INFUSE
ASSET MANAGEMENT

Infuse Partners LP Q3 2026 Letter

Dear partners,

Thank you for your continued trust and support; you are the best partners I could ask for.

Last quarter, I wrote about one of our core values – this concept of noumenon, which is a philosophical idea about the underlying nature of reality. A phenomenon is how something is perceived; noumenon is what something actually is, a deeper reality. It's a good concept for investing since valuation multiples are literally a phenomenon, how the collective perceives a particular business. But striving for an understanding of the noumenon requires seeing things for how they really are, not how you'd like them to be or how the crowd is viewing the situation. For instance, I have been skeptical of AI ROI, but the data has been surprising. OpenAI and Anthropic, combined, could do over $300 billion in revenue in 2028, while still growing at astounding rates. And current AI capex estimates for 2027 are about $1.2 trillion. That is substantial revenue, for just two companies, relative to the overall buildout cost. Someone may say, well, yeah, that's revenue, not profits. But another crude data point is that Q4 2025 capex for Amazon was $39 billion. If 70% of that was for AI, that's $27 billion in three months. Using management's comments about a six-month lag in revenue, the incremental EBIT for AWS was $7 billion year-over-year. That would imply a 25% ROI at a gigantic scale. That is sort of a no-brainer for a CFO. Now, this could just be a moment in time and maybe enterprises are overspending but you could also argue that it's still very early days. Jensen Huang – who is obviously talking his book – describes the end-state of computing as "always-on". A plethora of agents that are always running, helping everyone do their jobs. Plainly, we are very far away from that end state and considering we are still pretty compute/energy-constrained, there are so many applications that haven't even been thought of yet. That's certainly not to say that we're going all-in on AI but I just wanted to use this as an example of phenomenon vs. noumenon. Phenomenon is typically based on headlines and emotions whereas noumenon, while not technically achievable since truly understanding reality is infinitely complex, is strived towards with facts. That's why financial statements are so beautiful. Unless you're outright lying, the numbers tell a lot of the story.

Rather than talk about more companies, I wanted to dive a little deeper into our process since that is the core of our "product". And at the end of the day, the process is an accumulation of my learnings and taste in companies. I think one reason it has been an extra painful year is that our process starts with finding companies that are growing their earnings at very high, sustainable rates. The key word there is sustainable. I'm not interested in a company that will grow 100%

this year and then never grow again or worse yet, shrink. And that's why I've largely missed out on a lot of the huge winners this year like the memory companies or the neoclouds.

There are two reasons why I like starting the process with fast-growers. The first is that it's important to fish where the fish are. Secularly growing industries can provide a very rich source of ideas. Second, if a company is growing very quickly that either means they have unbelievable pricing power or they are ramping up distribution at a torrid pace. That's the beautiful thing about revenue – it's just price x quantity. Most of the time, it's not price that's doing the heavy lifting though that's a big part of what we've seen with the semiconductor shortages in memory or optics. But rather many people or businesses are buying the product because there is something special. Everyone doesn't wake up one morning and need to buy a new refrigerator. There are buying cycles. But when the iPhone came out, people clamored to buy it. So starting with fast-revenue growth leads us to the industries with tailwinds and is a decent starting point at identifying products that are clearly special.

But it's not just revenue. If the company is just losing more money, I have absolutely no interest in that. Revenue tells you something about demand and earnings tell you about efficiency and execution. Stock prices follow earnings so that's why we are maniacally focused on companies that are growing their earnings at high, sustainable rates. The problem is that investing is, as Charlie Munger would say, a pari-mutuel game. In other words, if everyone knows it's a good business, then the valuation is probably pretty high. That's why the next key is our process, which is really the special sauce, is our qualitative checklist. It consists of 17 main factors that I've refined over time that align with my taste and lessons from many mistakes. This checklist is always evolving but I've come to trust it more and more. It all started during the crucible of 2022 and I needed a way to force-rank companies so I could allocate my time most effectively. But now, through this painful period of 2026, I've come to appreciate it should be *the* way I make decisions. The beautiful thing about it is that it allows me to think deeply about different components of the noumenon and change my mind if my perception was incorrect. It's a forcing function rather than rationalizing when the facts actually *do* change. It also helps with anchoring and recency biases since every company is put through the same exercise and I don't even look at the stock price or chart. Everything is now fairly automated thanks to AI so I can spend all of my time thinking and finding specific answers to deeply understand the small group of businesses that fit our criteria.

The last piece is the valuation which takes a lot of time but I think about it probabilistically if there is a real chance that the company value could roughly double in 2-3 years. I've noticed that I tend to perform terribly when I'm focused on trailing valuations and perform much better when I look out a few years. Another thing I've noticed about my own personality is that I hate paying taxes so I generally like to hold companies for longer periods. I've gotten to a point now where the process identifies the top 7-10 companies including a valuation where I'd be comfortable

buying a position and then the data changes every three months with new earnings reports. Oftentimes, a whole lot doesn't actually change if you've done the upfront work of identifying a special company. I'm just not as interested anymore in a company that could re-rate from 10x earnings to 15x earnings. I'm much more interested in a company that has a fantastic chance of still growing earnings by >30% four years from now. But I've also found that when I swing for the fences and try to find those coveted 100-baggers, they tend to be too far out of the risk curve and the probability of success is low. My goal now is to identify the top 7-10 companies that align with the strategy and then hold them as long as possible, until something actually changes in the noumenon or there are better opportunities. I do have two humility checks at certain drawdown levels for each company that force me to go through the 17-point checklist again with a fine-tooth comb. If nothing changes, we may buy more if we're still building the position but will never double-down if the position is full. I have too much scar tissue. You've gotta stay in the game and my two ways of helping with that are never using leverage and never doubling down after a full position (and almost never using options or shorting).

What is especially difficult about this year is that my strategy should work perfectly in this environment but I did a poor job of seeing the world for how it really was. Fortunately, we are still in the game and I'm finding some of the fastest-growing, high-quality businesses I can remember since we started studying SaaS companies in early 2017. I'm very hesitant to be "all-in" on one business model or industry since things can change but our rate of learning is quite exciting, especially as we use different forms of AI and agents. What won't change for a long time in markets is human nature. As time horizons get shorter and shorter, we're actively lengthening ours and only focusing on the handful of companies that should get stronger despite the rapidly changing world.

Closing

I'm honored to have you as a partner. Thank you for your trust and support. It enables me to think long-term and will be our own competitive advantage.

The stock market, like life, will have its ups and downs. All we can do is focus on what we can control and work hard to continually raise our standards. Our strategy is simple – hitch a ride to the world's best entrepreneurs that are running the fastest-growing, highest-quality companies at the most attractive valuations we can find. Here's to many more years of focusing on the inputs and letting the outputs take care of themselves.

Sincerely,

Ryan Reeves



Performance Appendix

Annual Net Returns	Infuse Partners LP	S&P 500
2022*	-30.65%	-6.69%
2023	17.62%	26.27%
2024	89.63%	25.05%
2025	79.52%	17.89%
2026 YTD	-23.42%	12.77%
Since inception	112.65%	95.87%
CAGR	**19.96%**	**17.61%**

***** *launched August 8, 2022*

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