"**Worst Opening day in 84 years**," reads the headline on the first US trading day of the New Year. Chinese growth fears spark a sharp selloff. Circuit breakers were tripped in the Asian markets, halting trading there, and stoking fear as the US rose for the day. Opportunity abounds, I think. But this sounds all too familiar. Reminds me of our last update. Let us not get ahead of ourselves. Take a step back – a year-end recap should be in store.

Happy New Year! And what a great year we had. Not only was it *The Jensen Opportunity Fund's* inaugural year, worth celebrating on its own, but performance was great. Without your long term investment and commitment, our strategy cannot succeed. Thank-you.

And on strategy: Throughout the year, as I spoke to interested parties there was one misconception about our fund that needs clarification. Most people didn't understand our investment philosophy and strategy. Quite important, and no better time to give it a stab then the year-end investment update.

"The Jensen Opportunity Fund is a vehicle to hold and protect gains for $FB stock." Yes, we do hold $FB. And yes, as a hedge fund we do our best to mitigate against large price declines on the positions we hold long. But, and it is a big 'but', we hold $FB because it fits within our overall investment strategy. We hold long term if and only if the position works within our thesis.

And what is that thesis? It is a general thought that technology is becoming ever more pervasive, and almost a necessary integral part in all aspects of our lives. Whether it is personal time or at the workplace. Whether in developed, developing, or underdeveloped worlds we live in. Internet connected devices are ubiquitous. Internet access is becoming more a utility than a luxury option. Think about the mission of internet.org. Connectivity is now the first step in bringing people clean drinking water. People will and do have connected devices before they have paved roads. These people are able to conduct world-wide business operations out of what a person from a developed world would consider a hut. As more people come online "smart" products catch up (and in the case of the previous example, so too does infrastructure). Our homes are becoming more connected than ever. The home knows when you are there, or when to expect you there, and the patterns of how you move around the house, and which appliances you use and how those appliances integrate with each other, along with their preferences. The Internet of Things. All brought to you exclusively through cloud managed services. Autonomous cars. Are you going to choose to drive to work? Add a layer of deep learning and artificial intelligence. The point here is that technology will be THE industry of the future.

The companies in this space are going to take increasingly more share away from the traditional industries they enter. As technology becomes even more woven into our lives, these companies will have the solutions. As consumers, we will be more comfortable and have more trust in these brands. This past holiday season, $AMZN earned about 50 cents of every 1 dollar of the gains in retail sales over the prior year. Not just online sales, retail as a whole! Think about the inverse of that statement. Every other company in retail – WalMart, Target, Nike, Nordstrom, BestBuy, Barnes and Noble – thousands of names, had to fight for the remaining 50 cents split amongst themselves! The virtuous product circle of the $AAPL brand is well known. But for a moment, entertain the idea of an $AAPL autonomous car, $AAPL home equipment, and the services they will stream into those products, how well they ALL work together, and wonder whether you would trust that brand or, will you go to Sears and buy a Maytag; the dealership to beg the fast talking salesman to take your money for a new Chevy just so you can get out as fast as you can; or will you also choose to wait around for that Comcast guy to set up your cable line with a bundled service all the while paying for more channels you don't want than for those you do?

In our judgement there are only a handful of companies that will or already are able to rule the space we are describing. They have such first mover advantage that disrupters will be difficult to surface. They benefit from the network effect. Some sit on enormous cash balances. The moat around their business is impenetrable. They have either taken all in a winner-take-all space or they operate in an oligopoly.

By way of further example, let us examine a piece of this space, namely the cloud services technology. The cloud exemplifies the hold technology will have on our lives and sheds light on the oligopoly we refer to. On the consumer side of the cloud ledger, let us look at the home. Services like Netflix and Spotify; or products like Nest home equipment; the applications on your internet enabled devices, such as Gmail or Uber, all possible through cloud tech. Products that are indispensable to the enterprise, like Windows or the Office suite, QuickBooks, and Adobe, all offer cloud based services accessible to each of your connected devices, and platform independent. You don't need to worry about iOS or Android on mobile, or MAC or Windows on desktop. You don't need to worry about sitting at the exact computer in the office 20 miles away to run your report. Businesses no longer buy and store onsite servers, only to have to further buy application licenses and run the program on the server. Why would you want to worry about the risk, maintenance, and the continual upgrades and expenditure of both the software and hardware? They buy storage space and computing power from the cloud (and security by doing so).

Who are the services bought from? $AMZN, $MSFT, and $GOOGL. They dominate this space. We own them all. It will be extremely hard for any other company to even enter the market. They have the data centers and server stations built out, located throughout the world. Few have the resources needed to simply match their infrastructure. Each invests billions of dollars on a quarterly basis. Their pricing is nearly impossible for a newcomer to match yet alone beat, assuming the product infrastructure miraculously appeared. Any permutation of the winner in this winner-takes-all space and we still win. An oligopoly.

These are the types of companies we own. We find the companies in the space that was hopefully described above. This is the thesis by which our long term holdings are checked.

Beyond their market dominance and their ability to hold such, think about the workforce they employ. The best and brightest are in this space. No longer is Wall Street the ultimate destiny for young grads. And how about the leaders? Do you want a CEO of a company that is able to send rockets to space and then land them back, or do you prefer a CEO that leads their company in a manner in which they cheat emissions tests (on vehicles marketed in many ways for their environmental stewardship!)? How about the guys that use the company jet traveling to the most luxurious golf resorts on leisure? We will take the leader who has the yearly resolution to build, on his leisure, an artificial intelligence system to assist with being more efficient around the house!

See, the events that happen on a macro level, which so often affect the short term swings in the market, don't materially affect the prospects of the companies we invest in, over the long run. As long as we don't get nuked or overrun by terrorist or flooded out by rising sea tides, our thesis should hold up to the natural cyclical swings in the market. Some of our investments might currently be overvalued (especially after the year we had) and fall prey to the short term declines of a skittish market, but probably not over the medium term. If there is a significant shock to the system that does slow the growth prospects of our companies, then with a high probability every other company, in every other industry is effected, and effected more severely. And thanks to your long term investment, and unlike other hedge funds that offer the same liquidity as we do but with more fickle investors, we are able to stick it through and hopefully cease on the opportunity.

Our benchmark target, the S & P 500 index, was essentially flat for 2015. I am very proud to announce *The Jensen Opportunity Fund* was up over 29 per cent! We look forward to another good year.

Until next time,

Todd Shorb

*The first day ended up being the worst opening trading day in 8 years. Stocks, including our positions, continue to get hammered through the week as of 1/7/2016. Will continue to monitor with an eye to capitalize soon. ** Stocks ended with the worst trading week ever.

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