



Uncompromising Quality.

## The Jensen Portfolio 2nd Quarter Commentary

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### Performance Summary

After the significant rally from the market lows of March 2009, a series of macro concerns during the second quarter of 2010 drove the U.S. equity market into negative territory for the year-to-date. Worries ranging from rising government debt to persistently high unemployment weighed on the minds of investors and the May 6 “flash crash” only heightened their angst. The resulting flight to safety drove down interest rates and ten-year Treasury rates fell below 3%.

The Jensen Portfolio outperformed both the S&P 500 and the Russell 1000 Growth Indices during the second quarter. While the performance of the portfolio lagged the index during much of the quarter, as macro concerns mounted and the market’s drop subsequently followed, the merits of quality businesses at reasonable valuations helped the portfolio return to above-benchmark returns.

Helping this performance was stock selection in the Materials, Consumer Staples and Industrial sectors, while company selection in the Information Technology sector detracted from performance. At the company level, Ecolab was the top contributor to the Portfolio’s performance, while Microsoft was the greatest detractor.

Shares of Microsoft fell during the quarter as investors lost faith in the economic turnaround as well as hopes for spending by both businesses and consumers. Exiting a recession, businesses generally spend on Information Technology because of the measurable improvements in productivity and the ability to maintain lean staffing levels. Adoption of Windows 7 has been slower than anticipated at the enterprise level as a result of the weak economy. Yet the silver lining remains. For many businesses still relying on the decade-old Windows XP, an upgrade is inevitable. Growth should also be driven by the strong product cycles of Microsoft’s server products and the launch of Office 2010. The robust free cash flow that these franchises provide enables Microsoft to continue developing areas such as online, consumer products and its cloud computing venture, Azure, which may represent the next major growth area for the company.

### Portfolio Changes

There were no positions added to or sold from The Jensen Portfolio during the quarter. There were, however, numerous changes to the weightings of fund holdings based upon Jensen’s conviction to the businesses and the prices of their stocks. Most significantly, positions were increased in Adobe Systems, T. Rowe Price and Medtronic, all long term holdings of The Jensen Portfolio. These and other holdings have been increased in recent weeks by deploying newly added shareholder assets, giving us what we believe to be an excellent opportunity to buy quality growth franchises at discounts to their full value.

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*Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor’s shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. To obtain updated performance information that is current as of the most recent month end, please call 1.800.992.4144 or visit [www.jenseninvestment.com](http://www.jenseninvestment.com).*

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

## The Jensen Outlook

Going forward, we likely face a subdued recovery. Investors have swung from high risk to low risk assets and will likely reconsider their decisions, for better or worse, in a more active fashion. While low interest rates have helped favor lower-quality companies, we believe that leadership should return to quality businesses with strong balance sheets, growing free cash flows and the financial flexibility to prosper. Looking specifically at our portfolio businesses, performance has improved, revenues have increased, and margins appear strong. Earnings have been generally ahead of expectations. Despite the market turmoil we have not seen many of our portfolio companies lowering expectations for the quarter ending June 30. Quality businesses are flush with cash and, in many cases, are making compelling acquisitions to help fuel future growth, buying back shares and returning capital to shareholders in the form of growing dividends.

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As of June 30, 2010 the Russell 1000 Index's Average Annual Total Returns were 13.62%, -6.91%, 0.38%, and -5.14% for the 1-, 3-, 5-, and 10-year periods, respectively.

**Mutual fund investing involves risk; loss of principal is possible.**

*The Fund is non-diversified, meaning that it may concentrate its assets in fewer individual holdings than a diversified fund, and is therefore more exposed to individual stock volatility than a diversified fund.*

>[Please click here for a current Fund prospectus.](#)

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.

>[Please click here for current fund holdings.](#) Fund holdings and sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

The information provided herein represents the opinions of Jensen Investment Management, and is not intended to be a forecast of future events or a guarantee of future results, and does not constitute investment advice.

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.

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