



Uncompromising Quality.

Jensen Quality Growth Equity Composite Commentary

1st Quarter 2010

Performance Summary

U.S. equity markets continued to climb during the first quarter of 2010. While these gains were more modest in absolute terms than in each of the previous three quarters, the quarter's gains ranked as the best first quarter for the Standard & Poor's 500 Index since 1998. Consistent with the previous three quarters, 2010's first quarter returns were led by the stocks of lower quality and more cyclical businesses.

The Jensen Quality Growth Equity Composite ("Composite") lagged the performance of the S&P 500 and Russell 1000 Growth Indices during the first quarter. Our underweighting of Financial and Consumer Discretionary companies -- the two top performing sectors during the quarter -- presented the strongest headwinds to performance. Our selection in the Healthcare sector, however, aided returns. These sector weights are a residual of Jensen Investment Management's process of selecting the stocks of quality businesses that exhibit what we believe to be sustainable competitive advantages.

At the company level, Emerson Electric (represents 4.89% of the portfolio) was the top contributor to the Portfolio's performance during the quarter as the company reported strong first-quarter results. Margins improved in its Climate Technologies, Network Power and Appliance & Tools businesses, reflecting the benefits of restructuring efforts undertaken during the recession. Amphenol Corporation (represents 2.72% of the portfolio) was the greatest detractor to performance during the quarter -- albeit mildly so -- following strong stock performance in 2009.

Portfolio Changes

New to the Composite this quarter is C.H. Robinson Worldwide (represents 2.00% of the portfolio), a leading aggregator in the shipping market, providing freight transportation using contracted trucks, trains, ships and airplanes. An "asset light" company, C.H. Robinson does not own any transportation assets itself. Without being encumbered by shipping assets, the company does not have to maximize utilization and can meet the needs of customers by finding the best balance of service and cost, while managing its own returns. C.H. Robinson serves clients through a branch network that is larger than that of any competitor. Shares of the company were purchased at what Jensen believes to be a significant discount to intrinsic value.

Both Danaher Corporation and Ametek Inc. were sold from the Composite during the first quarter as each failed to meet Jensen's minimum Return on Equity (ROE) of 15% in 2009. A ten year business performance record of 15% or greater ROE is required for a company to be included in the Jensen Quality Growth Equity Composite. This hurdle serves as an expression of competitive advantages within the business and indicates returns in excess of the company's capital costs. Historically, we have found that when the ROE of a business falls below 15% it likely signals an erosion of competitive edge and a shift in the landscape within the industry. Given the multi-generational cyclical downturn that the recent recession represents, it is less clear that Danaher and Ametek no longer possess the competitive attributes we identified prior to purchase. However, our investment discipline has proved successful and compelling alternative investments exist.

The Jensen Outlook

Jensen's investment process emphasizes building portfolios one quality business at a time. Yet themes have developed in what we believe are areas of opportunity. The Healthcare sector offers companies with compelling growth potential and attractive valuations. The signing of overhaul legislation produced a benign reaction by most portfolio companies. Pricing pressures resulting from the legislation may impact some companies, but more people in the healthcare system with greater access to coverage and the resulting higher sales volumes stand as positives.

The build out of global infrastructure should benefit holdings in the Industrial sector. A backlog of unfilled orders and resumed capital spending as the economic recovery takes hold represent positives. As market leaders, we believe that many of these companies are positioned to gain business in faster growing regions of the world.

Deferred spending, fueled by the upgrade cycle and a demand by corporations for greater efficiencies, should prove positive to Technology holdings. Leading companies in this sector have both strong business models and balance sheets. Their substantial cash hordes make merger and acquisition activity likely, as mature businesses seek added sources of growth at compelling valuations.

Holdings throughout the Jensen Quality Growth Equity Composite benefit from a balance of revenues from inside and outside the U.S. Growth in the U.S. may be slow and the economic recovery may prove choppy. But the strong free cash flows from the domestic component of the portfolio companies are expected to be effectively deployed, in part to faster growing economies around the world. We believe these quality businesses are positioned well for the next stage of the economic recovery and their stocks remain priced at attractive levels.

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 March 31, 2009 through March 31, 2010.](#)

Return On Equity: (ROE) Is equal to a company's after-tax earnings (excluding non-recurring items) divided by its average stockholder equity for the year.

Free Cash Flow: (FCF) Is equal to the after-tax net income of a company plus depreciation and amortization less capital expenditures.