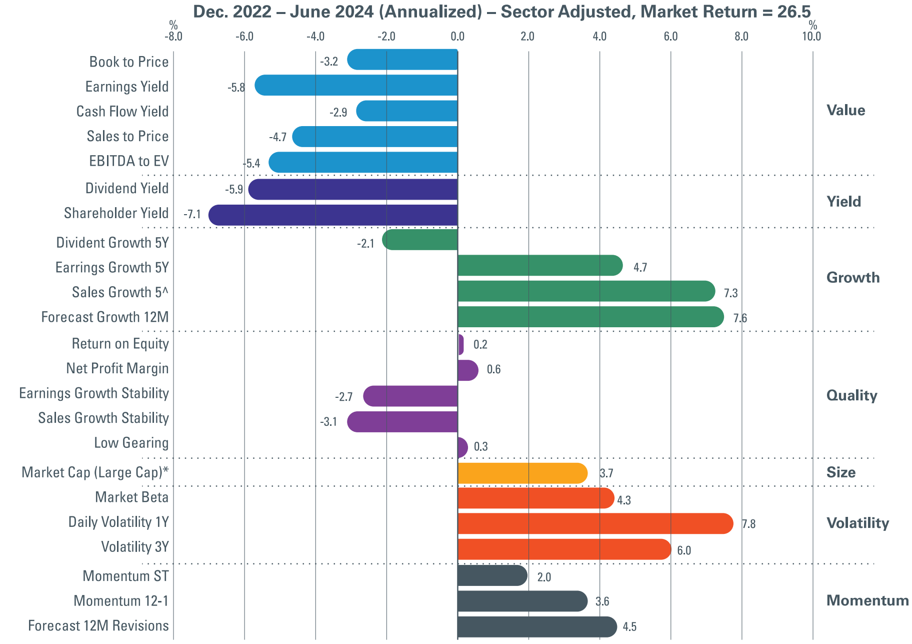
JENSEN®
INVESTMENT MANAGEMENT

INSIGHTS
AUGUST 2024

Low-Quality Rally Sets the Stage for High-Quality Opportunities

The past 18 months presented a complex market landscape. While overall equity returns were strong, this performance was largely driven by a select group of mega-cap growth stocks. Likewise, the market showed a clear preference for high-momentum and volatile stocks, leaving quality investing strategies, including our Jensen Quality Growth Strategy ("QG"), lagging benchmarks.

Style Factor Performance (USD) – Return Relative to US Market – (Top 50% of Style)
Dec. 2022 – June 2024 (Annualized) – Sector Adjusted, Market Return = 26.5



*Market Cap =Top 70% of US Market

US Factor Data Ending June, 2024

Source: Style Analytics, Inc., as of June 2024. This chart represents a statistical sampling technique to evaluate different factors in the market under value, quality, growth, momentum, etc. Top 50% highest scoring companies (positive or negative) are being measured under each factor. 70% of the largest companies in the index are being scored under market cap factor only, so that mega caps do not skew the result. Sector adjustment is applied so that no one company or industry has an outsized influence, meaning the scores are neutralized to the actual sector weights in the U.S. market as measured by the MSCI USA Investable Market Index for period from December 2022 through June 2024. The ***MSCI USA Investable Market Index (IMI)*** *is designed to measure the performance of the large-, mid-, and small-cap segments of the U.S. market. With 2,334 constituents, the index covers approximately 99% of the free-float-adjusted market capitalization in the United States. Style Analytics, Inc., is the source for reports with the "Style Analytics" logo. Jensen cannot guarantee the accuracy of information received from third parties. Earnings and Dividend Growth are not measures of future performance.*

"While market fluctuations can challenge even seasoned investors, we view these periods as opportunities to uncover overlooked value."

However, we believe the narrow market rally has masked the underlying strength of high-quality businesses (those graded A+, A- and A, as measured by the S&P Quality & Dividend Rankings). Throughout this period, our research team has remained steadfast in its commitment to identifying these opportunities, including the examples that follow.

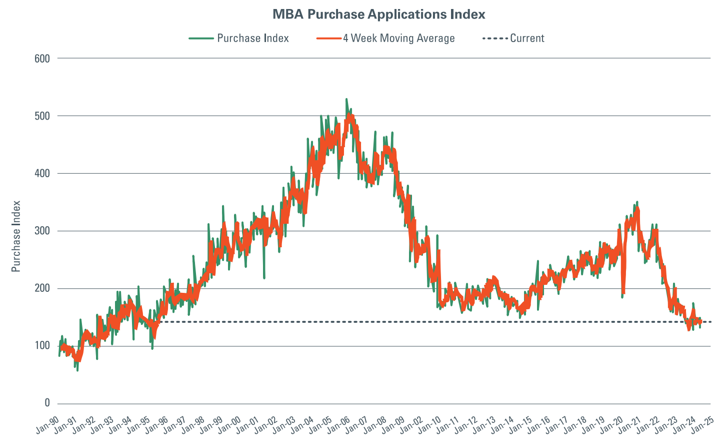
Software-Related Companies

During the bull market period of the last six quarters, investor enthusiasm turbocharged the high-beta shares of computer hardware and related companies. Examples include Nvidia (NVDA), Broadcom (AVGO), Qualcomm (QCOM) and Super Micro Computer (SMCI). We believe this excitement has overshadowed underlying strength in lower-volatility software-related companies, including Jensen portfolio holdings Accenture (ACN) and Intuit (INTU).

Accenture, a global information technology (IT) and business strategy consulting leader, maintains a dominant position as a long-standing vendor to Fortune Global 500 companies. Despite strong competitive advantages and growth prospects, ACN shares have underperformed in 2024 due to concerns about slowing demand in corporate IT spending. However, we expect this slowdown to be transitory, as the company's traditional IT consulting business remains essential, and its recent $3 billion investment in artificial intelligence (AI) expertise positions it well for future growth. As its end market stabilizes and AI interest grows, we expect ACN shares will be positively affected.

Intuit, a financial software company best known for TurboTax and QuickBooks, holds dominant market shares in tax preparation and accounting software and benefits from a highly recurring revenue model. Despite its strong competitive position, INTU shares have underperformed in recent months due to concerns about the IRS's free tax filing service and AI-related restructuring costs. We believe these concerns are overblown. The IRS service is expected to compete only with TurboTax's legacy free tax filing offering, while the new TurboTax Live service should allow the company to retain more profitable customers with complex tax situations. Intuit's restructuring plan, aimed at enhancing AI capabilities, may cause a temporary decline in profitability, but the company is committing to this long-term investment from a position of financial and operational strength.

Housing Stocks



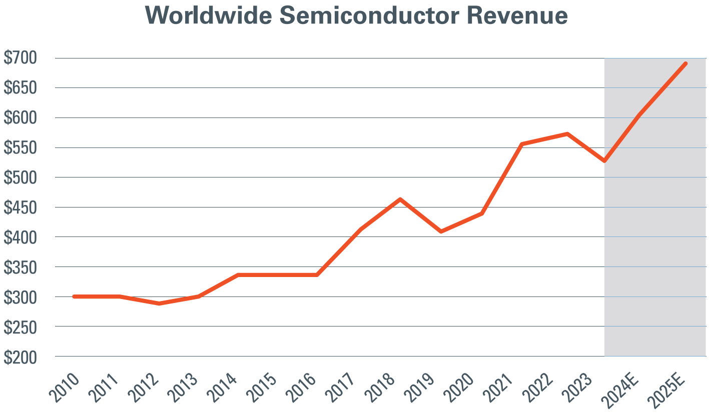
Source: Mortgage Bankers Association (MBA), Purchase Index (seasonally adjusted) 1990-2024. The Purchase Index is a metric used to gauge the volume of mortgage applications for single-family homes in the U.S. Data as of July 26, 2024.

Since 2022, housing market activity has declined significantly, to depths not seen in nearly 30 years. In our view, this has been primarily in response to a sharp rise in interest rates. Consequently, housing related stocks, including QG Strategy companies Sherwin-Williams (SHW), Home Depot (HD) and Equifax (EFX), lagged the S&P 500 Index during this period. However, we believe short-term demand challenges do not diminish the long-term investment case for these quality businesses. Indeed, we capitalized on the recent pullback in SHW shares to add it to the QG Strategy during the second quarter.

Importantly, these companies have leveraged their financial strength to maintain and/or bolster competitive advantages during this period of end-market weakness. Sherwin-Williams is expanding its store base in California in response to competitor Kelly-Moore's store closures, thereby investing in growth while its peers retrench. Home Depot announced the acquisition of SRS Distribution, aimed at strengthening its professional services business. During the first quarter of 2024, Equifax reported its highest quarterly revenue growth in three years even against a mortgage market decline,[1] due in our view to its pricing power and the success of new loan pre-qualification products.

[1] *Source: Equifax 1Q24 earnings call*

Semiconductor Production Equipment (SPE)



Source: WSTS & SIA, June 4, 2024. Semiconductor market revenue worldwide from 1987 to 2025 (in billion U.S. dollars). Retrieved July 16, 2024, https://www.statista.com/statistics/266973/global-semiconductor-sales-since-1988.

SPE companies provide products and services that enable efficient, scalable semiconductor manufacturing. The SPE industry is attractive because of long-term computer chip demand for cloud computing, AI model development and smart devices. Until recently, however, very few of these companies qualified for our investment universe because of the (historically) deeply cyclical nature of the semiconductor end market.

This cyclicality has begun to wane as the demand for computer chips has expanded into a broader set of applications — beyond traditional personal computers — such as mobile phones, data centers, cars, gaming consoles, internet of things (IOT) and AI applications, resulting in less variable demand patterns. Consequently, semiconductor demand has become more stable, and a select few SPE companies have qualified for our consideration.

SPE companies in the Jensen investable universe include KLA Corporation (KLAC), the dominant market leader in semiconductor manufacturing process control equipment, which is owned in the QG Strategy. Additionally, we are actively monitoring SPE bellwethers Applied Materials (AMAT) and Lam Research (LRCX), both leaders in their respective industry niches, for attractive entry points from our portfolio candidates.

Maintaining Focus

While market fluctuations can challenge even seasoned investors, we view these periods as opportunities to uncover overlooked value. We remain confident that the Jensen Quality Growth Strategy is well positioned to capitalize on these opportunities. By focusing on companies that we believe feature enduring competitive advantages, strong financial foundations and the ability to thrive across market cycles, we aim to build a portfolio capable of delivering sustainable, long-term value creation.

As market dynamics evolve, our dedication to quality investing remains steadfast. In our view, this approach will not only weather short-term volatility but also position our investors for long-term success in an ever-changing economic landscape.

To view a list of the Jensen Quality Growth Strategy's current holdings, visit www.jenseninvestment.com/growth-composite-holdings.

The company discussions in this article are solely intended to illustrate the application of our investment approach and are not intended as investment recommendations or an indication that our investment decisions have been or will be profitable.

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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 index is unmanaged, and you cannot invest directly in an index.

S&P Earnings and Dividend Ranking: (also known as "quality rankings"): S&P Earnings and Dividend Rankings score the financial quality of several thousand U.S. stocks from A+ through D with data going back to 1956. The company rankings are based on the most recent 10 years (40 quarters) of earnings and dividend data. The better the growth and stability of earnings and dividends, the higher the ranking.

Beta: A measure of the volatility of the fund's total returns relative to the general market as represented by a corresponding benchmark index of the fund. A beta of more than 1.00 indicates volatility greater than the market, and a beta of less than 1.00 indicates volatility less than the market.

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