

Market Commentary

Third Quarter 2017



Black Creek International Equity 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 remain cautious.

The fund delivered a 1.21% return in Canadian dollar terms for the quarter. We added new positions in Assicurazioni Generali and Bharti Infratel.

Assicurazioni Generali operates in the property and casualty and life insurance sectors, and is one of the largest European insurers by premiums. The company is in the process of simplifying and improving its global operations and upgrading the quality of its book. In the context of a potentially improving competitive environment, we believe the shares provide an attractive investment opportunity.

Bharti Infratel is the leading cellular tower operator in India, a market where mobile data usage is exploding with increased 4G penetration. We expect Bharti Infratel to benefit from increased

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utilization of tower assets as telecommunications service providers will have to invest to expand network capacity to capture and monetize data usage growth.

Positive contributors to fund performance included Anta Sports Products, Galp Energia, Capgemini, Santen Pharmaceutical and Kunlun Energy. Negative contribution came from Dentsu, ICICI Bank, SES, Arysza, and Haier.

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 insight. This is our process and our manner of execution; it has kept us steady in the past and continues to guide us.

Class A Returns (in %) as at September 30, 2017	Year-to- date	1 year	3 year	5 year	Since inception
Black Creek International Equity Fund	14.9	16.0	11.3	16.2	12.4

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