



Black Creek Global Leaders Fund First-quarter 2020 Commentary

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Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2006-06-12)
Black Creek Global Leaders Fund	-17.0	-9.1	1.6	5.6	10.0	8.1

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 March 31, 2020.

Market Overview

- The 2020 global market sell-off (in U.S.-dollar terms, the MSCI ACWI Index fell 21.4%) has been the fastest decline and one of the worst on record in terms of magnitude. For equity markets, the two main events that have dominated the dramatic change in investor confidence over the past several months are the global spread of coronavirus and the price war between Saudi Arabia and Russia in the oil market. The supply surge coupled with the drop in demand, led to a price collapse (Brent Crude fell 66%).
- The response from investors to the uncertainty caused by the spread of the virus has been severe. Investors flocked to safe-haven assets and fear of the coronavirus achieved what the failure of Lehman Brothers, the Greek debt crisis, Brexit and the U.S.-China trade war could not, as the U.S. 30-year Treasury yield fell through 2% (fell as low as 1.00%) for the first time and the U.S. 10-year Treasury fell as low as 0.54%.

Performance Summary

- Over the quarter ended March 31, 2020, Class F of Black Creek Global Leaders Fund (the Fund) returned -17.0% compared with its benchmark, the MSCI World (Net) Total Return Index, which returned -13.2% over the same period.



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- The Fund's underperformance was primarily driven by stock selection within the consumer discretionary, materials and communication services sectors.

Contributors to Performance

- Top contributors to Fund performance over the quarter included Vinda International Holdings Ltd., The Hain Celestial Group Inc. and FTI Consulting Inc.
- Vinda International is a leading provider of high-quality household paper and hygiene products in Pan Asia. In the short-term, the company's shares rose on increased demand for its products – including toilet tissue and hygiene products, such as its wet wipes amidst concerns around the spread of the coronavirus.
- Hain Celestial Group is a leading marketer, manufacturer and seller of organic and natural better-for-you products. In the near term, the company's share price benefitted from rising consumer demand for staples and essential goods. Hain produces and sells various natural and organic food as well as personal care products.
- FTI Consulting is a global business advisory firm. They are experts in areas such as restructuring, which has become increasingly in demand as business interruption caused by the outbreak of the coronavirus has led to solvency pressures in some areas of the market, including businesses that require discretionary consumer spending or retail traffic.

Detractors from Performance

- Top detractors from Fund performance over the quarter included Weir Group PLC, HeidelbergCement AG and BorgWarner Inc.
- Weir Group is a global engineering and manufacturing company for oil and gas, mining, infrastructure and other industrial end markets. The company's share price has been impacted due to its exposure to North American shale drilling. Weir's profits from its two mining businesses have risen nicely and they are higher-margin businesses.
- HeidelbergCement is one of the world's largest building materials companies. It produces and distributes cement, aggregates, ready-mixed concrete and asphalt. Its share price was impacted by concerns about how the coronavirus could impact construction and global growth. The company also has direct exposure to areas of Europe that have been hardest hit



by the virus, including Italy (owns Italcementi). This is a company that could benefit from greater fiscal spending as governments look to boost economic growth.

- BorgWarner is a leading automotive industry components and parts supplier. It is well known for its powertrain products, including vehicle propulsion components and systems for internal combustion and electrified vehicles. As a parts supplier, it is exposed to the slowdown in the global auto sector caused by the spread of the coronavirus. BorgWarner temporarily closed some of its production facilities in China, Europe and North America.

Portfolio Activity

- In the first quarter of 2020, one new holding – Bureau Veritas SA – was added to the Fund’s portfolio. There was one outright sale, Carnival Corp.
- Bureau Veritas is a world leader in testing, inspection and certification. The company’s primary activities involve testing products or materials, inspecting sites/equipment and certifying products and systems to maintain various global standards (e.g. international or national regulations, voluntary industry standards, or manufacturer and client specific requirements).
- We sold the Fund’s position in Carnival due to our growing concerns about future cruise demand, coupled with higher leverage (stretched balance sheet) and aggressive capital expenditure plans after a decade of growth. We reduced our position after the company announced very good full-year earnings in December 2019 and then fully exited the holding as negative news flow increased in late February into early March above \$30 per share.

Outlook

- At Black Creek, we use fundamental analysis and seek to identify industry leaders that are gaining market share, providing a reasonable return on capital and reinvesting for future growth to support their competitive position over the long-term.
- In a time of crisis, such as now, we must ensure that the companies we own have sufficient liquidity and staying power to get through a temporary demand shock. We are asking the question of all our holdings: “Has anything in our investment thesis changed due to this event?” It has been our experience that, because we buy leaders who are gaining market share, our portfolio companies come out of challenging times in an even better competitive



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position. While this might not prevent material stock price declines in the short-term, the businesses should ultimately win. We are communicating with the management teams of our company holdings as this crisis deepens.

- Market volatility may provide an opportunity to improve or upgrade our portfolio, just as we did in the 2008-09 period when about half of our holdings changed. It is also an opportunity to increase or decrease a position size based on our evaluation of the underlying operating fundamentals of each company versus current market sentiment (share price). During this sell-off, investors have been indiscriminately selling companies to reduce equity exposure. We are currently looking at where we can upgrade the portfolio by trimming/selling our least favorite ideas and adding to/buying our top ideas (based on future expected return potential). Patience and a long-term outlook are generally rewarded as shorter-term market uncertainty abates.

We wish all the best to you and your families and hope that you are healthy and safe. We thank you for your continued support and confidence in Black Creek.

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