

# EI Strategy Overview

HOW WE DEFINE A “TIP-QUALITY BUSINESS”

Generally, TIP-Quality Businesses share the following characteristics that we believe will allow us to earn above-average rates of return for our clients, with below-average risk over time:



- The business's **products & services** should possess specific qualities:
  - Recurring, non-cyclical revenue
  - Identifiable source of value
  - Competitive advantage(s)
  - Profit leverage
- **Risk-Adjusted Growth (RAG) score** that is attractive, understood & likely to persist
- **Secular trend** that drives visible future demand & reinvestment opportunities



- **Correlation Matrix** result that demonstrates diversification impact on portfolio
- Differentiate **persistent risk from transitory risk**; minimize the former & seek opportunities from the latter
- High risk/return investment must have some factor(s) that offers **downside support**
- Avoid extreme valuation, high beta, & market hype
- Actively practice **sell/trim discipline** as theses fail, valuations expand, & superior opportunities emerge



- Management must share our **risk-focused philosophy**
- Proven history of allocating capital in ways that sustain shareholder returns
- Conservative accounting, M&A strategy, financial forecasts & balance sheets
- Compensation, incentive, & ownership structure tied to long-term business success