

CHEAP MONEY HIDES IMPURITY.

Why Rising Yields Reveal the Gradient.

**Only when the
tide goes out do
you discover
who's been
swimming naked.**

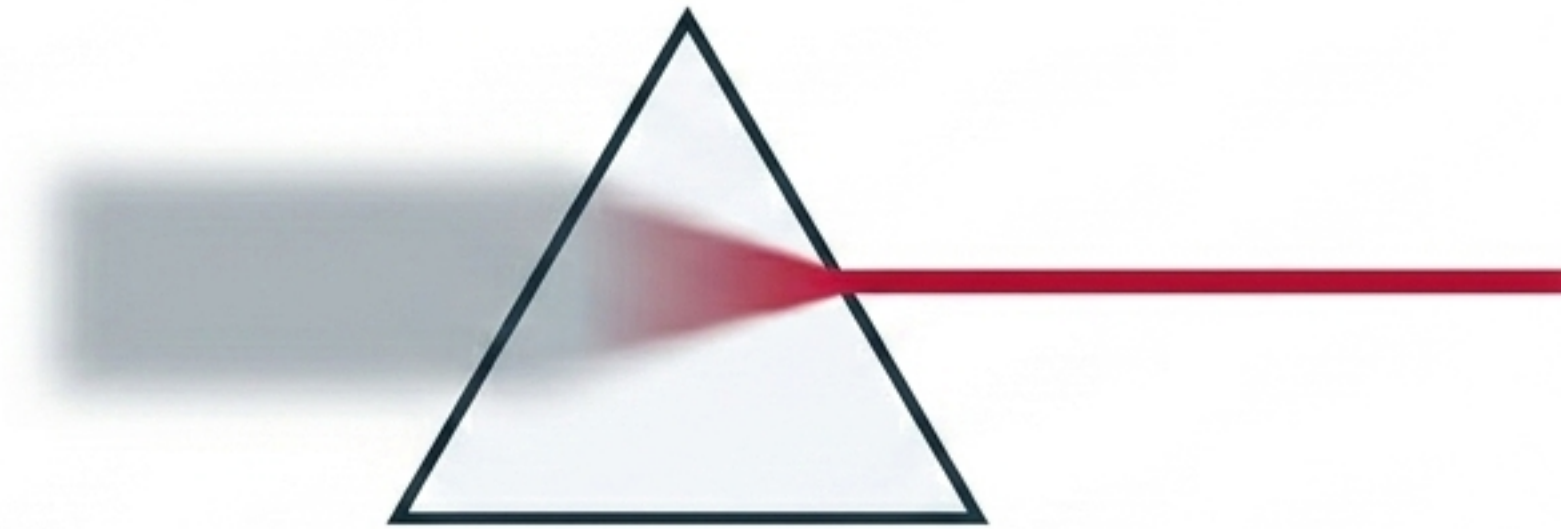
— Warren Buffett



The Revealer.

5.19%

The 30-year Treasury yield at 5.19% is not just the price of money—it is the optical instrument that makes business quality visible again.



The Anatomy of a Business.



+



A = The Toll.

Cash collected today.

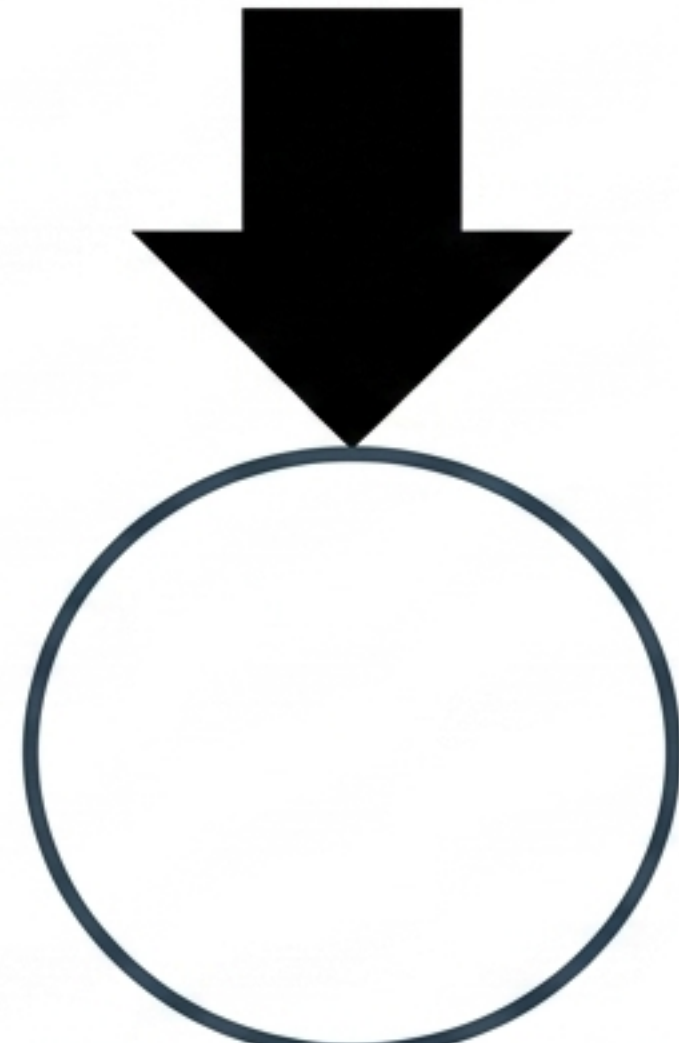
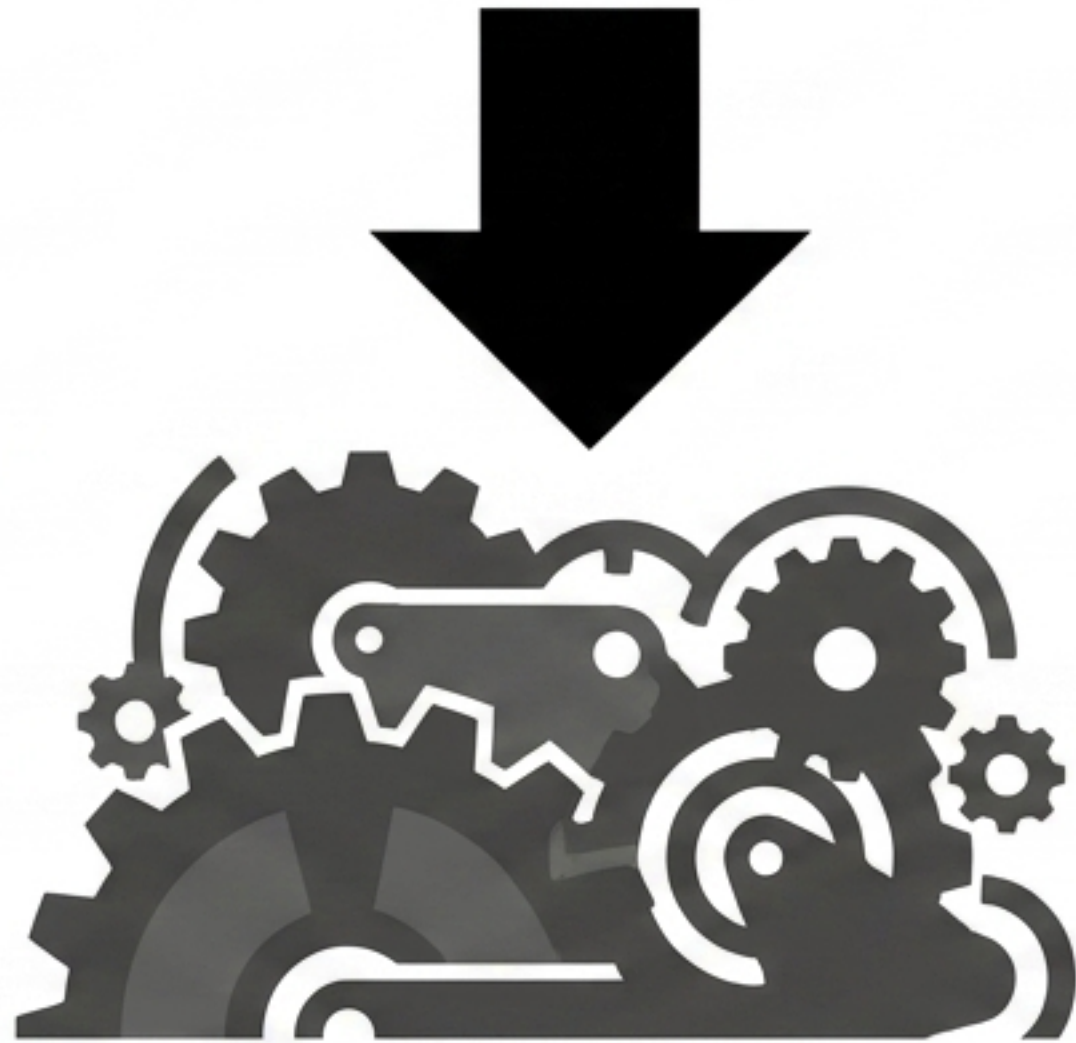
B = The Wave.

Structural growth arriving over time.

The cost of B varies enormously.

The Great Illusion (0% Rates)

- Free money compresses the gradient.
- Free B and Expensive B look identical in the spreadsheet.
- Every business looks like a pure compounder.

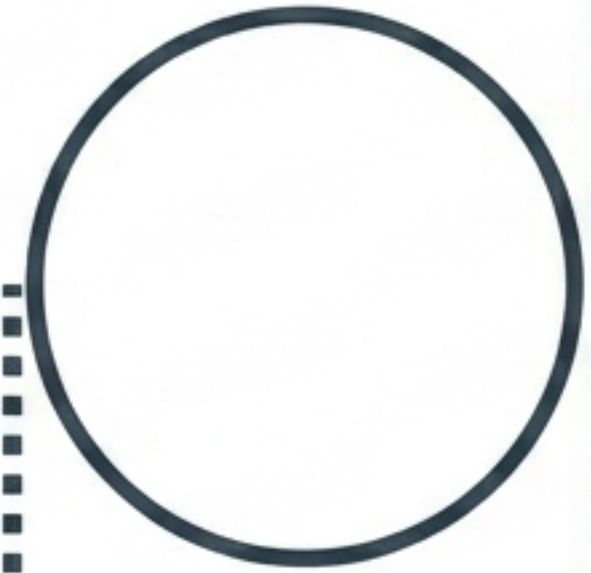


The Gradient Decompresses (5% Rates).

- The tide goes out.
- The spread between reality and illusion widens.
- Quality is measurable in dollars, not theory.



The Gradient



5.19%

The Physical Weight of Capex.



\$190B Capex



Mechanical B.

At 5%, \$190 billion in capex suddenly carries a \$9.5 billion anchor.
Subtracted from earnings. Unprotected.

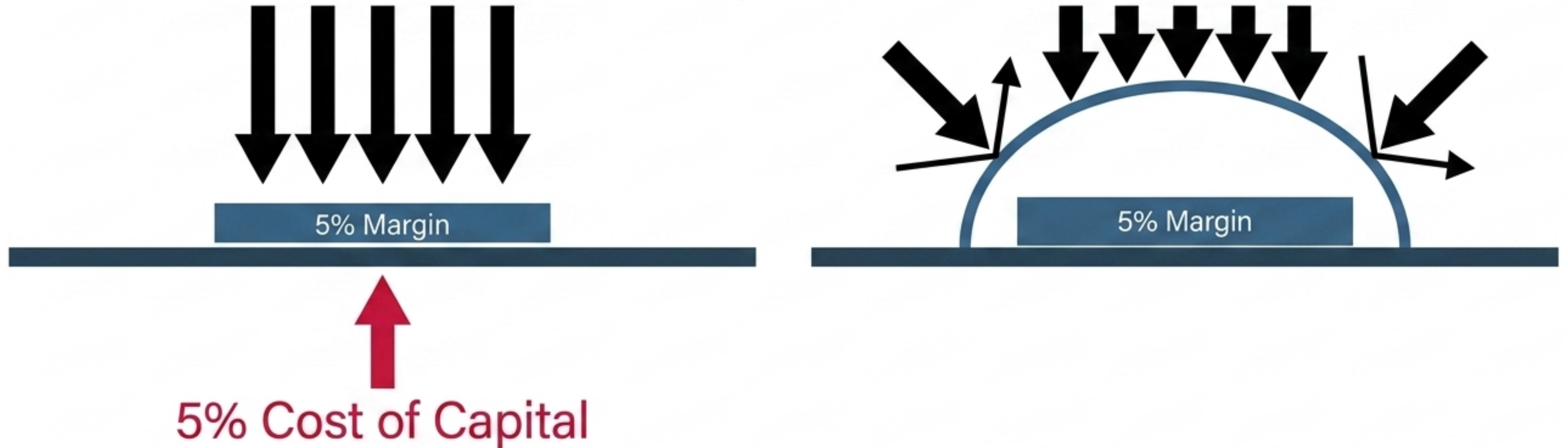
Natural B.

At 5%, Visa's growth costs exactly what it did at 0%.
Zero.

Margin Gravity.

On a level playing field, margins converge toward zero.

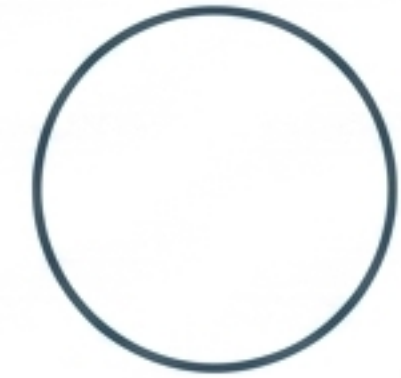
The Gravity of Capitalism



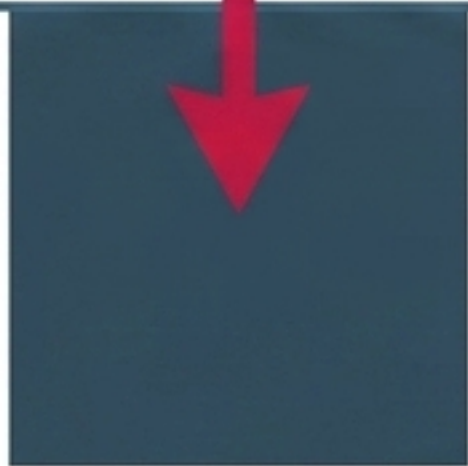
Yield doesn't just reveal the cost of growth. It reveals the fragility of unprotected margins.

Three Swimmers in the Receding Tide

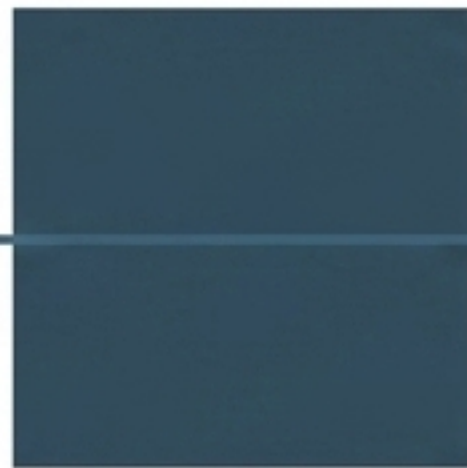
A comparative look at business models in a challenging market



The Waterline



Mechanical B (Outside Moat)
Naked and drowning



Mechanical B (Inside Moat)
Naked but swimming



The Freesurfer
Wearing a suit

The Diagnostic Matrix.

Business Profile

Price Impact

Fundamental Impact

Result

**Mechanical B
(Outside Moat)**

Drops



Deteriorates

Value Destruction.

**Mechanical B
(Inside Moat)**

Drops



Protected

Compression Harvest.

The Freesurfer

Compresses



Untouched

Uninterrupted Compounding.

Hohn Saw the Tide.

Chris Hohn's Q1 2026 portfolio filing isn't a collection of stock picks. It is a precise calibration to a 5.19% reality.



Q1 2026

The Portfolio Calibration.

Asset	Profile	Cost of Growth	Action Taken
MSFT	Mechanical B, Outside Moat	\$9.5B (Financed)	CUT 84% ●
V, SPGI, MCO	Natural B, Inside Moat	Zero	BOUGHT ●
GE, CP	Mechanical B, Inside Moat	Expensive but Protected	HELD ●
GOOGL	Imperfect B (75% Natural)	Self-Financed	BOUGHT ●

The Imperfect B.

Why Hohn bought Alphabet.



- 75% Natural. 25% Mechanical.
- Mechanical portion is self-financed by the 'A'.
- Search margins are untouchable. A compressed price for a protected asset.

The Great Differentiator



Cheap money was the great equalizer. It hid the cost of growth and masked margin decay.

Expensive money is the great differentiator.

The gradient was always there. The tide just put it in plain sight.



The Freesurfer doesn't wait for the tide.

It stands above the waterline.

The ultimate protection is the moat, the Natural B, and margins no rate environment can reach.