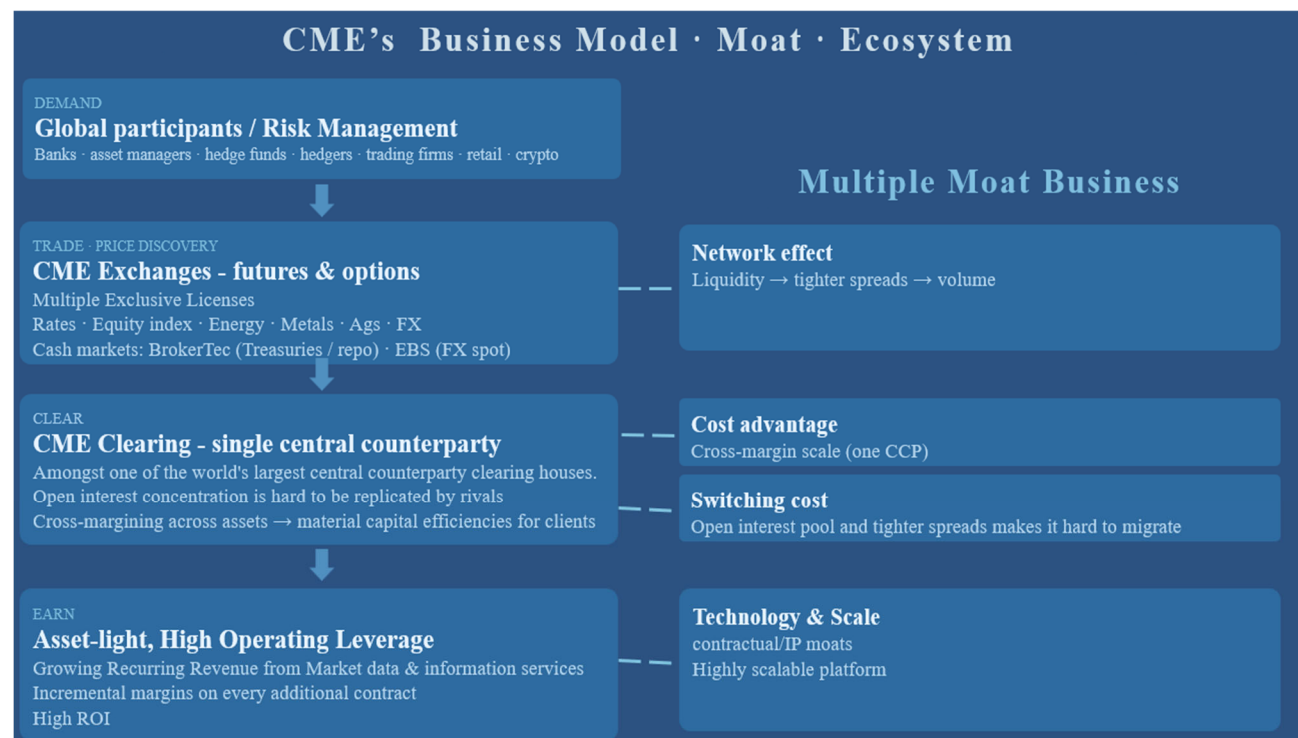




Add CME Group (CME) at 1.25%

We initiated a 1.25% position in CME Group in Brookmont's Dividend Growth Strategy, 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.

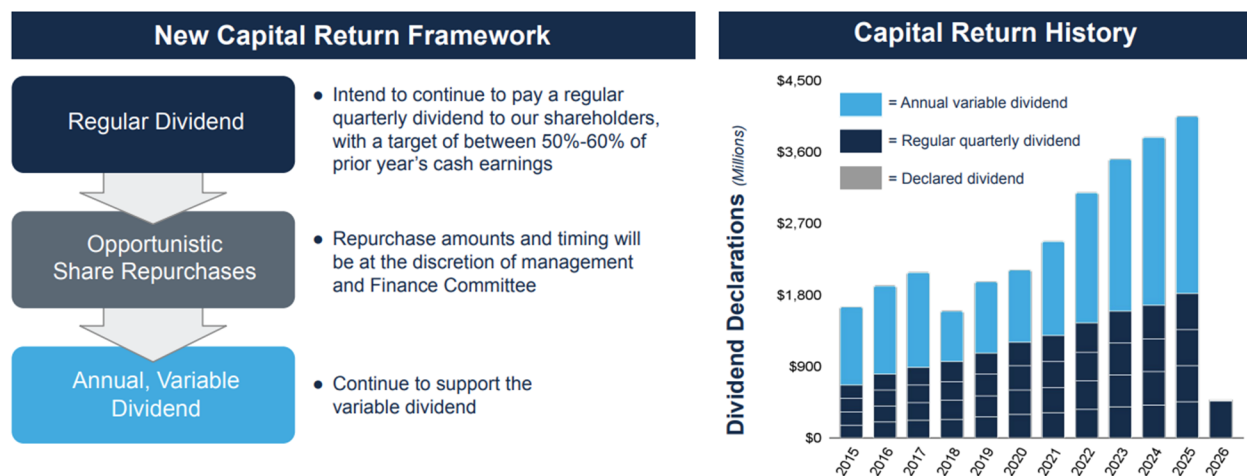
That moat rests on a powerful network effect that strengthens with scale: the most liquid markets attract more participants, which in turn deepens liquidity further. The company's clearinghouse also provides meaningful capital efficiencies by allowing clients to offset margin requirements across products, 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. CME Group's shareholder return framework is built on three components. The foundation is a regular quarterly dividend, which has been increased for more than 15 consecutive years and is guided by a target payout ratio of approximately 50-60% of prior-year cash earnings. On top of this, the company pays an annual variable dividend that distributes excess cash generated after funding capex, M&A activity, and other anticipated capital needs. CME also supplements these distributions with opportunistic share repurchases, allowing it to return substantial cash to shareholders while retaining flexibility for future capital allocation decisions.

CME's regular dividend currently runs at an annualized rate of \$5.20 per share. In addition, the company paid a \$ 6.15-per-share variable dividend for FY25, resulting in CME repurchasing nearly \$540 million of stock during Q1 2026 and leaving approximately \$2.2 billion remaining under its existing buyback authorization.



Source: <https://www.cmegroup.com/investor-relations/files/cme-group-investor-presentation.pdf>

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.

Add Xylem (XYL) at 1.25%

We initiated a 1.25% position in Xylem in Brookmont's Dividend Growth Strategy, the largest pure-play water technology company globally. Xylem provides a unique combination of exposure to long-duration water infrastructure replacement, utility digitization, industrial water reuse, and regulatory-driven treatment demand. We believe the company's breadth across the water cycle,



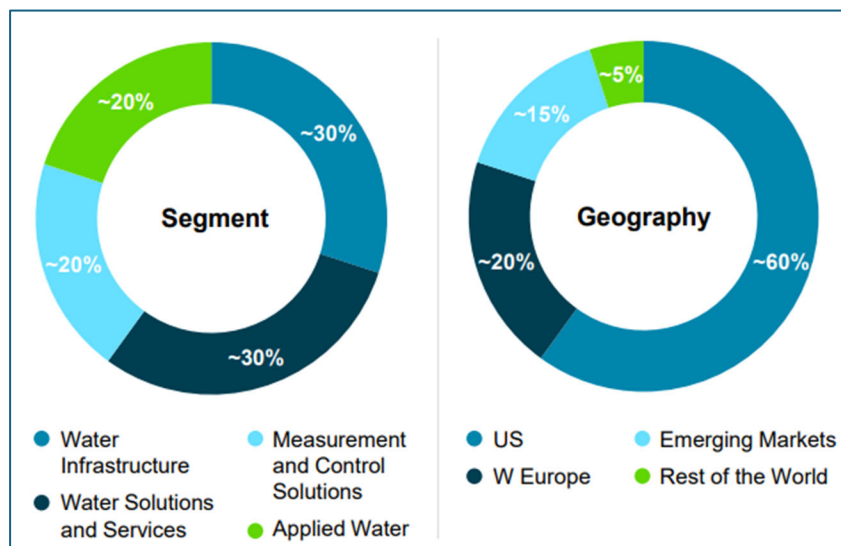
installed-base advantages, and self-help margin opportunity make it a compelling addition to the portfolio.

Xylem's business spans the full water cycle, including the equipment, services, and technology used to move, treat, measure, and manage water. While the company is often viewed as a capital equipment business, the revenue base is more defensive than that characterization 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 delay some spending, but they cannot defer system maintenance, regulatory compliance, or water quality failures indefinitely. This creates a revenue base that should be more resilient than the typical industrial business through economic cycles.

The company's strongest competitive positions are in areas where customer relationships, technical specifications, and installed-base advantages matter. In Water Infrastructure, Xylem's has a leading brand in submersible wastewater pumps, with products embedded in municipal systems that operate on long replacement cycles. In Measurement & Control Solutions, the Sensus smart metering platform and FlexNet communications network give Xylem a leading position in advanced metering

infrastructure. FlexNet is particularly important because it operates on licensed spectrum, reducing utility dependence on third-party telecom networks and creating a more defensible customer ecosystem. Once a utility commits to a metering platform, switching costs are high, and replacement cycles can extend over decades.

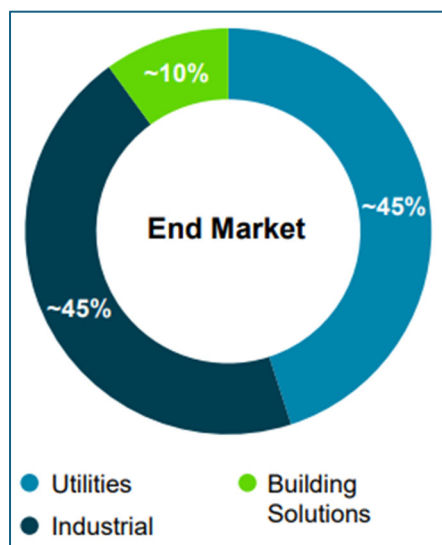
We believe the measurement and digital water business is the most attractive part of Xylem's portfolio. Utilities continue to lose a meaningful amount of treated water to leaks, theft, and inaccurate metering, and this issue worsens as infrastructure ages. Advanced metering infrastructure helps utilities improve billing accuracy, identify leaks, reduce labor intensity, and make better capital allocation decisions. Xylem Vue and the Idrica platform add a digital layer that can connect metering, treatment, and condition-assessment data into a broader utility operating platform. While this software revenue remains small, it enhances the strategic value of Xylem's installed base and provides an additional long-term growth opportunity.



Source: <https://xylem-inc.com/static-files/b297b02f-0946-4d25-b074-54e8eec64ddc>



The Evoqua acquisition also meaningfully improved the quality of the portfolio by increasing Xylem's exposure to industrial water treatment, outsourced water services, and recurring service contracts. The Water Solutions & Services segment now gives Xylem a stronger position in areas like microelectronics, life sciences, power generation, food and beverage, PFAS remediation, and industrial water reuse. These are markets where water is a mission-critical input rather than a discretionary cost. As data centers, semiconductor fabs, and advanced manufacturing facilities place greater stress on water availability and treatment requirements, Xylem should benefit from both the equipment needs and the service opportunity.



The secular demand drivers behind the business are durable. Aging water infrastructure requires sustained investment in replacement across developed markets. Water scarcity, stricter discharge standards, PFAS regulation, and reuse mandates should support treatment demand over a multi-year period. Utility labor constraints and the need for better system visibility should continue to push the adoption of smart metering and digital water platforms. Unlike many industrial growth stories, Xylem's demand drivers do not depend on a broad macro acceleration; they are tied to compliance, reliability, efficiency, and the basic need to move and treat water.

Financially, Xylem also has robust financials. Its revenue has undergone steady growth while it has consistently expanded

margins. Management's 80/20 simplification program is driving meaningful productivity benefits, with margin expansion across Water Infrastructure, Applied Water, and Water Solutions & Services. XYL also has a robust balance sheet, with minimal net leverage, which gives management the flexibility to be opportunistic with capital allocation.

Xylem is a high-quality industrial with attractive end markets, and the stock will likely continue to trade at a premium to more cyclical industrial peers. However, the stock has materially underperformed the market over the past several years and trades below its own historical valuation range. We believe that creates a reasonable entry point for a business with improving margins, durable demand, and a cleaner portfolio following Evoqua.

Overall, we view Xylem as the cleanest available public-market exposure to water infrastructure replacement and utility digitization. The company combines leading positions in pumps, treatment, metering, and services with a more defensive revenue base than the market appears to appreciate. While near-term results may remain uneven because of metering project timing, China weakness, and portfolio simplification, we believe the long-term setup is attractive and the current entry point is particularly compelling. Xylem fits well as a core industrial holding with above-average resilience, improving margins, and exposure to several multi-decade water-related investment themes.

Increase Johnson & Johnson (JNJ) to 2.50%

We increased our position in Johnson & Johnson to 1.25% in Brookmont's Dividend Growth Strategy as the company's Innovative Medicine and MedTech businesses continue to execute well. The company is moving through the Stelara loss of exclusivity with a strong growth platform, with Tremfya, Darzalex, Carvykti, Erleada, Rybrevant/Lazcluze, and Spravato helping offset the pressure. Tremfya's uptake in IBD is particularly important because it expands the immunology growth platform beyond Stelara, while the oncology portfolio continues to benefit from strong positions in multiple myeloma and lung cancer. Within MedTech, Johnson & Johnson continues to shift the portfolio toward higher-growth and higher-margin verticals, including cardiovascular, surgery, and vision. The planned Orthopedics separation should further improve the company's growth profile, sharpen management focus, and leave the remaining business better aligned with the company's highest-return opportunities. We believe the combination of a broad pipeline, improving portfolio mix, and durable cash generation supports a higher position size.



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 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.

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 and Brookmont Core Dividend Strategy are 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