Black Creek Global Balanced Fund
Fourth-quarter 2019 Commentary

Samir Jhaveri, Director of Global Equities
Richard Schulte-Hostedde, Director of Global Fixed Income
Richard Jenkins, Chairman and Managing Director

Class F returns (in %) as at December 31, 2019	**Year-to-date**	**1 year**	**3 year**	**5 year**	**10 year**	**Since inception (01/29/2007)**
Black Creek Global Balanced Fund	13.0	13.0	5.0	6.9	8.5	6.4

Sources: Bloomberg Finance L.P., MSCI Inc., S&P Dow Jones Indices, Morningstar Research Inc., StatPro Group PLC and Black Creek Investment Management Inc., as at December 31, 2019.

Market Overview

- As we finish an extraordinary decade of asset price appreciation, Stein's Law comes to mind (named for the late Herbert Stein, who was an American economist and advisor to former U.S. presidents Richard Nixon and Gerald Ford). It states that "If something cannot go on forever, it will stop" and was a response to those who think that if something cannot go on forever, steps must be taken to stop it. Stein believed in the self-correcting mechanisms of the economy and markets.

- We know that the current trends in interest rates and equity markets cannot go on forever. We know that negative nominal interest rates are an anomaly and cannot go on forever. We know that high-double-digit equity returns are unsustainable. We know that the ubiquitous rise in house prices and real estate will end at some point. We have faith in Stein's Law; we just don't know how these trends will come to an end. We also submit that nobody can forecast the future reliably; predictions of returns for 2020 and beyond are impossible.

- And so, 2019 was another year of attractive returns for equities and other asset classes, capping a decade of attractive returns driven by extraordinarily easy monetary policies around the world. In 2019, 10-year U.S. Treasuries produced a high-single-digit positive total return as yields declined from 2.69% to 1.92%, while the U.S. equity market, as measured by the S&P 500 Total Return Index, was up 31.5%, in U.S.-dollar terms. Since corporate earnings in the U.S. were roughly flat year-over-year, the price-earnings ratio (based on 12-months trailing earnings) of the S&P 500 Index increased from 16.5 times at the start of the year to 21.4 times at year-end.

- Once more the U.S. equity market outperformed the rest of the world. Excluding the U.S., equity markets (as measured by the MSCI ACWI ex USA Total Return Index) were up 21.5% (in U.S. dollars), also outpacing earnings growth for the year. At year-end, the trailing price-earnings ratio for markets outside of the U.S. stood at 15.9 times, a substantial discount to the U.S.

- Most commentators attribute recent market gains to hopes for a resolution of the U.S.-China trade war, a slightly more accommodative U.S. Federal Reserve and fewer fears of an imminent recession. We cannot argue with these views but maintain that monetary policy is still providing the lion's share of the fuel for markets.

- Markets continue to narrow in the sense that fewer stocks are providing the bulk of returns for equity market indexes. The top 10 holdings of the MSCI All Country World Index (Apple Inc.; Microsoft Corp.; Amazon.com, Inc.; Facebook, Inc.; JPMorgan Chase & Co.; both classes of Google parent company Alphabet Inc.; Johnson & Johnson; Alibaba Group Holding Ltd.; and Visa Inc.) accounted for 12% of the index's weight by market capitalization and contributed 18% of the total return for the past year. In U.S. dollars, the simple average price appreciation for these 10 stocks in 2019 was about 43%, with an obvious overweight allocation in U.S. and technology stocks. The market narrowing is more pronounced in the U.S., where the top 10 holdings of the S&P 500 Index accounted for 23% of the index by weight and contributed nearly 30% of the total return in 2019.

- U.S. President Donald Trump continues to "talk up" foreign currencies that he believes are too cheap, and he denigrates the policies behind them. In this respect, he may be right. On a purchasing power parity basis, the U.S. dollar is currently overvalued by 4%, 11%, 25% and 9%, respectively, relative to the Japanese yen, British pound, euro and Canadian dollar.

Performance Summary

- Over the quarter ended December 31, 2019, Class F of Black Creek Global Balanced Fund (the "Fund") returned 4.0%. By comparison, the Fund's benchmark, which is a combination of 60% the MSCI World Total Return Index and 40% the J.P. Morgan Global Government Bond Total Return Index, returned 2.7% over the same period.

- The Fund's equity holdings provided strong absolute and relative outperformance during the quarter. The Fund's fixed-income holdings outperformed those of the benchmark, but returns on an absolute basis were modestly negative. However, gains generated from the partial currency hedge in place fully offset these modest losses.

- During the quarter, developed-market global government bond yields increased (bond prices fell) as investors sold safe-haven assets in favour of riskier assets. U.S. investment-grade and high-yield corporate credit spreads tightened (corporate bond prices rose) on the increased appetite for risk and investors' seemingly perpetual quest for higher yields in this yield-starved interest-rate environment. The positive relative return was driven by both the Fund's position in high-yield corporate bonds and in U.S. Treasuries, which were shorter-term securities and therefore less impacted by the rising yields.

- The Fund did not hold any European or Japanese government debt. Bonds from these regions have suffered from negative yields; however, during the quarter, these yields trended higher, generating losses for their holders. As global bond yields rose during the quarter, the amount of negative-yielding bonds outstanding declined from a peak of US$17 trillion in August 2019 to US$12 trillion at year-end. As an example, during late August into early September, German 10-year government bunds experienced yields as low as -0.71%; however, they ended the year at -0.19%. We believe bonds should pay their holders a positive return over the life of the bond. This is why we continue to focus on the higher yields available in higher-yielding corporate bonds by lending to issuers with resilient businesses. Not holding such negative-yielding government bonds, which depreciated in price during the quarter, added to the Fund's relative performance.

- During the quarter, the challenge of a 1.9% appreciation in the Canadian dollar against its U.S. counterpart on the Fund's U.S.-dollar bond holdings was offset through a currency hedge between the Canadian and U.S. dollars, which added to overall returns.

Contributors to Performance

- Top contributors to Fund performance for the quarter included Greencore Group PLC, Boskalis Westminster N.V. and ICICI Bank Ltd.

- Greencore Group is a leading manufacturer of convenience foods for customers in the U.K. The company has been undertaking a transition of its business over the past 12 months, and company management announced it had completed the sale of the company's U.S. business to Hearthside Food Solutions, LLC for £817 million, which was announced in October 2018. The company also stated it is on track in its debt-reduction targets and is looking to expand customer reach. Greencore Group recently acquired U.K. salad maker Freshtime UK Ltd. for £56 million to enhance its product offering. During the quarter, Greencore Group's share price also increased on Boris Johnson's Conservative Party election victory, which removed political uncertainty that had depressed the shares of many U.K. domestically focused companies and the British pound prior to the election.

- Boskalis Westminster is a dredging and maritime services company. Its main businesses are dredging and offshore services, which focus on the oil and gas sector. The company's share price benefited from investor optimism for a recovery in global offshore oil and gas capital expenditure, which has been depressed since 2014. The company has a strong balance sheet to weather difficult markets and a disciplined and experienced management team.

- ICICI Bank, a leading private-sector bank in India, announced strong quarterly earnings for its fiscal-year 2020 second quarter. The bank's core pre-provision operating profit increased 24% year-over-year, driven by healthy loan growth, strong deposit growth, higher margins and improved asset quality from lower gross non-performing assets and higher provision coverage. The bank's year-over-year domestic loan growth was 16% at September 30, 2019, driven by year-over-year retail growth of 22%.

Detractors from Performance

- Top detractors from the Fund's performance for the quarter included Nutrien Ltd., Cameco Corp. and Nielsen Holdings PLC.

- Nutrien, a crop inputs, services and solutions provider, missed third-quarter 2019 earnings estimates and trimmed its full-year earnings forecast due to lower demand for its crop nutrients. Poor weather delayed the planting season in North America, the African swine fever impacted Chinese demand for soy and the U.S.-China trade war impacted demand due to the uncertainty it created. The company's shares were also negatively impacted after Nutrien temporarily shut its largest potash mine due to a labour strike at Canadian National Railway Co.

- Cameco is the world's largest publicly traded uranium company. The company's share price was negatively impacted by uranium price uncertainty given the potential for U.S. tariffs on uranium imports. While the U.S. administration ultimately decided against the implementation of tariffs, it established the U.S. Nuclear Fuel Working Group with the mandate to provide recommendations to revive and expand domestic nuclear fuel production. While the threat of tariffs was removed, investors remained uncertain about the potential for new sources of uranium demand in a currently well-supplied market.

- Nielsen Holdings is a leading global independent performance measurement and data analytics company that provides companies with information about their customers. The company has faced uncertainty due to takeover rumours, a strategic review and management turnover. Post the recently completed strategic review, management announced Nielsen Holdings would split into two publicly traded companies in an effort to increase shareholder value.

Portfolio Activity

- During the quarter, no new equity holdings were added or eliminated.
- During the quarter, one new fixed-income holding was added to the Fund, a short-term Government of Canada bond, and no bond positions were outright sold.

Outlook

- Our main focus and concern with respect to equity prices now are still the risks inherent with low and negative interest rates. Will we see bubbles in asset prices (do we have them now)? Can negative rates cause runs on banks? How badly must savers be treated before they revolt? Are we just starting to see the impact on pension funding, and who will bail them out? At what point do lenders say “No, I’m not going to lend to you anymore,” with trillion-dollar deficits in mind? Can and will U.S. interest rates go negative? What are the unintended consequences that we have not yet seen? Too many questions, so few answers.
- With Stein’s Law in mind, we take comfort in the fact that we own companies in portfolios that can and will adapt to changing circumstances. That is one of the advantages of owning businesses. We try to focus on what we call “winning” businesses; that is, those that offer real value propositions to their customers and ones that we think will win relative to their competitors over time. We also focus on economic earnings, not the accounting earnings that have been so easy to manipulate in a world of low interest rates. Most of the Fund’s company holdings continue to invest for the long term. While “value investing” is currently out of favour relative to momentum, technology and growth investing, making it difficult for us to

beat the market in the short term, we have faith that in the longer term, value and valuation matter.

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