

## Eight Years Later

# REFLECTING ON THE JOURNEY OF FIERA ATLAS GLOBAL COMPANIES



**The quarter to 31 March 2025 marks the Fiera Atlas Global Companies Strategy's eight-year performance anniversary.**

Over this period, we've delivered an annualised return of 14.7%, compared to 10.4% for the MSCI ACWI, outperforming both the broader market and our peer group in six of the past eight years. Importantly, more than 90% of this outperformance has come from superior fundamental performance, which we view as a more durable and repeatable source of alpha.<sup>1</sup>

But performance is only part of the story. What matters just as much is the journey – the changing market landscape, the challenges we've faced, the decisions we've made and how those experiences shape our confidence in the road ahead.

Back in 2017, we were fortunate to be given the mandate to build a portfolio, team and process from the ground up. Our goal was simple: construct a differentiated global equity portfolio capable of delivering attractive, risk-adjusted returns through the cycle. From the outset, the portfolio had limited overlap with the benchmark but was well diversified across geographies, end markets and customer exposures. This differentiation – paired with a clear focus on high-quality companies with strong competitive moats, stable and improving returns and exposure to long-term structural growth – has been central to our approach.

Early market conditions were relatively benign by historical standards. But that changed quickly. The past few years have delivered two major shocks: first, COVID-19 and then the rise of AI-fuelled market concentration. More recently, investors have begun to grapple with the potential implications of escalating trade tariffs.

The COVID-19 shock tested every portfolio. We weren't immune to a reduction in earnings expectations, of course – no one was, as the world effectively stopped. But our holdings proved far more resilient. Our earnings revisions bottomed at -11%, compared to nearly -22% for the broader universe. Just as importantly, our holdings recovered much faster, surpassing their prior earnings peak within three months, while the broader index took more than a year.

That kind of resilience isn't coincidental. It's the product of owning businesses with strong fundamentals: high gross margins, low financial and operating leverage, pricing power and clear competitive advantages.

During periods of stress, fundamentals act as an anchor. While prices may swing well below intrinsic value, recovery ultimately depends on the strength of the underlying business. For companies with weak balance sheets or fragile models, there may be no snapback – only permanent impairment.

These lessons inform how we’re thinking about the potential impact of tariffs today. While the future path of trade policy remains uncertain, we believe our portfolio is better positioned than the broader market to weather an earnings downturn should it materialise.

**Why?** Because the portfolio is built around high-quality, well-capitalised businesses with strong pricing power – an essential defence when input costs rise or supply chains are strained. Our holdings have average gross margins of 66.5%, nearly double the market and low leverage, which reduces the need for reactive cost-cutting or dilutive financing. Many of our companies are less directly exposed to global trade tensions, with greater weight in software, services and domestic demand-led sectors. And several are industrial acquirers, capable of acting counter-cyclically to capitalise on dislocations and deploy capital into high-quality assets at compelling valuations.

Over the past two years, we’ve renewed and broadened the portfolio with fresh ideas, enhanced our monitoring of business performance and valuation discipline and refined our approach to identifying underperformance early. These improvements – born out of deep reflection – leave us in a stronger position today.

While markets will always be shaped by uncertainty, we remain grounded in our philosophy and process. We believe high-quality businesses, when bought at the right price, deliver attractive, risk-adjusted returns over time. And we believe that a rigorous focus on fundamentals remains the best defense against an earnings downturn and the best foundation for long-term compounding.

We’re proud of our long-term track record. But, despite our market and peer-beating longer-term results, we are energised and confident as we emerge from a period of shorter-term underperformance in a much stronger position. We are excited about the portfolio’s current positioning, with strong growth and quality characteristics that should lead to continued long-term fundamental compounding, irrespective of the short-term macroeconomic potholes along the way.

Kind regards,

The Atlas Global Companies Team

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## Endnote

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