

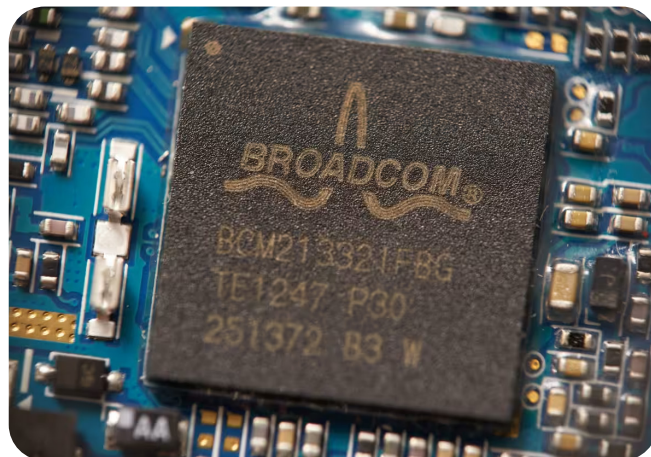


Broadcom (AVGO)

Thesis

Broadcom (AVGO) is a durable infrastructure compounder with two complementary earnings engines: a high-quality, cash-generative infrastructure software franchise and a semiconductor platform that is becoming increasingly important to the long-term buildout of AI infrastructure.

With the stock pulling back from its highs, we initiated a 2.5% position based on our view that AI still has a long runway and Broadcom is positioned to be a leading partner in building specialized custom AI accelerators (“XPU’s”) - an area where the overall pie should expand meaningfully and where Nvidia is likely to cede some share over time.



Trends & Themes

AI INFRASTRUCTURE IS A MULTI-YEAR, MULTI-CYCLE BUILDOUT

AI spending remains early and continues to expand as more models are deployed, inference workloads grow, and enterprise adoption accelerates. Even if near-term investment fluctuates, the long-term trajectory points to increasing infrastructure demand across compute, networking, and system optimization. Broadcom benefits from this trend as a core supplier to the underlying infrastructure that enables AI at scale.

SHIFT TOWARD SPECIALIZED AND CUSTOM SILICON (XPUS)

As AI workloads scale, hyperscalers are increasingly focused on custom accelerators optimized for their specific needs, including performance per watt, cost efficiency, memory, and networking integration.

BROADCOM WINS WITHOUT REQUIRING A SINGLE-WINNER OUTCOME

The growth of custom silicon does not require incumbent platforms like Nvidia to lose share outright. The overall AI accelerator market continues to grow, while customers diversify architectures and suppliers over time. Broadcom benefits from both a larger total market and incremental share capture as custom programs expand.

SOFTWARE PROVIDES BALLAST THROUGH CYCLES

Broadcom’s infrastructure software business generates recurring revenue and strong cash flow, helping smooth semiconductor cyclicality and support reinvestment, capital returns, and downside resilience. This diversified earnings profile strengthens the durability of the overall business model.

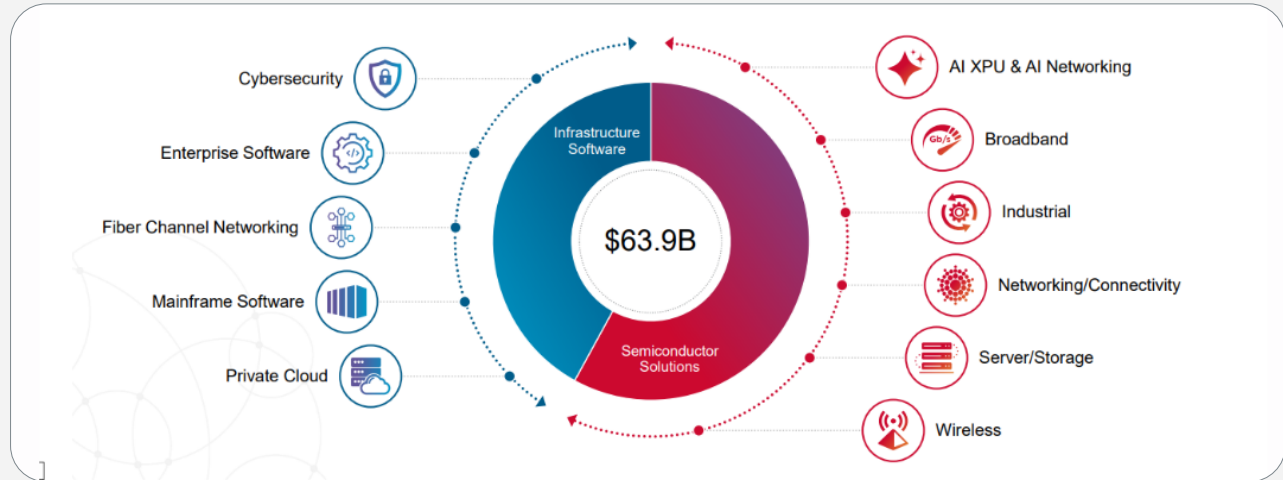
Business Model

SEMICONDUCTORS

A diversified set of businesses spanning high-performance compute-related silicon, networking/connectivity, and custom silicon engagement models. This segment makes up approximately 65% of Broadcom's revenue.

INFRASTRUCTURE SOFTWARE

A portfolio of mission-critical enterprise software assets characterized by high renewal rates and strong cash flow generation. This segment makes up approximately 35% of Broadcom's revenue while helping offset semiconductor cyclicality and supports consistent capital return.



Moat

Design-in durability at system scale

Once Broadcom's silicon is designed into large-scale platforms - particularly custom accelerators - switching becomes difficult due to multi-year roadmaps, deep software and firmware integration, and extensive validation cycles.

Execution and IP across complex systems

Custom accelerators are not standalone chips; they require coordinated design across packaging, memory, networking, and performance optimization. Broadcom's execution track record and system-level expertise make it a credible and repeat partner for customers scaling complex AI deployments.

Shareholder-oriented capital allocation

Broadcom has historically emphasized free cash flow generation, disciplined investment, and returning capital to shareholders, reinforcing its ability to compound value through cycles.

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