

## TSAI Q-SYSTEM

At Tsai Capital, our intense focus on quality lies at the heart of everything we do. We are dedicated to identifying and owning exceptional businesses that can compound capital at attractive rates over many years—companies whose competitive advantages deepen with time and whose intrinsic value grows reliably, often in ways the broader market fails to initially appreciate.

To bring greater precision to this pursuit, we developed our proprietary analytical framework: the Tsai Q-System (where “Q” is shorthand for quality). The Tsai Q-System examines the structural elements that determine whether a company is likely to sustain superior results far into the future: the durability of its competitive moat, the strength and sustainability of its growth drivers, the quality of its capital allocation decisions, and the underlying efficiency of its operations and unit economics. We arrive at a score, what we call the Tsai Q-Score, through rigorous primary research, detailed industry study, and careful forward-looking projections rather than mechanical formulas or short-term metrics.

Further, this framework provides us with a dual lens: an absolute measure of business quality—how truly exceptional a company is in its own right—while simultaneously enabling precise relative rankings across our portfolio and the broader opportunity set. This relative perspective helps us allocate your capital into what we view to be the very highest-quality compounders available at any moment. The Tsai Q-System is indispensable to our investment discipline. It is one of our key competitive advantages.

In a market environment where so many investors chase near-term earnings momentum or popular narratives, the Tsai Q-System helps to keep us grounded in the fundamentals that often create enduring shareholder value. Moreover, our system reinforces our approach: we are perfectly comfortable remaining on the sidelines until the rare alignment of outstanding quality and a meaningful margin of safety surfaces.

Ultimately, the Tsai Q-System is simply the formal expression of how we have always approached investing: with curiosity, intellectual consistency, a long-term perspective, and an unwavering commitment to owning only the highest-quality businesses.

Christopher Tsai  
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### Important Disclosures

**Past performance is no indication or guarantee of future performance and no representation or guarantee is being made as to the future investment performance of Tsai Capital’s separately managed accounts or any entity.**

References herein to Tsai Capital’s efforts to minimize losses and seek a margin of safety should not be construed to imply an absence of risk in any investment. All investments carry risk, including the risk of loss of investment principal. Additionally, short-term market volatility may present increased risks for investors who have shorter investment horizons due to impending or current liquidity needs.