

# Market Commentary

## Third Quarter 2017



### Black Creek Global Leaders Fund

It's clear to us that the returns of the past five years aren't sustainable and are well above normal long-term equity returns. While 10-year numbers are a better approximation of returns, even these are probably above normal. Indeed, without a market correction in the next 18 months, the five-year and 10-year equity market returns will be shockingly good. Still, if you believe in "mean reversion" – the theory that prices and returns will eventually move back toward the average – then the current state of markets is unsettling.

The party has been good, and the hosts (central banks) are keeping the punch bowl filled. If you can borrow at 3% and equities and real estate are rising by 5-10% annually, it's a no-brainer to borrow and buy these assets.

The good news (tailwinds for the market) is that interest rates remain historically low, the synchronized global economic recovery is ongoing, fiscal stimulus is becoming more fashionable, and, in big-picture terms, we have relative peace and health throughout the world. Technological innovation continues and there is a massive consumer benefit from the global price transparency offered by the Internet.

The bad news (headwinds for the market) is that central banks will soon end their massive quantitative easing exercise. Meanwhile, low global growth, high debt levels and elevated asset valuations indicate the after-party headache might be severe for some. Add to that geopolitical uncertainties (populist political uprisings, North Korea and Russia flexing their muscles, ISIS worries, Brexit fallout and Trump diplomacy, among others) and we feel unsettled.

During the third quarter, we bought new positions in Akamai Technologies and Booz Allen Hamilton. We reduced positions in Anta Sports Products, Capgemini, Galaxy Entertainment and Haemonetics. Positive contributors to performance in the quarter include Anta, BorgWarner, Inovalon, Oerlikon and Galp Energia. Detractors from performance include Vinda, ICICI Bank, Oracle, Daikin and Aryzta.

At quarter-end, the portfolio held around 5% in cash, unchanged from the end of the second quarter.

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As experienced equity investors, we know there will be turbulence in the market from time to time. Volatility can be an investor's friend if you have a long-term horizon. We focus on companies we believe will be winners in the long-term, and build concentrated portfolios of our best ideas. We continually upgrade our portfolio with better ideas as the market presents them to us and as we develop new insights. This is our process and our manner of execution; it has kept us steady in the past and continues to guide us.

<b>Class A Returns (in %) as at September 30, 2017</b>	<b>Year-to- date</b>	<b>1 year</b>	<b>3 year</b>	<b>5 year</b>	<b>10 year</b>
Black Creek Global Leaders Fund	16.1	17.3	16.0	19.1	9.3

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