Black Creek Global Balanced Fund

Through 2018, we saw the global economy slow, which has continued in 2019. In addition, China is now feeling the effects of the trade war with the U.S. Whether this slowdown turns into a global recession remains to be seen. Investors also had an additional host of concerns to contend with including rising central bank rates, a strong U.S. dollar, falling oil prices, the continued removal of quantitative easing, and other geopolitical concerns, including rising political discord in Europe.

Reflecting on these worries, investors became avid sellers of stocks in the fourth quarter. In U.S. dollar terms, global equities (MSCI ACWI) fell 12.8% in the quarter, taking the yearly decline to 9.4%. There were few places to hide, with almost all asset classes down across the board. For the year, U.S. equities outperformed their international counterparts, but still declined 4.4% (S&P 500). Internationally, developed markets declined 13.4% (MSCI EAFE) and emerging markets, led by China, fell 14.3% (MSCI EM). While the U.S. market outperformed on the year, it led down in the fourth quarter (-13.5%) with emerging markets (-7.4%) falling the least. Certainly, from a valuation perspective, international market stocks are more compelling than in the U.S.

On the year, it was a “tale of two markets.” There was a notable rotation in investor behaviour as risk aversion took hold in the latter part of the year. For the first half, global markets were led by information technology, energy, and consumer discretionary stocks. As of the end of the year, the only two sectors with positive calendar year performance (in U.S. dollars) were utilities and health care as investors gravitated towards defensive stocks and yield. Broadly, the more defensive stocks look expensive on a valuation basis, while the out-of-favour cyclical stocks look attractive as many already have negative scenarios priced into their valuation.

We believe that the growth slowdown we are experiencing is not just due to trade concerns. Political uncertainty in many regions has led to individuals and businesses taking a pause in their actions. How can any individual or business decide on asset or resource allocation when the rules of engagement are unclear? For example, Brexit will take place and everything in the longer term will be fine, however short term there are many uncertainties to contend with.

Politically, it is becoming clear that the U.S. administration expects China to make a number of concessions on trade. Since joining the World Trade Organization (WTO), it has been perceived by many market participants that China has not played by the rules (unfair and protectionist practices) and the U.S. does not want the situation to get worse by recognizing China as a developed market within the WTO. We would expect significant concessions by China in the areas of intellectual property, market access, and state-owned enterprises. Until this happens, economic uncertainty will remain.

Against this backdrop, the earnings of our portfolio companies have been rather good. Despite this, and because markets are forward-looking, many of our holdings' stock prices are down significantly as the market is pricing in a cyclical downturn in the economy. The valuations of most of our portfolio holdings have become quite attractive. In fact, we have purchased additional shares of many existing holdings at better prices. As long-term investors, we are quite enthusiastic about the prospects for your current holdings.

Fund performance

Overall fund performance lagged over the calendar year. We believe that owning a concentrated, high conviction portfolio of differentiated and winning businesses delivers attractive long-term results. However, over the short term, our approach can also mean that we may look out of favour relative to the market, which occurred in 2018. Given our approach, we welcome the increased market volatility as it will allow us to take advantage of future mispricing or irrational behaviour as we focus on the long term for our clients.

Equities

2018 was the worst year for global stocks since the 2008 global financial crisis, with returns on stocks down across most major markets. The equity performance within the portfolio was disappointing on an absolute and relative basis for 2018, although relative performance improved in the fourth quarter.

For the quarter, top contributors to performance included Inovalon Holdings, ICICI Bank, Dialog Semiconductor, Cameco, and Ericsson. Notable detractors were BAE Systems, Hain Celestial Group, HeidelbergCement, DistributionNOW, and Capgemini.

For the year, top contributors included FTI Consulting, SES, Ericsson, Cameco, and DistributionNOW. The top detractors were Aryzta, HeidelbergCement, L Brands, DIA, and Varex Imaging. For the companies in our portfolio that have underperformed expectations, we have revisited our investment theses to ensure validity and conviction. While there were a few mistakes which are discussed below, in our estimation, news that led to the decrease in many of our names exceeded any impact on long-term business fundamentals. We added to many of our detractors for the year given continued conviction in their underlying business fundamentals.

Aryzta is the world's largest specialty bakery and leader in par-baked technology for the global business-to-business (B2B) baking industry. This business is generally a good one, but the company acted as a consolidator in the industry over the past several years, which resulted in a leveraged balance sheet. The company was impacted by many challenges in 2018, which led to profit warnings and the need to raise capital. New management was appointed last year, which was a positive in our view, but we underestimated the challenges on the business given both high operating and financial leverage.

DIA is a Spanish-based international hard-discount supermarket and personal care retailer with operations mainly in Spain, Portugal, Brazil, and Argentina. We purchased the stock at a time when Spain and Portugal were in recession, and we believed the business would gain market share and improve margins when the economy improved. Its Latin American business was growing nicely. The company levered its balance sheet by buying back stock at high levels and ultimately had to increase capital spending to remain competitive during a period of intense competition with private competitors. DIA's margins and cash flow did not improve and the capital structure became strained. We should have seen the competitive deterioration and cash flow issues sooner.

For the last quarter of the year, there was one purchase, GlaxoSmithKline, and one outright sale, DIA.

GlaxoSmithKline is a global health-care company based in the U.K. GSK has three world-leading businesses that research, develop, and manufacture innovative pharmaceutical medicines, vaccines, and consumer health-care products. The company has recently reshaped its culture and executive team under new CEO Emma Walmsley and attracted top talent from some of the world's leading companies, including Google, Novartis, and Pfizer. After many years of underinvestment, the company has refocused its efforts in research and development to prepare for future growth.

Fixed Income

In the fourth quarter, fixed-income markets experienced a reversal in the trend established during the first nine months of the year as risk aversion took hold. As a result, global high-yield bonds underperformed investment-grade corporate bonds, and investment-grade corporate bonds underperformed government bonds for both the fourth quarter and the calendar year.

For the year, the performance of the fixed-income portion of the portfolio delivered a positive return, although on a relative basis, underperformed the benchmark because of its allocation to corporate bonds. Fund performance benefited from U.S. dollar holdings, given the U.S. dollar's appreciation, but not fully due to a partial hedge back to Canadian dollars. As the fund was pivoted towards risk aversion as the year closed out, the U.S. Treasury portion of the portfolio became the largest positive contributor to performance. The corporate bond portion of the portfolio finished the year with a modest positive gain.

The U.S. Federal Reserve Board (Fed) raised the policy fed funds rate four times in 2018 to 2.5% thereby leading short-term rates higher this year. However, investors have been reluctant to price in higher inflation and growth expectations with commensurate yield increases in longer maturity (10-year and 30-year) U.S. government bonds. This led to a flattening of the yield curve to levels not seen since 2007. Equity and bond investors tend to be watchful of such moves as a flattening yield curve (smaller and smaller differentials between short-term and long-term yields) can indicate expectations of slowing growth or even a recession. As rates increased through the year, we saw value and opportunity in U.S. Treasuries given the more attractive yields. We maintained and added to our positions, which proved to be a positive diversifier within your portfolio as the year closed out.

Within corporate bonds, credit spreads widened across both investment-grade and high-yield corporate bonds to levels not seen since 2016. It was also a quiet quarter for corporate bond issuance as companies delayed issuance amid the greater volatility and the higher yields investors were demanding. In the U.S., December was the first month in 10 years with no new high-yield-rated corporate issues brought to market. We continue to prefer to earn higher yields by allocating to bonds issued by companies rated below investment grade, however our preference remains toward bonds issued by companies with stronger balance sheets and credit profiles, generally speaking. As we went through earnings season, we found that the operating environment (and in turn, cash flows) of the companies that we have lent to remains constructive despite the sell-off. Given the amount that high-yield bond spreads widened on risk aversion, we believe that valuations look attractive.

Internationally, we continue to not hold any European or Japanese government bonds given their low yields, which provide little future return potential, in our view. Given the risk-off attitude in the fourth quarter, German 10-year government bonds finished the year with a yield of just 0.24%, while Japan's 10-year yield ended the year at zero and briefly turned negative for the first time since 2017.

Currently, we remain focused on purchasing fixed-income securities issued by winning businesses with resilient cash flows, moderate debt levels, access to liquidity, and strong management teams. As within equities, we are a "go anywhere" fixed-income strategy and will continue to be dynamic across the various fixed-income asset classes we have to choose from globally. We will look to take advantage of the increased volatility in the markets to increase allocations to existing holdings and selectively upgrade the portfolio.

We thank you for investing alongside us and for your continued patience, confidence, and support.

Class F Returns (in %) as at December 31, 2018	**Year-to-date**	**1 year**	**3 year**	**5 year**	**10 year**
Black Creek Global Balanced Fund	-5.8	-5.8	2.6	5.1	9.1

Market Commentary
Fourth Quarter 2018

BLACK CREEK
INVESTMENT MANAGEMENT INC.

IMPORTANT INFORMATION

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compound total returns net of fees (except for figures of one year or less, which are simple total returns) including changes in security value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The statements contained herein are based on material believed to be reliable. Where such statements are based in whole or in part on information provided by third parties, they are not guaranteed to be accurate or complete and are not to be used or construed as investment advice. CI Investments Inc. and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

The contents of this piece are not to be used or construed as investment advice or as an endorsement or recommendation of any entity or security discussed.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what CI Investments Inc. and the portfolio manager believe to be reasonable assumptions, neither CI Investments Inc. nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise.

Published January 2019.