumer healthcare products.

- For your position in Alibaba Group Holding Ltd., we sold the U.S. traded ADR and purchased the local Hong Kong listing due to increased U.S.-China tensions, which have put U.S.-listed Chinese firms under increased scrutiny along with the risk of a forced delisting.

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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