Market Commentary
Second Quarter 2018

BLACK CREEK
INVESTMENT MANAGEMENT INC.

Black Creek International Equity Fund

Poor Charles Dickens. If only he could still collect royalties for the use of "it was the best of times, it was the worst of times…" Of course, we use it again here to describe the current market environment.

As we mentioned in a previous commentary, we are getting close to the point where the 10-year equity performance numbers and five-year numbers will both be double-digit percentages. These types of returns are not sustainable, and we caution people to expect wild volatility in markets. Equity markets have "outperformed" the underlying businesses because of declining interest rates, and we are likely at an inflection point in rates. Our focus remains on the underlying businesses.

A momentum market continues whereby a narrowing group of stocks are performing well. These stocks continue to attract passive money, which entails no price discovery (valuations don't matter). There are shades of 1999 in the internet and technology areas. Companies that report disappointing results are punished severely by the market. In the long term, of course, valuations do matter and rising rates may not be friendly to momentum investors.

Consumer stocks, which are usually a safe haven in uncertain times, are faring poorly, but this is due to a secular change in consumer buying habits. Some of you may remember the old advertising line: "not your father's Oldsmobile." Today's younger consumers are not acting like their parents did, and technology has lowered the barriers to entry for new consumer product brands and companies. The markets are fragmenting, and as a result, scale in distribution and advertising no longer matters as much, as online promotion and buying are easy.

By far the biggest source of uncertainty and risk is global trade. Is Donald Trump just a powerful bully, or is he craftily bringing about the end of mercantilism? In the short term we can expect more rhetoric, more threats, more tariffs and trade barriers, more backlash against American companies, and more stock price volatility. We don't know how this will turn out.

We have been aware of the growing trade issues for the past few years, and we have been conscious of this when selecting companies. The old business model of producing in one region and exporting to the rest of the world is dying (the mercantilism referred to above) and, with a few exceptions, we have chosen companies that have deliberately globalized their businesses. We don't own a lot of exporters in our portfolios.

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Top contributors during the quarter included SES, Tate & Lyle, Dentsu, Capgemini, and Daikin Industries. Notable detractors included Aryzta, Sinopharm Group, DIA, BTG, and Dialog Semiconductor.

During the quarter, we purchased Glanbia and there were no outright sales.

Glanbia is an innovative global nutrition company with a leading market position in performance nutrition products through its strong brands. It also has attractive positions in cheese, dairy ingredients, specialty non-dairy ingredients, and vitamin and mineral blends.

We continue our efforts to upgrade our portfolio by finding better alternatives for what we already own. This focus takes us to many areas of the globe and to many different industries to ensure sufficient diversification within a concentrated portfolio. While there is no obvious "happy hunting ground" for equities today, we remain true to our investment philosophy.

Thank you for investing alongside us and for your continued confidence and support.

Class F Returns (in %) as at June 30, 2018	Year-to-date	1 year	3 year	5 year	Since inception
Black Creek International Equity Fund	-5.6	-2.5	5.4	12.0	12.1