Beyond the Factsheet: Inside the Engine Room of Your Investments

When you invest in a unit trust or model portfolio, it's natural to focus on the fund's name, past performance, or the reputation of the asset manager. But what actually powers your returns?

The answer is simple: businesses.

Think of your portfolio as a ship. The factsheet is the dashboard, the fund manager is the captain, and the businesses you're invested in are the engine room. They do the heavy lifting—producing, selling, and growing. It's their performance, combined with the skill of the fund manager, that drives your investment outcomes forward.

You might see names like Baillie Gifford, Dodge & Cox, or Schroders on your factsheet. But behind those labels, your money is working inside companies like Meta, Microsoft, Nvidia, and Amazon—some of the world's most exceptional businesses. These are the engines of your portfolio, quietly powering long-term growth.

For example, Meta runs Instagram, Facebook, and WhatsApp. Microsoft is not just about Office—it's also a global leader in cloud computing through Azure. Nvidia, now valued at over $4 trillion, produces the chips that fuel artificial intelligence.

These companies, and others like them, feature in your investment portfolio. They're not just names on a sheet—they're dynamic, global businesses driving innovation and returns.



What Makes a Business Exceptional?

Short-term market movements are often driven by headlines: interest rates, inflation, or global events. But over time, it's the strength of the underlying business that matters most.

Companies with unique products or services, limited competition, and strong leadership tend to grow steadily. They adapt to changing economic conditions and regulatory environments, and they find ways to overcome challenges.

This resilience shows up in their ability to grow profits over time—measured by a key metric: profit per share (EPS). Companies that consistently grow profits are often rewarded by the market, even if short-term volatility causes temporary dips.

Take Booking Holdings, for example. It's the company behind well-known travel platforms like Booking.com, Priceline, and Kayak.

The chart below shows how its share price has tracked its profit growth over the longer term. While prices may fluctuate due to short-term concerns, strong businesses like this tend to recover their profitability and continue their upward journey.

Booking Holdings: Share Price vs. Profit Growth



Source: Refinitiv

Meta: A Case of Market Misjudgement

In 2022, Meta's share price dropped sharply from $330 to $90 due to concerns about excessive spending on virtual experiences. But when management committed to tighter cost control and the business continued to grow profits, the share price rebounded—now trading above $700. This is a clear example of how short-term pessimism can create long-term opportunity.

Understanding Valuation: The PE Ratio

The price-to-earnings (PE) ratio compares a company's share price to its profits. It's a common way to assess whether a stock is cheap or expensive.

As a rule of thumb:

- A PE below 13 is often seen as cheap
- A PE above 20 is considered expensive

But this rule can be misleading. A fast-growing company with a high PE might still be undervalued if it grows faster than the market expects. Conversely, a company with a low PE might be a poor investment if it declines more than anticipated.

Successful investing involves identifying businesses where market expectations are too low. The fund managers we work with share a common trait: they focus on long-term business quality and growth potential, and they invest when they believe the market has mispriced a company's prospects.

Real-World Success Stories

Here are some examples of companies that have delivered strong returns over the past seven years:

Company	Annual Return	Starting PE	Ending PE	Profit Growth (EPS)
Howmet Aerospace	42.5%	13.0	44.4	19.6%
ASML	22.3%	29.9	28.2	23.1%
MercadoLibre	31.5%	230.2	40.3	53.8%
Heidelberg Materials	17.1%	10.9	15.1	9.7%
Dexcom	18.8%	121.1	65.0	27.8%
Booking Holdings	16.3%	22.2	24.6	14.3%

Howmet Aerospace

Howmet manufactures mission-critical components for aircraft engines and structures, parts that must meet the highest reliability standards. This creates a strong barrier to entry and gives the company pricing power.

Previously part of Arconic Inc., a commodity aluminium business, Howmet's strong performance was hidden by Arconic's weaker results. After the spin-off, Howmet's true value became more visible. Its profit per share grew by 19.6% annually, and its PE ratio rose from 13 to 44.4. The result? A 42.5% annual return.

Long-term demand from defence and air travel supports its continued growth.

ASML

ASML is arguably the most important company you've never heard of. It builds the machines that print microchips, critical components for all modern electronics.

Its lithography systems are unmatched in sophistication, and it dominates this niche market. Despite trading at high valuations, ASML has consistently exceeded expectations. Over the past seven years profit per share grew by 23.1% annually, resulting in a 22.3% annual return.

Demand from AI, cloud computing, and digital transformation continues to drive its growth.

MercadoLibre

Often called the Amazon of Latin America, MercadoLibre runs the region's leading e-commerce platform and a fast-growing fintech arm, Mercado Pago.

Its network of users and sellers creates a powerful growth loop. While it once traded at a lofty PE of 230.2, its profit growth of 53.8% per year brought that ratio down to 40.3, while still delivering a 31.5% annual return.

With e-commerce penetration in Latin America still low, the company has room to grow.

Backing Long-Term Growth

These stories show why it's important to focus on business fundamentals, not market noise.

We work with skilled fund managers who stick to their strategy, even when times are tough. They look for companies with strong prospects that others overlook. The result? A portfolio built for resilience and long-term growth.

So next time a dramatic headline or political tweet causes market jitters, remember: your investments are anchored in resilient businesses with long-term potential. These are the engines of your portfolio—built to adapt, endure, and deliver long-term value, even when markets are turbulent.