Jensen’s Environmental, Social and Governance Framework
Philosophy

At Jensen, we believe that ESG analysis is, and always has been, an inherent part of our fundamental research process. We strive to evaluate all relevant financial and non-financial factors that may affect a business and ultimately investment results. Our investment team seeks to identify companies that understand and thoughtfully manage all of the inherent business risks, including ESG. We do believe that overlooking relevant ESG issues—as with any material business issue—can increase the risk of negative investment outcomes. However, we do not view it as a binary tool used to separate good investments from bad. We continue to review new research on the potential impact of ESG factors within our long-standing research approach.

Integration

The objective of our fundamental research is to identify what we consider to be Jensen Quality Growth companies: those with sustainably high returns on capital, underpinned by formidable competitive advantages that enable companies to generate more than enough cash to fund their needs and return excess to shareholders. We place significant value on companies’ management teams that embrace a long-term perspective and are thoughtful stewards of financial and non-financial resources. This often includes environmental and social aspects of the business. We have always believed that effective governance and responsible corporate strategy are critical components. As such, we use a variety of proprietary internal tools to varying degrees, as well as external ESG sources (such as ESG databases and academic research) to aid in identifying key ESG issues for the businesses we own.

Materiality

In our opinion, ESG factors vary in importance and materiality. Our deep, company-specific knowledge enables the Jensen Investment Team to make appropriate judgments about which ESG factors could have the greatest impact to our portfolio. Analysis of these factors is purposefully integrated into the investment decision-making process to the extent that our team believes they may impact a company’s fundamentals and ultimately its ability to generate sustainably high returns on capital.
Engagement

We are not activist investors. However, we do expect Jensen Quality Growth companies to function with strong governance structures and management teams that exhibit effective stewardship of shareholder capital. We expect the leadership teams from our Quality Growth companies to appropriately value environmental, social and governance issues as they would with any relevant business issues. Moreover, we need to have confidence that they will manage them in a way that mitigates business risk and enhances long term shareholder value. Engaging with company management has always been an important element of our investment process. This enables us to better understand the fundamentals of a business, as well as assess the quality of a management team. In the event we deem that an ESG-related issue affects a portfolio business’ fundamentals, the Jensen Investment Team can engage with a company’s management team. We do this to better understand the impact and possible outcomes of addressing the specific issue that may concern us. We can then carefully gauge management’s response to assure it is appropriate.

Transparency

At Jensen, we believe in fostering deep, direct relationships with our clients built on trust, transparency, and an understanding of our approach to quality growth investing. Through ongoing interactions, our clients are best positioned to authenticate the complementary role ESG plays in our investment research process. We engage in client discussions about the extent to which we incorporate ESG factors into our investment process. As such, we are not a signatory of the United Nations Principles for Responsible Investment, as we believe our transparent engagement with our clients best enables a more nuanced understanding of the role ESG already plays in our investing process.

We recognize that ESG issues can be meaningful. The Jensen Investment Team continues to pay close attention to how various relevant factors have the potential to affect each business’ management decisions and response, performance results and shareholder value creation.

“ Our investment team seeks to identify companies that understand and thoughtfully manage all of the inherent business risks, including ESG. ”
Contact Us

We welcome the opportunity to discuss how ESG plays a part in our investment research process. If you have further questions, please email us at fund@jenseninvestment.com.

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

The Fund’s investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the investment company, and it may be obtained by calling 1.800.992.4144, or by visiting jenseninvestment.com. Read it carefully before investing.

Mutual fund investing involves risk. Principal loss is possible. The Jensen Quality Growth 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.

Return on capital is a profitability ratio. It measures the return that an investment generates for capital contributors, i.e. bondholders and stockholders. Return on capital indicates how effective a company is at turning capital into profits.

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