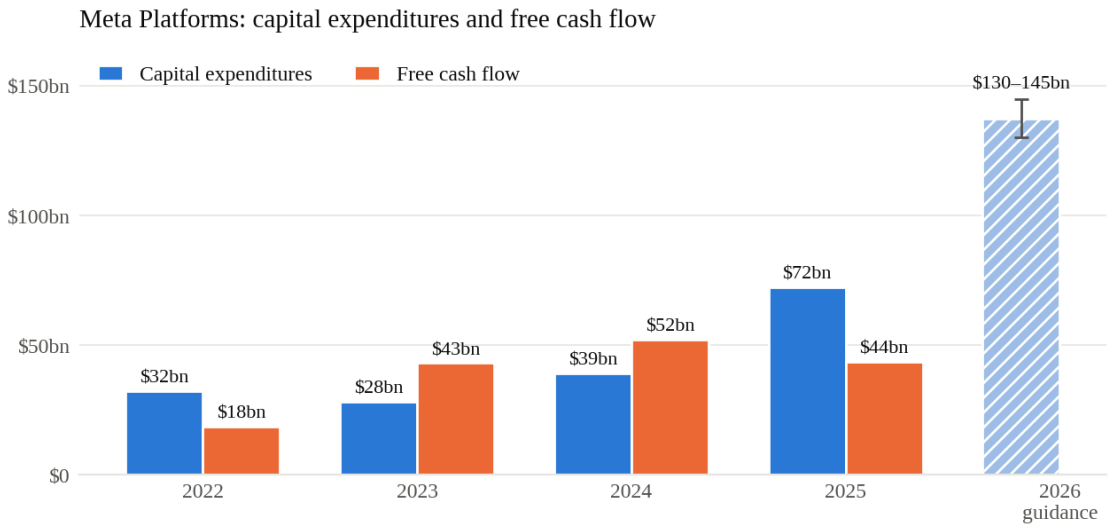
Increase Meta Platforms (META) to 3.75% Model Weight

We increased Meta Platforms to a 3.75% model weight from 2.50% in the Quality Growth Strategy, moving the position from an underweight to a modest overweight relative to the benchmark. When we initiated the position, we cited Meta's demonstrated ability to monetize AI in its advertising engine and the prospect of new monetization through commerce integration and premium tiers. Both legs of that thesis advanced materially in September.

The advertising engine remains the foundation. Second-quarter advertising revenue grew 27% to $59.4 billion, with the average price per ad up 12% as the company's new generative recommendation models improved targeting. Advantage+, Meta's automated advertising suite, reached a $75 billion annual revenue run-rate, and more than a million businesses now use Meta's AI agents to talk to customers or complete sales each week. That engine funds the second leg. On September 8 Meta launched Muse, a consumer AI agent that connects to a user's email, calendar, payments and shopping accounts and completes tasks on their behalf. The app reached the top of the U.S. App Store within ten days and, according to Sensor Tower estimates, had been downloaded more than three million times by late September, and Stripe, PayPal, Shopify, Expedia, Walmart and Best Buy are among the payment and retail partners that have signed on for transactions in its first weeks. Meta is making the product free for a large allocation of usage and, in Mark Zuckerberg's words, expects to profit over time by taking a small fee on transactions. Paid tiers at $20 and $100 a month and a new Meta One subscription bundle across Facebook, Instagram and WhatsApp add subscription revenue, while a developer platform that drew more than 1,500 applications to build connectors in its first week and a Muse Charm wearable device shipping in December extend the product beyond the app. Together they give the company several new revenue lines that do not depend on advertising.



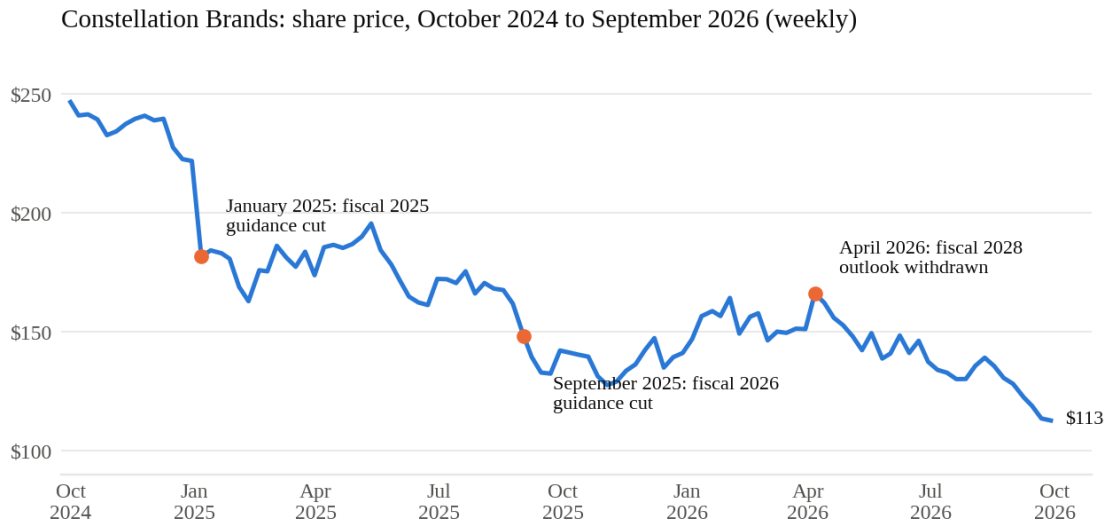
Source: Meta Platforms annual earnings releases (capital expenditures including principal payments on finance leases, and free cash flow as defined by the company); 2026 is company guidance of $130–$145 billion, Brookmont Capital Management.

The debate about Meta is no longer whether it can monetize AI but what that monetization costs. Capital expenditure is guided to $130–$145 billion this year, nearly double last year's $72 billion, free cash flow fell to less than $1 billion in the second quarter, and the company has not repurchased stock this year. We have spent considerable time on the depreciation that this spending will generate in 2027 and 2028, and it is the reason we did not increase the position earlier in the year. Two developments shift the balance. First, Meta has begun financing capacity off its own balance sheet, through a $27 billion joint venture with Blue Owl for its Hyperion data center in Louisiana and a $14 billion venture with BlackRock for a one-gigawatt site in El Paso, in each case with the partner holding 80%. These ventures cover the buildings, power and cooling infrastructure rather than the servers, which remain on Meta's own balance sheet, so they moderate rather than remove the depreciation burden. Management has also said it has a number of offers from outside customers for its compute, which would change the economics of the build-out. Second, Muse's early adoption suggests the consumer surface for that compute has arrived sooner than we expected, with a monetization model, transactions and subscriptions, that carries higher margins than advertising. The shares rose sharply in September in recognition of this, and at roughly 22 times consensus 2027 earnings they are no longer inexpensive. We sized the increase accordingly and do not expect to add further before the fourth-quarter report in January, when the company will guide 2027 capital spending.

Exit Constellation Brands (STZ)

We exited Constellation Brands from the Quality Growth Strategy. We had previously reduced the model weight to 1.25% to reflect the shares' weak performance, and the developments since have confirmed that the growth pillar of our thesis, a Mexican beer franchise compounding on the rising spending power of Hispanic consumers, no longer holds in a form that fits a quality growth mandate.

In fiscal 2026, beer net sales fell 3% to $8.3 billion and depletions declined 2.1%, the beer operating margin contracted 170 basis points to 38.0%, and comparable earnings per share fell 14% to $11.82. In April the company guided fiscal 2027 beer sales to a range of down 1% to up 1%, withdrew the fiscal 2028 outlook it had issued a year earlier, and raised the quarterly dividend by one cent. The first quarter of the new fiscal year, reported in June, was steadier, with beer depletions down 0.3% and Modelo Especial still the number-one beer brand in the country by dollar sales, but the company's own read of its customer is sobering. Lower-income consumers are trading down, and Hispanic consumers, who represent about half of its beer buyers, remain under pressure from cost-of-living strains and immigration-related concerns, particularly in Florida and Texas. At the Barclays conference in September, management flagged gross-margin pressure in the second half from logistics inflation and commodity exposure alongside higher marketing spend. New chief executive Nicholas Fink, who took over in April, described the company's shift from a builder's mindset to an operator's mindset, focused on efficiency and margins after nearly a decade of brewery investment of close to $1 billion a year.



Source: Interactive Brokers market data (weekly closing prices, October 2024 through September 2026), Brookmont Capital Management.

Constellation remains a well-run business with strong brands and a 3.6% dividend yield, and at less than 10 times this year's expected earnings the stock is inexpensive. But an operator-mindset company with flat volumes, a narrowed portfolio and a withdrawn medium-term outlook is a value proposition rather than a quality growth one. The shares, which reached a 52-week low in late September and are down about 17% for the year, have given us no reason to wait for the cycle to turn. We redeployed the proceeds into Meta Platforms, where the growth profile is far more consistent with the strategy's objectives.

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.

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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.

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The Brookmont Quality 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 in U.S. dollars. The inception of the Strategy is January 1, 2015.

The Brookmont Quality Growth Strategy Composite contains fully discretionary accounts with similar value equity investment strategies and objectives. For comparison purposes, the Quality Growth Strategy Composite is measured against the iShares Russell 1000 ETF. The iShares Russell 1000 ETF (ticker: IWB) is an exchange-traded fund designed to track the Russell 1000 Index, which represents large- and mid-capitalization U.S. companies. The fund provides broad exposure to the U.S. equity market and is commonly used as a core holding for investors seeking diversified access to established U.S. stocks. There is no representation that this index is an appropriate benchmark for such a comparison. The volatility of this ETF 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 iShares Russell 1000 ETF 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.

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Past performance is not indicative of future returns