

Market Commentary

Digital Roadshow 2017



Finding leaders amid uncertainty **Richard Jenkins, Managing Director & Portfolio Manager** **Samir Jhaveri, Director of Global Equities**

- Twelve new companies were added to the Black Creek portfolios in 2016. These names were chosen to enhance diversification, improve the quality of the portfolio or simply because it's a better idea, and include Hugo Boss, Cameco and Agrium. They are all global leading companies with attractive valuations that are taking market share. We also removed 11 names from our funds, mainly because the valuation was getting excessive (relative to our other holdings), a change in our investment thesis or having a better idea.
- Some political surprises that occurred throughout 2016 include: Brexit, the U.S. and Italian elections, the Brazilian impeachment and Colombia's peace agreement referendum. No matter which way you look at it, populism – defined by us as people voting for things they think are good without fully understanding them – seems to be on the rise. Even with these surprises, the underlying global economy improved in 2016.
- Headwinds include elevated global asset valuations, less favourable demographics and high indebtedness at many government levels. Higher valuations, on average, are leading us to expect lower rates of return over the next decade. An aging demographic will result in more people retiring, and an increase in the social and medical burden on society. The way this is handled by each government will have a significant effect on growth and equity markets going forward. High indebtedness, including in Canada, is expected to be a drag on growth and consumption.
- Tailwinds include rising, but historically low, interest rates, with large pools of capital available for innovation and infrastructure. Fiscal stimulus is being implemented in several parts of the world. Technological innovation has the potential to drive significant productivity gains, and productivity gains mean income gains.
- Uncertainties for 2017 include elections in France and Germany (and possibly one in the U.K.), Trumponomics (which we think means a greater push for North American manufacturing), Brexit (not a done deal by any means), inflation ticking up around the world and consumers being squeezed by increasing oil prices, interest rates and inflation. Our job is to find those companies with strategies that will allow them to win in the markets that they're operating in.

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