JENSEN™
PRIVATE CLIENT

Fourth Quarter
2025

Quarter In Review

Jensen Private Client

Firm Update

Happy New Year! We hope 2026 brings you joy and prosperity. A few reminders as the New Year begins:

If you or your family members are working, the contribution limits to many types of retirement accounts have increased in 2026. You can find more information here.

We encourage you to check the beneficiaries listed on your accounts to ensure they reflect your wishes. We also recommend that you review your will and/or trust documents in case any changes should be made.

Other helpful dates to remember:

- **January 9:** 2026 Required Minimum Distributions (RMDs) are available
- **February 11:** The distribution of draft forms 1099 begins
- **March 11:** all tax documents are available
- **April 15:** Tax day, final day to make prior year contributions to retirement accounts

We also encourage you to give us a call to review the services we offer. One of the best parts of working with clients is helping plan your financial wellbeing and guiding you towards your financial goals.

Fourth Quarter 2025 in Review

The fourth quarter of 2025 presented investors with a complex landscape characterized by persistent inflation concerns, shifting Federal Reserve policy expectations, and geopolitical uncertainties that shaped both equity and fixed income markets. While major U.S. equity indices demonstrated resilience through much of the period, increased volatility in the final weeks reflected growing uncertainty about the economic trajectory heading into 2026.

The S&P 500 index navigated a challenging fourth quarter, with performance diverging notably across sectors. Large-cap technology stocks, which had driven much of the market's gains earlier in the year, experienced heightened volatility as investors reassessed valuations rates and moderating earnings growth expectations. The index's performance during the quarter reflected a market in transition, as investors rotated away from growth-oriented sectors toward more defensive positioning. The bond market was also in flux during the quarter as investors adjusted expectations for the duration and magnitude of elevated interest rates.

The Federal Reserve's policy trajectory remained central to market dynamics throughout the quarter. While the central bank lowered its benchmark interest rate, minutes from the Federal Open Market Committee meetings revealed ongoing debates about the persistence of inflationary pressures versus signs of economic cooling. Signs of this cooling presented itself in employment data with job creation continuing but at a slower pace than previous quarters. The unemployment rate remained relatively stable, yet labor force participation rates suggested underlying softness in the employment market. Further, consumer spending, the primary driver of U.S. economic growth, showed signs of fatigue as household savings rates declined and credit card delinquencies ticked higher. Retail sales data revealed consumers becoming more selective and price conscious.

Looking Ahead

As a long-term, quality-focused equity manager, our responsibility is to invest in businesses where innovation, scale, and financial strength compound into enduring shareholder value, rather than fleeting market enthusiasm. Our outlook for U.S. equities is informed by external forces, including long-term secular trends and elevated market concentration. Within this environment, our focus remains on businesses with durable cash generation and resilience, rather than those driven primarily by narrative or near-term enthusiasm.

Since late 2022, U.S. equity returns have been unusually concentrated in a small group of mega-cap companies most closely associated with the AI buildout. A handful of stocks – including Nvidia and several large platform and cloud businesses – have driven a disproportionate share of Index returns while much of the broader market lagged. In that environment, investment strategies that were underweight in these market leaders faced meaningful relative headwinds. Over these last few years the AI investment cycle is maturing, and, as a result, a growing number of the prominent AI beneficiaries are beginning to meet our quality criteria. Earnings have become more sustainable, returns on equity and capital have been more consistent, and competitive advantages have emerged.

At the same time, we see compelling opportunities beyond technology and tech-adjacent industries. Many high-quality businesses across industrials, health care, financials, and consumer sectors are benefiting from long-term trends such as automation, aging demographics, reshoring, and services-oriented consumption. These companies have received less investor attention, but often trade at more moderate valuations, and benefit from clearer pathways to incremental returns on capital, particularly when management teams demonstrate thoughtful reinvestment and shareholder alignment. Importantly, they can also provide stability and resilience should markets become more volatile, valuations compress, or investor enthusiasm fades.

We remain focused on owning businesses capable of compounding economic value over full cycles, emphasizing quality, cash generation, and resilience as the foundation for sustainable long-term shareholder returns.

Connect With Us

Thank you for your continued confidence in Jensen. It is a privilege to work with you and your families, and we are tremendously grateful for your ongoing support. As always, please do not hesitate to contact us with any questions you may have.

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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