Exit Eastman Chemical (EMN)

We exited Eastman Chemical (EMN) across the Dividend Growth, Core Dividend, and Quality Growth strategies as the circular-economy growth platform that anchored our thesis has failed to execute on schedule, while the credit and payout profile has moved in the wrong direction. We built the position around Eastman's transition from a cyclical commodity chemicals producer toward a specialty and sustainable materials platform, with molecular recycling (methanolysis) as the centerpiece of that shift.

Eastman's Kingsport, Tennessee facility, which began operations in early 2024, was the first proof point for that thesis: the company secured multi-year offtake agreements with major global consumer brands that validated long-term demand and pricing power for recycled feedstock. Additional facilities were planned domestically and internationally, and we believed this contracted, higher-margin revenue stream would reduce earnings cyclicality and support an expanding valuation multiple as the company's mix shifted away from traditional commodity chemicals.

That thesis does not appear likely to materialize in the medium term. Two of Eastman's three flagship circular-economy projects have now failed to reach a final investment decision on schedule. The planned second U.S. facility in Longview, Texas lost its $375 million Department of Energy grant roughly a third of the project's funding when the DOE canceled the award in May 2025 as part of a broader $3.7 billion pullback on clean-energy grants; management has since pushed the facility back approximately two years and is shopping the investment to alternative sites. The Port-Jérôme project in Normandy, France has stalled for a different reason: Eastman never secured an anchor customer, and management has described progress there as moving slower than originally expected, with planning now paused pending EU regulatory clarity.

These execution setbacks now sit on top of a stretched payout profile and a credit trajectory moving in the wrong direction. Eastman's payout ratio stands at 81.2% against a 4.4% dividend yield, leaving little room to absorb a cyclical earnings air pocket without either a dividend cut or a halt to buybacks and growth capital expenditures, a materially different risk profile than the other dividend-growth names in the sleeve. S&P affirmed Eastman's BBB rating in August 2025 but cut the outlook to Negative, citing tariff-driven demand pressure and an FFO-to-debt ratio drifting toward 21%, near the low end of what the current rating tolerates.

Taken together, a growth platform that has failed to execute at two of its three flagship sites, a stretched payout ratio, and a deteriorating credit trajectory leave Eastman facing a risk/reward profile inconsistent with the dividend-growth and quality characteristics we require in the Materials sleeve. Our thesis has inverted and we do not see a clear near-term catalyst to restore the growth optionality we originally underwrote.

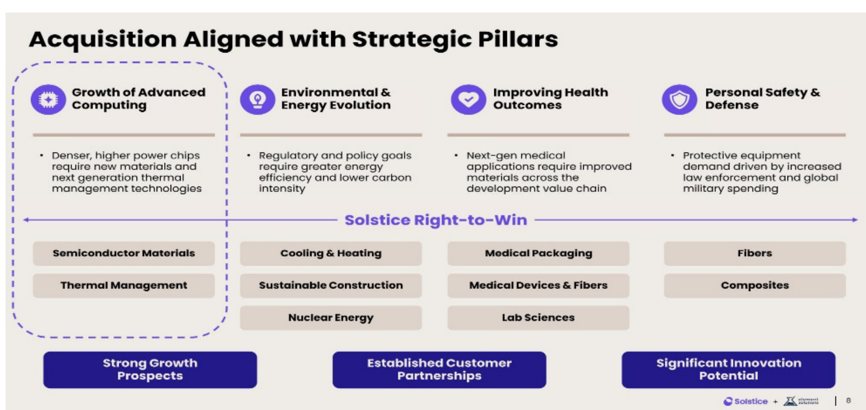
Increase Solstice Advanced Materials (SOLS) to 2.50%

Brookmont initiated Solstice Advanced Materials (SOLS) at a 1.25% model weight in November 2025, having spun off of our holding in Honeywell. We are increasing the position by 1.25%, to a 2.50% model weight, across the Dividend Growth, Core Dividend, and Quality Growth strategies.
Second quarter 2026 results affirm the original thesis: net sales grew 11% year-over-year to $1.15 billion, with double-digit growth in Nuclear, Electronic Materials, Refrigerants, and Healthcare Packaging. Refrigerants growth reflects the multi-year HFC-to-HFO transition under the U.S. AIM Act and EU F-Gas Regulation, while Nuclear growth reflects Solstice's uranium conversion franchise Metropolis Works, the only U.S.-based UF_6 converter, and its ConverDyn stake backed by a $2 billion-plus backlog. Management raised full-year 2026 guidance for Net Sales, Adjusted EBITDA, and Adjusted Diluted EPS.

On July 6, 2026, Solstice announced a definitive agreement to acquire Element Solutions Inc. (NYSE: ESI) in a cash-and-stock transaction valued at approximately $14.5 billion. Element shareholders will receive $10.00 in cash plus 0.500 Solstice shares for each share held, an implied premium of approximately 15%. The combination creates an integrated electronics materials platform spanning semiconductor fabrication, advanced packaging, and thermal management for chips and data centers, deepening Solstice's exposure to the AI infrastructure buildout that anchors our original thesis. The combination also pairs Element Solutions' PCB and semiconductor-assembly chemistries with Solstice's electronic materials franchise, including its position as the only major U.S. supplier of copper-manganese sputtering targets used in advanced semiconductor manufacturing.

Management expects the transaction to be accretive to Adjusted EPS in year one and to generate $180 million or more in annual net synergies by year three, alongside a medium-term revenue CAGR of mid-to-high-single digits, an Adjusted EBITDA CAGR of high-single to low-double digits, and enhanced free cash flow conversion of approximately 75% for the combined company. Proforma net leverage increases to approximately 3.5x at close from Solstice's standalone level of roughly 1.4x. Management has committed to de-levering below 3.0x Adjusted EBITDA within approximately 18 months.

Our investment in Solstice continues to be anchored by Brookmont's investment themes of Artificial Intelligence Infrastructure, Future of Energy, and Industrial Sovereignty & Automation. The Element Solutions combination further enhances these investment pillars.



Source: Solstice Investor Presentation, "Creating an Industry-Leading Advanced Materials Platform," July 6, 2026, p. 8.

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.

Brookmont Capital Management is a registered investment advisor that invests in domestic and global securities. Brookmont Capital is defined as an independent investment management firm that is not affiliated with any parent organizations.

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.

Certain economic and market information contained herein has been obtained from published sources prepared by other parties, which in certain cases has not been updated through the date of the distribution of this letter. While such sources are believed to be reliable for the purposes used herein, Brookmont does not assume any responsibility for the accuracy or completeness of such information.

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 a combination of two indices. The S&P Dividend Aristocrats Index was used prior to November 2013; ProShares S&P 500 Dividend Aristocrats ETF is used subsequently. The ProShares S&P 500 Dividend Aristocrats ETF is an exchange-traded fund designed to track the S&P 500 Dividend Aristocrats Index. The fund focuses on U.S. large-cap companies in the S&P 500 that have increased their dividends for at least 25 consecutive years, giving investors exposure to businesses with long records of dividend growth, financial durability, and shareholder returns.

NOBL is equal-weighted, which helps reduce reliance on a small number of very large companies and can provide broader exposure across dividend-growing stocks. It is typically considered by investors seeking a blend of income, quality, and lower-volatility equity exposure, though it may lag broader growth-oriented indexes when non-dividend-paying or faster-growing companies lead the market. There is no representation that this index is an appropriate benchmark for such a comparison. The volatility of this ETF 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.

The Brookmont Core Dividend Strategy Composite contains fully discretionary accounts with similar value equity investment strategies and objectives. For comparison purposes, the Core Dividend Strategy Composite is measured against the ProShares S&P 500 Dividend Aristocrats ETF. The ProShares S&P 500 Dividend Aristocrats ETF is an exchange-traded fund designed to track the S&P 500 Dividend Aristocrats Index. The fund focuses on U.S. large-cap companies in the S&P 500 that have increased their dividends for at least 25 consecutive years, giving investors exposure to businesses with long records of dividend growth, financial durability, and shareholder returns.

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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 Quality Growth Strategy Composite is measured against the iShares Russell 1000 ETF. The iShares Russell 1000 ETF (ticker: IWB) is an exchange-traded fund designed to track the Russell 1000 Index, which represents large- and mid-capitalization U.S. companies. The fund provides broad exposure to the U.S. equity market and is commonly used as a core holding for investors seeking diversified access to established U.S. stocks. There is no representation that this index is an appropriate benchmark for such a comparison. The volatility of this ETF may be materially different from the performance of the strategy.

Brookmont's returns do include reinvestment of dividends and are shown gross-of-fees. All transaction costs are included. The iShares Russell 1000 ETF 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