Holdings Update: Sell Linde/Praxair

On April 29, 2019, we completed the liquidation of Linde plc (Linde) from the Jensen Quality Growth Fund due to its return on equity (ROE) falling below our required hurdle rate of 15%. Linde was formed in October 2018 via the merger of Linde AG, an industrial gas company based in Germany, and Praxair, Inc. (Praxair), a long term portfolio holding. From an accounting perspective, Praxair was considered the acquirer in the merger. Generally Accepted Accounting Principles require the assets, liabilities and equity of a business to be marked to fair market value if it is acquired. This accounting rule resulted in a significant increase in Linde AG’s equity. When combined with Praxair’s equity, this increase caused the combined entity’s ROE to fall below our longstanding 15% requirement.

Linde plc produces industrial gases, including oxygen, nitrogen, argon, hydrogen and helium. These gases are sold to customers in a variety of end markets such as steel production, chemical manufacturing, oil refining, food and beverage production and the provision of healthcare services. When we originally acquired Praxair’s stock back in 2008, we were attracted to the industry’s customer switching costs and high contract renewal rates. Our favorable outlook on the industry remains. Because of this, we would be pleased to add another industrial gas company to the portfolio, but only if it meets our strict fundamental requirements and its stock is attractively priced.

Fund holdings are subject to change and should not be considered recommendations to buy or sell any security. For a listing of the funds current holdings, please click here.

Opinions expressed are subject to change at any time, are not guaranteed and should not be considered investment advice.

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Mutual fund investing involves risk, and principal loss is possible. The Quality Growth Fund is non-diversified, meaning it may concentrate its assets in fewer individual holdings than a diversified fund. Therefore, the Fund is more exposed to individual stock volatility than a diversified fund. The Quality Value Fund invests in mid and smaller capitalization companies, which involve additional risks such as limited liquidity and greater volatility.

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Investment Glossary

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