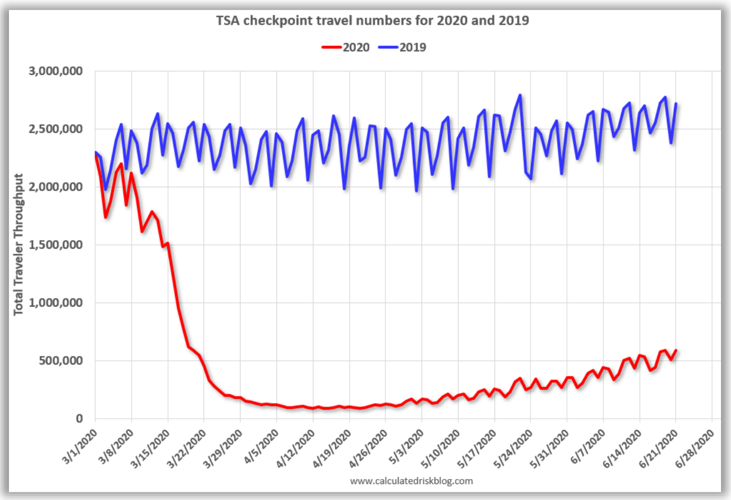
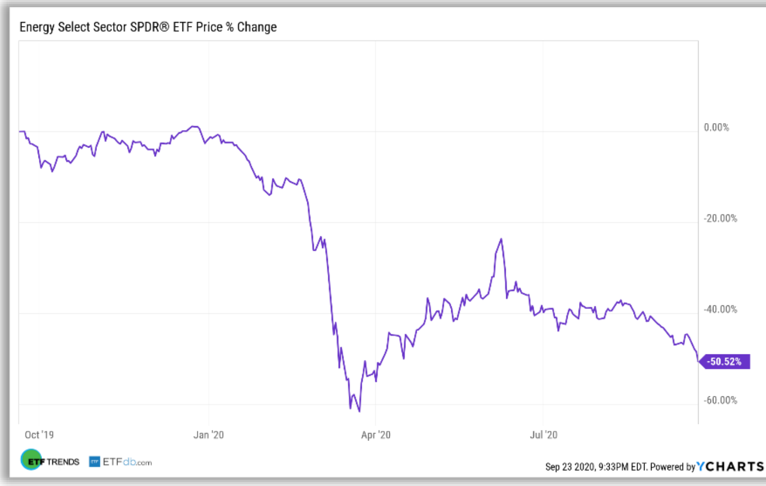
During the third quarter of 2020, the S&P 500 returned 8.47%. The market performance was fueled by continued hopes of recovery, federal stimulus, and high flying tech names with Facebook, Amazon, Apple, Netflix, Alphabet, and Microsoft (collectively, FAANGM) making up 23.05% of the S&P 500. All ten sectors and 70% of the constituents in the S&P 500 had positive returns this quarter. The first 2 months of the quarter were marked by gains and low volatility in the market while September brought more volatility with some pullback due to election, stimulus uncertainty, and rising cases of COVID 19 news.

Optimism Behind the Veil (Industrials Optimism, Energy and Financials)

In Q3, as volatility decreased and the dust from the initial pandemic panic settled, we were able to more clearly identify lasting trends and impact on specific sectors. Hospitality, cruise lines, and airlines are anticipated to have long recovery timelines. Though there was a strong initial improvement in daily travelers, the recovery has since lost pace, with a number of countries experiencing virus resurgences. In terms of domestic air travel, the number volume still has not reached 50% of prior year comps. The extremely discounted prices of airlines and leisure companies are evidence of this: however, we believe that there is not enough consideration being placed on liquidity needs and the possibility of a bailout creating a quasi-nationalized transportation sector in the near term. Our strategies are positioned with industrial exposure (tickers: RTX, HON, and LHX) that has indirect exposure to transportation that should benefit as travel recovers, while avoiding the idiosyncratic risks plaguing the leisure space. These companies each derive material portions of their revenue from commercial aviation original equipment manufacturers and aftermarket sales, however their strong balance sheets and overall business diversification allows for strong balance sheets including conservative leverage to cash flow ratios.



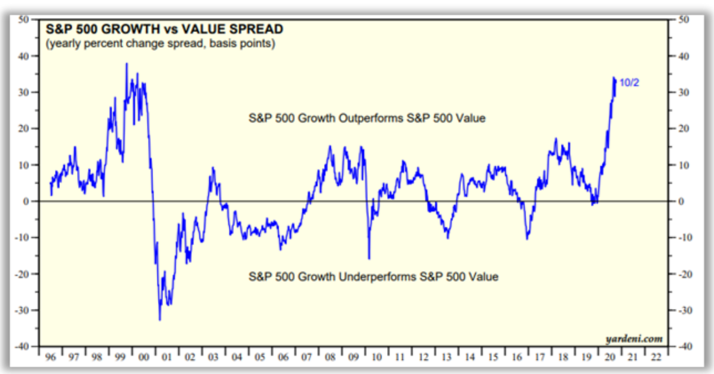
Energy has been the sector most negatively impacted by COVID. The global lockdowns and economic slowdown have resulted in a drastic decrease in oil demand. This in turn resulted in a large decrease in oil prices. The Energy Select Sector SPDR fund is down approximately 50% on the year and is at a historic discount relative to the broader market. Brookmont has maintained its Energy exposure due to the strong financial position of the holdings in the portfolio. The low valuations within the sector have created an opportunity for the large multi-national energy companies to acquire smaller assets at a significant discount and drive future capital appreciation when demand recovers. A good recent example of this is the acquisition of Noble Energy by Chevron.



Brookmont's more direct exposure to the negative effects of COVID is attributable to our holdings in the financial and energy sectors, despite our underweight position to the benchmark. Commercial banks have seen extreme margin contraction resulting from the historically low global interest rate environment implemented in an attempt to jumpstart inflation and growth. Secondly, because of the events of the 2008 financial crisis, the US government has placed increased regulatory scrutiny on banks in this current crisis in order to ensure that adequate liquidity is maintained. This scrutiny has resulted in several limitations on banks that constrain both their growth including aggressive loan loss reserves and their liability to return capital to shareholders. We have maintained our positions in commercial banks given their balance sheet strength and their attractive current valuations and yields.

Potential Headwinds for Big Tech

Technology outperformance has been leading the market higher. This outperformance is a function of virus-related displacement (work from home) and has been exaggerated by retail day traders. The announcement of a viable vaccine will solidify a timeline to the end of virus-related displacement and we suspect markets will begin to price in normalization upon or shortly after vaccine production begins. This, along with the increased scrutiny of anti-competitive business practices of Apple, Amazon, Facebook, and Alphabet (which comprise 17% of the S&P 500), will create headwinds for the technology sector. Both US political parties and global regulators have expressed their discontent and intentions to limit the influence of these four tech giants specifically. This could mean a rout in overvalued tech shares and a loss of momentum generally that lends to a slightly more cautious portfolio at the margin. The graph shows the Growth vs Value Spread or deviation in Growth stock outperformance since 2017. With the current spread at its



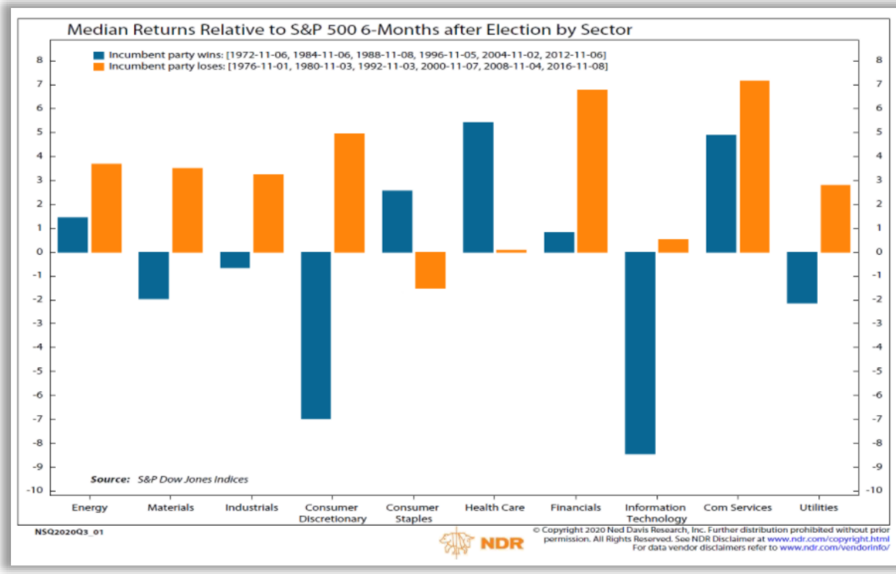
highest point since the 2001 dot-com bubble. Brookmont believes this relative value imbalance will close, causing a correction in growth stocks.

Implications of a Democratic Sweep in the Executive and Legislative branches

In a scenario where Democrats control both houses of congress and the executive branch we believe would have the most direct impact on Energy, Healthcare, and Taxes.

Acceleration of the Clean Energy Renaissance

The "Clean Energy Revolution" is a major part of the Biden-Harris platform. A Biden Administration would increase regulation on fossil fuels by targeting fracking practices and offshore drilling. This increased regulation would reduce the US oil supply and possibly help drive the price of oil up on a short-term basis but more importantly create long-term headwinds for the Energy industry. Brookmont holds oil companies with strong balance sheets that have already invested significant capital in clean energy R&D. Brookmont feels this diversification combined with their strong balance sheets results in these large multinational Energy companies being relatively insulated from potential increase in fossil fuel regulation when compared to smaller companies within the sector.



Healthcare reform

Democratic healthcare reform initiatives specifically target prescription drug prices and healthcare coverage changes, which are generally seen as negatives for the health care sector. The graph above shows the six month returns of sectors based on an incumbent President's reelection. As you can see, the Healthcare sector does significantly worse when the incumbent loses due the cost of healthcare companies adapting to new legislation. The Biden plan is to expand and protect the affordable care act which is not nearly as drastic as other Democratic Party proposals but is a reversal from the Trump Administration. Brookmont's healthcare holdings provide stable earnings with good long-term prospects of growth that aren't as sensitive to regulatory vacillations as the overall sector.

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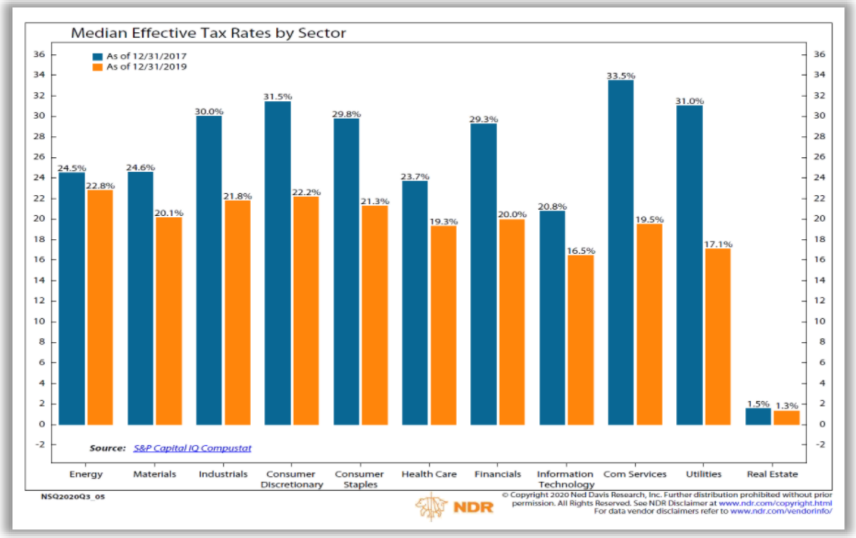
Reversal of elements of the 2016 Tax reform

It is anticipated that Biden will raise both corporate and personal income tax rates for large corporations and wealthy individuals who earn more than $400,000 per year. The projection is that the corporate tax rate will go from 21% up to 28%, plus a 15% tax on corporations with net income of $100 million or more. These proposed tax increases would result in a 1.5% of GDP reduction. As shown by the graph on the left, the sectors that will be most affected by the increased tax are Utilities, Communications, Financials, Consumer Cyclicals, and Industrials. Earnings per share based strictly on the tax effect could mean a reduction of between 300 to 350 points in the S&P 500 index which equates to 8.8% to 10.3%. Also, according to BofA Global Research, the effects of the corporate tax increase could produce double digit profit decline for information technology, communications, and consumer discretionary sectors.



Joe Biden's political actions and statements suggest that he is more centrist than the platform that was approved at the Democratic National Convention. The unemployment rate and pandemic will demand Biden's focus after inauguration and pushing tax and healthcare bills would be unlikely while the country is still recovering.

Chances of a Contested Election

At the beginning of the year, the Brookmont team wrote about the possibility of civil unrest due to the election and the potential for a contested election. The former came true with the racial unrest happening across the country and now the latter is looking increasing likely. The already hostile political climate has been exacerbated by the global pandemic further calling into question the logistics of conducting a fair, socially distanced, election. Mail in and absentee Ballots are having to be adopted more than ever which will create delays and introduce uncertainty in the process. Delays and anecdotal stories of mishandling of ballets will likely happen leading to lawsuits from both campaigns and that is why we should expect the outcome to be determined at least 6-10 days after Election Day.

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Why Brookmont Moving Forward

With election uncertainty and a lingering effects of the pandemic investing in fundamentally sound companies at reasonable valuations is more important than ever. As always the team at Brookmont carefully evaluates company's cash flows from operations, while considering investing and financing cash flows to understand the ability of a company to meet its capital allocation needs. We do not believe that any of our holdings are short-term investments, and continuously evaluate them to provide assurance that their fundamentals align with our prioritization of long-term growth and stability of free cash flows and dividends. This highlights the importance of Brookmont's process and its success in accomplishing its goal of participating in market upside while having relatively low downside capture.

Brookmont's philosophy of investing in companies with strong balance sheets, disciplined management with well covered dividends continues to represent an attractive allocation for strategic investors in the equity market. This coupled with sinking yields, represents greater relative value to fixed income alternatives. The team at Brookmont is happy to share additional thoughts on the markets and our portfolios.