

First Quarter

2025

Quarter In Review

Jensen Private Client

Firm Update

As we write, the weather this week in the Pacific Northwest whiplashes: the typical Spring rain, lightning and thunder, followed by much-needed bursts of sunshine after months of rain and cold. The stock market seems to be mimicking the weather, leaving many investors feeling wary.

At Jensen, we remain steady in our investment philosophy, no matter the weather, and our pursuit of owning quality companies for our clients has not wavered. Although we cannot predict the short-term movements of the stock market, our quality approach has managed periods of market uncertainty before, and we're here to help you and your families plan for the long term. While we do not advocate timing the market, if there is a material change in your cash needs or goals that may require a different approach, we are here to assist with recommendations. Do not hesitate to call us with any questions you may have.

First Quarter 2025 in Review

Markets were driven lower in the first quarter as uncertainty around tariffs, shifting monetary policy and geopolitical tensions riled investors. The expanded tariff regime implemented in February (and further clarified in April) emerged as a significant market factor. The new administration's decision to increase tariffs on imports and extend them to additional categories and countries created ripples through global supply chains. Companies with significant exposure to international trade now face margin pressures and will need to navigate higher input costs and potential retaliatory measures. In the face of this, the Federal Reserve's policy stance remained a central focus throughout the quarter. After the series of interest rate cuts that began in late 2024, the Fed adopted a more cautious approach, signaling that future rate adjustments would be data dependent.

Looking Ahead

After an extended "risk-on" period that characterized much of 2023 and 2024, investors demonstrated risk aversion in early 2025. This abrupt pivot in market behavior should not come as a surprise. As we stated in our previous commentary, "In our experience, changes in market sentiment often occur capriciously and without warning."

It remains to be seen, however, how long this period of caution will persist as we observe several potentially offsetting market forces. Continued market volatility is supported by aggressive U.S. trade policies that heighten geopolitical tensions, potentially triggering retaliation and eroding business confidence. Simultaneously, interest rates remain elevated, dampening consumer and corporate spending. All the while, elevated market valuations leave little room for error, increasing the risk of market corrections.

On the positive side, AI-related spending remains robust, S&P 500 Index earnings are expected to advance in 2025, a resilient U.S. labor market supports consumer confidence, and the U.S. Federal Reserve maintains an inclination toward further rate cuts. Notwithstanding the current uncertainties, we remain confident that unpredictable markets



can create opportunities for long-term investors focused on high-quality companies. High-quality businesses typically benefit from durable competitive advantages, steady free cash flow generation and attractive long-term growth opportunities. In an environment characterized by an uncertain macroeconomic outlook, we believe these high-quality attributes can provide resiliency via pricing power and financial flexibility.

The Jensen Investment Team remains confident in the strategy and process guiding the management of the Portfolio. Our goal remains the ownership of a portfolio of companies positioned to grow and accrue business value. We seek to participate in this as investors via the long-term ownership of what we believe are fairly priced, high-quality stocks. We believe these attributes enable quality companies to generate business returns consistently above their cost of capital, ultimately resulting in shareholder value creation.

Connect With Us

Thank you for your continued confidence in Jensen and we look forward to working with you and your families this year. We are tremendously grateful for your ongoing support and, as always, please do not hesitate to contact us with any questions you may have.

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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 one cannot invest directly in the Index.

Free Cash Flow: Is equal to the cash from operations of a company less capital expenditures.



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