

## CI Global Equity Alpha Private Pool First-quarter 2020 Commentary

*Bill Kanko, President and Portfolio Manager*

*Melissa Casson, Director of Global Equities*

*Heather Peirce, Director of Global Equities*

Class F returns (in %) as at March 31, 2020	Year-to-date	1 year	3 year	5 year	Since inception (2018-10-29)
CI Global Equity Alpha Private Pool	-18.7	-9.0	N/A	N/A	-2.6

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%) 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 CI Global Equity Alpha Private Pool (the Fund) returned -18.7% while its benchmark, the MSCI World (Net) Total Return Index, returned -13.2% over the same period.

## Fund Holdings

- During the quarter, among the Fund's top holdings were FTI Consulting Inc.; Santen Pharmaceutical Co Ltd.; Oracle Corp; Weir Group PLC; ICICI Bank Ltd.; and Wienerberger AG.

## Portfolio Activity

- Given the volatility in the market, portfolio activity during the quarter was high. There were six new holdings added to the Fund: Booking Holdings Inc., ConvaTec Group PLC, Nutrien Ltd., STMicroelectronics NV, Weir Group PLC and Lonza Group AG. There were six eliminations from the Fund during the quarter: B&M European Value Retail SA, BorgWarner Inc., Criteo SA, Glanbia PLC, HeidelbergCement AG and OC Oerlikon Corp AG.
- Booking Holdings is a global online travel agency based in the U.S. It is the world's largest online travel agency by revenue, offering booking services for hotel and vacation rooms, airline tickets, rental cars, restaurant reservations, cruises, experiences, and other vacation packages. The company operates under numerous branded online travel and reservation booking sites, including Priceline.com, Booking.com, Agoda, OpenTable, and Rentalcars.com. It has also expanded into travel media with the acquisitions of Kayak and Momondo.
- ConvaTec Group is a U.K based, international medical products and technologies company, with leading market positions in wound therapeutics, ostomy care, continence and critical care and infusion devices. Its products provide a range of clinical and economic benefits, including infection prevention, protection of at-risk skin, improved patient outcomes and reduced total cost of care.
- Lonza Group is one of the world's leading suppliers to the pharmaceutical, biotech and specialty ingredients markets. It provides contract development and manufacturing outsourcing services to its clients. The company also produces microbicides and other chemicals for personal care, health and hygiene, agrochemical and industrial preservation markets.
- Nutrien is the world's largest provider of crop inputs (e.g. potash, nitrogen, phosphate), services and solutions. The company is also the world's largest agricultural retailer, selling fertilizers, crop chemicals, and seed directly to farms. In a world with declining arable land, its products help to grow crops more efficiently. The company's competitive advantages

include its scale, unique wholesale-retail business model, its low-cost of production and global reach.

- STMicroelectronics is Europe's largest semiconductor chipmaker and holds one of the broadest product portfolios in the industry. The company is known as an innovator and produces smart integrated circuits for four key end markets: automotive; industrial; personal electronics; and communications equipment, computers and peripherals.
- Weir Group is a global engineering and manufacturing company for oil and gas, mining, infrastructure and other industrial end markets. Weir Group partners with its clients to increase resource efficiency, operate more safely, and improve environmental impact and outcomes. The company's share price sold off due to exposure to North American shale drillers. Weir's profits from its two mining businesses have risen nicely, and they are higher margin businesses.
- 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.
- Given that this portfolio is restricted to 25 holdings, B&M European Retail Value, Glanbia PLC, HeidelbergCement and OC Oerlikon were sold from the Fund portfolio to purchase ideas that have a higher future return 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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*Published April 14, 2020.*