Sell: Meta Platforms, Inc. (META)

AUGUST 2026	HOLDINGS UPDATE	JENSEN QUALITY GROWTH STRATEGY

Investment Thesis and What Led Us to Sell

Our decision to exit Meta from the **Jensen Quality Growth Strategy** reflects a meaningful decline in our confidence that Meta will generate returns commensurate with the extraordinary level of capital it is investing in artificial intelligence (AI).

We initiated a position in Meta in 2025, a decision supported by Meta's dominant competitive advantages, including its massive global user base, powerful network effects, and dominant position in advertising. We also believed — and continue to believe — that Meta's core business is more likely to be enhanced by AI than disrupted by it.

With nearly 4 billion users across its Family of Apps, Meta has access to an immense volume of data on user interactions, preferences, and behaviors. This scale provides Meta with a significant advantage in developing AI-powered recommendation systems, advertising tools, and personalized experiences. AI is already being deployed across Meta's existing products to improve content ranking and recommendations, increase engagement, and improve the effectiveness of its advertising platform.

Our concern is therefore not whether Meta is well positioned to develop and deploy powerful AI capabilities. Rather, our concern is whether the incremental economic value generated by these investments will ultimately be commensurate with the extraordinary amount of capital being deployed.

Meta invested approximately $70 billion in capital expenditures in fiscal 2025 and now expects capital expenditures of $130 to $145 billion in fiscal 2026, representing a dramatic acceleration in capital intensity. Importantly, this investment is increasingly extending beyond AI initiatives that directly enhance Meta's highly profitable advertising business and toward longer-dated opportunities, including consumer AI, AI agents, new computing platforms, and other products where the path to monetization and ultimate return on invested capital remains considerably less certain.

Company Overview

Meta Platforms, Inc. (META), headquartered in Menlo Park, California, is a global technology company that has evolved from its origins as a social networking platform into one of the world's largest digital advertising and consumer technology businesses. Founded in 2004 by Mark Zuckerberg and his Harvard peers as "The Facebook," the company rebranded as Meta in 2021 to reflect its ambitions beyond social media.

Today, Meta operates its Family of Apps ("FoA"), including Facebook, Instagram, WhatsApp, and Messenger, alongside (increasingly de-emphasized) Reality Labs and a growing portfolio of artificial intelligence products and research initiatives. Meta's platforms have extraordinary global reach, with approximately 3.5 billion people using at least one of its FoA each day. This massive user base and the network effects it creates remain among Meta's most significant competitive advantages.

Why Now

While Meta's core business remains exceptionally strong and its competitive advantages remain intact, we believe the range of potential outcomes has widened materially. The significant acceleration in capital spending that has occurred during our relatively short holding period has changed our investment thesis and our assessment of the company's risk/reward profile, leading us to sell the position.

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