JENSEN PRIVATE CLIENT

Second Quarter

2026

Quarter In Review

Jensen Private Client

Firm Update

As we write this commentary, the U.S. has marked its 250th anniversary and is hosting the World Cup, a fitting moment to reflect on all we have to be grateful for, even amid ongoing geopolitical and domestic challenges.

In order to prepare you and your family in the event of a significant change, we encourage you to review your estate plan and confirm that your Power of Attorney ("POA") designations (the individuals authorized to make financial or medical decisions on your behalf if you're unable to) are current. If you already have documents in place, it's worth revisiting them periodically, as circumstances and relationships change over time. Also, if you have a child heading to college, note that as a legal adult, you may no longer have automatic authority to make medical or financial decisions on their behalf. It's worth discussing whether documents such as a healthcare proxy or POA make sense for them as well.

As always, we're happy to discuss your specific planning needs with you and look forward to connecting soon.

Second Quarter 2026 in Review

U.S. equities swung between fear and euphoria this quarter. April opened with pressure from a Middle Eastern-driven oil shock, but stocks quickly found their footing, and by late May indexes had notched record highs. The rally was driven by a genuinely strong corporate earnings backdrop with most S&P 500 companies beating estimates and revenue growth running at its fastest pace in years. But the gains were narrow in their leadership, with technology and AI-infrastructure names accounting for the vast majority of index-level advances even as strength broadened beneath the surface.

The market's concentration in technology became a liability in June. Cautious forward guidance from a bellwether semiconductor supplier triggered a "sell-the-news" reaction that spread quickly across the chip sector, and this was compounded by a memory-chip supply crunch and softening consumer electronics demand. The result was one of the sharpest technology drawdowns of the year, with declines concentrated in the shares of mega-cap technology companies. The June volatility was amplified by a shift in Federal Reserve policy expectations. A hawkish debut from the newly installed Fed chair signaled a possible interest rate hike by year-end, adding to the existing AI demand jitters. This combination of a single-theme demand scare and a repricing of U.S. interest rate expectations illustrated how quickly sentiment can turn when a market's gains are so dependent on one narrative.

Looking Ahead

Looking ahead, our near-term outlook remains constructive, though the macro backdrop bears watching more closely than it did earlier this year. Core inflation has proven stickier than expected, and the labor market has remained a source of stability rather than concern, with consumer and corporate spending holding up better than many feared. This combination has left the Federal Reserve, under its new chair, in a genuinely patient posture. Correspondingly, investors now assign meaningfully higher odds to a rate hike later this year than they did just a few months ago, a notable reversal from the cutting cycle narrative that dominated late 2025.

Several other risks persist alongside monetary policy uncertainty. Consumer sentiment remains subdued even as actual spending holds firm, and unexpected geopolitical turmoil, particularly around energy markets, could produce periods of heightened volatility with little warning. At the same time, corporate fundamentals remain healthy and AI-related investment continues to support earnings growth across multiple industries, broadening from a narrow set of hyperscaler names into semiconductors, power infrastructure, and enterprise software. We view this as a structural shift in capital allocation rather than a passing trend, though elevated expectations leave less room for execution missteps, and we continue to assess whether the spending is translating into durable advantage rather than simply higher costs.

While these macroeconomic factors may influence short-term returns, they do not change our investment discipline. We remain focused on identifying exceptional companies with enduring competitive advantages, attractive growth prospects, strong financial characteristics, and management teams with proven records of capital allocation. We believe ownership of high-quality businesses, rather than attempting to predict short-term economic or market movements, offers the most reliable path to compounding shareholder capital over time. Markets have weathered periods of policy uncertainty, geopolitical stress, and consumer caution many times before, and the businesses that emerge strongest are typically those with pricing power, durable demand, and balance sheets that afford flexibility rather than constraint.

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. Please do not hesitate to contact us with any questions you may have.

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