



Uncompromising Quality.

Jensen Quality Growth Equity Composite Commentary

4th Quarter 2009

Market Perspective

U.S. equity markets delivered robust returns during the final quarter of 2009 as they did in the previous two quarters. But unlike 2009's earlier quarters, last quarter returns were led by larger capitalization companies specifically within the Healthcare sector as worries over the impact of a government-run health plan abated.

During the final quarter, the market acted as a "voting machine" and investors seem to be anticipating continued improvement in the economy and in business performance. Concerns persist over the health of the overall economy due to high unemployment, weak consumer spending and higher government spending. Yet the nation appears to have exited the recession and resumed growth, albeit at a modest pace. Financially sound businesses are taking steps to gain market share and are setting the stage for future growth. One such step has been the recent announcements of a number of substantial merger and acquisition deals.

Performance Summary

The Jensen Quality Growth Equity Composite ("Composite") outperformed both the Standard & Poor's 500 Index and the Russell 1000 Growth benchmark during the quarter. Returns were aided by some long-awaited tailwinds in the Healthcare sector and by our overweighting to Information Technology and Industrial companies which showed strong performance. While the stocks of lower quality companies continued to enjoy strong performance for the final quarter -- as they did for most of the year -- a flight to quality in October benefited the Fund.

Our Top Market Performers

Contributors to the Composite's performance during the quarter were Microsoft Corporation (5.06% of assets) and Medtronic Inc (4.47% of assets).

Microsoft rose during the quarter as investors showed optimism for the company's prospects. Windows 7's debut has generally been well received. Potentially greater personal computer sales should spur revenues and analysts foresee increased Information Technology spending by businesses in 2010. Moreover, Microsoft's Office software and server applications will get an upgrade this year. Although still a small portion of the overall market, Microsoft's Bing search engine gained in 2009.

Congress toiled over healthcare legislation during the fourth quarter. While the process isn't complete, the results appear to be less draconian than previously feared. This was good news for investors of premium-priced medical device producer Medtronic, who had worried over potential adverse effects. One segment of the Senate bill that appears less onerous now is a "device fee." This fee, which would tax the industry, now stands at one-half the amount proposed earlier last year and could end up being deferred.

Our Biggest Market Detractor

Ecolab Inc. (2.24% of assets) detracted from The Composite's performance as it was down slightly during the quarter. Although the company outperformed the broader market throughout the year, the stock took a breather when

fourth quarter earnings fell slightly below consensus expectations. But Ecolab's strong business performance showcased as the company announced a dividend increase of 11% in December -- Ecolab's eighteenth consecutive year of dividend increases.

The Jensen Outlook

Returns experienced in 2009 won't likely to be replicated in 2010. Yet positives remain, particularly for quality businesses with strong balance sheets, defensible competitive advantages and steady growth prospects. We believe that the management teams of these companies have built efficiencies into their businesses which should become evident in future quarters as revenue growth resumes.

We at Jensen believe that leading Information Technology companies will benefit from a reversal of deferred corporate and consumer spending, as well as an increase in growth outside the U.S. as companies ramp up depleted inventories. We expect brighter days for firms possessing dominant brands within the Consumer Staples and global Industrial sectors. Further, we anticipate that Healthcare companies will see greater global growth and should benefit from clarity as legislative reform concludes.

The first leg of an economic recovery always favors those companies most beaten down during the recession. Consequently, equity returns since March 2009 have generally favored cyclical, lower quality, more leveraged and more economically sensitive companies, while stocks of higher quality companies have lagged and remain more reasonably valued. We believe we are nearing this recovery's second leg which could potentially favor investors of higher quality businesses purchased at discounts to intrinsic values.

Performance data shown represents past performance; past performance does not guarantee future results and other calculation methods may produce different results. There is the possibility of loss of principal value. Accounts in the Composite are non-diversified, meaning that they may concentrate their assets in fewer individual holdings than a diversified product, and therefore are more exposed to individual stock volatility than a diversified product.

[>Please click here for current Composite performance.](#)

The S&P 500 Index is a market value weighted index consisting of 500 stocks chosen for market size, liquidity and industry group representation. The Russell 1000 Growth Index measures the performance of those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values. These indexes are unmanaged, and you cannot invest directly in an index.

Portfolio holdings %'s are for a representative account managed by Jensen Investment Management. Our views expressed herein are subject to change and should not be construed as a recommendation or offer to buy or sell any security, and are not designed or intended as basis or determination for making any investment decision for any security. Our discussions should not be construed as an indication that an investment in a security has been or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of any security discussed herein. Any securities holdings discussed herein do not represent an account's entire portfolio, and represent only a small percentage of, or may not be included in, any account's portfolio holdings.

[>Please click here for past specific recommendation for the Composite for the period December 31, 2008 through December 31, 2009.](#)