

## **Increase Qnity Electronics (Q) and Decrease DuPont de Nemours (DD)**

Two portfolio companies, DuPont de Nemours and Honeywell, recently completed previously announced spins of certain businesses into separate publicly traded companies. Alongside these actions, we increased our weight in each of the new companies while also adjusting the weight of DuPont de Nemours to reflect its lower post-spin weight. We did not alter our weight in HON, as the size of the spin relative to the remaining company was not significant enough to materially impact the position weight.

### **Increase Qnity Electronics (Q) to 2.50%**

Qnity Electronics was formed through the spin-off of DuPont de Nemours' Semiconductor Technologies and Interconnect Solutions businesses, creating a pure-play electronics materials leader with top positions across multiple stages of the semiconductor and electronics value chain.

The Semiconductor Technologies segment supplies critical materials used throughout the chip fabrication process, including CMP (chemical mechanical planarization) pads, advanced slurries and cleans, and lithography materials. In addition to its exposure to overall semiconductor demand growth, Qnity benefits from rising chip complexity. Advanced semiconductor nodes feature more than twice the number of layers as legacy nodes, which drives higher consumption of process materials and increases the precision requirements for each manufacturing step; a 1% improvement in yield can add up to \$200 million in additional value for customers. The company's best-in-class portfolio positions it well to meet these stricter quality and performance demands. For instance, Qnity's CMP polishing slurries can achieve surface flatness of 300 angstroms or less; the diameter of a single hydrogen atom measures roughly one angstrom.

The Interconnect Solutions segment serves the post-fabrication portion of the electronics value chain, supplying materials for advanced packaging, PCB (printed circuit board) fabrication, and electronic assembly. This business also benefits from the same underlying drivers of global semiconductor growth. Qnity holds leadership positions in high-performance packaging materials that enable continued miniaturization of PCBs and more efficient interconnects. Additionally, the company provides products for thermal management, which is an increasingly critical area in high-performance computing applications where power density and heat generation continue to rise.

### **Decrease model weight of DuPont de Nemours, Inc. (DD) to 2.50%**

Following the spin of its Semiconductor Technologies and Interconnect Solutions businesses, the market capitalization and effective portfolio weight of RemainCo DuPont decreased to roughly half of the previous position. To reflect this update, we lowered the model weight of DD to 2.50%.

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. Post-spin DuPont 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.

#### Disclosures

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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.

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