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.

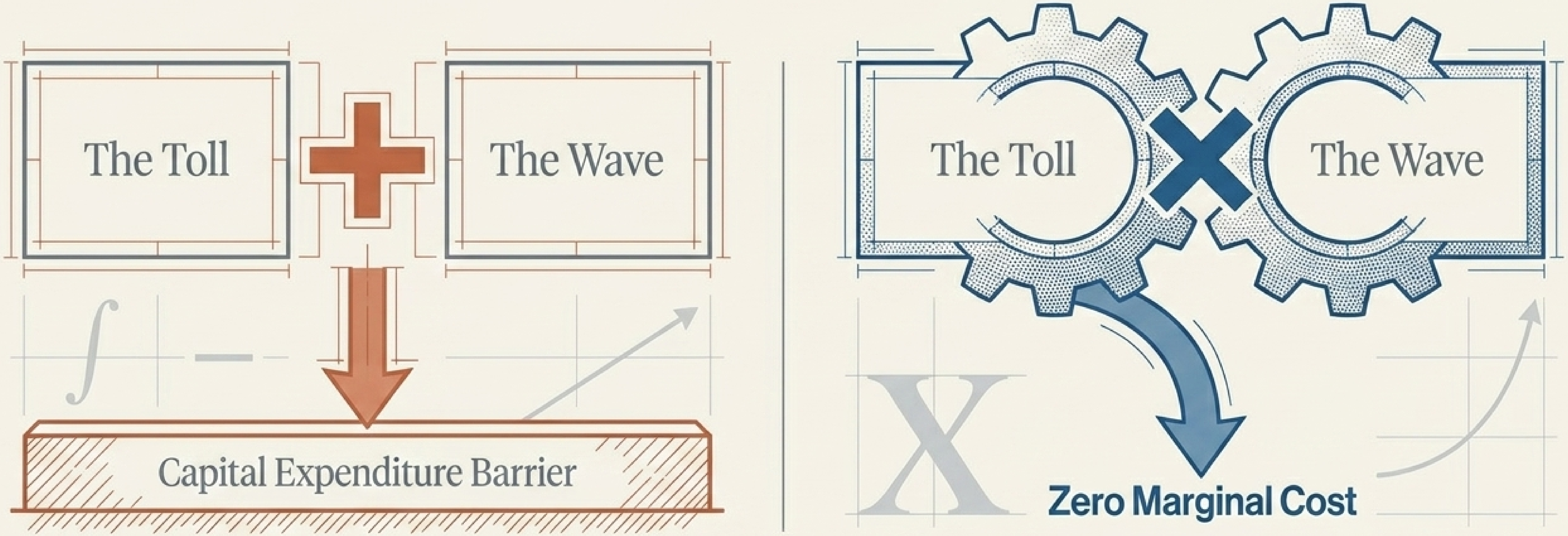
The Margin Asymmetry

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.

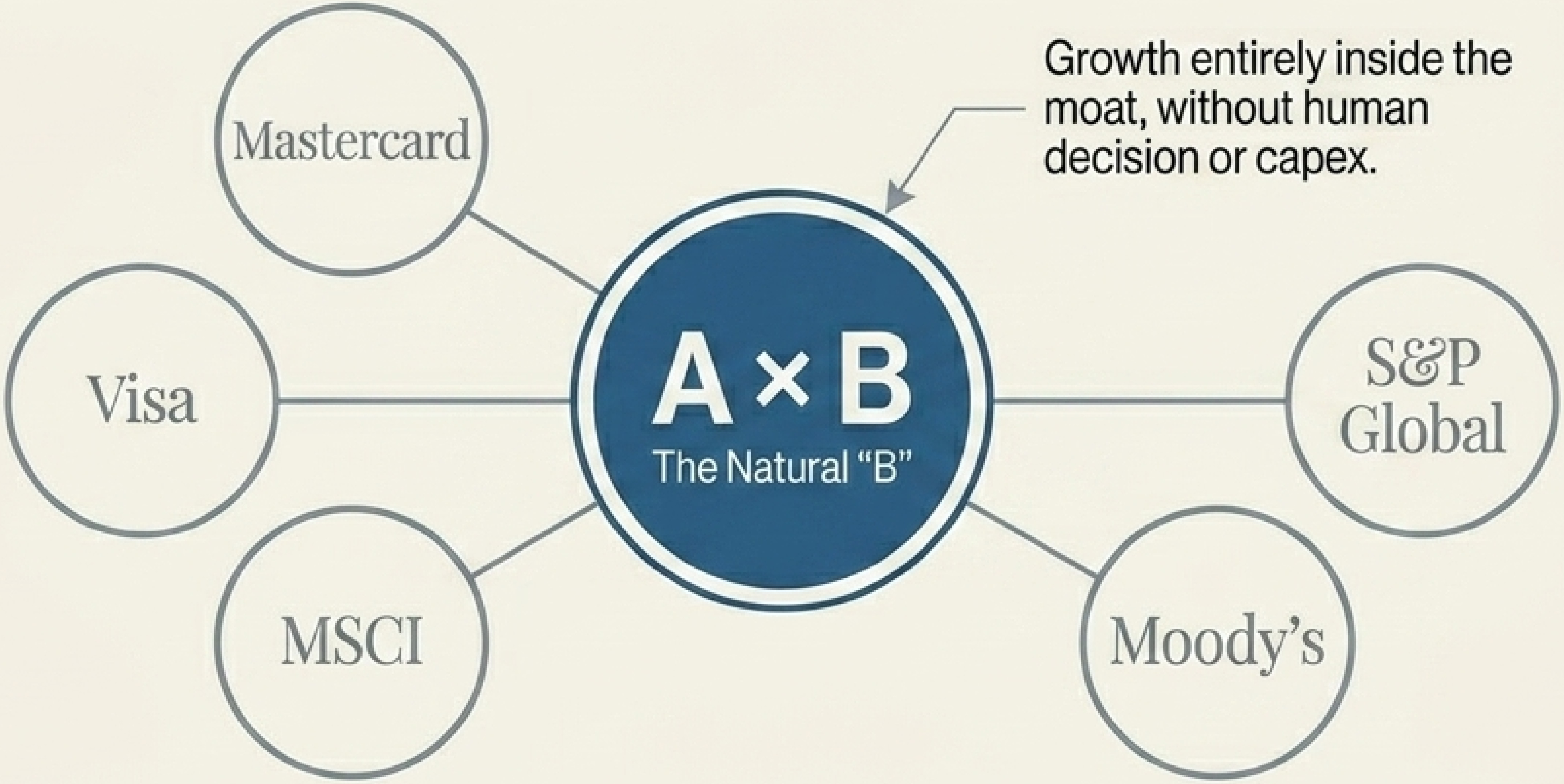
Key Insight

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 capital expenditure.

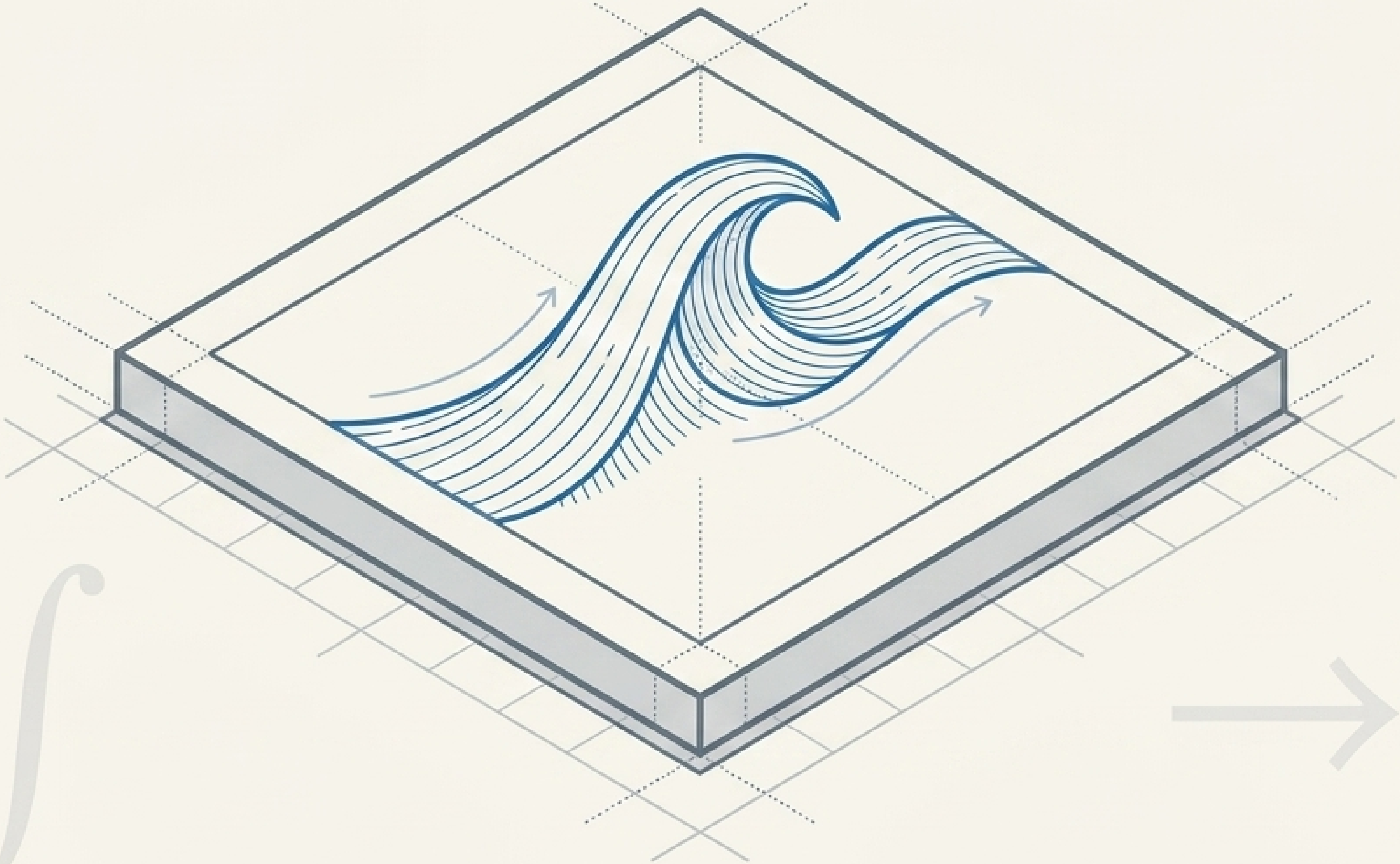
The Freesurfer Ecosystem



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

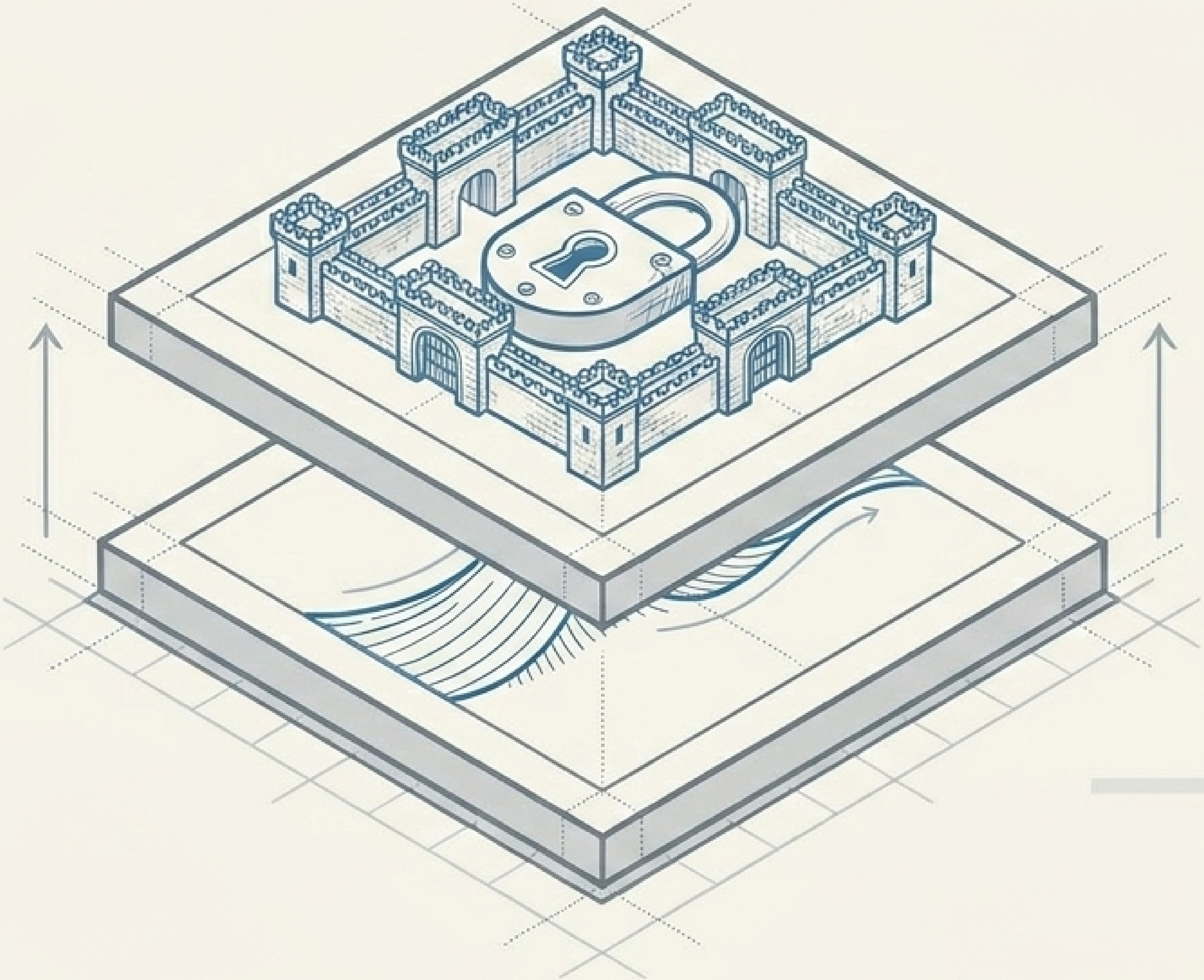
- The digitalization of global payments.
- The expansion of global debt.
- The migration from active to passive investing.

Takeaway

This is the engine. The volume arrives for free.

Layer 2: Explicit Pricing Power

The Moat



Mechanism

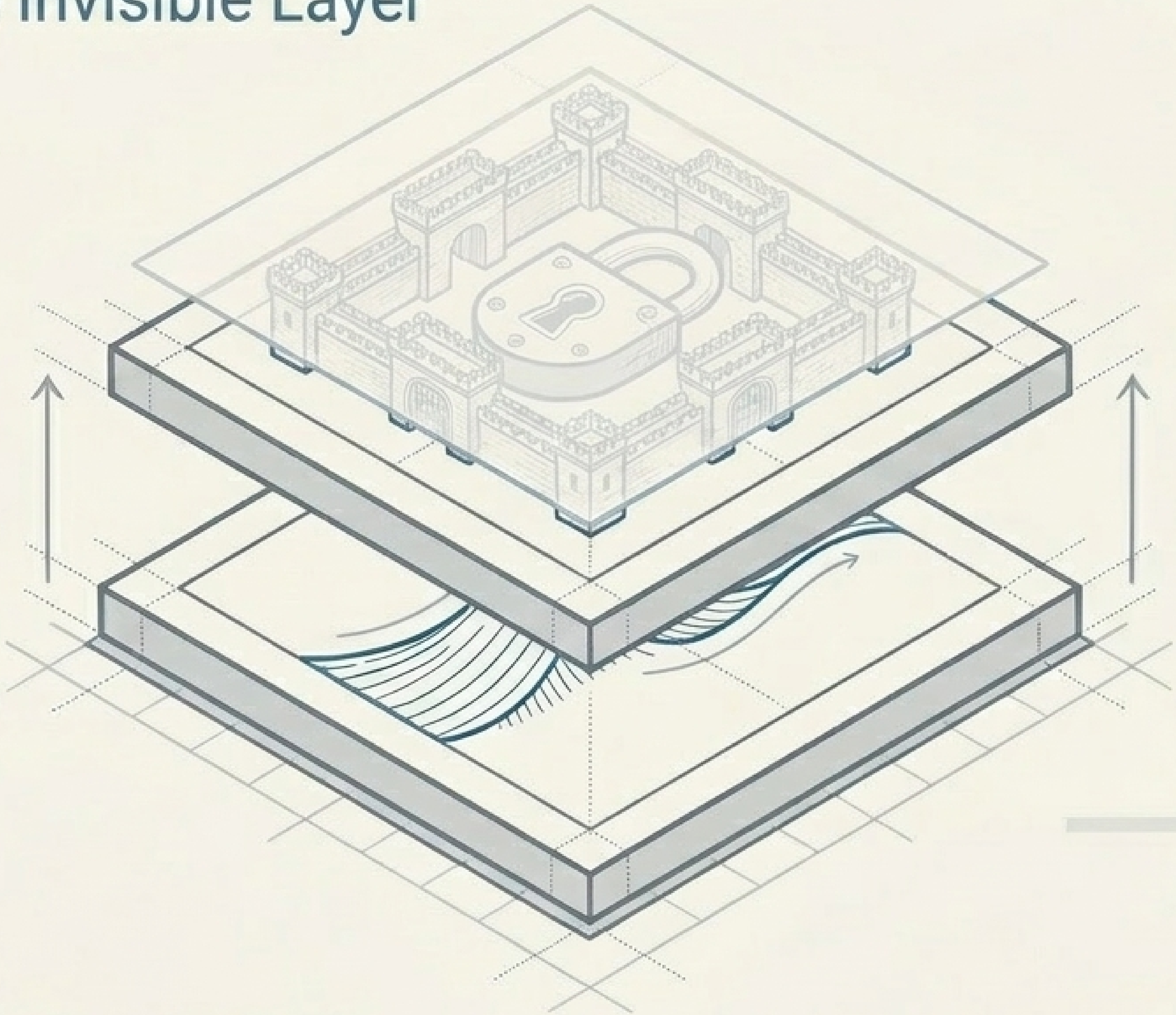
Raising rates with minimal friction because the customer cannot leave.

The Constraint Divide

Institutional (S&P, MSCI)	**Consumer / Systemic** (Visa, Mastercard)
Contractual, low political visibility, virtually frictionless.	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.

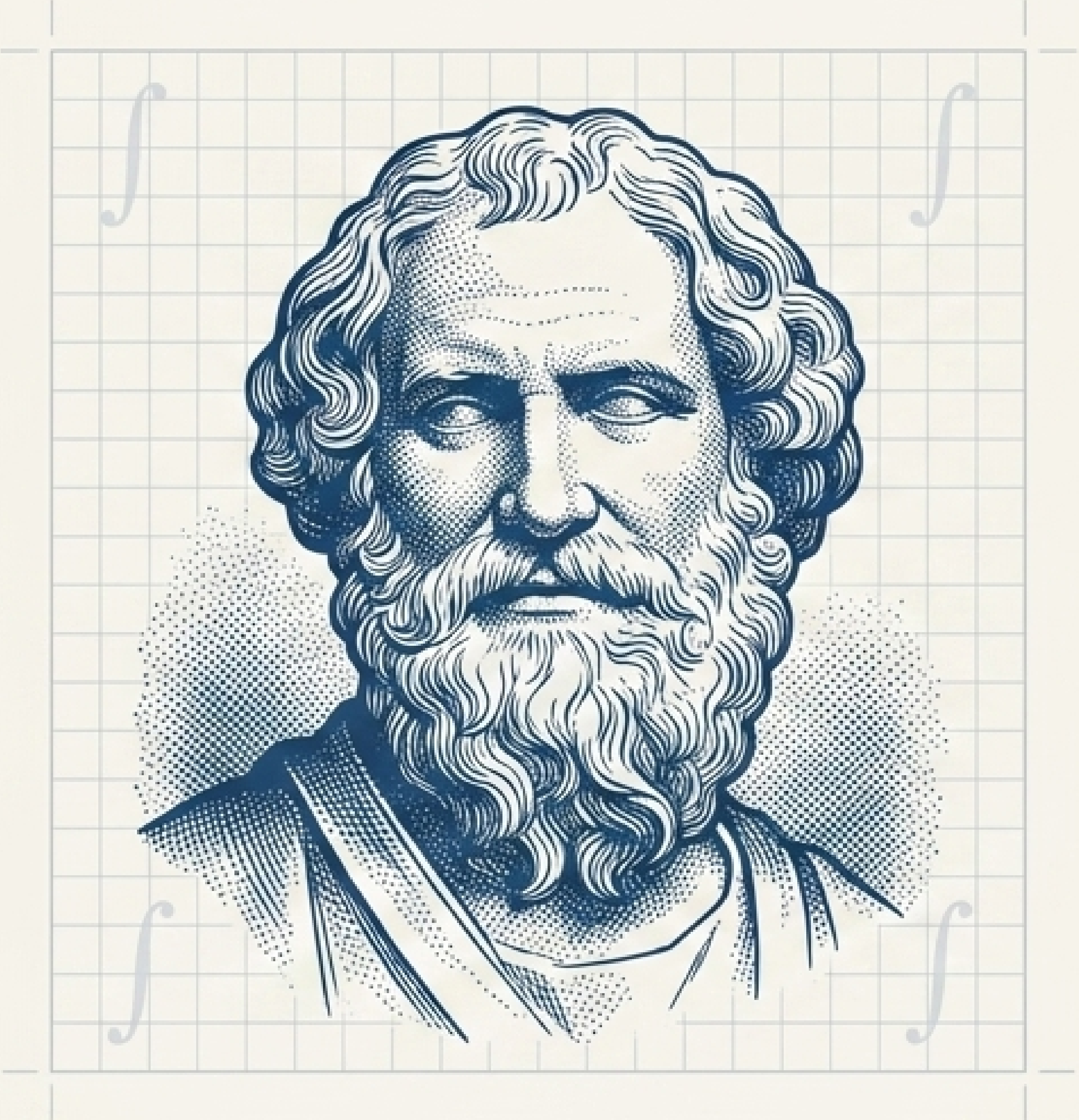
Examples

- 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).

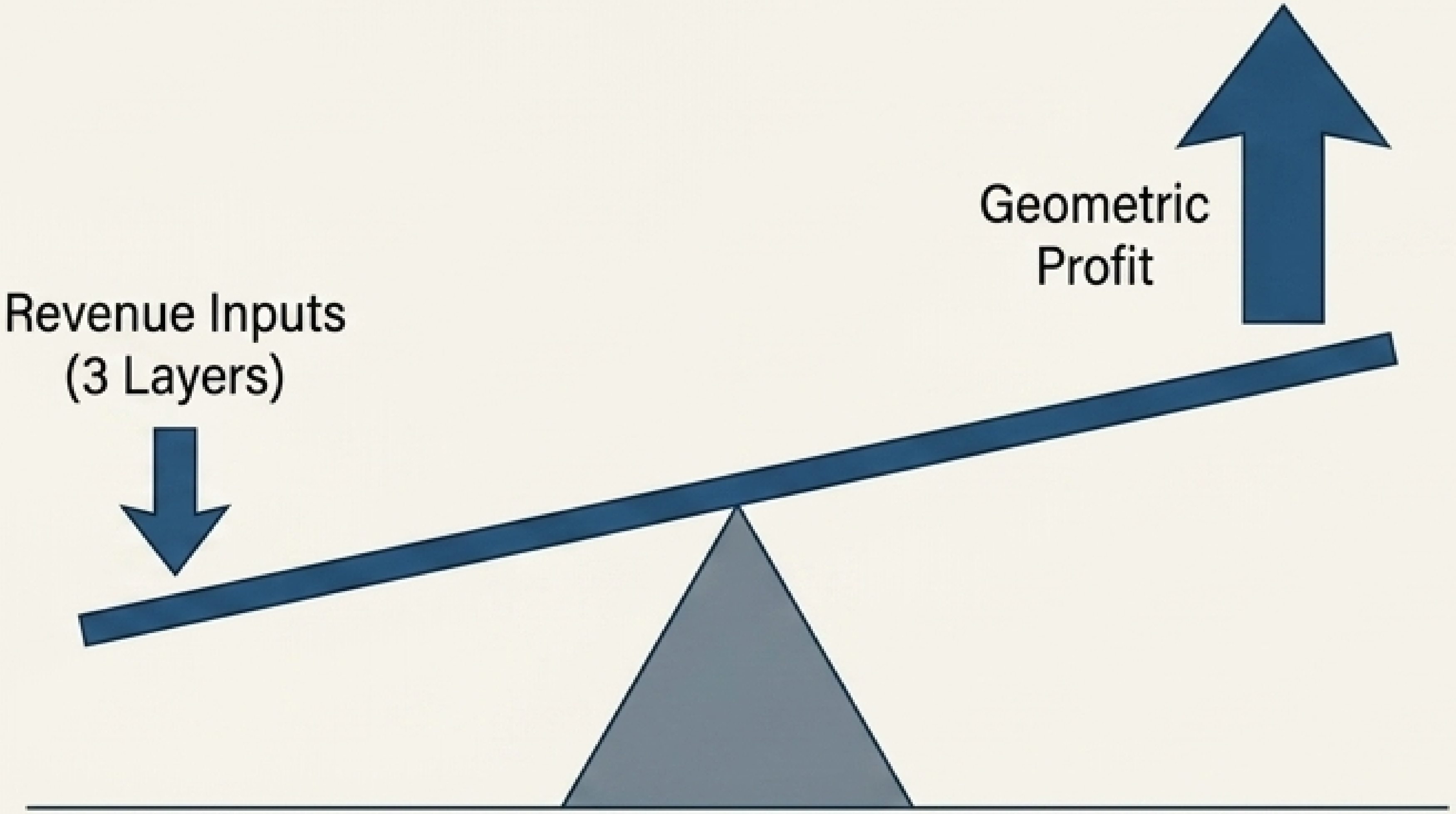
Takeaway

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



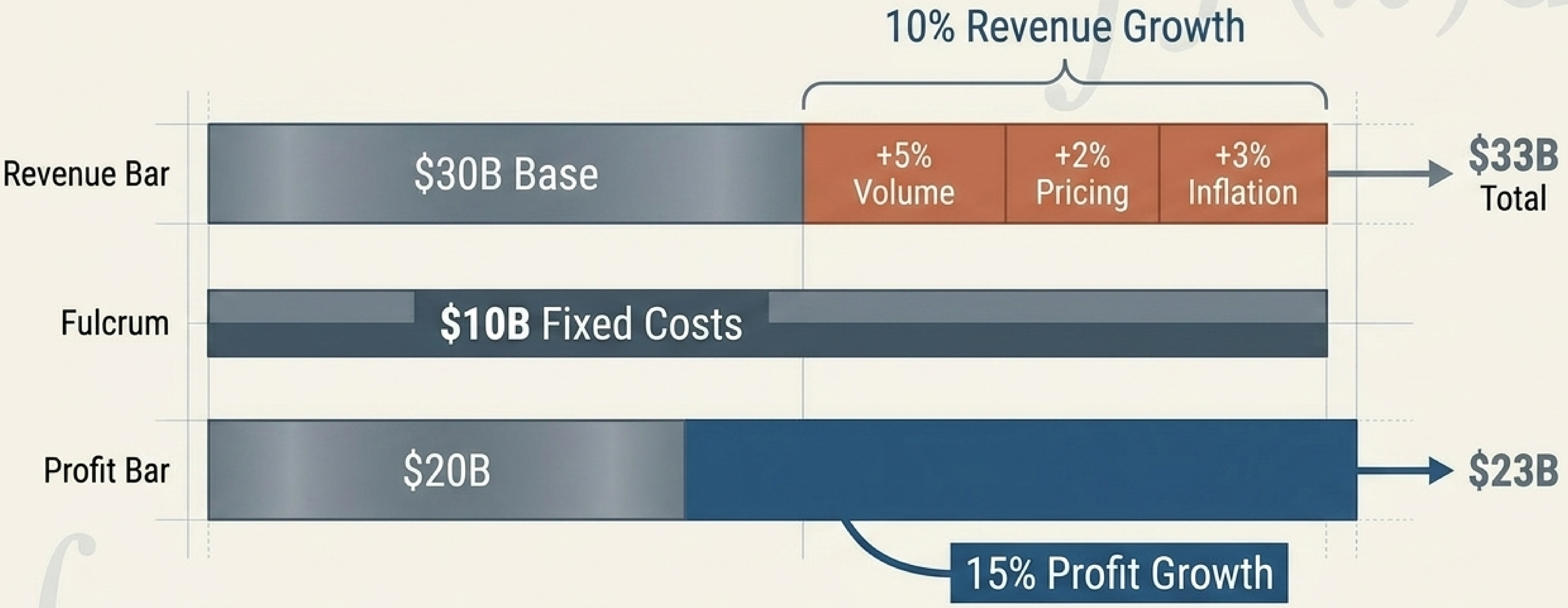
The Conversion

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



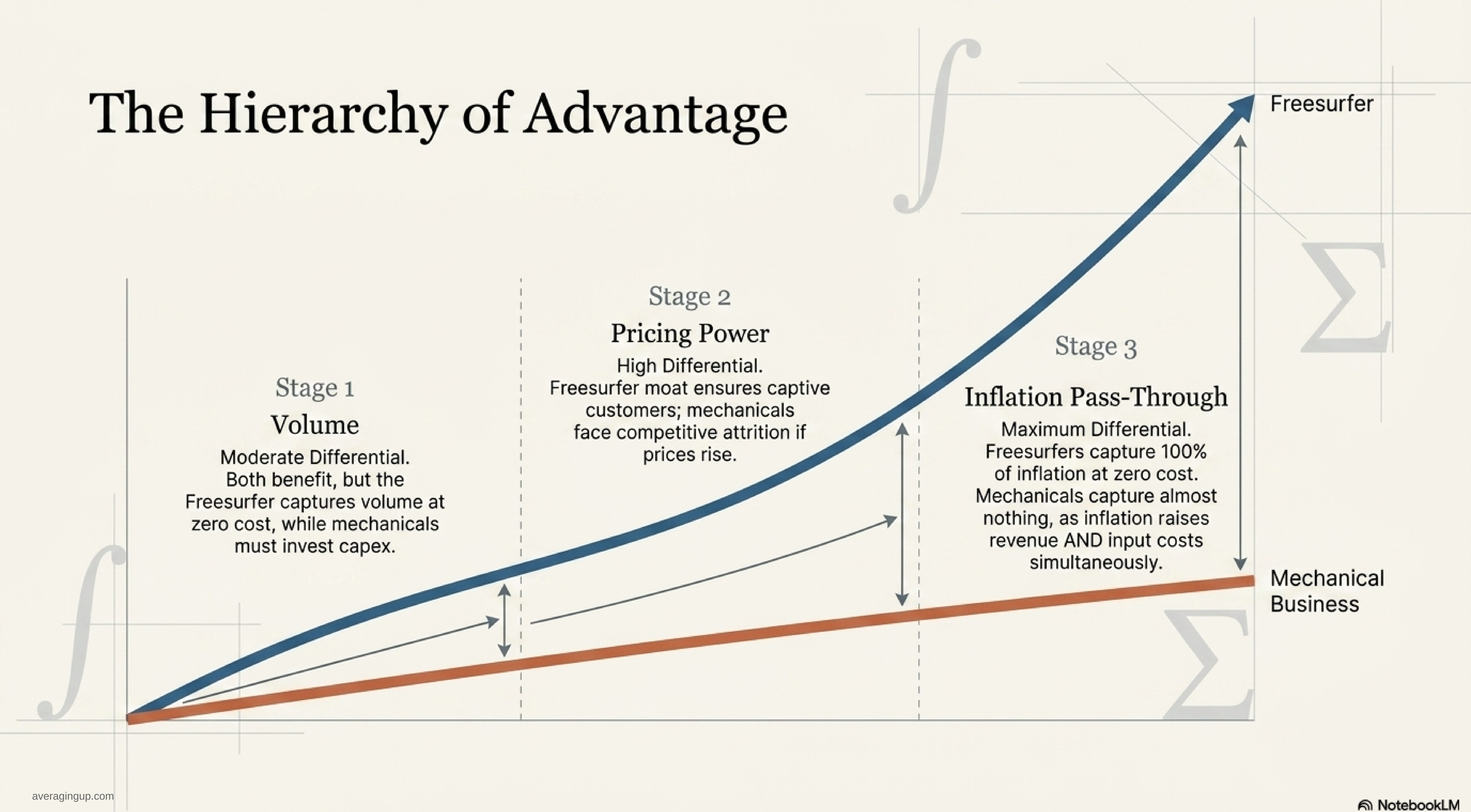
The Geometry: Revenue grew 10%. Because the $10B cost fulcrum did not move, Profit grew 15%.

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

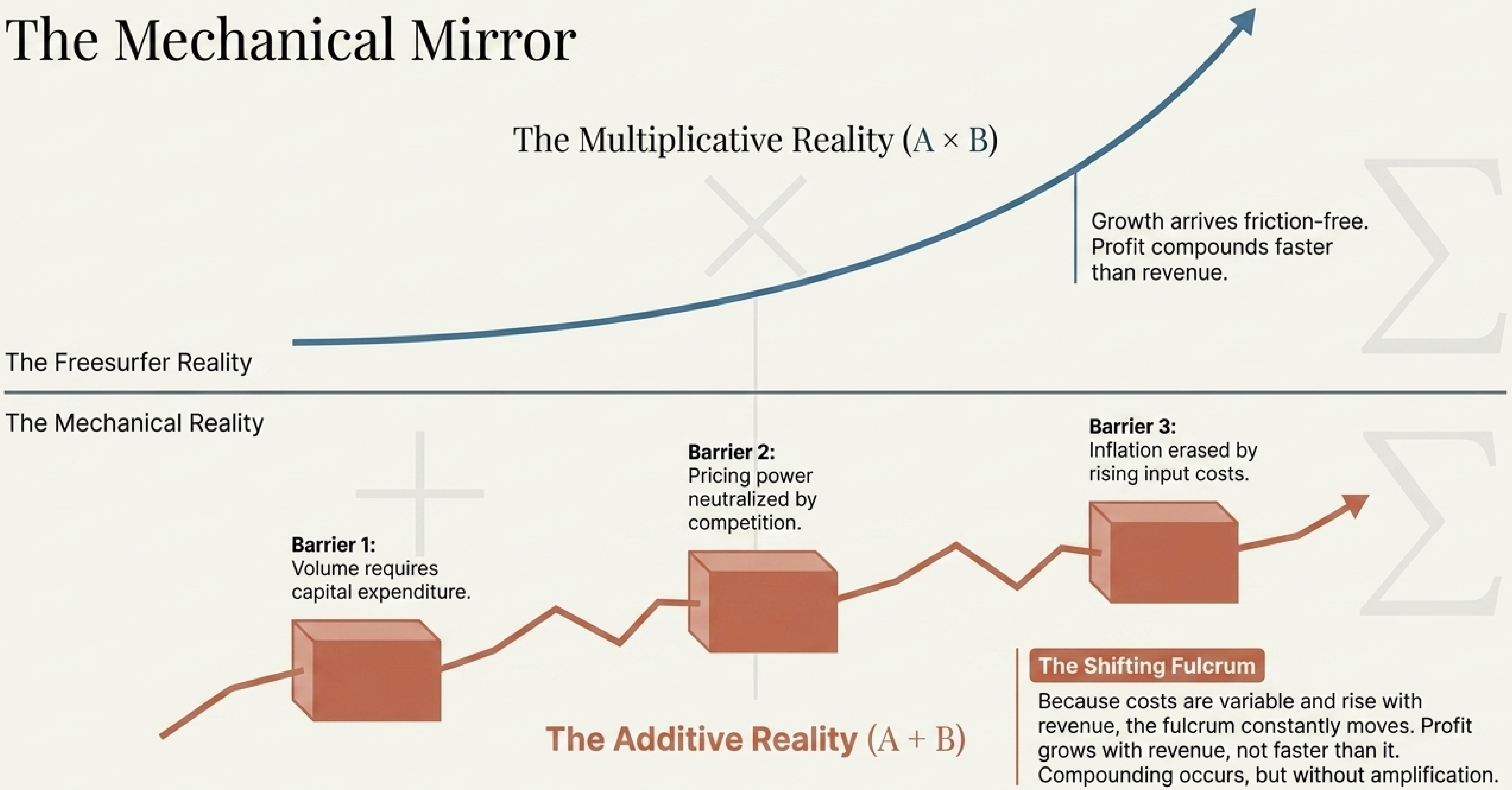
The Freesurfers Applied

	Visa	S&P Global	MSCI
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 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.

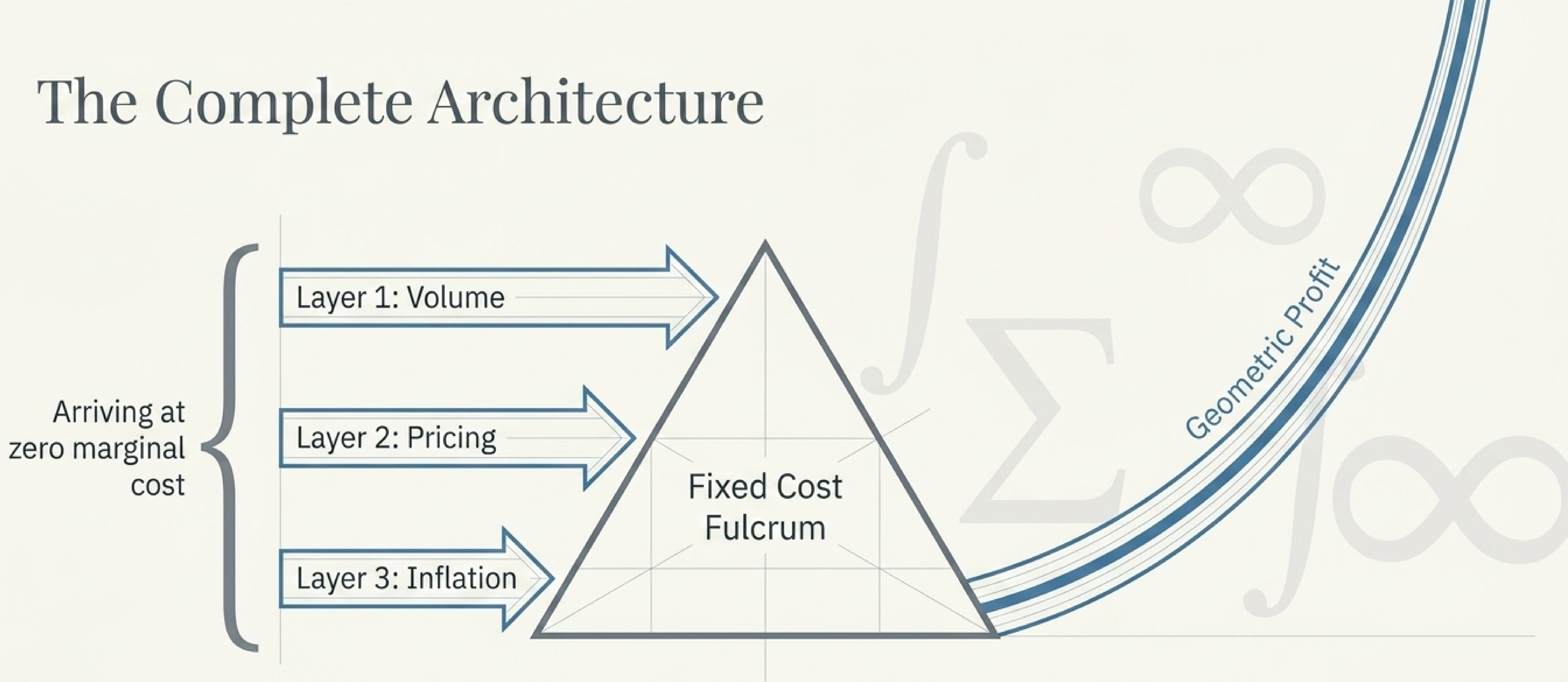
The Blind Spot

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.
$A \times B$.