

Third Quarter 2024	<h1>Quarter In Review</h1>
	Jensen Private Client

## Firm Update

Fall is an underrated season in the Pacific Northwest, as the crisp air and leaves crunching under our steps serve as nature's beckoning signs of the coming rush to year-end. It is also an exciting and busy time for us, and we would like to remind you of a few items before the close of 2024.

**If you have plans to enact gifts to loved ones, charities or others we strongly encourage you to share those plans with us as soon as possible.** After December 13, our clients' custodians cannot guarantee that transactions will be successfully processed by year-end.

Custodians also prioritize required minimum distributions (RMDs) from retirement accounts in the fourth quarter, and we plan to proactively call you if you haven't already completed your requirement. To ensure completion before the end of the year, these distributions should also be initiated on or before December 13. Please give us a call if you would like to process your RMD before the end-of-year deadline approaches.

Lastly, we are excited to announce that portfolio manager Philomena Ferree is looking forward to the arrival of a baby girl around Thanksgiving! We expect that her maternity leave will begin the last week of November, and she plans to return to work in early March. If Philomena is your primary point of contact, please be assured that the other members of the Private Client team are here to provide support in her absence. Her emails and voicemails will be forwarded to the team while she is on leave, so there should be no disruptions to your service.

## Third Quarter 2024 in Review

Stocks, as represented by the S&P 500 Index, marched higher in the third quarter, a continuation of a trend since the fall of 2022. Returns in the quarter were broad-based, with only the energy sector declining. Notably, the "Magnificent 7" stocks most associated with the anticipated growth in Artificial Intelligence (AI) underperformed their non-AI peers. Another important milestone over the past three months was the Federal Reserve's decision to reduce interest rates by 50 basis points, the first cut in four years. While we cannot predict whether the Fed will reduce rates again before year-end, forward-looking expectations indicate that U.S. interest rates will continue on a downward trend.

## Looking Ahead

We maintain a neutral near-term outlook due to a variety of factors:

Market concentration continues to be an issue. In the third quarter of 2024, the combined weight of the five largest companies in the S&P 500 Index — Microsoft, Apple, Amazon, Nvidia and Alphabet Inc. — totaled more than 27%. Furthermore, these stocks have accounted for nearly 40% of the Index's total year-to-date return. These gains were fueled by strong financial results and favorable exposure to growth opportunities such as cloud computing and AI. While we expect these growth trends to continue, it is far from certain that the companies' share prices will appreciate on the same torrid trajectory for the remainder of 2024 and beyond.



Equity and bond market performance suggests that while economic challenges exist, the worst of the recent inflationary pressures are largely behind us. While employment and inflation numbers will continue to be scrutinized, earnings estimates as of this writing indicate a continuation of steady growth, with low double-digit gains predicted for S&P 500 Index companies for both 2024 and 2025. This outlook is supported by the recent pivot to a more accommodative U.S. monetary policy. Should the U.S. Federal Reserve prove capable of engineering an economic “soft landing” (a feat not achieved in 30 years), we expect equity markets will continue to react favorably, regardless of the outcome of the upcoming elections.

Notwithstanding the uncertainties of the day, we remain confident that unpredictable markets create opportunities for long-term investors focused on high-quality companies. High-quality businesses have the characteristics to benefit from durable competitive advantages, steady free cash flow generation and attractive long-term growth opportunities. In an environment characterized by higher interest rates and an uncertain macroeconomic outlook, we believe these high-quality attributes can provide resilience via pricing power and financial flexibility.

## Connect With Us

Thank you for your continued confidence in Jensen. 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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