



## Brookmont Dividend Growth Portfolio Companies

### Abbott Laboratories (ABT)

Abbott Laboratories is well-positioned for significant growth over the coming years, driven primarily by its innovative Medical Devices segment and strategic product expansions. Within Medical Devices, Abbott has a leading position in diabetes care through its continuous glucose monitoring solutions, particularly the Libre franchise, which continues to benefit from broader adoption, product upgrades, and increasing compatibility with automated insulin delivery systems. Beyond diabetes, Abbott is experiencing rapid growth from a portfolio of high-potential cardiovascular devices. The TriClip device for tricuspid valve repair, Aveir leadless pacemaker, Navitor transcatheter aortic valve replacement system, CardioMEMS heart failure monitoring system, and Amulet device for stroke prevention in atrial fibrillation collectively represent a dynamic suite of solutions addressing significant unmet medical needs in the cardiovascular market. These products are positioned for robust adoption driven by their minimally invasive nature, clinical effectiveness, and improving reimbursement coverage globally.

Additionally, Abbott's Nutrition segment remains stable and is strategically expanding with targeted products that complement broader healthcare trends, while its Established Pharmaceuticals segment provides additional revenue stability through branded generics and select therapies in emerging markets. Overall, Abbott's healthcare innovation positions it strongly to capitalize on increasing demand for medical devices and healthcare products, driven by an aging population and expanding global access to care.

### Analog Devices, Inc. (ADI)

Analog Devices' product lines and end markets provide excellent exposure to a number of secular growth drivers. Analog and mixed-signal ICs (integrated circuits) are essential for automated manufacturing, which requires sensing, edge processing, and connectivity capabilities. Additionally, ADI will benefit substantially from the global shift away from ICE (internal combustion engine) vehicles towards EVs. ADI's BMS (battery management system) chips are used in most of the top EV OEMs globally. The increasing proliferation of electric transportation and rapid adoption of AI are necessitating an evolution in the energy grid, requiring a significantly more dynamic and bidirectional approach. ADI's market leadership in high-performance analog and advanced BMS solutions put it in an excellent position to benefit from this evolution.

### Arthur J. Gallagher & Co. (AJG)

Arthur J. Gallagher is a global, well-diversified insurance broker/risk manager with a solid track record. The insurance brokerage industry is facing near-term headwind amid a weak property-line pricing environment. That said, we don't anticipate massive pricing declines because the current



moderation reflects a normalization from exceptionally strong rate increases in recent years rather than a collapse in underlying risk. Importantly, pressure in property lines can be partially offset by higher coverage uptake from clients and improving pricing in other business lines, supported by AJG's diversified revenue mix. The company has managed to sustain organic growth even in tougher market conditions. We believe AJG is a through-the-cycle compounder that is likely to hold up better than peers under stress.

It has been notably active in the acquisition space (primarily small companies) which enables AJG to expand geographically, implement synergies, capitalize on cross-sell offerings, leverage its technology on larger scale, and realize valuation multiple arbitrage to enhance shareholder value (considering AJG's relatively higher multiples). Additionally, as insurance brokerage businesses have low price elasticity and fairly stable demand, AJG is more likely to outperform the broader market in an event of a recession.

### **AstraZeneca PLC (AZN)**

AstraZeneca presents a compelling investment opportunity, primarily driven by its innovative pipeline and strategic expansions. The company's focus on oncology, featuring potential blockbuster drugs like Tagrisso, Enhertu, and Dato-DXd targeting major cancers, such as breast and lung, underpins robust growth prospects into the next decade. With plans to launch a total of 20 new molecular entities by 2030 and numerous ongoing Phase III trials, AZN is well-positioned for industry-leading growth. Despite facing patent expirations such as Farxiga, its diversified and growing pipeline significantly mitigates this risk. Additionally, AZN's strong balance sheet supports a progressive dividend policy, promising consistent shareholder returns. Overall, AstraZeneca's strategic initiatives and promising pipeline make it an attractive investment for long-term growth and stability.

### **Bank of America Corporation (BAC)**

Bank of America should benefit from fixed asset repricing in the near-term given the current yield curve. It has a low loan-to-deposit ratio which mitigates the need to excessively compete for deposits with higher rates and provides room for loan growth. It continues to invest heavily in technology, driving an increase in digital engagement and improving efficiency. These investments also enable BofA to stay ahead of the competition.

### **Chevron Corporation (CVX)**

Chevron offers a compelling investment case driven by a high-quality global asset base, advantaged upstream positions, and disciplined capital allocation. The completed Hess acquisition meaningfully expands Chevron's exposure to Guyana, one of the most attractive low-cost oil developments globally, while also adding scale in the Bakken. The company continues to deliver low single- to mid-single-digit production growth while maintaining capex levels below historical averages. Its best-in-class cash margins, particularly from Permian, Gulf of Mexico, and Guyana



assets, support robust free cash flow generation through the cycle. Chevron remains committed to capital returns, with rising dividends and sustained share repurchases. Combined with a strong balance sheet and prudent capital discipline, these factors position Chevron to deliver attractive and resilient long-term returns, even amid commodity price volatility.

### **CME Group Inc. (CME)**

CME Group is the world's largest derivatives exchange operator, where banks, asset managers, corporations, and traders use futures and options to hedge interest rates, equities, currencies, energy, metals, and agricultural exposures. We view it as one of the highest-quality and most defensive franchises in the sector, protected by a durable moat.

That moat rests on a powerful network effect that strengthens with scale: the most liquid markets attract more participants, which in turn deepens liquidity further. The company's clearinghouse also provides meaningful capital efficiencies by allowing clients to offset margin requirements across products, an advantage that becomes increasingly valuable as activity expands across its markets.

As economies and financial markets grow, stronger economic activity, rising asset values, and increasing demand for risk transfer should support increase in trading volume over time. At the same time, the business is also counter-cyclical, as periods of market uncertainty and elevated volatility typically drive greater demand for hedging and risk management provision. Such conditions remain abundant today given elevated debt levels, shifting policy regimes, and geopolitical risks. The franchise continues to broaden through crypto offerings, entry into prediction markets, micro-sized contracts that expand participation, and a new clearinghouse for cash Treasuries and repos. A multi-year cloud migration should further enhance operating leverage and agility.

Because CME operates an asset-light, highly scalable business model, it converts most of its earnings into free cash flow and returns most of that cash to shareholders without compromising reinvestment or balance-sheet strength. With its asset-light, highly cash-generative business model, durable competitive advantages, counter-cyclical characteristics, and long track record of returning capital to shareholders, we believe CME is well positioned to compound value over the long term and remains a core holding in our portfolio.

### **Comcast Corporation (CMCSA)**

Comcast's diversified and cash-generative business model—anchored by its high-margin Connectivity & Platforms segment and increasingly profitable media ecosystem—positions it well for durable long-term returns. Despite a saturated broadband market and limited net subscriber growth, Comcast has demonstrated consistent ARPU expansion and margin improvement through pricing discipline and bundling with Xfinity Mobile. In media, its integrated strategy treats streaming (via Peacock) as part of the broader NBCUniversal platform, supporting rational content investment and de-risked monetization across linear, streaming, and parks. With Epic Universe set



to drive incremental growth in 2025 and ongoing capital returns supported by strong free cash flow, Comcast remains a compelling investment aligned with long-term shareholder value creation.

### **ConocoPhillips (COP)**

ConocoPhillips is the world's largest independent exploration and production (E&P) company, with a high-quality, diversified asset base and sector-leading capital discipline. Its low-cost supply portfolio and robust balance sheet continue to differentiate it from peers, especially in an industry that typically operates with higher leverage. The company has demonstrated strong execution in maintaining steady, profitable production growth with an emphasis on returns over volume.

COP has significantly expanded its presence in the global liquefied natural gas (LNG) market. It has finalized multiple long-term LNG offtake agreements, including key deals related to the Qatar North Field expansion and U.S. Gulf Coast export projects. These contracts strategically position ConocoPhillips to benefit from secular growth in LNG demand, particularly from Asia and Europe, where energy security and decarbonization efforts are accelerating gas demand as a transition fuel. Additionally, the company has made progress in monetizing non-core assets and deploying capital efficiently. Shareholder returns have remained a priority, with disciplined reinvestment rates and a strong base-plus-variable dividend framework supported by excess free cash flow. These elements support a multi-year outlook of capital efficiency, resilient cash flows, and attractive shareholder returns.

### **DuPont de Nemours, Inc. (DD)**

DuPont de Nemours has undergone a significant portfolio transformation over the past decade, exiting cyclical, commoditized markets and building a focused portfolio of high-margin, innovation-driven businesses. DuPont recently completed the spinoff of its Semiconductor Technologies and Interconnect Solutions businesses and retained strong positions across Water, Protection, Healthcare, and other industrial businesses. The spinoff should allow DuPont's management to enhance their capital allocation and organization structure, now that the company is more targeted in its end market exposure. This more targeted approach also has the benefit of increasing clarity for investors, with less moving parts and more defined business plan. The company improvements and our expectation for increased investor recognition of the underlying businesses' strength—with stable, cash-generative profiles and secular growth exposure—provide an opportunity for valuation re-rating in addition to fundamental growth.

### **Eastman Chemical Company (EMN)**

Eastman Chemical is emerging as a leader in the transition toward sustainable and specialty materials, supported by strategic capital deployment and strong execution in circular economy initiatives. The company has emphasized advanced additives, performance films, and engineered



polymers—segments with structurally higher margins and more durable demand compared to traditional commodity chemicals.

A major catalyst is Eastman’s commercialization of molecular recycling via methanolysis. The Kingsport facility, which began operations in early 2025, marks a pivotal point for earnings visibility. The company has secured multi-year offtake agreements with major global consumer brands, validating long-term demand and pricing power. Plans for additional facilities are underway both domestically and internationally, dependent on the establishment of long-term agreements.

These initiatives reduce earnings cyclicalities and position Eastman to benefit from increasing regulatory and consumer pressure on plastic waste. With a healthy balance sheet, disciplined capital allocation, and a growing stream of contract-based revenue, Eastman is well positioned to deliver attractive total shareholder returns and expand its valuation multiple as long-term contracts provide revenue visibility.

### Equinix Inc. (EQIX)

Equinix, a leading global digital infrastructure company, is strategically positioned to capitalize on significant secular trends driven by growing reliance on data, increasing cloud usage, and AI adoption. Its revenue diversification spanning multiple regions and customers, coupled with robust management execution, a wide array of offerings, a network effect moat with dense ecosystem of partners and enterprises, and unparalleled dominance in global interconnections and cloud on-ramps, solidify its premier status within the real estate sector. Considering the acute sensitivity of AI applications to latency, combined with widespread AI adoption globally, Equinix is poised to experience heightened demand for its interconnected data centers as it offers cost-efficient, customizable solutions capable of managing substantial AI inference workloads with low-latency, while having close proximity to the cloud. Additionally, escalating power density requirements and an industry-wide demand-supply imbalance should help sustain and improve profitability in the foreseeable future. Equinix's stellar balance sheet allows it to capture secular industry tailwinds by providing flexibility to pursue growth opportunities or strategic acquisitions, such as the development of hyperscale data centers and investments in innovative technologies like liquid cooling. The recently announced \$15B+ xScale joint venture expansion positions the company to capture robust hyperscale demand and enhance its earnings contribution.

The company’s “Build Bolder” initiative reflects management’s confidence in long-term demand, with a targeted doubling of data center capacity by 2029 as AI workloads migrate from training toward inference. Besides that, its \$15B+ xScale joint venture expansion positions the company to capture robust hyperscale demand and increase xScale’s earnings contribution. Equinix's stellar balance sheet allows it to capture these secular industry tailwinds by providing flexibility to pursue growth opportunities or strategic acquisitions.



## Evergy, Inc. (EVRG)

Evergy is a public utility holding company operating across Kansas and Missouri, engaged in the generation, transmission, distribution, and sale of electricity. A key medium-term catalyst is its robust and growing customer pipeline, including multiple data center projects, which could drive above-trend load growth across its service territory. This emerging demand tailwind, coupled with an improving Kansas regulatory environment, supports long-term EPS growth targets and enhances the potential for valuation multiple expansion over time.

Evergy is also transitioning away from coal by gradually investing in cleaner energy sources such as wind, solar, and natural gas. These initiatives are expected to reduce regulatory and environmental risk and enable the company to benefit from available regulatory incentives. In parallel, Evergy is allocating significant capital toward transmission and distribution infrastructure to enhance shareholder returns. Additionally, continuous cost reduction and efficiency initiatives would help improve its price competitiveness relative to other peers.

## Gilead Sciences, Inc. (GILD)

Gilead's leadership in HIV remains a cornerstone of its business, with the franchise generating stable, high-margin cash flows supported by strong adherence, long duration of therapy, and limited LOE risk through the end of the decade. Lenacapavir, Gilead's long-acting injectable for both treatment and PrEP, is a transformational product with multibillion-dollar potential. Its long dosing interval, differentiated profile, and early global regulatory success position it to be a key growth engine for the HIV portfolio. As uptake builds across indications and geographies, lenacapavir is expected to significantly extend the lifecycle of Gilead's HIV franchise and drive durable, recurring cash flows and earnings stability over the long term.

Beyond HIV, Gilead is working to build a more diversified growth profile through its oncology pipeline and commercial portfolio. Cell therapy assets such as Yescarta and Tecartus provide exposure to hematologic malignancies, while Trodelvy remains an important approved therapy in breast cancer despite a more mixed development path across other tumor types. The oncology business is not yet as durable or proven as the HIV franchise, but it provides meaningful optionality and a longer-term avenue for diversification alongside the company's established virology base.

## Honeywell Technologies (HON)

Honeywell is an attractive investment opportunity due to its alignment with significant secular megatrends and strategic margin improvements. Honeywell has effectively enhanced its profitability through focused productivity improvements and a thoughtful restructuring of its business segments, streamlining operations to capitalize on higher-margin opportunities. Furthermore, the company is well-positioned to benefit from major secular trends, notably industrial and building automation. Honeywell's extensive involvement in industrial automation leverages advanced technologies to improve efficiency and productivity for a broad range of industries, which is critical as economies around the globe accelerate their adoption of smart



technologies. Additionally, the company's offerings in building automation position it to capitalize on rising global demand for unified building automation solutions. This strategic positioning in fast-evolving sectors underscores Honeywell's potential for sustained growth and profitability.

Honeywell has now completed its multi-year transformation into three independent, focused companies. The Advanced Materials business was separated as Solstice Advanced Materials (SOLS) in October 2025, and the Aerospace Technologies business was spun off as Honeywell Aerospace (HONA) on June 29, 2026. The remaining company, now operating as Honeywell Technologies, continues to trade under the ticker HON as a pure-play automation and industrial software enterprise, and it completed a one-for-two reverse stock split in connection with the Aerospace separation. With the separations complete, management can dedicate capital allocation entirely to its highest-return automation franchises and more closely align the business with secular trends in industrial and building automation. We believe this sharper focus, combined with the company's ongoing productivity initiatives and leading market positions, should support continued margin expansion, durable growth, and further shareholder value creation.

### **Honeywell Aerospace Inc. (HONA)**

Honeywell Aerospace became an independent, publicly traded company on June 29, 2026, completing the final leg of Honeywell's three-way separation, following the October 2025 spin of the Advanced Materials business as Solstice. Brookmont received HONA shares through the distribution of one share for every two shares of Honeywell held, and we have elected to retain the position as a distinct, pure-play aerospace and defense holding. As one of the world's largest standalone tier-1 aerospace and defense suppliers, generating approximately \$15 billion in annual revenue from a balanced portfolio of commercial and military contracts, and with more than 36,000 employees serving over 10,000 customers worldwide, HONA offers concentrated exposure to franchises that were previously embedded within a diversified industrial conglomerate.

The business is organized across three segments. Electronic Solutions, the largest, provides integrated avionics, sensing, navigation, connectivity, and electromagnetic defense systems. Engines & Power Systems designs propulsion engines, auxiliary power units, and electric power systems. Control Systems supplies air, thermal, motion, lighting, and engine control systems. Honeywell's content is deeply embedded across major platforms, with OEM revenues tied to key programs such as the Boeing 737, Airbus A320, Lockheed Martin F-35, Gulfstream, Challenger 3500, and Embraer Praetor. Critically, this large installed base drives a substantial, high-margin, and recurring aftermarket stream of maintenance, repair, overhaul, and upgrade work that provides more stable through-cycle revenue than the OEM channel alone. Commercial aftermarket strength was a primary driver of growth in 2025, with Control Systems segment profit rising \$297 million, or 24 percent, for the year.

We view the separation itself as a catalyst. As a focused enterprise, the spin frees management to allocate capital to its core markets and widest-moat franchises without competing for resources inside a conglomerate, and the pure-play structure should improve investor clarity and support a valuation re-rating over time. Demand drivers are favorable across all three end markets: rising



global air traffic and elevated OEM build rates support both new equipment and aftermarket growth; sustained defense modernization and international defense demand, roughly 30 percent of the defense segment, provide a durable and less cyclical base; and space and connectivity offer incremental long-term optionality.

### **Johnson & Johnson (JNJ)**

Johnson & Johnson's focused healthcare portfolio positions the company for attractive, long-term growth supported by strong execution and durable market leadership. The Innovative Medicine segment continues to outperform, led by strong commercial execution across immunology and oncology. Key products such as Darzalex and Tremfya continue to post double-digit growth, and the company has reiterated its long-term target of 5%–7% CAGR for the segment from 2025 through 2030. This growth will be supported by continued penetration of existing therapies, expansion into earlier lines of treatment, and advancement of a robust late-stage pipeline across oncology and neuroscience.

The MedTech business is also well-positioned, with leadership in electrophysiology, orthopedics, and surgery. Innovation in digital surgery and continued momentum in cardiovascular and general surgery franchises are driving solid results. JNJ expects MedTech to grow at the upper end of the 5%–7% range guided for 2022 through 2027, outperforming global procedure market growth. These growth drivers, combined with a strong balance sheet, stable margins, and shareholder-aligned capital allocation, make Johnson & Johnson an attractive long-term investment. The company's scale, diversification, and innovation engine provide a strong foundation for sustainable performance across market cycles.

### **JPMorgan Chase & Co. (JPM)**

JPMorgan is the largest bank globally that controls over 10% of the U.S. bank deposits. It is led by an industry-leading and prudent management team. JPM is well positioned to outperform the industry given its strong deposit pricing power, robust card business, relatively higher ROE and ROTCE ratios, and healthy balance sheet with strong capital ratios. Additionally, further improvement in the regulatory environment under current administration would act as a catalyst in the near-term.

### **L3Harris Technologies, Inc. (LHX)**

L3Harris Technologies holds a strong position in the defense market, with significant exposure to mission-critical capabilities such as tactical communications—an area that has proven essential on the modern battlefield. The company is also well-positioned for future defense priorities, with key programs in hypersonic missile tracking and solid rocket motors used in both offensive missiles and missile interceptors.



LHX's alignment with U.S. Department of Defense strategic priorities—which have highly inelastic budget allocations relative to overall expenditures—provides greater visibility and stability to its revenue base, even in a constrained defense spending environment. Its Tactical Communications segment benefits from meaningful international exposure, where demand is accelerating alongside rising NATO defense budgets. These international sales are typically higher margin and represent a compelling long-term growth opportunity.

To drive margin expansion, the company is executing on its LHX NeXt initiative, which targets cost efficiencies across the enterprise. Early progress on this effort has already led to material run-rate savings, supporting a multi-year path of improved profitability.

### **McDonald's Corporation (MCD)**

McDonald's is the world's largest fast-food chain, boasting an efficient franchise model, exceptional marketing prowess, and best-in-class technology. During economic downturns, MCD's adaptive management strategies and cost-effective dining options should help attract customers who trade down from relatively expensive, full-service restaurants, thus boosting transaction volume and outperforming competitors. Its loyalty program and other digital initiatives provide valuable insights that the company leverages to make informed decisions and offer personalized recommendations and promotions. The loyalty program has boosted customer retention, dining frequency, and satisfaction. Moreover, renewed emphasis on beverages should drive incremental traffic and sales and strengthen the company's growth trajectory in the near to medium term.

### **Microchip Technology Incorporated (MCHP)**

Microchip Technology presents an appealing long-term investment opportunity over the next 3–5 years, despite recent cyclical challenges. The company has been navigating a significant industry-wide downturn—which is not uncommon for commoditized semiconductors—however, signs of recovery are emerging. Notably, MCHP reported its first positive book-to-bill ratio in nearly three years during the March 2025 quarter, suggesting a potential inflection point. The company's strategic initiatives, including inventory reduction and manufacturing optimization, position it well for a rebound. Additionally, MCHP's focus on innovation, evidenced by new product launches in microcontrollers and power relays, aligns with growth in sectors like automotive, industrial, and aerospace. The business has significant client diversification, insulating it from customer concentration risks. The company's shareholder-friendly capital allocation policy and repeated evidence of its ability to react to extreme market conditions further bolster its appeal, making it an attractive investment candidate over a medium-to-long-term horizon.

### **Microsoft Corporation (MSFT)**

Microsoft is a compelling long-term investment due to its entrenched leadership in productivity software, strength in cloud computing, and advantaged position in AI. Microsoft Office continues



to benefit from durable enterprise demand, with Copilot AI tools now broadly integrated across Office 365. Feedback indicates these tools are driving meaningful productivity gains, supporting pricing power and higher revenue per user. Azure maintains its position as a top-tier cloud service provider, with consistent double-digit growth driven by enterprise workloads and AI infrastructure demand. Microsoft's deep partnership with OpenAI, combined with its own expanding AI capabilities, has enabled the company to offer differentiated cloud and software solutions across Azure, Office, GitHub, and its broader enterprise stack.

Furthermore, the company is seeing strong momentum in cybersecurity, where Microsoft is now among the largest vendors globally. This has created a growing cross-sell opportunity within its ecosystem. Meanwhile, continued investment discipline and operating leverage have supported margin expansion even amid elevated AI infrastructure capex.

With durable growth drivers, a wide competitive moat, and expanding monetization from AI, Microsoft is well-positioned to deliver superior returns over the long term.

## NetEase (NTES)

NetEase is a Chinese video game company that we believe offers a particularly compelling long-term opportunity. While its valuation continues to reflect the discount typically applied to Chinese companies, we believe that discount understates the strength of the business, the durability of its gaming portfolio, and the scale of its future growth potential.

The company's core strength is its best-in-class franchise durability and lifecycle management. NetEase has repeatedly demonstrated an ability to retain and grow users over many years through major updates, expansions, and mobile launches, allowing franchises to compound value well beyond the initial release window. This creates a more stable and resilient earnings profile than is often appreciated.

We also see significant upside from international expansion. NetEase already has the scale, development capability, and financial resources to compete globally, yet its revenue remains heavily concentrated in China. As global players become increasingly receptive to high-quality free-to-play and gacha-driven titles, NetEase is well positioned to expand its reach. Early international traction from *Where Winds Meet* further reinforces that opportunity.

Combined with one of the strongest balance sheets we have seen, NetEase offers a rare mix of franchise strength, financial flexibility, and substantial long-term growth potential.

## PepsiCo, Inc. (PEP)

PepsiCo is a global leader in the snacking and beverage industries with exposure to all regions and the best distribution of any major snacking company. Its diversified portfolio, international growth, and strategic pivot toward health-conscious offerings position it for long-term resilience. Recent acquisitions of Poppi and Siete Foods expand its presence in functional beverages and better-for-



you snacks. Meanwhile, brands like Pepsi Zero Sugar and Propel posted double-digit revenue growth in 2024, and Gatorade gained market share. While U.S. snack volumes have declined, international growth and a shift towards a more relevant portfolio should offset this decline. PEP's strong financial position and long-standing commitment to shareholder-friendly capital allocation policies make it a strong long-term investment within the consumer staples sector amid evolving consumer preferences

## Qnity Electronics, Inc. (Q)

Qnity Electronics was formed through DuPont de Nemours' spinoff of its Semiconductor Technologies and Interconnect Solutions divisions, creating a pure-play leader in electronic materials. Its Semiconductor Technologies segment provides CMP pads, advanced slurries and cleans, and lithography materials essential to chip fabrication. Qnity benefits from both rising semiconductor demand and increasing process complexity; advanced nodes contain more than twice as many layers as legacy nodes, driving higher consumable usage and stricter precision needs, where a 1% yield gain can add up to \$200 million in additional value for customers.

Its Interconnect Solutions segment extends Qnity's presence into advanced packaging, PCB manufacturing, and thermal management. These materials enable finer miniaturization and improved heat dissipation, which is critical for high-performance computing and AI workloads. Qnity is positioned at the center of semiconductor growth, providing high-performance materials across both front- and back-end processes.

## Qualcomm (QCOM)

Qualcomm offers a differentiated combination of durable competitive advantages, supported by one of the world's most expansive connectivity patent portfolios and an increasingly diversified business mix. The company's long-term appeal is grounded in its ability to sustain leadership in premium Android while expanding meaningfully across automotive, IoT, and licensing, creating multiple avenues for growth.

Qualcomm maintains a commanding position in the premium-tier Android market through its Snapdragon platform. As both chip and device capabilities continue to advance, on-device AI is becoming increasingly practical, which we believe should support a durable mix shift toward higher-end smartphones and higher silicon content over time.

Beyond smartphones, Qualcomm has been systematically expanding into adjacent markets where its capabilities are highly relevant. In automotive, the company is gaining traction in software-defined vehicle architecture and cockpit infotainment. In IoT, it is well positioned in power-efficient edge computing and connectivity, particularly within industrial applications where local inference can be more economical than cloud-based processing.

Qualcomm Technology Licensing adds a distinct layer of resilience through a high-margin royalty model tied to global wireless standards adoption. Taken together, Qualcomm offers a compelling



mix of platform leadership, business diversification, and structurally attractive licensing economics.

### **RTX Corporation (RTX)**

RTX is a diversified aerospace and defense leader with strong positions in missile systems, space, and next-gen defense technologies. Its exposure to mission-critical programs aligns with strategic U.S. and allied defense priorities, including hypersonics and missile defense. RTX's realignment into three focused segments enhances execution and capital allocation. On the commercial side, Collins Aerospace and Pratt & Whitney benefit from a broad global footprint and continued recovery in air traffic, driving growth in high-margin aftermarket services. Robust global demand for new commercial aircraft, reflected in elevated OEM build rates and strong order books at Airbus and Boeing, supports near-term OEM growth and sets the stage for sustained aftermarket expansion. RTX's combination of resilient defense demand and accelerating commercial aerospace tailwinds supports a favorable multi-year outlook.

### **Sempra (SRE)**

Texas remains the primary driver of Sempra's growth profile. The state is seeing sustained load expansion supported by demographic growth and an accelerating wave of data center development, translating into a durable pipeline of distribution and transmission investment opportunities. Through its ~80 percent ownership in Oncor, the largest energy delivery company in Texas, Sempra is well positioned to capitalize on this demand environment.

The strategic sale of a stake in the LNG business improves financial flexibility and allows Sempra to fund its Texas capital plan without incremental equity, strengthening the company's ability to execute on its highest-return opportunities while protecting shareholder value. Its remaining stake in Sempra Infrastructure Partners enables it to capitalize on growing global LNG demand, with projects like Cameron and Port Arthur LNG offering substantial expansion potential. Its California business may also see support from data center buildouts, the broader push toward electrification, and ongoing grid-modernization requirements.

### **Shell PLC (SHEL)**

Shell is a global energy leader with a balanced and disciplined approach to portfolio management across upstream, integrated gas, and transition-focused businesses. Under CEO Wael Sawan, Shell has sharpened its strategic focus on high-return hydrocarbons and capital discipline, pivoting away from less profitable renewables and doubling down on core strengths like LNG, deepwater, and advantaged production assets. Its Integrated Gas segment remains a standout, with a top-tier LNG portfolio providing resilient cash flows supported by long-term contracts and exposure to structurally tight global markets.



In the upstream segment, Shell has focused capital on low-cost, high-margin barrels—particularly in the Gulf of Mexico and Brazil—while maintaining selective investment in energy transition opportunities such as carbon capture, biofuels, and EV infrastructure where synergies with its core business exist. The company’s diversified asset base, combined with disciplined capex and ongoing divestitures, supports strong free cash flow.

Shell has reaffirmed its commitment to shareholder returns with rising dividends, consistent buybacks, and an investment grade balance sheet. This capital discipline, coupled with exposure to both traditional and transitional energy growth vectors, makes Shell a compelling long-term investment as the world navigates a complex and evolving energy landscape.

### **Solstice Advanced Materials Inc. (SOLS)**

Solstice Advanced Materials, formerly Honeywell’s Advanced Materials segment, holds leading positions across multiple markets tied to durable secular growth themes. Its Refrigerants & Applied Solutions segment, which includes Refrigerants, Building Solutions & Intermediates, Healthcare Packaging, and Alternative Energy Services, benefits from global mandates transitioning away from high-impact HFCs to lower-emission HFOs, supporting durable growth through the end of the decade. The company also has exposure to the growing nuclear power market through uranium conversion services in its Alternative Energy Services business, giving Solstice a differentiated position within the broader energy transition.

The Electronics & Specialty Materials segment provides exposure to semiconductor manufacturing and defense solutions. The Electronics Materials business supplies critical inputs for semiconductor manufacturing, including sputtering targets, etching solvents, and dielectric materials, each benefiting from higher layer counts and increasing complexity in advanced chips. Solstice also has exposure to copper-manganese interconnect materials, which combine copper’s conductivity with diffusion-barrier properties that help reduce electromigration risk.

The Safety & Defense Solutions business benefits from rising geopolitical instability and defense modernization programs. Under its Spectra brand, Solstice produces ultra-high-molecular-weight polyethylene (UHMWPE) fibers used in lightweight ballistic armor and helmets. With global defense spending rising and U.S. forces prioritizing soldier weight reduction, this business is well positioned for sustained growth.

### **TE Connectivity (TEL)**

TE Connectivity offers compelling exposure to a broad set of structural growth themes, underpinned by consistent free cash flow generation, disciplined capital allocation, and a valuation that remains at a discount to peers. We view this combination as an attractive foundation for long-term value creation.

Automotive is TE's largest end market. Evolving vehicle architecture and a shifting mix toward systems electrification—the ongoing substitution of mechanical systems with electronic ones in



ICE vehicles—represent meaningful revenue tailwinds. Advances in autonomous driving and infotainment are driving demand for higher in-vehicle data speeds, boosting connector content. EVs represent an additional opportunity.

Beyond automotive, TE benefits from several growth vectors. Rapid data center expansion and the shift to higher-speed intra-rack connectivity are driving strong demand for its digital data networks products. Its underground connection solutions provide differentiated exposure to grid modernization. Through its Automation & Connected Living segment, TE is positioned to benefit from factory automation driven by AI-related digitalization. Its defense business supplies high-reliability connectors for harsh-environment applications including missiles, drones, and submarines.

### **The Home Depot, Inc. (HD)**

Home Depot is the market leader in the home improvement industry with a solid track record. While we anticipate shorter-term challenges due to macroeconomic uncertainty and more cautious consumer behavior, long-term industry trends remain highly favorable. The majority of homeowners have fixed-rate mortgages below 5%, and as mortgage rates fall, housing activity is expected to recover from current low levels, boosting home improvement spending. The government's efforts to improve housing activity (such as evaluating portable mortgages) could also fuel home improvement spending. Additionally, the aging housing stock, the oldest since World War II, provides a structural and relatively resilient demand for Home Depot's products. HD is well-positioned to capitalize on these tailwinds and outperform the market. It has a robust and growing product offering, an industry-leading distribution network, significant customer insights, and is strategically investing to become a one-stop-shop for Pros which would allow it to capture greater market share in complex projects. The acquisition of SRS Distribution and GMS have expedited Home Depot's entry into the complex pro market. Its focus on efficiency initiatives, and ongoing investments in technology and the Pro ecosystem position Home Depot for continued success in years to come.

### **The PNC Financial Services Group, Inc. (PNC)**

PNC has a diversified loan book with a strong credit quality (one of the lowest NCOs in the industry on a historical basis), thus limiting the downside risk in an economic slowdown. Additionally, its robust dividend yield, buybacks track record, cost saving initiatives, potential synergies from FirstBank acquisition, and further expansion into underpenetrated markets makes us bullish on the stock.

### **The Procter & Gamble Company (PG)**

Procter & Gamble's emphasis on product innovation and clear consumer value communication continues to support strong brand equity, enabling growth at or above market levels with reduced volatility. The company consistently invests in R&D to introduce functional improvements that



resonate with consumers—such as enzyme-based stain removers in laundry, skin health benefits in grooming, and sensor-integrated electric toothbrushes—which supports pricing power even in value-conscious environments. These innovations not only drive trade-up but also reinforce brand loyalty across categories.

P&G maintains leading positions in core categories like fabric care, baby care, and grooming, providing a foundation for pricing power and strong retailer partnerships. Its tiered brand strategy across pricing levels continues to mitigate the impact of consumer trade-down and intensifying promotional activity, particularly in developed markets. The company's broad geographic and product diversification helps stabilize topline growth, while productivity programs and supply chain optimization offset input cost pressures. With durable category leadership, meaningful innovation, and disciplined execution, P&G is well-positioned for stable, long-term growth.

### **U.S. Bancorp (USB)**

US Bancorp is set to benefit from synergies arising from the Union Bank and BTIG acquisition in the medium term. It has a solid payment service solutions which can be cross-sold to Union Bank's customers. Its expense management initiatives and renewed focus on payments business should help support organic growth while providing positive operating leverage. Additionally, it has a robust net interest margin and credit quality, and industry-leading ROTCE ratio. We no longer expect its previously low capital ratios to weigh on its valuation multiples, dividend growth or buybacks, given the improvement in ratios and the new capital requirement proposal. Furthermore, we are confident in the bank's ability to meet Category II requirements by 2027 given the continued earnings accretion and prudent capital management.

### **Waste Management (WM)**

Waste Management's entrenched market position, inflation-resilient business model, and upcoming acceleration in free cash flow following a multi-year investment cycle position it as a compelling investment. The company's best-in-class landfill and transfer network should allow it to benefit from tightening industry dynamics, with roughly 400 landfills expected to close over the next 15 years, or 10–15% of active U.S. capacity today. WM has the strongest landfill positioning in 9 of the top 10 U.S. MSAs, with an average remaining life of more than 25 years. On the Eastern Seaboard, which produces roughly 45% of total U.S. waste, about half of the waste is expected to lack a local disposal option within the next decade. WM's industry-leading transfer capacity, including rail and marine capabilities, creates differentiated opportunities such as its long-term NYC waste contract and supports consistent pricing above inflation. Beyond its core collection and disposal business, WM is entering a period in which prior investments in recycling, RNG, and medical waste are beginning to contribute meaningfully to growth and free cash flow. By 2027, management expects substantial incremental FCF from recycling and RNG, along with meaningful synergies and cross-sell benefits from Stericycle. Combined with disciplined capital allocation and a long-term shareholder-oriented mindset, these drivers make WM an attractive long-term investment.



## Wells Fargo & Company (WFC)

We originally entered the stock expecting the valuation discount to narrow as Wells Fargo progressed toward asset cap removal. With that milestone now achieved, we remain constructive on the name given its improved growth prospects and expanded flexibility. The increased balance sheet capacity enables Wells to grow commercial and wholesale deposits, scale markets revenue by offering greater financing and balance sheet support to institutional clients, deepen relationships in key business lines, and pursue incremental growth opportunities.

While management has maintained disciplined cost controls, there may also be efficiency upside over time from lower regulatory and risk-related costs as regulatory oversight normalizes. The removal of the asset cap bodes well for the current management team and strengthens our confidence in Wells Fargo's ability to deliver more sustainable and profitable growth. The step-up in medium-term ROTCE target to 17-18% (from 15%) reinforces this view, supported by lower capital requirements, new growth opportunities following the asset cap removal and continued capital optimization and efficiency gains. A more favorable regulatory environment under the current administration could further ease compliance and capital burdens, providing additional upside to returns.

## Xylem Inc. (XYL)

Xylem is the largest pure-play water technology company globally and, in our view, the cleanest public-market exposure to water infrastructure replacement and utility digitization. The business spans the full water cycle—the equipment, services, and technology used to move, treat, measure, and manage water—and its revenue base is more defensive than its capital-equipment reputation implies. More than half of revenue is tied to aftermarket parts, replacement cycles, services, rentals, and contracted work rather than new project activity. Utilities and industrial customers can defer some spending, but they cannot indefinitely postpone system maintenance, regulatory compliance, or the consequences of water-quality failures, giving Xylem a revenue stream more resilient than the typical industrial through economic cycles.

Xylem's strongest competitive positions sit where installed-base advantages and technical specifications matter most. It holds a leading brand in submersible wastewater pumps embedded in municipal systems that run on multi-decade replacement cycles, and through Sensus smart metering and the FlexNet communications network, a leading position in advanced metering infrastructure. FlexNet operates on licensed spectrum, reducing utility dependence on third-party telecom networks and reinforcing high switching costs once a utility commits to the platform. We view the measurement and digital water business as the most attractive part of the portfolio: advanced metering helps utilities curb water loss, improve billing accuracy, and reduce labor intensity, while the Xylem Vue and Idrica platforms layer software onto the installed base and extend the long-term growth runway. The Evoqua acquisition further improved portfolio quality, adding industrial water treatment, outsourced services, and recurring contracts across mission-critical end markets such as microelectronics, life sciences, semiconductors, data centers, and PFAS remediation.



The secular demand drivers are durable and largely independent of broad macro acceleration—aging infrastructure, water scarcity, stricter discharge standards, PFAS regulation, reuse mandates, and utility labor constraints. Financially, Xylem has delivered steady revenue growth and consistent margin expansion, aided by its 80/20 simplification program, and carries minimal net leverage that affords flexibility in capital allocation. The stock has materially underperformed the market over the past several years and trades below its own historical valuation range, which we believe creates a reasonable entry point for a higher-quality business with improving margins, durable demand, and a cleaner portfolio following Evoqua. We view Xylem as a core industrial holding with above-average resilience and exposure to several multi-decade water investment themes.