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Investing Beyond the Cycle:

Equity opportunities in a slower growth world

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Global growth is losing momentum. The World Bank now expects real GDP to slow to 2.3% in 2025,[1] half a point below earlier forecasts at the start of the year. At the same time, the trading framework that drove globalisation for decades is under strain. Supply chains are shifting, developed economies are grappling with higher import costs and export-led emerging markets face reduced demand and limited room for policy manoeuvre.

Slower growth translates into weaker nominal GDP – likely stuck around 4–5% – which makes it harder for companies to expand revenues and profits. The impact is already evident: equity markets remain volatile, yet returns are narrowly concentrated. By mid-2025, just ten stocks account for 40% of the S&P 500's market value and over a quarter of the MSCI World.[2] Investors are increasingly exposed to concentration risk at precisely the moment when global growth is most fragile.

1. Source: World Bank Global Economic Prospects, June 2025. 2. Source: Bloomberg, MSCI, S&P Dow Jones Indices, as of June 30, 2025.

The Opportunity Beyond the Leaders

In this environment, investors need to shift their focus. When macro outlook is uncertain and market leadership is narrow, the best opportunities lie in companies that create their own growth and compound value through cycles. These businesses do not depend on favourable conditions; instead they harness durable competitive advantages, allocate capital with discipline and generate steady cash flows. They are the true wealth creators, capable of delivering long-term returns.

Fiera Atlas Global Companies Approach

At Fiera Atlas Global Companies, we invest with a long horizon and a bottom-up focus. We do not attempt to time cycles; we seek companies that have the potential to deliver double-digit earnings growth year after year, regardless of the macro backdrop. Our wealth-creation framework rests on four pillars: competitive advantage, disciplined capital allocation, structural growth and predictability. Together, these qualities seeks to allow profits to compound - and over time, share prices follow profits.

Compounding in Action

Case Study

Where can these companies be found? Several portfolio holdings exemplify the qualities of durable growth and disciplined execution.

Below we profile three – Amphenol, Heico and Rollins – operating in sectors as diverse as interconnectors, aerospace and pest control. Each shows how a high-quality business can deliver steady compounding in a slow-growth, volatile world. We believe these firms can potentially generate shareholder returns of 12–15% a year, combining profit growth and dividends, compared with the broader market's average of around 9%.[3]

AMPHENOL

Amphenol designs and manufactures connectors, sensors and components used across smartphones, data centres, electric vehicles, industrial automation and aerospace. In many of these markets the cost of failure is high, so customers prioritise reliability, creating strong barriers to entry. Amphenol's scale, engineering expertise and broad product portfolio underpin long-term partnerships with global manufacturers.

Growth is driven by rising electronic content in vehicles and industrial systems, as well as increasing demand for high-speed interconnects in data centres powering AI and cloud workloads. The company complements this with disciplined bolt-on acquisitions that extend capabilities and geographic reach. A decentralised structure gives managers entrepreneurial freedom, accelerating innovation and easing integration. Combined with conservative capital management, these qualities have allowed Amphenol to deliver resilient earnings and compound shareholder value for decades.

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HEICO

Heico operates in aerospace and industrial technology through two main divisions. The Flight Support Group is the leading supplier of Federal Aviation Administration-approved replacement aircraft parts, offering airlines a reliable, lower-cost alternative to original equipment manufacturer components. The Electronic Technologies Group produces mission-critical electronic systems for aerospace, defence and niche markets, where limited competition and high switching costs secure enduring demand.

The company is supported by long-term trends such as expanding global air travel, ageing aircraft fleets and sustained defence investment. Current production delays further boost demand for aftermarket parts. Heico builds on these tailwinds with a steady stream of small acquisitions, typically founder-led businesses with proprietary technologies. A decentralised culture encourages agility while enforcing disciplined capital allocation, enabling successful integrations. These factors together have allowed Heico to compound revenues, cash flows and returns at attractive rates through multiple cycles.

ROLLINS

Rollins, through brands such as Orkin, is a global leader in pest control. Its route-based model delivers recurring services across residential, commercial and termite markets, producing highly predictable revenue streams. Customer retention is supported by rigorous technician training, local responsiveness and strong brand trust. A dense branch network and national scale improve efficiency and lower costs in a fragmented industry.

Demand is reinforced by structural factors such as urbanisation, climate change and migration into pest-prone regions. Rollins augments this with acquisitions of smaller operators, integrating them carefully to preserve local goodwill while achieving efficiencies. Continued investment in people, digital tools and operational excellence strengthens service quality and competitive advantage. This model generates durable cash flows and steady growth, making Rollins a proven long-term compounder across economic environments.

The Enduring Advantage of Quality

In a low-growth world, quality is the surest route to compounding. Predictable businesses reduce volatility, help clients stay invested and allow time to work in investors' favour. Since 2017, the Fiera Atlas Global Companies strategy has compounded profits (earnings plus dividends) at roughly 14% per year,[4] well ahead of the global equity average of about 9%.

Cycles will come and go. What endures are companies with structural growth, superior economics and disciplined capital allocation. These businesses do not merely weather downturns; they shape industries and create lasting value. By owning them today, we believe investors can secure sustainable wealth creation for tomorrow.

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