



Out of This World Compounding

The coming months are expected to see the largest initial public offering in history, with Elon Musk's SpaceX looking to sell shares worth US\$50-75 billion to investors, valuing the entirety of the company at approximately US\$1.5 trillion. Excitement is high among investors keen for the chance to buy into this unique company that pioneered the concept of reusable rockets, having already placed over 10,000 Starlink satellites in orbit around the earth to create a truly global internet network. The history of the company's advancements, despite tremendous obstacles, is quite enthralling, and it is no wonder that the business captures the imagination of many stock market investors. However, the pending transaction also allows a moment for a reminder that investing success does not always need to come from companies as exciting as SpaceX. In fact, there are businesses that have prospered for years without any fanfare or media coverage, posting excellent gains while going largely unnoticed in daily affairs.

One example of a quiet winner is Metro, a grocery retailer in central Canada operating 1,000 food stores and 400 pharmacies in Ontario and Quebec. A regular, but perhaps unremarkable weekly visit for its customers, Metro has quietly posted impressive stock market performance for many years. Over the past twenty years, for example, while the overall S&P/TSX Composite Index¹ posted 8.2% annual total returns, Metro investors reaped 13.7% annual total returns from this understated, well managed grocery chain².

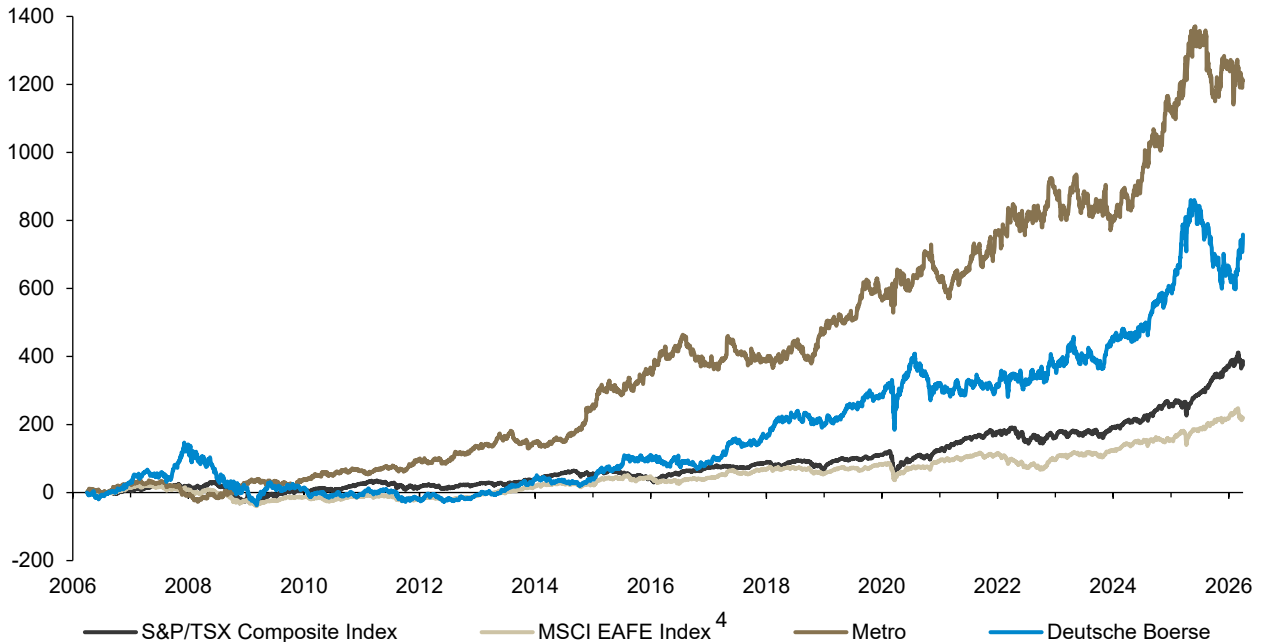
Another example of a quiet winner is Deutsche Boerse, owner of the Frankfurt Stock Exchange. Operating out of sight while handling stock, bond, currency and commodity trades on one of Europe's busiest exchanges, Deutsche Boerse collects fees on every transaction and benefits from rising trading volumes as the years pass. Investors have benefited as well: over that same twenty-year span, Deutsche Boerse shareholders have collected 11.4% annual returns from this quiet winner³.

¹ The S&P/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange (TSX) with about 250 companies included in it.

² Source: Bloomberg. Total returns for Metro (MRU) in C\$ from 31 March 2006 to 31 March 2026

³ Source: Bloomberg. Total returns for Deutsche Boerse (DB1) in C\$ from 31 March 2006 to 31 March 2026

Total return, March 31, 2006 to March 31, 2026
(percent; CAD basis)



Source: Bloomberg

The chart above helps to illustrate the impact of these gains over the past two decades. The advantage is imperceptible at first, but thanks to the power of compounding, this growth differential translates into a major advantage, with both Metro and Deutsche Boerse far exceeding the returns of their respective broad benchmarks. Exciting companies will always capture a level of attention from investors and the popular press, and the pending share offering from SpaceX will likely be no different. However, the performance of under-the-radar stocks like Metro and Deutsche Boerse can also create returns for investors that, over time, prove to be out of this world.

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⁴The MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. and Canada.

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