

---

# BOXWOOD

CAPITAL MANAGEMENT, LLC

---

October 3, 2019

It's no longer speculation, the regulators are coming after Big Tech. Facebook, Google, Amazon and even Apple are being scrutinized. Their business practices are under investigation from a litany of regulators, and in some cases politicians who don't even have enforcement action.

Let's recap all the open investigations:

Starting at the federal level, on July 23<sup>rd</sup> the Department of Justice announced they would explore "widespread concerns that consumers, businesses, and entrepreneurs have expressed about search, social media, and some retail services online." Although not mentioned by name, the agency said the review was of "market-leading online platforms," which is pretty clear to be all the aforementioned, except Apple.

The July DOJ announcement appears to be broader and separate from the previously announced decision by Justice and the Federal Trade Commission to divvy up responsibilities looking into Big Tech. Indeed, it was reported in June that the DOJ and FTC had struck a deal on Big Tech oversight, with the FTC exploring Facebook and Amazon while the DOJ would focus on Google and Apple. The two agencies both share antitrust enforcement authority. Not surprisingly, the leaders of both agencies recently testified in front of the Senate antitrust subcommittee that the system (their agreement) had "broken down."

The House's Judiciary subcommittee on antitrust is conducting a bipartisan probe too. The House's probe appears to be political theater, as the committee doesn't have enforcement action.

At the state level, all the states (including D.C.) but California and Alabama have joined another bipartisan investigation into whether Google has used its monopoly status to unfairly market its ad business and manipulate search results.

And individually, the New York Attorney General is probing whether Facebook "has stifled competition and put users at risk." She also said they would determine whether "FB's actions may have endangered consumer data, reduced the quality of consumers' choices, or increased the price of advertising."

And not to be outdone, on September 25<sup>th</sup> the DOJ opened an antitrust investigation into Facebook. This is the fourth investigation into Facebook, counting the House's.

Facebook is a cash generating cow. In fact, all the companies being explored have their own unique reasons for secular success. As long as the market isn't focused on the company's



---

# BOXWOOD

CAPITAL MANAGEMENT, LLC

---

fundamentals, and these probes remain in the headlines, there will be downward pressure on the stock prices.

I am pleased to announce The Jensen Opportunity Fund, LLC has returned 25.03% through Q3, while the S&P 500 index has only gained 16.74%.

## **Q4 Outlook:**

October is generally a volatile month, and with a couple days in the trading book for this year, it doesn't appear to be any different. The first two days have posted losses, with the S&P down -2.99%. The start to October is eerily similar to 2018. If you remember, The Jensen Opportunity Fund started Q4 '18 up 25.57% for the year, yet disappointingly ended the year down -2.42%.

As a bit of precaution and to protect against a rerun of 2018, the fund will take out insurance bets once the market moves up again (when and if the S&P reaches around 3000). Keep in mind, taking out hedging bets will cost the fund performance, if equities don't continue along with their losses. But that should be a risk worth taking since the fund is up 8% over the index for the year.

Until next time,

Todd

