

COMPOUND & CONQUER

/ Issue 6 /

The 70 businesses built to Compound & Conquer.

Markman Capital Insight



The Secular Issue

Panic lasts a news cycle. Secular trends last a generation.

Artificial intelligence doom-mongering reached a new peak this week when Anthropic researcher Jacob Coxon publicly resigned. Coxon warned that fast-tracked AI development carries a terrifyingly high probability of causing total human extinction by 2030. Financial media outlets immediately seized on his apocalyptic "p(doom)" metric, tech industry shorthand for the probability of doom, using his resignation to drive a fresh wave of market anxiety.

Existential doom-mongering is salacious, and it creates a dangerous trap for individual investors. Sensational predictions command digital clicks, routinely disguising cynicism as deep intellectual insight. Fearing an apocalyptic collapse or a sudden wipeout in tech valuations, investors make a classic behavioral mistake: they panic, sell top-tier software and hardware leaders at discounted prices, and hide in cash. They trade away long-term compounding for the temporary comfort of being on the safe side of a bad narrative.

While sitting on the sidelines is a fine consideration for trading money, it is the wrong way to invest it. True wealth building requires identifying and holding secular growth trends. The word secular comes from the Latin term for an age or a generation. Secular trends represent deep, structural transformations that unfold over decades, moving forward regardless of broader economic cycles or sensational media headlines.

The secular trend driving artificial intelligence is a fundamental shift in the architecture of global computing. For decades, the world's computers operated on a file and retrieve model. Systems stored static data in databases, waiting for a user or application to query and fetch that exact information.

Generative AI replaces file and retrieve with real-time dynamic synthesis. Instead of simply searching for stored records, modern systems process huge amounts of data to generate context, automate complex workflows, and produce tailored outputs on demand. This shift permanently upgrades how global commerce, communication, and enterprise operations function.

Once computing architecture shifts from static retrieval to real-time generation, that upgrade becomes permanent global infrastructure. Demand for that processing power does not evaporate because a headline predicts the end of the world by 2030. The need for real-time computing remains, and great businesses keep compounding their earnings.

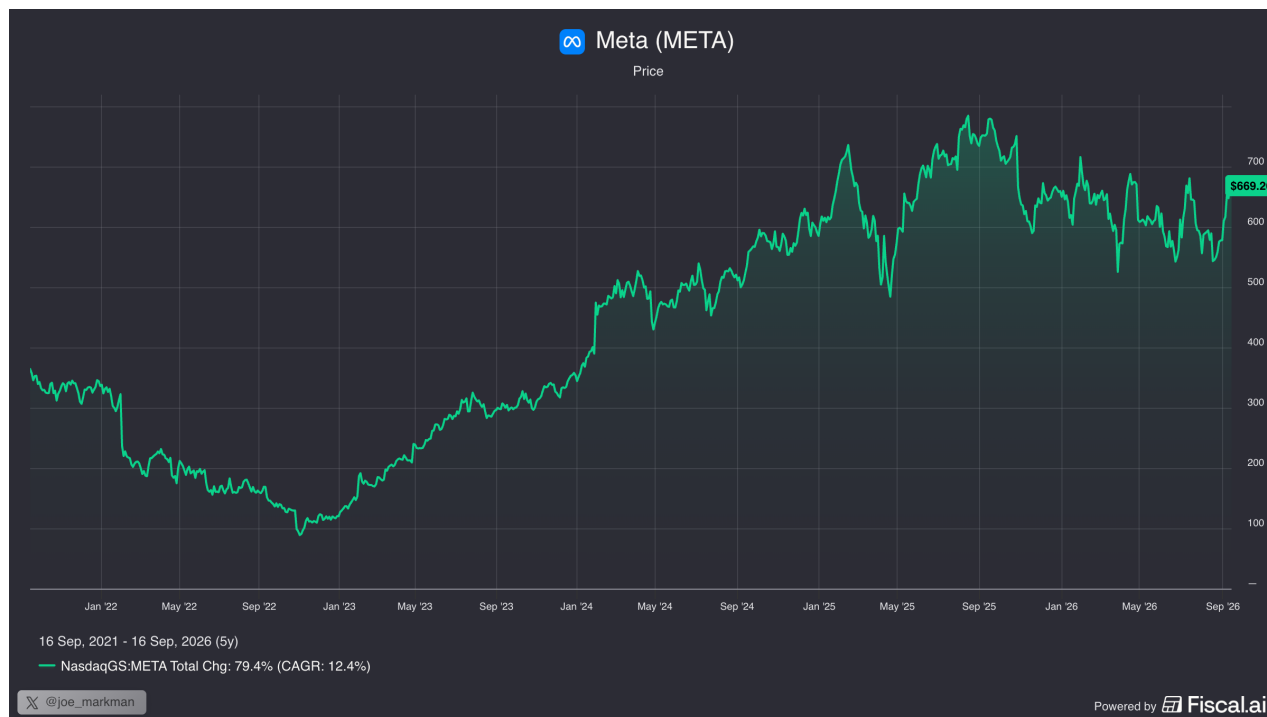
While media commentators debate Coxon's theoretical doomsday scenarios, world-class enterprises are applying real-time generation to capture market share, deepen user engagement, and expand profit margins.

This month, we look at two category leaders driving this exact computing evolution: social media giant Meta Platforms and global commerce engine Shopify. Both businesses have moved far beyond legacy file and retrieve systems, using real-time AI generation to compound revenue and deliver exceptional long-term value for shareholders.

Own the trend, not the panic.

Meta Platforms (META)

The Company That Rebuilt Itself in Real Time



Five-year total return: +79.4%. CAGR: 12.4%. Source: Fiscal.ai.

Meta Platforms is a pioneer of the early cloud computing era. During the 2000s, moving infrastructure off local servers and into centralized cloud environments allowed new digital platforms to scale members, sales, and profits at an unprecedented rate. For over a decade, Meta operated Facebook, Instagram, and WhatsApp on the classic file and retrieve model. Profiles, photos, and ad targeting tags were stored in databases and fetched when a user logged in.

That comfortable model broke in June 2020 when Apple changed its App Tracking Transparency rules, blocking third-party tracking across iOS devices. The sudden loss of external user data disrupted Meta's legacy targeting architecture and wiped out billions in ad efficiency overnight. Meta stated the policy change would cost over \$10 billion in 2022 alone. Skeptics declared the core business broken.

Instead of accepting permanent decline, Meta rebuilt its core infrastructure. The company abandoned passive database retrieval and built a real-time AI engine. By replacing the static social graph with dynamic recommendation systems like Reels and AI-driven ad routing like Advantage+, the platform stopped relying on external tracking. It began generating hyper-personalized content and ad placements live, directly within its own ecosystem.

The financial results of that pivot continue to validate the investment. In its most recent quarterly earnings report, Meta delivered \$60.8 billion in revenue, up 28% year over year. Wall Street initially balked at \$31.1 billion in quarterly capital expenditures. Yet that hardware investment is the exact engine driving a 14% increase in ad impressions and a 12% jump in average ad pricing.

Short-term traders panic over infrastructure expenses, but long-term investors recognize a classic capacity expansion cycle. Meta is converting heavy capital expenditure into an unbeatable processing advantage. Real-time synthesis is driving user engagement and higher conversion rates for advertisers. Investments in AI infrastructure hardware are compounding into expanding free cash flow and durable earnings growth over time.

This operational execution brings us right back to the central flaw in market doomerism. While media commentators hyperventilate over Jacob Coxon's apocalyptic "p(doom)" warnings, Meta is actively applying real-time computing to expand its market share and make its platforms so useful to businesses that advertisers cannot afford to leave. Doomsday headlines generate transient anxiety, but real-world computing shifts create permanent wealth.

Meta has proven that it is a perpetual work in progress, capable of tearing down its own systems to capture the next structural wave. By replacing legacy retrieval with real-time generation, the company turned an existential privacy threat into its most profitable growth engine to date.

Meta is often targeted because of its size and dominance. Long-term investors should use weakness to add shares.

**Action: Strong buy below \$650. Price target \$820 within 24 months (+26.2% from entry).
Long-term hold.**

Shopify (SHOP)

The Commerce Engine That Runs the Store for You



Total return since September 2023: +118.1%. CAGR: 29.7%. Source: Fiscal.ai.

Shopify began as a simple software tool with the lofty goal to democratize digital commerce. During the 2010s, giving independent entrepreneurs a cloud-hosted storefront challenged established retail models. For over a decade, Shopify operated on a classic file and retrieve structure. Merchants uploaded static product listings, images, and prices into a database, and the platform retrieved those files when a shopper visited the website.

That basic model hit a wall as digital commerce matured. Merchants were stuck spending more to find customers, dealing with confusing international taxes, and struggling to ship packages on time. A basic website was no longer enough. Business owners needed a system that could run their daily operations automatically.

Shopify solved this problem by shifting from passive storage to real-time creation. By embedding AI tools like Shopify Magic and Sidekick directly into its software, the platform takes over daily store management. Instead of waiting for a seller to type out updates, the system automatically writes sales copy, sets dynamic prices, and organizes shipping rules in real time.

The financial performance of this shift validates the automation strategy. Shopify reported in August that second-quarter revenue reached \$3.58 billion, up 34% year over year. Gross Merchandise

Volume jumped to \$115.6 billion, a 32% increase. High-margin Merchant Solutions revenue rose 37%, driving free cash flow to \$654 million with an 18% free cash flow margin.

Short-term market observers often view software platforms as vulnerable to AI disruption. Long-term investors understand operational moats. By processing hundreds of billions in commerce volume, Shopify feeds real-time transactional data into its machine-learning models. That scale improves conversion tools like Shop Pay, optimizes shipping routes, and locks in merchant reliance, turning software usage into high-margin transaction revenue.

This operational reality refutes the narrative of market doomerism. Shopify is applying real-time computing to eliminate daily headaches for millions of merchants. Headlines generate short-term market noise, but software platforms that drive real-world commercial efficiency build durable long-term value.

Shopify has evolved from a simple website builder into an indispensable global commerce engine. By replacing static database retrieval with real-time AI automation, the company has expanded its market share and unlocked accelerating cash flows.

Shopify remains a premier secular growth compounder with an expanding competitive moat. Long-term investors should capitalize on current market volatility to establish or build positions.

**Action: Strong buy below \$135. Price target \$180 within 24 months (+33.3% from entry).
Long-term hold.**

Epilogue: The Investor's Reality

This month's takeaway.

The current wave of artificial intelligence is not a speculative bubble or a theoretical threat. It is a fundamental shift in how computing infrastructure creates economic value. Companies that rely on static databases and manual workflows will see their margins erode. Platforms that embed real-time dynamic generation into their core engines will dominate their respective industries for the next decade.

Meta Platforms and Shopify demonstrate that the shift from "file and retrieve" to real-time creation is already generating big commercial returns. While academic theorists debate existential risks and short-term traders panic over capital expenditure cycles, world-class management teams are using real-time computing to deepen operational moats, expand market share, and generate record free cash flow.

Doomsday headlines and market volatility will create temporary mispricings in high-quality assets. That is the nature of free markets. Ignore behavioral traps like $p(\text{doom})$ and other daily noise, and focus on companies building better tools, executing faster, and compounding cash flow.

The path to building lasting wealth requires high conviction and patience. When major structural computing shifts occur, the winning strategy is clear. Ignore the doomerism, buy the secular leaders at attractive valuations, and let time do the heavy lifting.