BLACK CREEK
INVESTMENT MANAGEMENT INC.

Black Creek International Equity Fund
First-quarter 2020 Commentary

Richard Jenkins, Chairman and Managing Director
Melissa Casson, Director of Global Equities
Evelyn Huang, Director of Global Equities

Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	10 year	Since inception (2008-09-30)
Black Creek International Equity Fund	-26.4	-18.9	-6.9	-0.2	6.6	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 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%) 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 International Equity Fund (the Fund) returned -26.4% compared with its benchmark, the MSCI EAFE (Net) Total Return Index, which returned -15.2% over the same period.

- The Fund’s underperformance was primarily driven by stock selection within the consumer staples, health care, financials, consumer discretionary and materials sectors.

Contributors to Performance

- Top contributors to Fund performance over the quarter included ASM International NV, NOF Corp and Schneider Electric SE.

- ASM International is a leading global supplier of semiconductor processing equipment used for wafer processing. Shares in semiconductor stocks sold off on expectations that the spread of the coronavirus would lead to reduced chip demand. However, they recovered late in the quarter on expectations of a recovery post the coronavirus demand shock.

- NOF is a Japan-based global manufacturer and distributor of oleo and specialty chemicals. Its products are used widely across many industries, including automotive, environmental, food products, electronics, defense, petrochemical, personal care and health care. The company’s share price held up better on a relative basis through the market downturn.

- Schneider Electric is a global leader in energy management and automation solutions. We were given the opportunity to initiate a position in March 2020 after the company’s shares sold off.

Detractors from Performance

- Top detractors from Fund performance over the quarter included Carnival Corp., Lloyds Banking Group PLC and ICICI Bank Ltd.

- Carnival is the largest global cruise line company. The cruise lines have been one of the hardest hit segments given the media attention around the fears of transmission on cruise ships that led to trip cancellations.

- Lloyds Banking Group is U.K. based deposit taker and lender, with 95% of its assets based in the U.K. domestically. Shares fell on lingering Brexit related concerns as well as on concerns around how the spread of the coronavirus would impact the U.K. domestic economy.

Investors were also concerned about dividend cuts given comments from the Bank of England.

- 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 and its potential impact on bank balance sheets.

Portfolio Activity

- In the first quarter of 2020, two new holdings, Accor SA and Schneider Electric SE, were added to the Fund's portfolio. Carnival Corp., Criteo SA, GlaxoSmithKline PLC and Santen Pharmaceutical Co Ltd. were sold outright.

- Accor is a leading hotel operator with 30-plus brands addressing the economy through luxury segments of the market. After the sale of the majority Hotel Invest (its owned assets) in 2018, most of the company's total earnings came from its Hotel Services business (asset-light).

- Schneider Electric is a global leader in energy management and automation solutions. The company has exposure to attractive growth areas including data centers, industrial automation, industrial IoT and software and services.

- We sold the Fund's position in Carnival due to our growing concern about future cruise demand, coupled with higher leverage (stretched balance sheet) and plans for greater capital expenditure going forward. We continue to like the long-term prospects of the travel and tourism industry and used the market downturn to focus on upgrading to a less asset heavy idea.

- Criteo is a leading global advertising technology company that specializes in ad-retargeting technology. We sold the company in early 2020 on the news that Google planned to end support for third-party cookies. The company has been shifting to "non-cookie-based" identifiers, however, the announcement prolongs the uncertainty for Criteo's ad retargeting business.

- GlaxoSmithKline is a global healthcare company based in the U.K. Santen Pharmaceutical is a Japanese based pharmaceutical company, specializing in ophthalmic pharmaceuticals and devices. These companies performed well on a relative basis through the market downturn and were used as a source of funds for opportunities that offered greater upside potential.

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 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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