



Sell: PepsiCo (PEP)

JUNE 2025

HOLDINGS UPDATE

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The Jensen Investment Team has sold **PepsiCo Inc (PEP)**, a long-term holding in the **Jensen Quality Growth Strategy**. Uncertainty surrounding earnings, cash flow and the potential impact of increasingly popular GLP-1 weight loss drugs on the company's revenue growth prompted the sale.

While initially approved by the FDA to treat Type 2 diabetes, GLP-1s such as Wegovy, Ozempic and Zepbound are now being used for weight loss and weight management. GLP-1s suppress appetite and increase satiety, leading to lower overall caloric intake and reduced cravings for high calorie, highly palatable foods such as snacks and sugary drinks, two of PepsiCo's larger product categories. We believe GLP-1s will hurt PepsiCo's sales in these two categories, but estimating the precise impact is difficult due to a number of uncertainties. Some of these uncertainties include the portion of PepsiCo snack and beverage consumers who are overweight and could benefit from taking the drugs, GLP-1 uptake, future GLP-1 price changes, drug use persistency over time and the degree to which GLP-1s are covered by insurance.

As recently as March 31, 2023, PepsiCo was the Strategy's largest holding with a weighting in excess of 6%. The company's strong market positions, economies of scale versus smaller competitors, financial strength and well-known brand names resulted in PEP being a core Strategy holding for a number of years. Despite these strengths, we reduced our position in the name in late 2023 and continued to sell shares throughout 2024 and into early 2025 as prescriptions for GLP-1s and public awareness of the drugs increased. Ultimately, we decided it was in our clients' best interests to liquidate the remaining position in the name and deploy the proceeds to companies in which we have greater confidence for long-term success.

Strategy holdings are subject to change and should not be considered recommendations to buy or sell any security. For a listing of the Quality Growth Strategy's current holdings, please visit www.jenseninvestment.com/growth-composite-holdings.

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