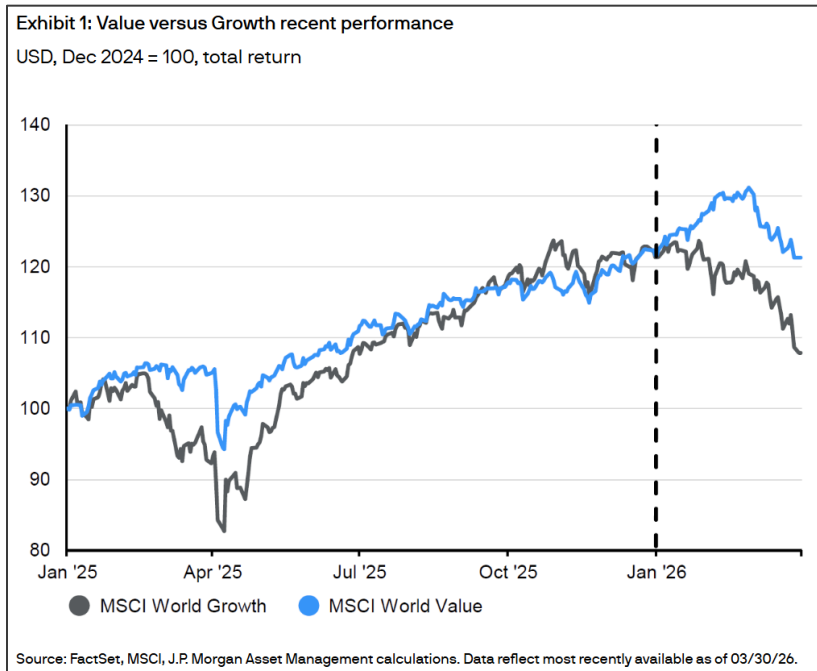




## A Market in Transition

The first quarter of 2026 marked a notable shift in market leadership. After three consecutive years of 15%-plus returns for the S&P 500, driven overwhelmingly by a narrow set of mega-cap technology names, the quarter delivered a meaningful rotation from growth into value. The Russell 1000 Value Index returned approximately 1.97% through the end of March, while the S&P 500 declined roughly 4.4% and the Nasdaq Composite fell more than 7%. Energy was the quarter's standout sector, surging 38% as geopolitical developments reshaped the commodity landscape.



Quality-oriented value stocks underperformed to a historically unusual degree over the prior two years. The first two months of 2026, prior to the Iran conflict, offered the first sustained evidence that this dynamic was beginning to normalize. The market began to re-price durable, cash-generative businesses that had been left behind during the momentum-driven rally of 2023 through 2025. The geopolitical events that followed only accelerated a rotation that was already underway as illustrated by the comparative graph of large cap growth vs value over the first quarter of 2026.

## The Iran Conflict

The conflict involving Iran has broadened and intensified beyond what many initially expected. After the opening strikes in late February, markets largely anticipated a short-lived confrontation similar to last year's Twelve-Day War, which ended soon after U.S. involvement. Instead, hostilities have continued, and the ultimate objectives of the current U.S. campaign remain unclear. Strikes have persisted even after what appeared to be a decapitation of Iran's leadership and military command, suggesting the operation may be broader and more prolonged than investors first assumed. Recent targeting of Iranian energy infrastructure points to further escalation, with both sides increasingly striking economic and civilian assets, a pattern more consistent with preparation for a prolonged conflict than a short, contained exchange.

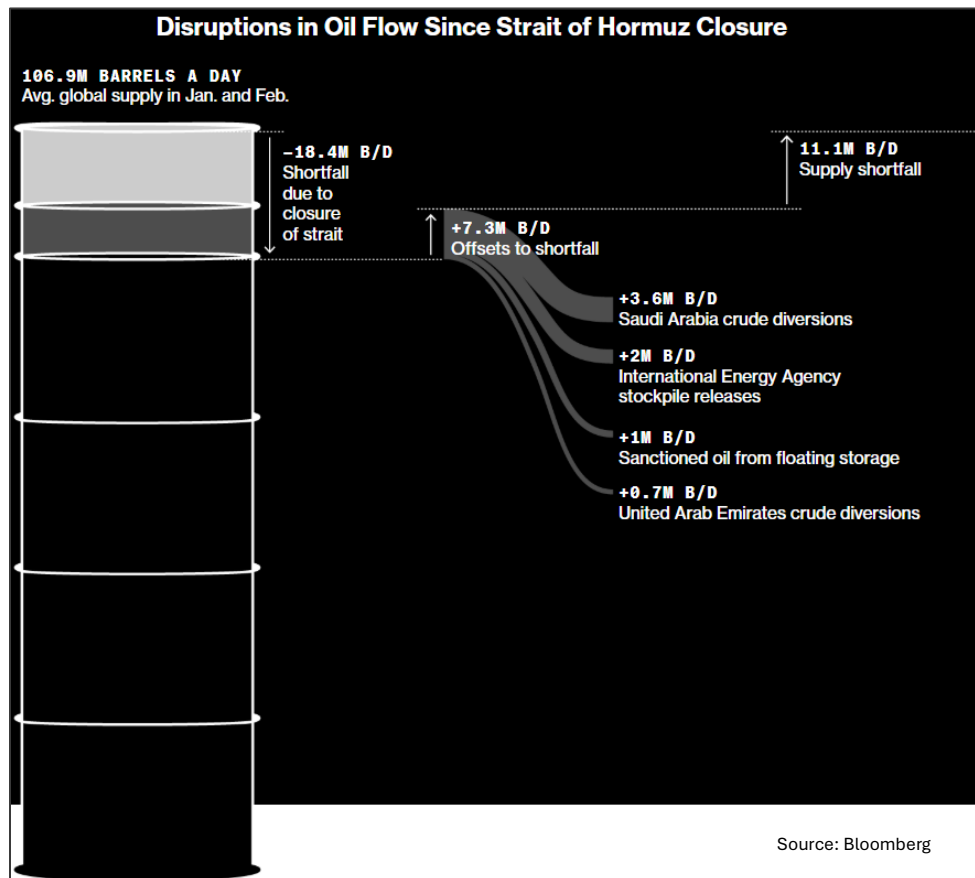


Iran’s mining of the Strait of Hormuz underscores why this conflict is unlikely to be resolved quickly or cleanly. The strait is one of the world’s most critical maritime chokepoints, roughly 21 miles wide at its narrowest. The strait serves as the Persian Gulf’s sole maritime outlet, handling roughly 20% of the world’s oil and LNG supply. The key chip-producing nations of Japan, South

Korea, and Taiwan are among the most exposed, given their heavy reliance on LNG and oil imports. Mining the strait displays Iran’s view of this conflict as an existential threat and its willingness to inflict sustained economic costs on the entire region/world.

The day-to-day market response to this conflict has been driven as much by rhetoric as by events on the ground.

Statements from



officials on both sides, shifting diplomatic signals, and social media commentary have produced outsized intraday moves that have proven nearly impossible to reliably anticipate or position around. The March 23rd episode illustrates the dynamic well: a single Truth Social post claiming “productive conversations” with Iran added roughly \$2 trillion in market capitalization within minutes as oil plunged and equities surged. Within the hour, Iran denied any talks had taken place, and much of the move reversed. The speed and magnitude of these swings have reinforced a familiar lesson: reacting to headline volatility is far more likely to destroy value than to create it.

## The Evolving AI Landscape

The pace of AI advancement over the past year has exceeded even aggressive estimates. Improvements in reasoning capability, the emergence of increasingly autonomous agents, and rapid iteration across foundation models have collectively redrawn the boundaries of what AI can accomplish without significant human oversight. The spread of low-code and no-code platforms and more intuitive interfaces has compressed the timeline between breakthrough and broad adoption, as the friction separating capability from enterprise implementation has diminished far

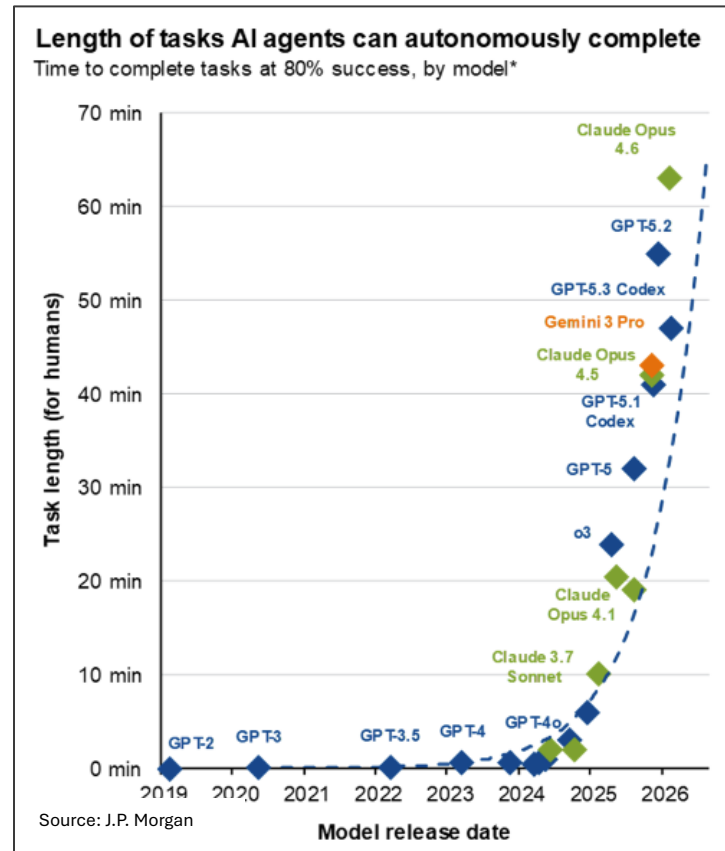


faster than anticipated. Tasks that recently demanded specialized external support are now within reach of lean internal teams using readily available tools.

The productivity implications are significant. Early adopters are reporting measurable improvements in throughput, accuracy, and speed of execution across a range of corporate functions. As adoption extends past technology-forward firms into the broader economy, the cumulative effect on corporate margins, capital efficiency, and aggregate output has the potential to be substantial, particularly given structural headwinds like slowing labor force growth and persistent cost pressure in services-intensive sectors that have proven difficult to address through conventional means.

The transition will not be without friction. The displacement of labor in roles where AI can replicate or exceed human output, particularly in knowledge work, is already underway. Prior technology cycles produced similar periods of workforce disruption before ultimately creating more economic value and employment than they displaced, and we expect AI to follow a comparable path as workers reskill and new categories of work emerge.

The market is also repricing the competitive landscape for software companies. Investors are sorting out which businesses are durable platforms and which are features that AI will commoditize or render unnecessary, and the result has been a broad drawdown across the sector as growth assumptions come under revision. This repricing carries meaningful implications for private credit, where some of the largest funds have allocated 25–30% of their portfolios to software companies. SaaS businesses were attractive borrowers given their predictable recurring revenue and low historical default rates, and banks' regulatory reluctance to hold PE-backed software LBOs left the attractive spreads to private credit—drawing massive capital inflows and a gradual weakening of underwriting standards. AI disruption has now undermined the lending thesis, as agentic tools



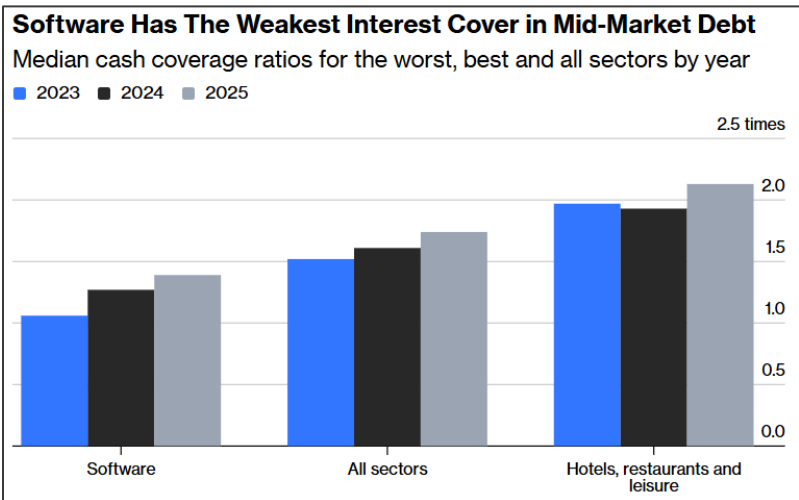


increasingly replicate functions that software companies charge for. Deteriorating fundamentals may force refinancings at materially higher rates, creating a ripple effect through the private credit ecosystem. Elevated redemption requests have followed, and given the illiquidity of the asset class, redemptions beyond a certain threshold can only be fulfilled by selling assets at steep discounts, booking permanent losses.

### Why Brookmont

The rotation into quality that began early in the quarter appears likely to continue regardless of how the Iran conflict is ultimately resolved. The concentration of returns in a narrow set of mega-cap growth names over the prior two years was historically extreme, and the early-2026 reversal reflects a market beginning to reassess the durability and valuation of the businesses that drove those returns. Meanwhile, the type of broad, indiscriminate selling that has characterized much of the quarter does not distinguish between businesses that are fundamentally impaired and those that are temporarily mispriced. For long-term, quality-oriented investors, that distinction is where opportunity lives.

We remain constructive on the broader macro-outlook, but the potential negative implications of a prolonged Iran conflict are indicative of a highly uncertain path forward. Energy-driven inflation, a shifting rate environment, evolving AI disruption, and geopolitical fragility all argue for owning businesses that do not require favorable conditions to perform—companies with durable competitive advantages, strong balance sheets, and the ability to compound value across a range of macroeconomic environments. That has always been the foundation of our investment philosophy, and it is in environments like this one that its value becomes most apparent.



Source: Bloomberg and S&P Ratings



## Disclosures

This letter may contain "forward-looking statements" which are based on Brookmont's beliefs, as well as on a number of assumptions concerning future events, based on information currently available to Brookmont. Current and prospective clients are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of future performance, and are subject to a number of uncertainties and other factors, many of which are outside Brookmont's control, and which could cause actual results to differ materially from such statements. All expressions of opinions are subject to change without notice.

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A complete description of Brookmont's performance calculation methodology, including a complete list of each security that contributed to the performance of this Brookmont portfolio is available upon request.

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These individual securities do not represent all of the securities purchased, sold, or recommended for this Brookmont portfolio and the reader should not assume that investments in the securities identified and discussed were or will be profitable.

The Brookmont Dividend Growth Strategy returns are based on an asset-weighted composite of discretionary accounts that include 100% of the recommended holdings. Individual accounts will have varying returns, including those invested in the Strategy. The reasons for this include 1) the period of time in which the accounts are active, 2) the timing of contributions and withdrawals, 3) the account size, and 4) holding other securities that are not included in the Strategy. Dividends and capital gains are not reinvested. The Strategy does not utilize leverage or derivatives. Returns are based on U.S. dollars. The inception of the Strategy is January 1, 2008.

The Brookmont Dividend Growth Strategy Composite contains fully discretionary accounts with similar value equity investment strategies and objectives. For comparison purposes, the Dividend Growth Strategy Composite is measured against the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. There is no representation that this index is an appropriate benchmark for such a comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of this index may be materially different from the performance of the strategy.

The Brookmont Core Dividend Strategy returns are based on an asset-weighted composite of discretionary accounts that include 100% of the recommended holdings. Individual accounts will have varying returns, including those invested in the Strategy. The reasons for this include, 1) the period of time in which the accounts are active, 2) the timing of contributions and withdrawals, 3) the account size, and 4) holding other securities that are not included in the Strategy. Dividends and capital gains are not reinvested. The Strategy does not utilize leverage or derivatives. Returns are based in U.S. dollars. The inception of the Strategy is January 1, 2015.

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The Brookmont Quality Growth Strategy returns are based on an asset-weighted composite of discretionary accounts that include 100% of the recommended holdings. Individual accounts will have varying returns, including those invested in the Strategy. The reasons for this include, 1) the period of time in which the accounts are active, 2) the timing of contributions and withdrawals, 3) the account size, and 4) holding other securities that are not included in the Strategy. Dividends and capital gains are not reinvested. The Strategy does not utilize leverage or derivatives. Returns are based in U.S. dollars. The inception of the Strategy is January 1, 2015.

The Brookmont Quality Growth Strategy Composite contains fully discretionary accounts with similar value equity investment strategies and objectives. For comparison purposes, the Dividend Growth Strategy Composite is measured against the Russell 1000 Index. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower than expected growth values. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment.

Brookmont's returns do include reinvestment of dividends and are shown gross-of-fees. All transaction costs are included. The Russell 1000 Value cumulative return includes reinvestment of dividends and capital gains. During a rising market, not reinvesting dividends could have a negative effect on cumulative returns.

Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net-of-fees performance was calculated using actual management fees. Additional information regarding the policies for calculating and reporting returns is available upon request.

Your account returns might vary from the composites returns if you own securities that are not included in the Strategy or if your portfolio dollar-cost averaged into the Strategy during the reporting period.

The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. The composite policy requires the temporary removal of any portfolio incurring a client-initiated significant cash inflow or outflow of at least 15% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite at the beginning of the month which follows the cash flow by at least 30 days. Additional information regarding the treatment of significant cash flows is available upon request.

Brookmont Capital Management claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Brookmont's composites and a presentation that adheres to GIPS standards, please contact Suzie Begando at 214-953-0190 or write Brookmont Capital Management, 5950 Berkshire Lane, Suite 1420, Dallas, TX 75225.

The Brookmont Dividend Growth Strategy is available through several institutional platforms and registered investment advisors that are not affiliated with Brookmont Capital Management. The minimum investments and advisory fees required differ from one firm to another.

Brookmont Capital does not provide comprehensive portfolio management services for investors who have not signed an Investment Management Agreement with our firm.

Past performance is not indicative of future returns