

# How We Define a Quality Business

OWNING THE RIGHT BUSINESSES FOR THE LONG TERM

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:



- **Products & services** that 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 tailwinds** that drive future demand & create attractive reinvestment opportunities

- **Correlation Matrix** shows a positive impact on portfolio-level diversification
- **Modest valuations** and low probability of a negative outcome due to tail events
- **Transitory risk/volatility** used as an opportunity
- Higher risk/return holdings must have idiosyncratic attributes that provide **downside support** to the stock price
- **Active sell/trim discipline** driven by continuous assessment of incremental changes that accrue over time

- Highly ethical, transparent, and skilled operators with an **owner's mindset**:
  - Conservative accounting
  - Rational financial forecasts
  - Disciplined M&A strategy
  - Prudent balance sheet management
- Record of **wise capital allocation** decisions that create shareholder value
- **Compensation & incentive** structure tied to the long-term success of the business