



# Three Layers, Zero Cost

The Pricing Power the Market Doesn't Count

A STRUCTURAL ANALYSIS OF GEOMETRIC COMPOUNDING

# What Chris Hohn Sees



## Over \$50B Deployed

TCI Fund Management operates with highly concentrated, long-term convictions.

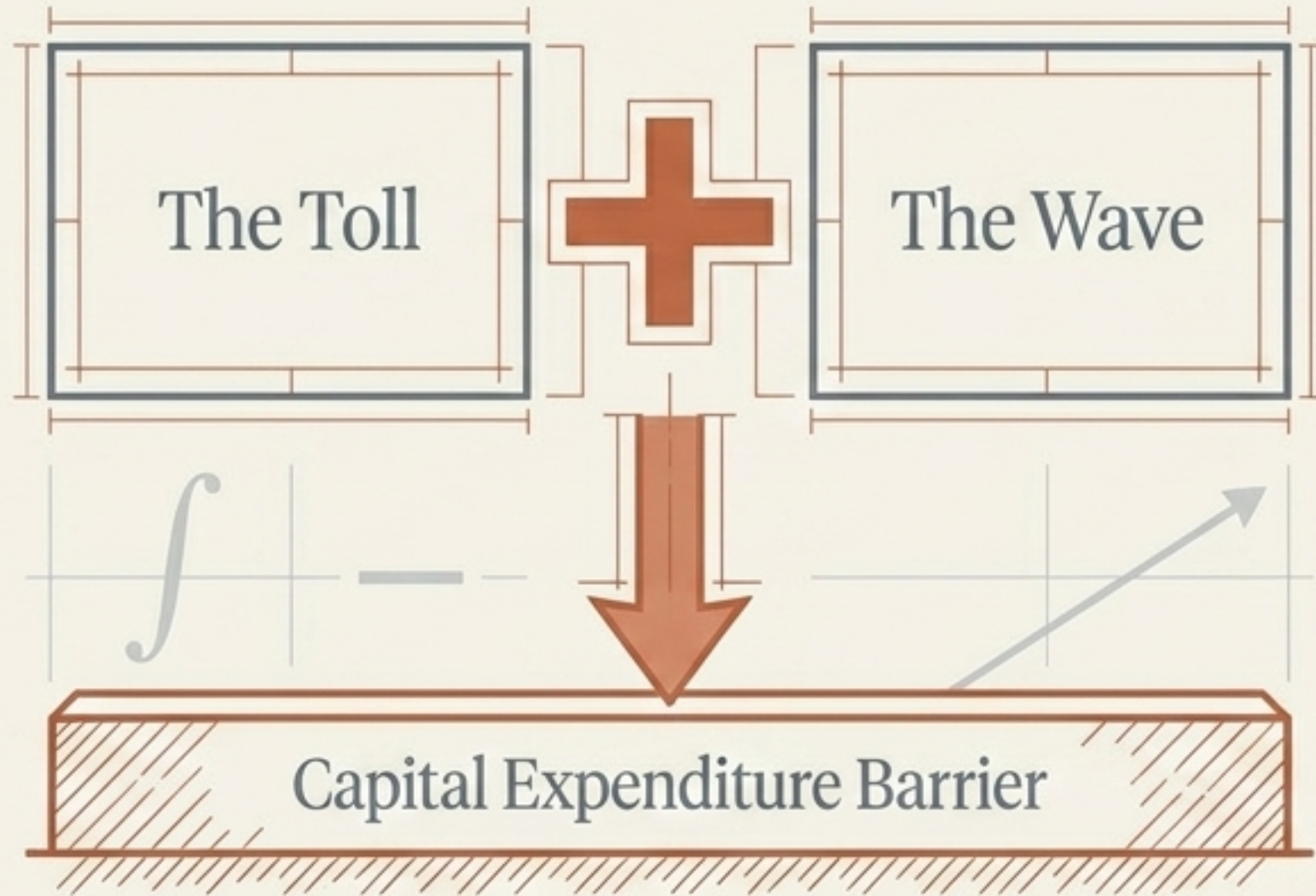
## The Margin Asymmetry

Hohn notes that once baseline volume is surpassed, incremental gains cost nothing—making a 1% increase in pricing power “huge.”

## The Leverage Effect

The combination of volume growth and pricing power creates an accelerating geometry standard models fail to capture.

# The Geometrical Architecture



## A + B (Additive)

The Toll and The Wave sit next to each other. Growth requires constant reinvestment.

**Example:** Cola ad spend, Railroad track investments.

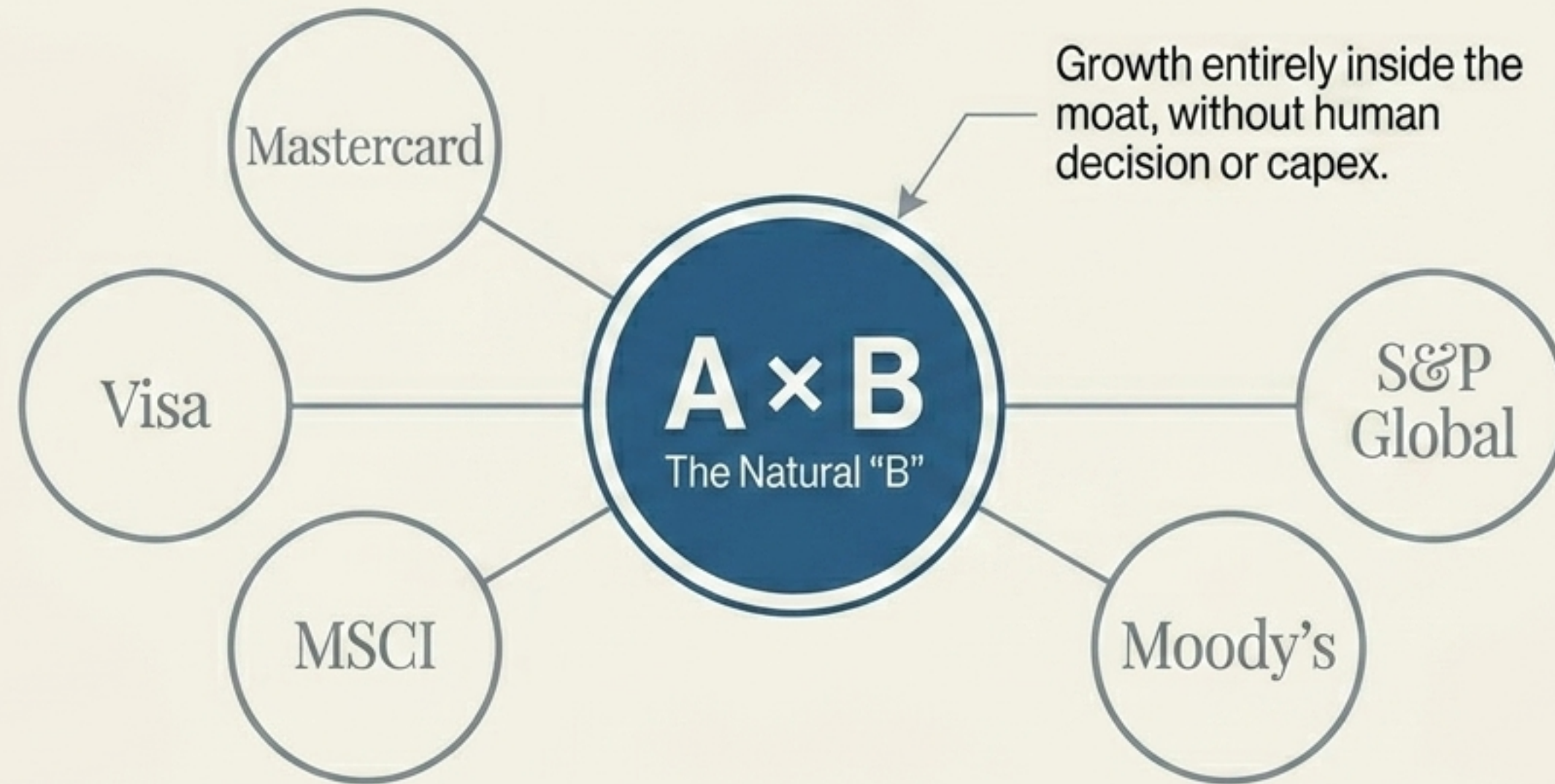
## Key Insight

Most investors seek steady compounding (**A + B**), missing the geometric acceleration where the toll and the wave fuse without requiring capital (**A × B**).

## A × B (Multiplicative)

The Toll and The Wave organically interlock. Growth arrives without capital expenditure.

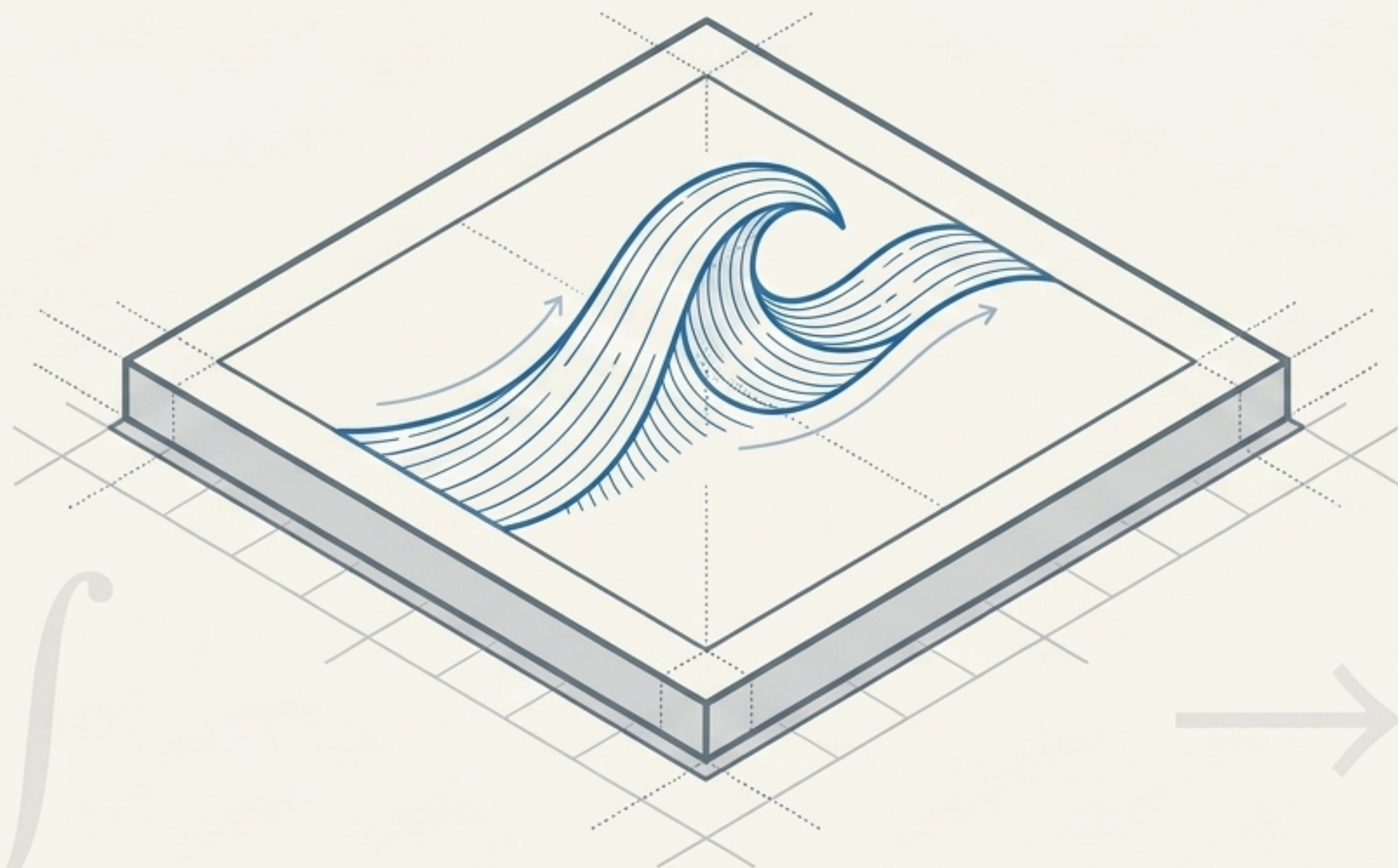
# The Freesurfer Ecosystem



The mechanism by which these five businesses convert multiplication into compounding profit relies on three zero-cost layers passing through one structural lever.

# Layer 1: Real Volume Growth

## The Secular Wave (The B)



### Mechanism

Arrives completely without effort. Independent of inflation or internal pricing decisions.

### Examples

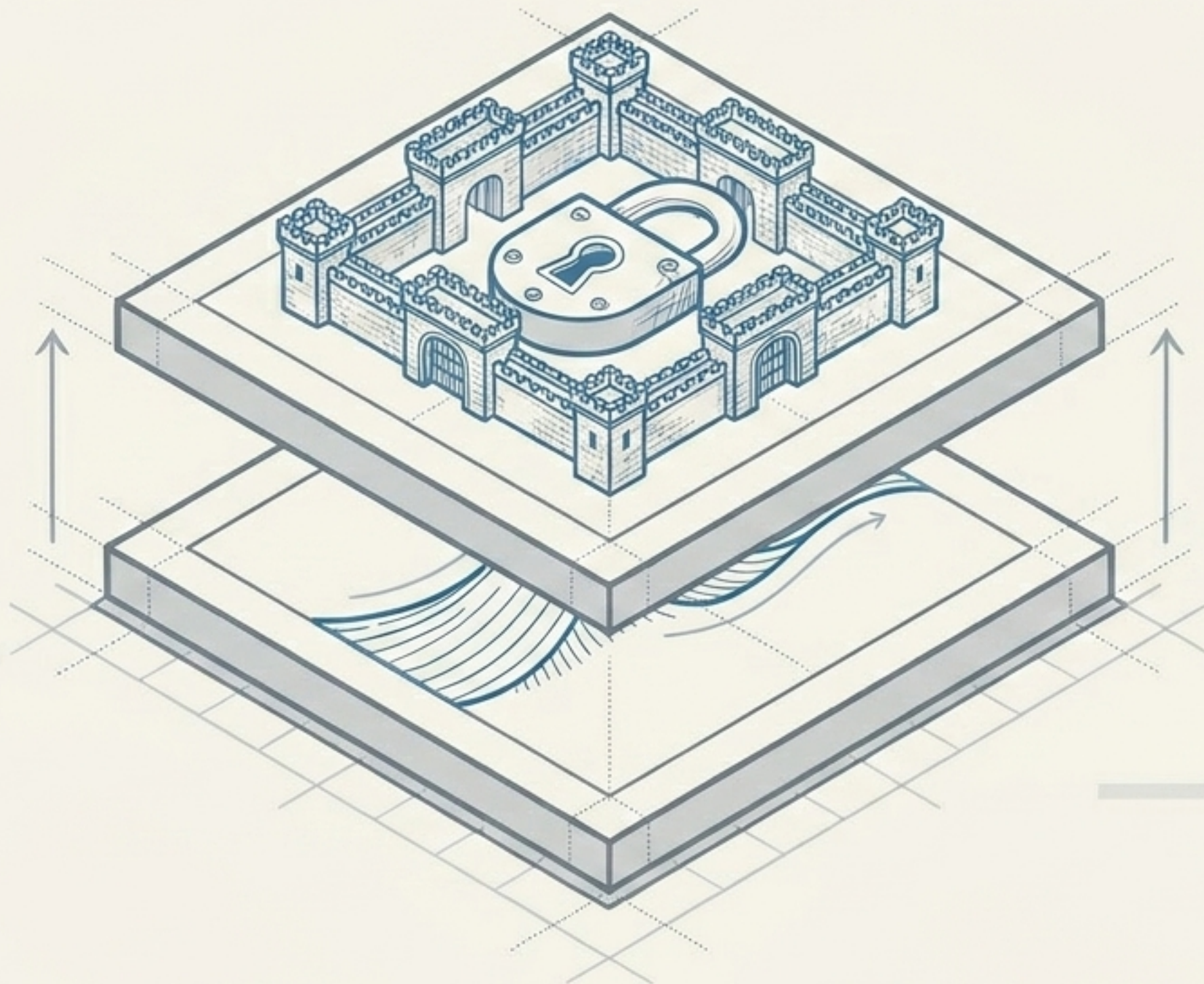
- The digitalization of global payments.
- The expansion of global debt.
- The migration from active to passive investing.

### Takeaway

This is the engine. The volume arrives for free.

# Layer 2: Explicit Pricing Power

## The Moat



### Mechanism

Raising rates with minimal friction because the customer cannot leave.

### The Constraint Divide

**Institutional**  
(S&P, MSCI)

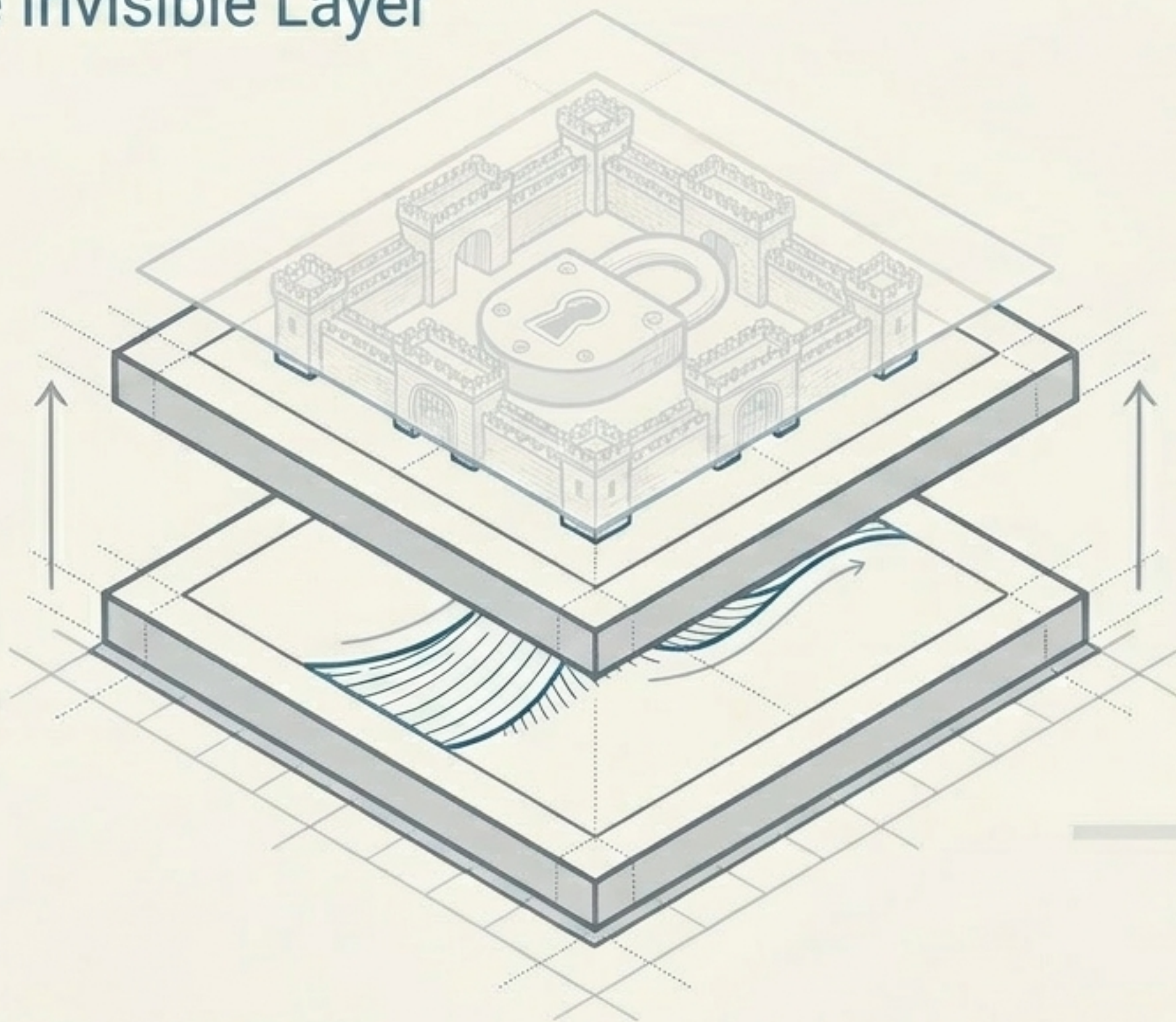
Contractual,  
low political  
visibility,  
virtually  
frictionless.

**Consumer /  
Systemic**  
(Visa, Mastercard)

Politically  
constrained by  
merchants and  
regulators,  
requiring  
cautious,  
incremental  
adjustments  
below the radar.

# Layer 3: Inflation Pass-Through

## The Invisible Layer



### Mechanism

Automatic & Costless. The toll is a percentage. As nominal values rise, revenue swells automatically.

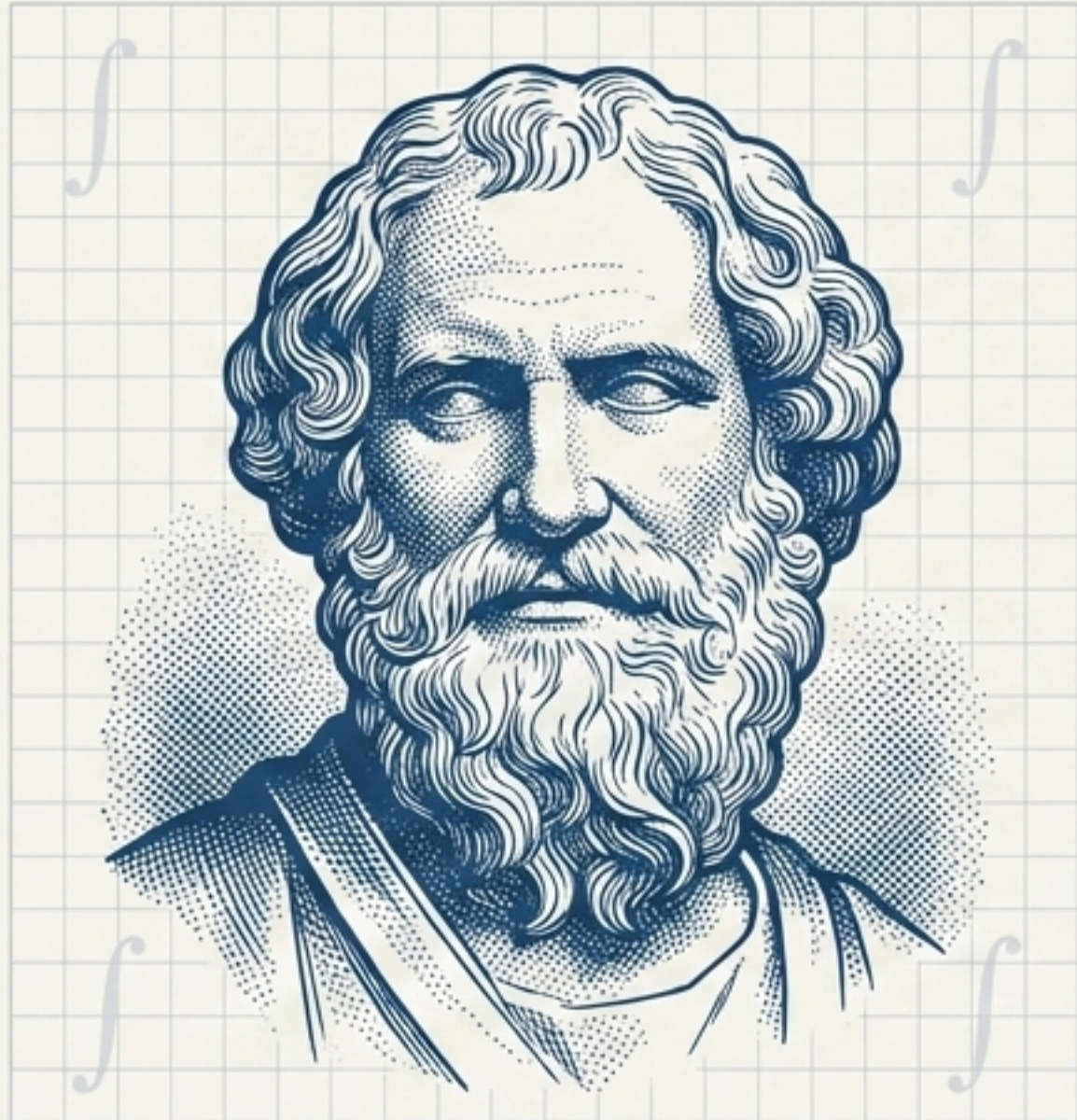
### Examples

- Meal price goes \$50 -> \$55 (Visa collects on \$55).
- Nominal bond size increases (S&P/Moody's collect more for the same economic activity).
- Nominal asset values rise (MSCI collects higher basis points without new inflows).

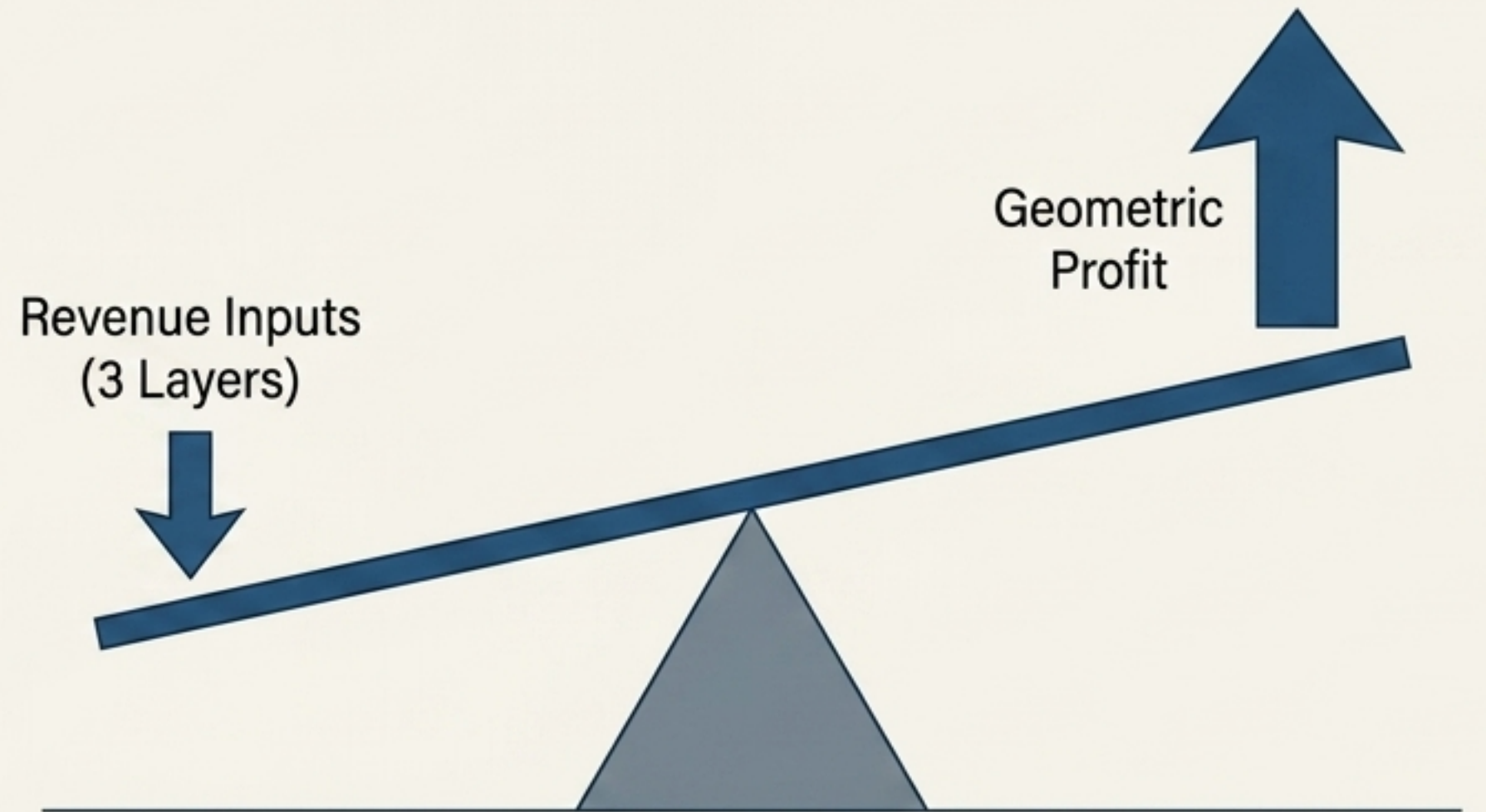
### Takeaway

No letters sent. No negotiations. The inflation IS the price increase.

# The Fulcrum (Operating Leverage)



*“Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.”*  
— Archimedes, 3rd century BC



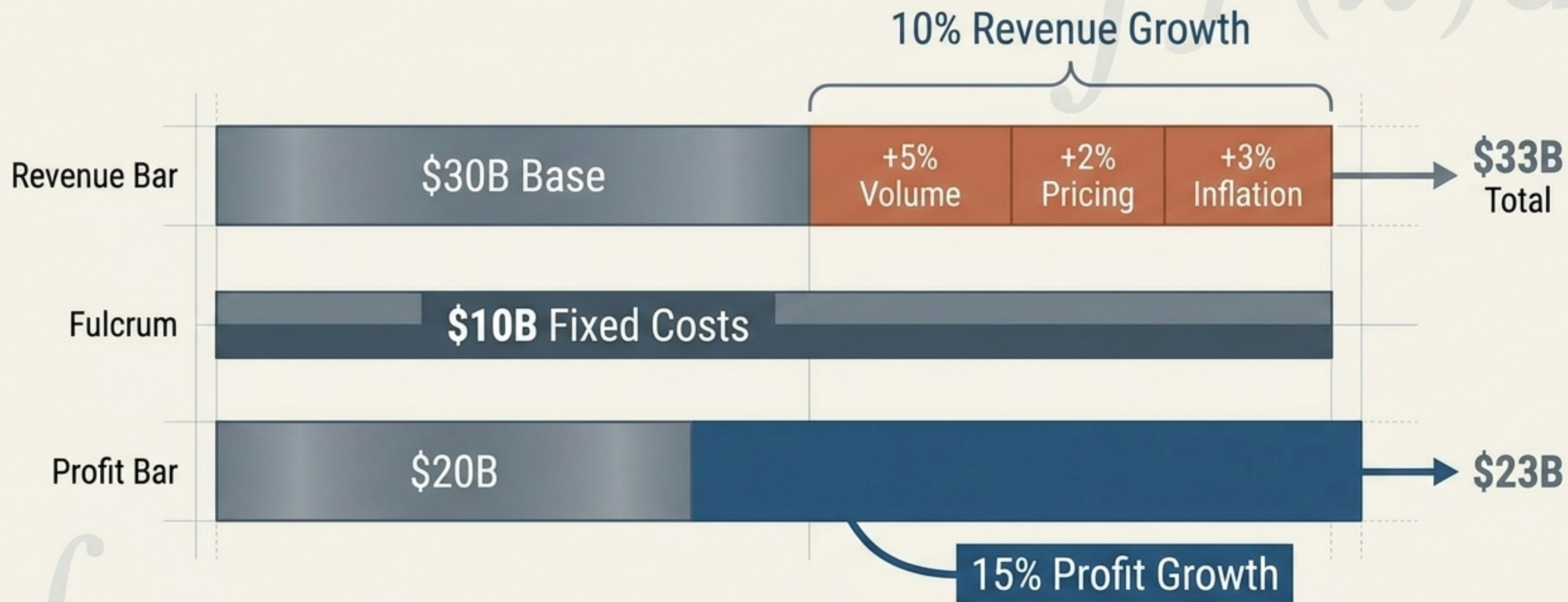
## The Conversion

The three layers generate revenue. The Fulcrum converts it to profit.

## The Fixed Cost Base

The cost of running Visa's network or maintaining the MSCI World index is essentially fixed regardless of volume. This static base acts as the fulcrum.

# The Mathematics of the Lever



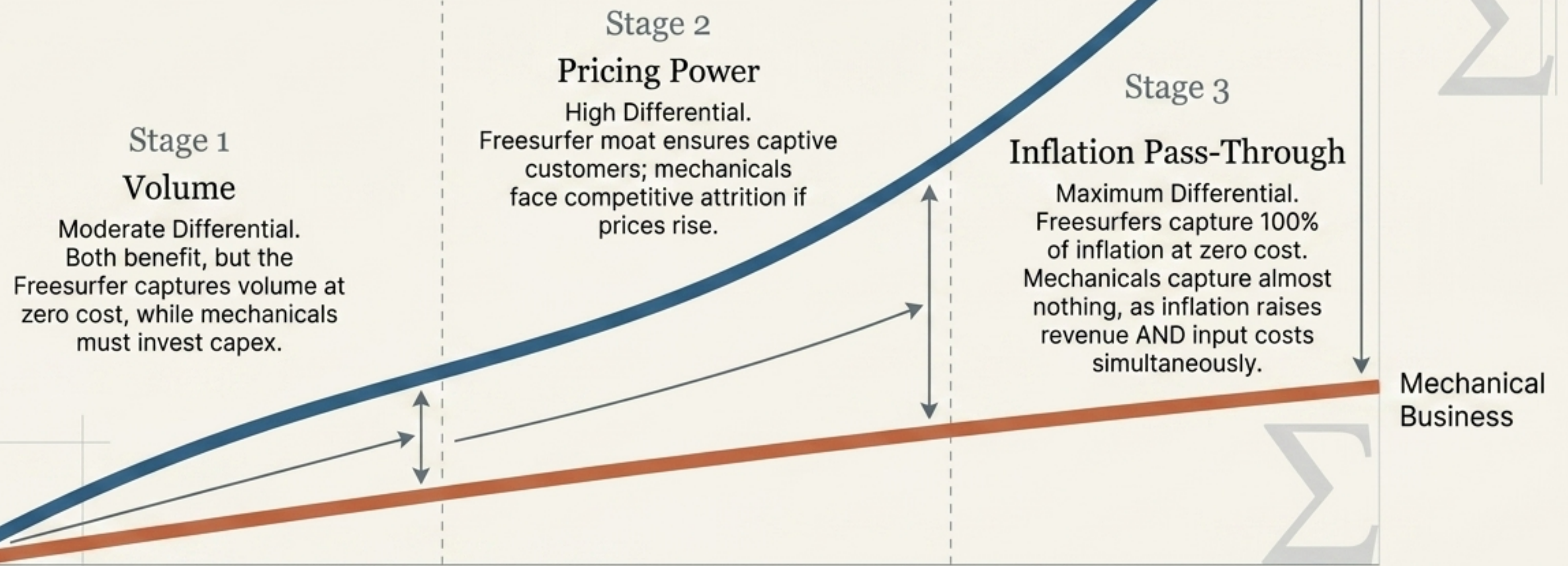
**The Geometry:** Revenue grew 10%. Because the \$10B cost fulcrum did not move, Profit grew 15%.

**The Multiplier:** The lever is 1.5x. This is what geometric acceleration looks like in practice.

# The Freesurfers Applied

	<b>Visa</b>	<b>S&amp;P Global</b>	<b>MSCI</b>
Volume Runway	Deepest runway (cash-to-digital decades long)	Broadest runway (4 independent tolls/engines)	Cleanest stack (active to passive wave)
Pricing Power	Politically constrained pricing	Captive duopoly pricing	Strong / frictionless pricing
Inflation Pass-Through	Automatic pass-through	Structural pass-through	Automatic (AUM basis points)
Operating Leverage	Very high leverage	High leverage amplified across segments	Maximum operating leverage

# The Hierarchy of Advantage



# The Mechanical Mirror

The Multiplicative Reality ( $A \times B$ )

The Freesurfer Reality

The Mechanical Reality

Growth arrives friction-free.  
Profit compounds faster  
than revenue.

**Barrier 1:**  
Volume requires  
capital expenditure.

**Barrier 2:**  
Pricing power  
neutralized by  
competition.




**Barrier 3:**  
Inflation erased by  
rising input costs.

The Additive Reality ( $A + B$ )

**The Shifting Fulcrum**

Because costs are variable and rise with revenue, the fulcrum constantly moves. Profit grows with revenue, not faster than it. Compounding occurs, but without amplification.

# The Invisible Layer

1	Volume Growth		Visible. Modeled fully.
2	Explicit Pricing		Partially visible. Modeled conservatively at 1-2%.
3	Inflation Pass-Through		Invisible. Completely ignored in standard models.

## The Market Disconnect

Standard sell-side models treat inflation entirely as a headwind—projecting higher costs and margin pressure.

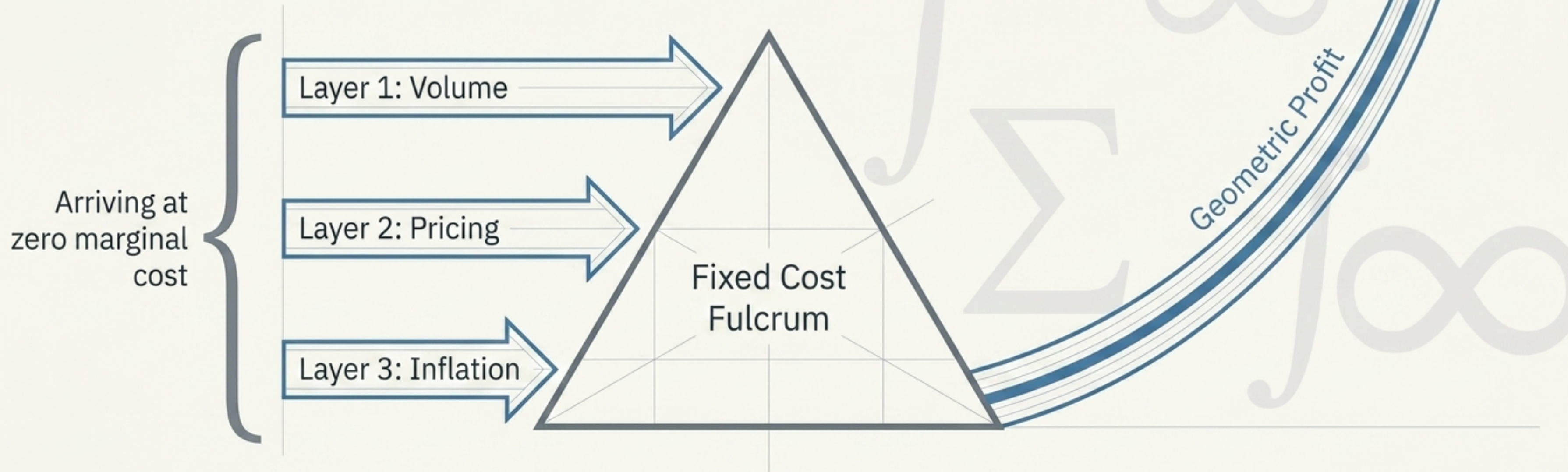
## The Blind Spot

Analysts project blended revenue but fail to decompose it. They do not account for the fact that the inflation component costs zero for the Freesurfer.

## The Irony

The layer the market ignores is the exact layer where the Freesurfer holds its absolute maximum advantage.

# The Complete Architecture



Three independent forces, each arriving at zero marginal cost, passing through a fixed cost structure. The result is the toll multiplied by the wave. Profit compounding structurally faster than revenue on a continuously enlarging base.

~~Three layers.  
Zero cost.  
One lever.  
 $A \times B$ .~~