The Imperfect B.

Why the Best Investments Live Between the Extremes

"There is a crack in everything.
That's how the light gets in."
— Leonard Cohen

The Freesurfer.

Growth costs $0.

100% inside the moat.

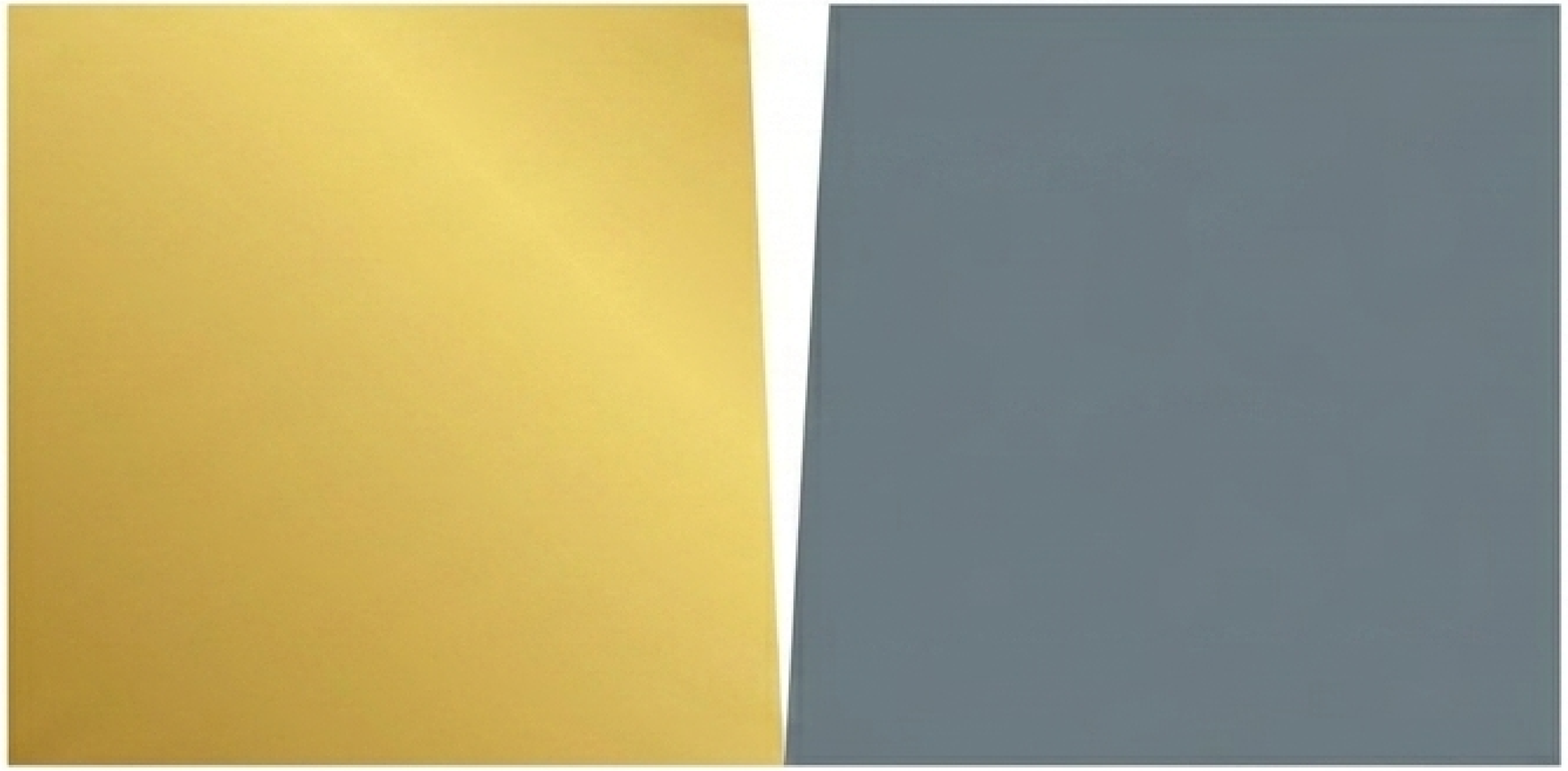
No effort.

The Mechanical Compounder.

Growth costs $1 for $1.

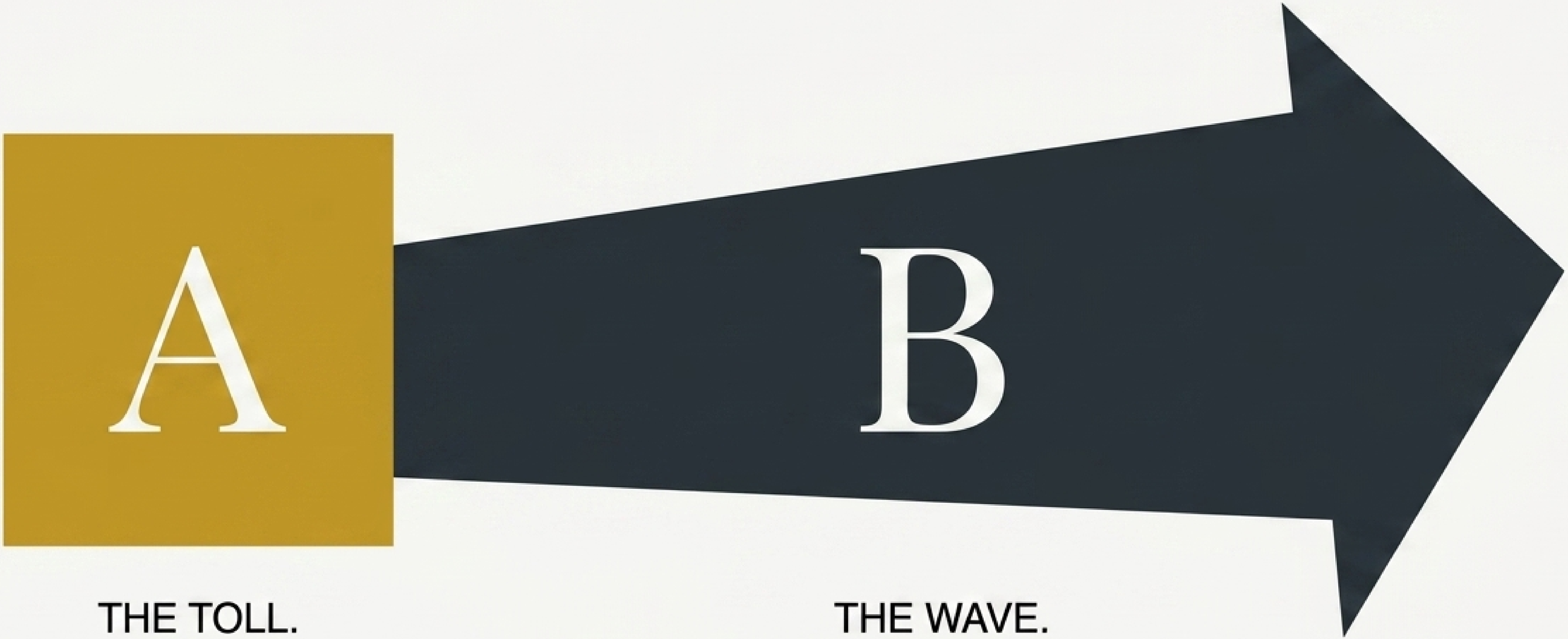
Bought, built, deployed.

The Imperfect B.



Part natural. Part mechanical.

Where the world's greatest businesses actually live.



THE TOLL.

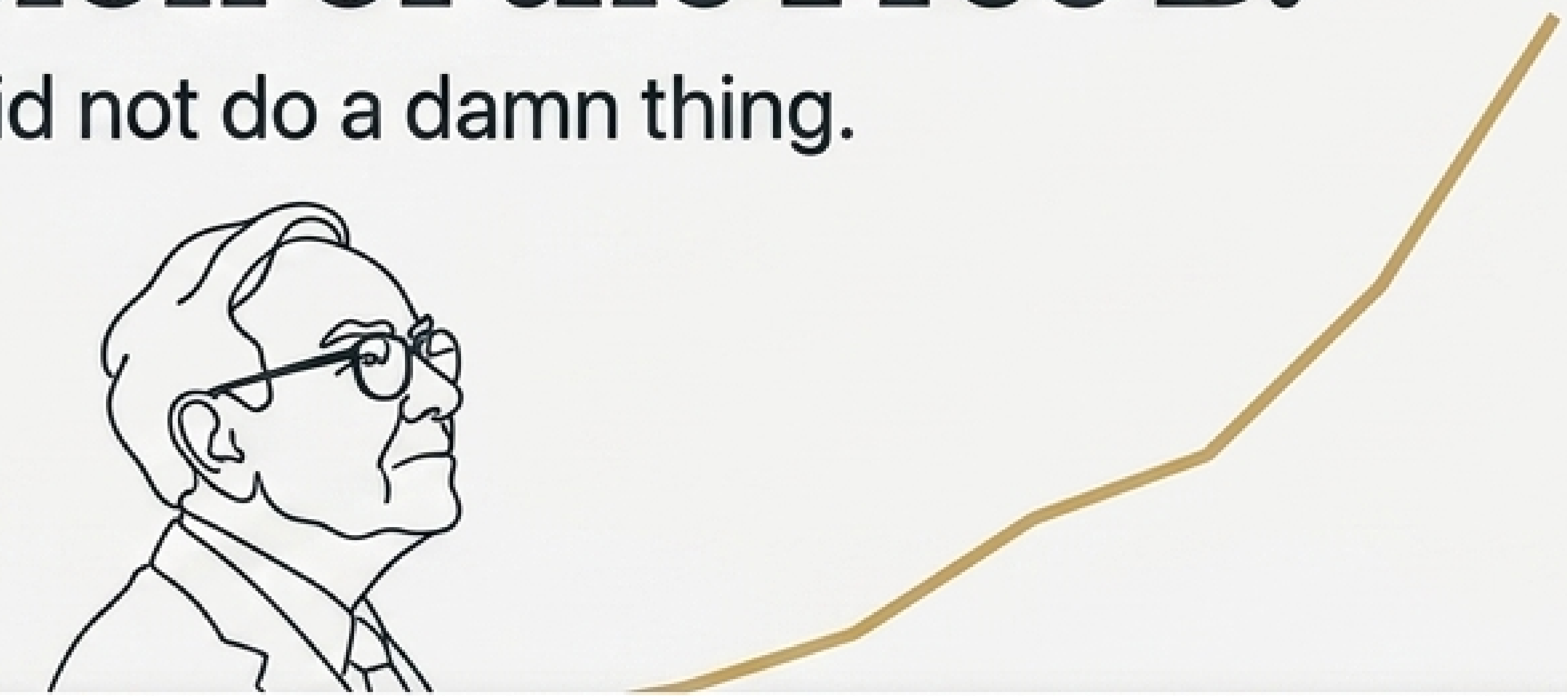
Short duration. Cash now.
(e.g., Visa's 0.2% per transaction).

THE WAVE.

Long duration. Cash later.
The structural growth engine.

The Illusion of the Free B.

We did not do a damn thing.



If the CEO disappears tomorrow, does the growth continue?

Verdict: Apple is a brilliantly executed Mechanical B disguised as a Freesurfer.

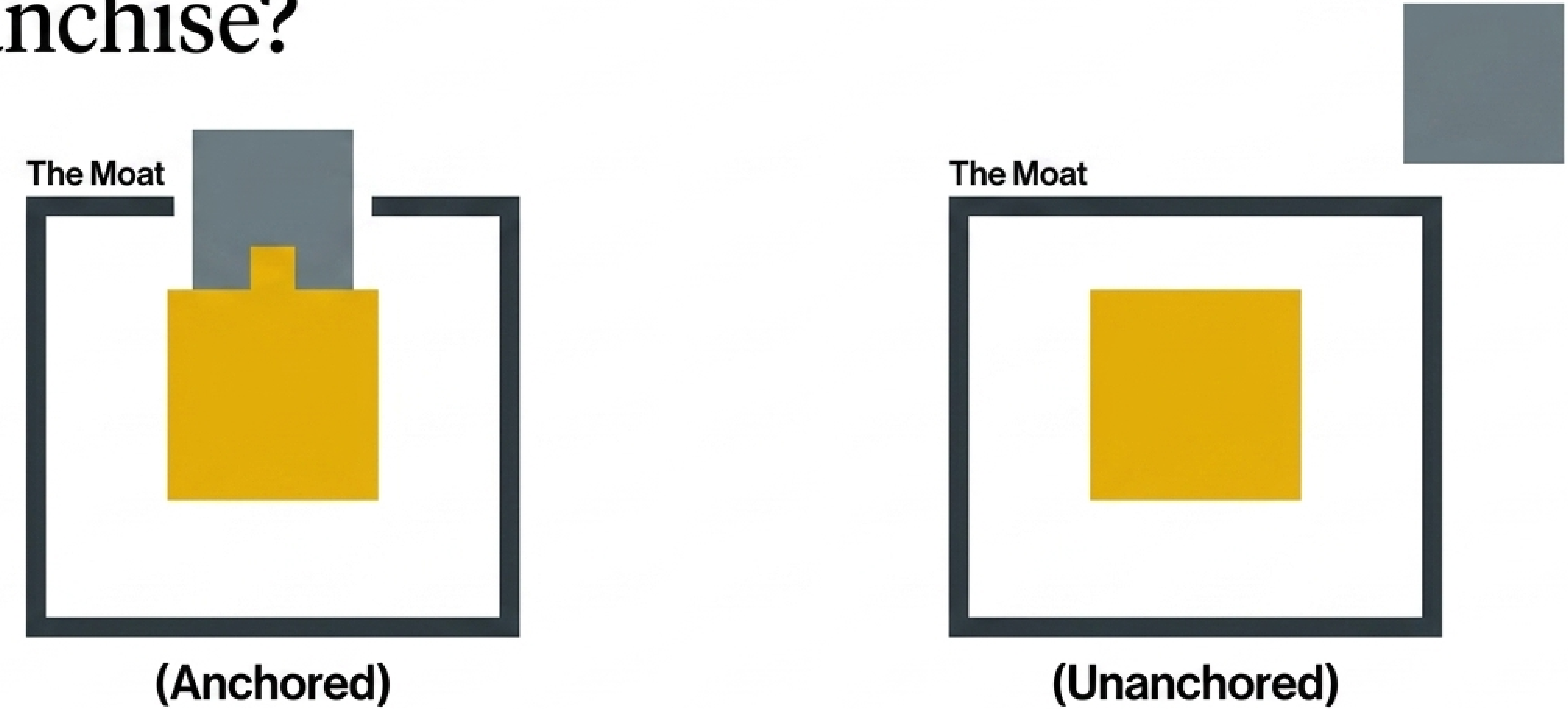
The Quality Test

Gate 1: The Ratio.

How much of the B is natural versus mechanical?
versus mechanicical?

Gate 2: The Anchoring.

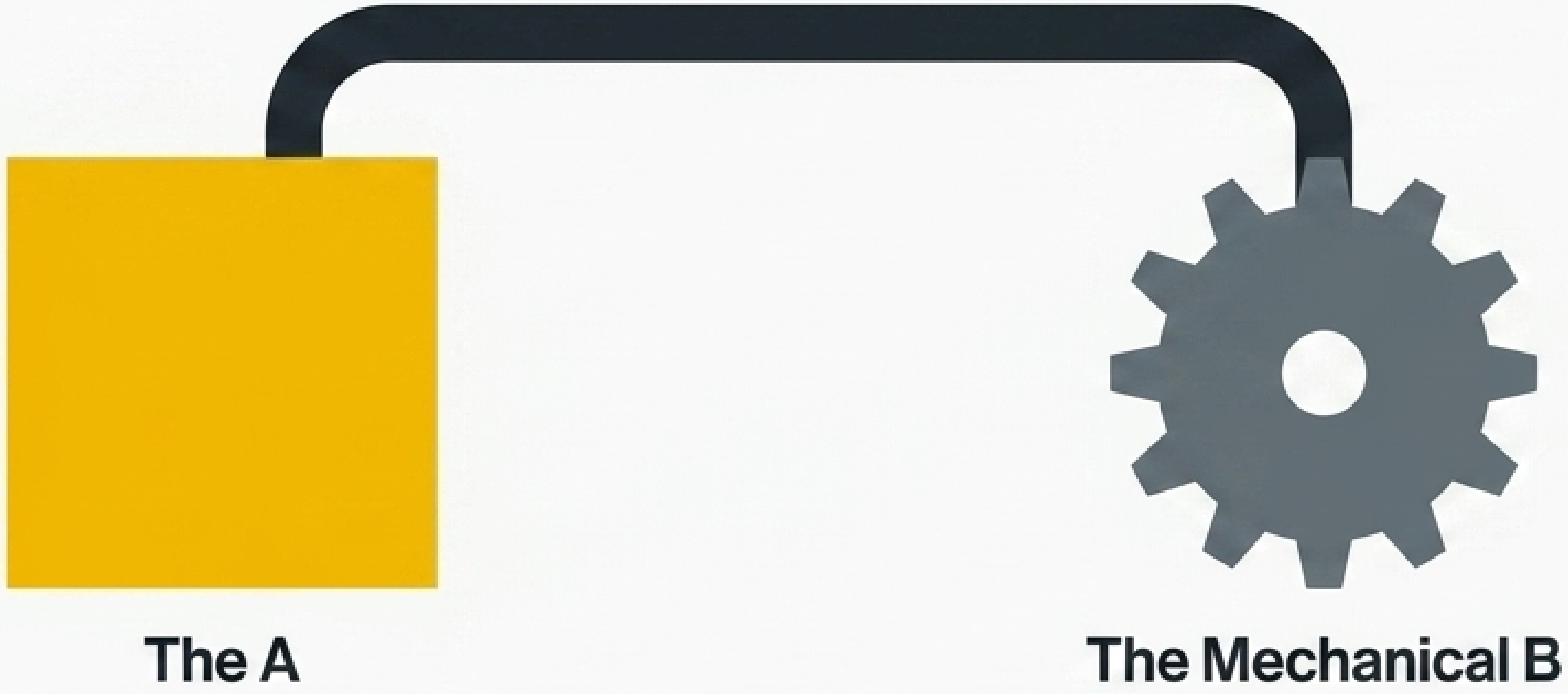
Is the mechanical growth tethered to the franchise?



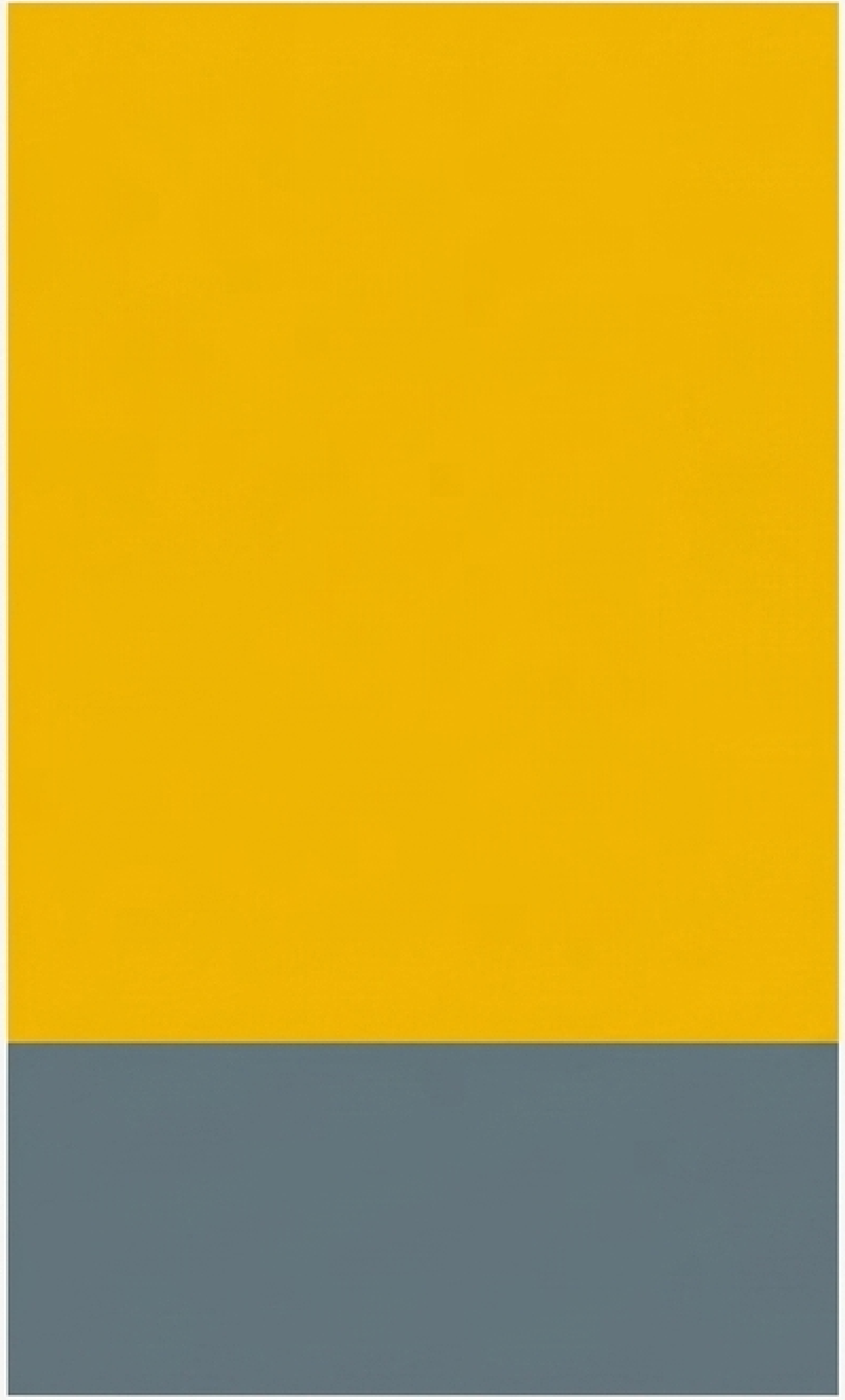
Level playing field = Zero excess return

Gate 3: The Financing.

Does the A generate enough cash to self-finance the mechanical B?



No borrowing. | No dilution. | The Dual realized.



The Archetype: Alphabet.

Ratio: ~75/25.

(Search & YouTube = Natural B. Cloud & AI = Mechanical B).

Anchoring: Tethered to the Data Moat.

Financing: 100% self-funded by operations.

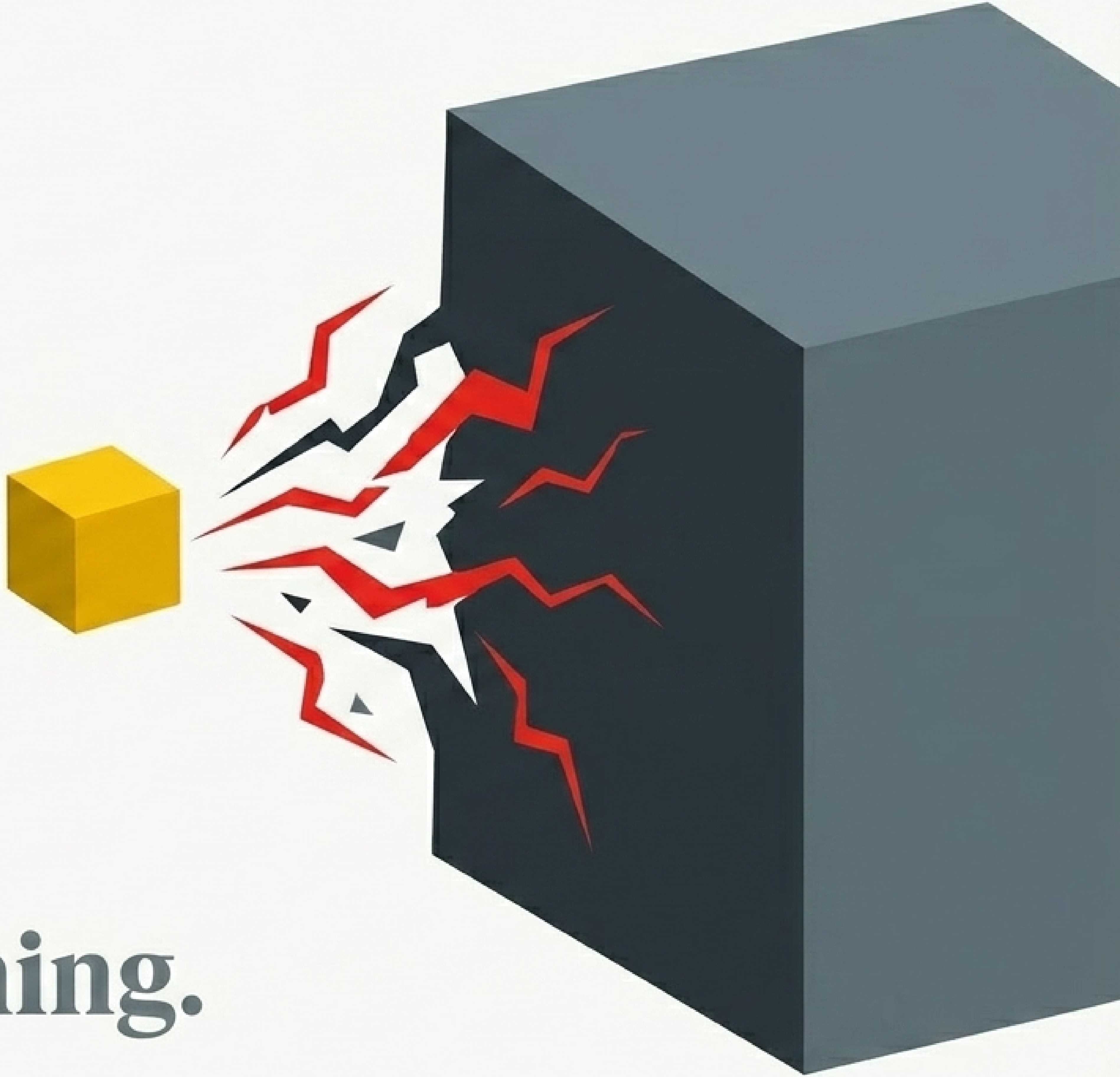
The crack lets the light in.

The Strain: Microsoft.

Ratio: Shifting heavily mechanical.

Anchoring: Unanchored. Competing on a level playing field.

Financing: $190B annual capex. Straining the A.



The crack is widening.

ALPHABET	MICROSOFT
75/25 (Natural Dominant)	Shifting (Mechanical Exploding)
Inside Data Moat	Level Playing Field
Comfortable	Strained ($190B Capex)

Chris Hohn's reaction: Cut MSFT position 84%, increased GOOG.

The Gradient Moves.

Microsoft 2019 → 2026.

Mechanical B scaled faster than the moat. Descending.

S&P Global.

Spun off Mobility (Mechanical B) to leave four Natural B divisions. Ascending.

The Freesurfer is permanent. The Imperfect B is a snapshot. Re-measure at every capital allocation cycle.

The Complete Map

1. Natural B (Freesurfer) — (V, SPGI) — Cost = $0.
2. High-Quality Imperfect B — (GOOG) — Crack lets light in.
3. Mid-Quality Imperfect B — Ratio in flux.
4. Low-Quality Imperfect B — (MSFT 2026) — Dual is breaking.
5. Pure Mechanical B (Inside Moat) — (UNP, GE) — Expensive but captured.
6. Mechanical B (Outside Moat) — Level playing field.

Finding the Light.

Every business below the Freesurfer has a crack.
The investor's job is to **find the cracks where the light** gets in.