



Black Creek Global Balanced 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 (2007-01-29)
Black Creek Global Balanced Fund	-10.5	-5.4	-0.9	2.6	7.2	5.4

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 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 en masse 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 first quarter of 2020, Class F of Black Creek Global Balanced Fund (the Fund) returned -10.5% compared with its blended benchmark, the MSCI World Index (60%) and the J.P. Morgan Global Government Bond Index (40%), which returned -3.2%.



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- The Fund's equity holdings experienced a decline during the quarter. However, the fixed-income component had a positive return, with the U.S. Treasury holdings providing most of the positive contribution. The Fund's higher yielding corporate bonds were also modestly positive in Canadian-dollar terms. A partial currency hedge muted the benefits from the decline in the Canadian dollar relative to the U.S. dollar during the quarter.

Contributors to Performance

- Top contributors to Fund performance for the quarter included a 2-year U.S. Treasury Note (1.75% 09/30/2022), Barrick Gold Corp. and FTI Consulting Inc.
- The U.S. Treasury Note benefitted from the decline in yield (rise in price) of 1.57% to 0.25% through the quarter.
- Barrick Gold Corp. is one of the world's largest gold producers, operating mines in North America, South America, Australia and Africa. Its share price rose along with the underlying price of gold bullion as investor's sought safe-haven assets in the quarter.
- FTI Consulting is a global business advisory firm. The company has expertise 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 the Fund's performance for the quarter included Autoliv Inc., ICICI Bank Ltd. and HeidelbergCement AG.
- Autoliv is the world's largest automotive safety supplier with sales to all leading car manufacturers worldwide. The company's share price declined on concerns around the impact of coronavirus on the global automotive sector, from both a supply and demand perspective.
- ICICI Bank is a leading private sector bank in India and a leader in digital technology for its clients. The company's share price has sold off on concerns around the spread of the coronavirus in India.



- HeidelbergCement is one of the world’s largest building materials companies. It produces and distributes cement, aggregates, ready-mixed concrete and asphalt. HeidelbergCement has been impacted due to concerns around the influence that the coronavirus will have on global growth. The company also has direct exposure in Italy through its subsidiary, Italcementi.

Portfolio Activity

- During the quarter, there was a significant amount of activity given the market volatility. There were four new equity holdings added to the Fund: Booking Holdings Inc., Evotec SE, IPG Photonics Corp. and Schneider Electric SE. There were two outright equity holding sales: Basilea Pharmaceutica AG and Grupo Televisa SAB.
- During the quarter, no new fixed-income holdings were added to the Fund. The Fund outright sold a 10-year U.S. Treasury, 5-year U.S. Treasury and 2-year U.S. Treasury note and a short-term (less than 6 month) U.S. Treasury bill. The liquidity that this provided was used to increase positions in both equities and high yield bonds.

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 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



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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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