

First Quarter 2020	Quarter In Review
	Jensen Private Client

Firm Update

We hope this update finds “you and yours” well and surviving this challenging environment in good spirits. When we first drafted our fourth quarter 2019 commentary just three months ago, nobody could have imagined just how much would change in such a short period of time. While our interactions with you are typically focused on the financial aspects of your lives, our recent conversations have revealed the true depth and value of our client relationships.

During these trying times we hope that you and your loved ones remain healthy, that you are able to connect with those who are important in your lives, even if over telephone, and that you find the time to celebrate the many heartwarming stories of ordinary people around the world demonstrating the best of humanity.

Some Good News

There are many silver linings to be found and we wanted to provide an update on our friend and colleague Philomena Ferree, a Jensen Private Client portfolio manager. On March 11th, Philomena and her husband Brandon welcomed their new daughter Sharbelle Ferree into the world. She came into the world weighing 7 lbs. 15 oz. and she and her family are in perfect health. The Ferree family is enjoying its time getting to know Sharbelle and Philomena plans to return to work in the summer.

CARES Act

As you may have heard, the CARES Act was recently passed into law. This legislation is intended to serve as a massive stimulus package for the U.S. economy and includes some changes to the rules that govern retirement accounts that we thought worth highlighting.

As with all tax law changes, and as every client’s situation is unique, please speak with your tax professional should you wish to better understand your personal tax status and how it may be impacted by these changes.

1. Temporary waiver of Required Minimum Distributions (RMDs) – for clients normally required to take an annual distribution from their retirement accounts, this obligation has been waived for 2020. The waiver also applies to clients who turned 70 ½ in 2019 and were waiting until April 2020 to take their first distribution.

2. Temporary waiver of the early withdrawal penalty – for retirement account holders younger than 59 ½, the 10% early withdrawal penalty is waived in 2020 but only for those directly affected by the COVID-19 virus. Further, the income tax payable on these distributions can be spread over three-years, and investors have the option to recontribute funds back into their retirement account within three-years

As a general rule, we counsel clients to withdraw from their retirement accounts only the minimums required by law: please get in touch if helpful to discuss further.

First Quarter 2020 in Review

In recent newsletters we have cautioned of the likelihood of increased market volatility as investors weighed concerns such as trade wars, Brexit and a challenging geopolitical environment, combined with high equity valuations. While market volatility has certainly become very evident in the first quarter the reasons for it and the severity of what we have experienced in the first three months of 2020 has been very different from what anyone could have forecast at the start of the year: perhaps the very definition of a “Black Swan” event.

In response to Global pandemic crisis, and with much of the globe’s industrial and economic activity shut down, governments around the world have scrambled to respond. Here in the U.S., this has been manifested through monetary and fiscal policy actions exceeding the size and scale to the actions taken in the 2007-2009 period. In addition to the \$2 trillion CARES Act package, the Federal Reserve has aggressively lowered interest rates and expanded its balance sheet to provide liquidity to the financial markets, and State and local governments have also announced measures to mitigate the worst effects of the recession that the U.S. is almost certain to experience. While we will have to wait to see the effectiveness of these measures, the speed and degree of the responses is unprecedented, but we should be prepared to see more negative headlines before the crisis passes.

Looking Ahead

We recognize that many aspects of this crisis are fluid and change day-by-day and it would be an understatement to say that life is very unsettled. However, we take comfort in the knowledge that the Jensen investment discipline has weathered volatile markets in the past and that the foundations of our high Return on Equity strategies are built to endure times of economic and market stress.

As you know, the base criteria for inclusion in the Jensen discipline is very rigorous and designed to identify “all weather” businesses that have the characteristics to survive challenging times. For the year to date, a lack of direct exposure to energy/oil and gas companies, and minimal exposure to the hospitality sector (hotels, airlines, etc.) has helped to insulate client portfolios from the worst effects of the “bear market” of the first quarter. Looking forward, it is our steadfast belief that Jensen’s exposure to thoughtfully selected technology, health care, consumer staple companies and other businesses with durable competitive advantages and robust balance sheets will continue to protect portfolios from the worst aspects of further market declines. Today, more than most times, it is important for investors to know what they own, and we are confident that the Jensen companies will emerge from this period and move forward to create business and shareholder value for many years to come.

Your Portfolio in Action

As mentioned previously, there are many “silver linings” to be found in these volatile times. We have received much positive feedback on our recent email about 3M and would like to share another portfolio company recently in the news for its important work. Becton Dickinson (BDX), a medical technology company, has recently announced the launch of an antibody test used to determine current or past exposure to the COVID-19 virus. This is a critical test as it not only helps to quickly detect exposure to the virus, but it can help to determine if those who have already been exposed, and potentially have immunity, are able to return to work or donate plasma to aid in the recovery of others.

Connect With Us

Thank you for your continued confidence in Jensen. During these challenging times – as always - please do not hesitate to connect with us with any questions you may have. With best wishes.

The specific securities and sectors discussed herein are solely intended to illustrate the application of our investment approach and is not to be considered a recommendation by Jensen and do not represent all of the securities purchased and sold for client accounts or sectors in which Jensen seeks investments. Our views expressed herein are subject to change and should not be construed as a recommendation or offer to buy or sell any security or a recommendation for investments in specific sectors and are not designed or intended as a basis or determination for making any investment decision. Our discussions should not be construed as an indication that an investment in a security has been or will be profitable, or that the investment recommendations or decisions we make in the future will be profitable.

Certain information contained in this material represents or is based upon forward-looking statements, which can be identified by the use of terminology such as “may”, “will”, “should”, “anticipate”, “target”, “project”, “estimate”, “intend”, “continue”, or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of a client account may differ materially from those reflected or contemplated in such forward-looking statements. This information discussed herein is current as of the date of this material and is subject to change at any time, based on market and other conditions.

Indices are unmanaged and do not incur investment management fees. An investor is unable to invest in an index. Past performance is no guarantee of future results.



5500 Meadows Road, Suite 200
Lake Oswego, OR 97035
800.221.4384

Jensen Investment Management, Inc. is an investment adviser registered under the Investment Advisers Act of 1940.
Registration with the SEC does not imply any level of skill or training.
Although taken from reliable sources, Jensen cannot guarantee the accuracy of the information received from third parties.
© 2020 Jensen Investment Management. The Jensen Quality Universe is a trademark of Jensen Investment Management.
All rights reserved.

[jensenprivateclient.com](https://www.jensenprivateclient.com)