



Buy: Nvidia (NVDA)

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HOLDINGS UPDATE

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The Jensen Investment Team added new positions in Nvidia (NVDA) to the Jensen Quality Growth and Jensen Global Quality Growth Strategies. Nvidia qualified for the Jensen Quality Universe in the second half of 2024.

Founded in 1993 in Santa Clara, California, Nvidia is a fabless semiconductor company best known for designing and supplying graphics processing units (GPUs). Nvidia's GPUs, originally designed for 3D graphics acceleration, have evolved to become pivotal in high-performance computing, machine learning and artificial intelligence (AI).

Today, Nvidia has a monopoly in the most powerful GPUs and the key software necessary for writing instructions for those chips. We contend that the company's hardware and software products are essential, tightly integrated and without effective substitute for powering the unfolding AI revolution, as well as for other applications that require high computational power.

Jensen's Quality Growth Strategy and **Global Quality Growth Strategy** comprise companies that have demonstrated a return on equity (ROE) of at least 15% annually for 10 consecutive years. When Nvidia achieved this milestone in mid-2024, we applied our comprehensive analysis and financial modeling process to evaluate its long-term potential. Our investment approach focuses on identifying companies with sustainable competitive advantages and strong intrinsic business value rather than reacting to market fluctuations or quarterly results. In our view, Nvidia's fundamental strengths align well with Jensen's strategy of investing in high-quality businesses positioned for enduring success.

Why We Like It

Our long-term investment thesis for Nvidia centers around what we believe is the company's durable and undisputed market leadership position in supplying the most powerful and cost-effective accelerated parallel computing solutions.

In our view, Nvidia possesses significant competitive advantages through its multibillion-dollar annual R&D budget solely focused on advancing GPU-accelerated computing. Its vast developer ecosystem and nearly 20-year commitment to GPU optimization software further strengthen its position. With close to 10,000 patents and a relentlessly focused culture of innovation, the hurdles to effective competition are formidable.

Our attendance at the recent Nvidia GTC conference in San Jose, California, confirmed that Nvidia is pursuing a ruthless pace of technological improvement across software, hardware and networking. Based on our research, competitors struggle to match the performance of Nvidia's current-generation GPUs — alternative approaches like custom silicon (ASICs) appear to suffer from inherent shortcomings as the industry's emphasis shifts toward inference — and Nvidia has already announced the next three chip generations after the current Blackwell ramp, with vastly improved performance and efficiency metrics being reported.

One central aspect to Nvidia's dominance is its Compute Unified Device Architecture (CUDA), a parallel-computing platform developed in 2006. Over nearly two decades, Nvidia has cultivated an ecosystem of strategic partnerships with universities and research institutions, creating extensive libraries, pre-trained AI models and development tools. This software advantage complements its



hardware superiority, maintained through specialized GPU expertise, key industry collaborations and consistent innovation — now accelerated to yearly GPU releases. While the semiconductor industry traditionally follows cyclical patterns, Nvidia’s positioning at the center of the secular shift toward accelerated computing may provide a more sustainable path for future growth.

Fundamentally, across key metrics — revenue growth, margin profile, EPS and free cash flow per share growth, and balance sheet strength — Nvidia stands out to us as one of the most unique, high-quality growth technology franchises.

The company’s industry leadership in one of the largest and arguably most secular trends of our times is also reflected in the performance of its Data Center segment, which has become the company’s primary growth engine. The segment’s revenues have surged from \$15 billion in 2023 to over \$115 billion in fiscal year 2025, with its contribution to total revenue growing from 56% in 2015 to 88% in 2025. While there are legitimate considerations as to how long Nvidia’s current key customers (the large four CSPs, or cloud service providers) can maintain or even increase spending levels on Nvidia products, we believe additional long-term demand will likely come from traditional enterprises, sovereigns and the explosion in computing demand that more advanced reasoning models require.

Outlook

While the market is currently focused on the ebbs and flows of capex announcements from key Nvidia customers, our approach is to concentrate on what we believe to be the long-term trajectory. Nvidia has 34,000 employees focused on one task — a unique positioning in the industry — and the company has spent nearly two decades developing an ecosystem of developers and industry partners, while strengthening its hardware with increasing software integration. Traditional competitors like AMD will likely continue to attempt to challenge Nvidia, and the market may occasionally be unnerved by announcements from hyperscalers and startups regarding seemingly competitive chip products. However, we believe Nvidia is well positioned to maintain its current leadership in offering advanced accelerated parallel computing solutions for the foreseeable future.

Jensen’s long-term focus on intrinsic business value rather than short-term market fluctuations further strengthens our conviction that Nvidia is a compelling addition to the Quality Growth and Global Quality Growth Strategies.

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