Exit United Parcel Service (UPS)

After multiple years of underperformance and limited visibility into sustained improvement in the global small-parcel market, we exited our position in UPS in Brookmont's Dividend Growth and Core Dividend Strategies. We believe the issue is no longer simply a cyclical volume trough. UPS continues to manage through a strategic reset, including the Amazon volume glide-down and network restructuring, while domestic package volume and margins remain pressured. At the same time, the company remains committed to a large dividend, creating a mismatch between current earning power, free cash flow generation, and capital return commitments. In our view, that leaves the company with less flexibility to reinvest organically, protect the balance sheet, and maintain the dividend at the same pace. With the risk/reward now more dependent on a parcel recovery that we do not have clear line of sight into, we determined an exit was prudent.

Decrease U.S. Bancorp (USB) to 1.25%

We decreased our position in USB to 1.25% in Brookmont's Dividend Growth and Core Dividend Strategies, which has fully participated in the regional bank re-rating over the past year. The business remains sound: the Union Bank integration continues to deliver cost and revenue synergies, while the payments platform creates ongoing cross-selling opportunities across the broader ecosystem. However, that same payments exposure now drives our caution. Intensifying competition in payments, coupled with the potential for a consumer spending slowdown in the current macro environment, could pressure USB more than our other bank holdings.

Additionally, with assets approaching the ~$700 billion Category II threshold, USB faces a structural constraint on balance sheet growth until it chooses to cross that threshold and accept stricter regulatory requirements. Rate-path uncertainty and the potential for broader credit weakness further elevate near-term earnings risk, prompting us to reassess our overall banking sector overweight.

With the multiple re-rating largely behind us, we prefer to reduce our position in USB and reallocate capital to opportunities with a more favorable risk/reward profile.

Decrease Comcast (CMCSA) to 2.50%

We decreased our position in Comcast to 2.50% in Brookmont's Dividend Growth and Core Dividend Strategies to better align with its effective weight and reflect reduced conviction in the long-term growth profile of the connectivity business. Comcast remains a strong operator with meaningful free cash flow, strong broadband and business services franchises, and additional assets across wireless, media, and theme parks. However, the core domestic broadband business is no longer the same high-visibility growth engine it was historically. Competitive pressure from fiber and fixed wireless has intensified, while space-based connectivity represents an incremental long-term risk to the perceived durability of cable network advantages. Comcast is responding through improved pricing, bundling, and wireless convergence, but those actions also point to a more competitive market with less pricing power than the business has historically enjoyed. We are not exiting the position because we still believe Comcast can generate attractive cash flow, but the growth opportunity and margin for error are lower than before. In relation to our decreased conviction, we are reducing the model weight to 2.50%.

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.

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 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 than 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 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