Brookmont Dividend Growth
Portfolio Companies

Abbott Laboratories (ABT)

Abbott Laboratories has strong growth potential over the next few years, driven primarily by its Medical Devices segment as well as Established Pharmaceuticals and Nutrition. Within Medical Devices, ABT’s key franchise is within diabetes, where it focuses on CGM (continuous glucose monitoring) with its Libre family devices. This market is poised for growth over the next decade and ABT’s newest generation device, the Libre 3, positions it well to capitalize on this.

ABT is capitalizing on the surge of obesity drug adoption via plans to launch a nutritional drink for GLP-1 patients next year. The company's Established Pharmaceutical segment has experienced strong growth and provides exposure to emerging markets, where ABT can capitalize on its scale and excellent commercial execution to monetize generic medications without the pipeline and regulatory risk associated with pharmaceutical development. ABT's recent entry into the biosimilar market provides additional future growth potential.

Accenture PLC (ACN)

Accenture has a leading position in the global consulting and outsourcing industry and continues to gain share and outgrow the market. The recent AI revolution has accelerated major secular tailwinds for ACN, with its consulting and technology services critical for businesses making a transition to AI. While AI may decrease the need for certain outsourced jobs, ACN has a sufficient offset with its consulting and technology services businesses; because of this, we believe that AI will be a substantial net positive for the company as it accelerates the ongoing trend of businesses streamlining labor costs and increasing productivity by utilizing external resources, such as outsourced labor and now AI.

Amgen Inc. (AMGN)

Amgen is one of the largest biotech firms in the world with strong oncology, inflammation, and cardiovascular franchises. The company's conservative capital allocation and focus on returning capital to shareholders differentiates it significantly from the majority of the biotech industry. The company has stable cash flows and is actively investing in its pipeline, with 2 significant recent launches (LUMAKRAS, TEZSPIRE). Both launches have been progressing well, with significant growth potential as global reimbursement approvals increase.

Analog Devices, Inc. (ADI)

Analog Devices' product lines and end markets provide excellent exposure to a number of secular growth drivers. Analog and mixed-signal ICs (integrated circuits) are essential for automated manufacturing, which requires sensing, edge processing, and connectivity capabilities. Additionally, ADI will benefit substantially from the global shift away from ICE (internal combustion engine) vehicles towards EVs. ADI's BMS (battery management system) chips are used in 16 out of 20 the top EV OEMs globally. The company is also strategically expanding its presence in this field with development of a silicon carbide-based smart chip for bidirectional onboard charging that reduces charger size and weight by >50%. Importantly, this chip is designed to be bidirectional, which means that EVs can transfer power into the electrical grid. By essentially transforming charging EVs into grid-level batteries, this solves one of the most pertinent problems in the global energy transition, which is the storage of electricity to balance the mismatch in peak generation and peak consumption.

AstraZeneca PLC (AZN)

AstraZeneca presents a compelling investment opportunity, primarily driven by its innovative pipeline and strategic expansions. The company's focus on oncology, featuring potential blockbuster drugs like Tagrisso, Enhertu, and Dato-DXd targeting major cancers, such as breast and lung, underpins robust growth prospects into the next decade. With plans to launch a total of 20 new molecular entities by 2030 and numerous ongoing Phase III trials, AZN is well-positioned for industry-leading growth. Despite facing patent expirations such as Farxiga, its diversified and growing pipeline significantly mitigates this risk. Additionally, AZN's strong balance sheet supports a progressive dividend policy, promising consistent shareholder returns. Overall, AstraZeneca's strategic initiatives and promising pipeline make it an attractive investment for long-term growth and stability.

Arthur J. Gallagher & Co. (AJG)

Arthur J. Gallagher is a global, well-diversified insurance broker/risk manager with a solid track record. It is benefiting from persistent inflation which continues to drive higher commission income as premium prices rise and also bolsters demand for AJG's services as entities seek lower prices and manage their exposure strategically. It has been notably active in the acquisition space (primarily small companies) which enables AJG to expand geographically, implement synergies, capitalize on cross-sell offerings, leverage its technology on larger scale, and realize valuation multiple arbitrages to enhance shareholder value (considering AJG's relatively higher multiples).

Additionally, as insurance brokerage businesses have low price elasticity and fairly stable demand, AJG is more likely to outperform the broader market in an event of a recession.

Bank of America Corporation (BAC)

Bank of America is benefiting from macro tailwinds such as the elevated rate environment and robust credit card demand. It has a low loan-to-deposit ratio which mitigates the need to excessively compete for deposits with higher rates and provides room for loan growth. It continues to invest heavily in technology, driving an increase in digital engagement and improving efficiency. These investments also enable BofA to stay ahead of the competition. A recovery in the Investment Banking business would act as a positive catalyst in the medium term.

Chevron Corporation (CVX)

Chevron has an attractive global asset base with the demonstrated ability to maintain low single-digit production growth at capital expenditure levels below historical averages. The company has best-in-class cash margins and has consistently reiterated its commitment to returning capital to shareholders. These factors, combined with a robust balance sheet, result in attractive and stable returns for long-term shareholders.

Comcast Corporation (CMCSA)

Comcast's extremely strong cash generation in its Connectivity & Platforms business (specifically residential broadband), comprehensive approach to its media business, and shareholder-aligned capital allocation priorities make it an excellent investment. CMCSA has demonstrated its ability to drive revenue growth and margin expansion in residential broadband even in environments with low customer net additions. CMCSA views streaming as an extension of its overall media business, not a distinct source of revenue, which allows the company to make better decisions on content spending and properly manage overall business risk.

ConocoPhillips (COP)

ConocoPhillips is the world's largest pure play E&P company with differentiated productivity and a healthy balance sheet that sets it apart from the higher leverage more typical within the E&P space. The company has recently reached multiple agreements related to LNG (liquefied natural gas) offtake, providing exposure to international LNG markets which have experienced increased demand due to energy security concerns and LNG's lower carbon emission levels

relative to coal power. Consistent but rational production growth, excellent capital discipline, and recently signed LNG offtake agreements make COP a strong long-term investment.

Diageo PLC (DEO)

Diageo is a large multinational producer of alcoholic beverages. The company has a strong portfolio of brands with positive exposure to industry trends. Specifically, in recent years the alcoholic beverage industry in the US has experienced a shift towards liquor. Within liquor, there has also been a shift towards tequila, especially at the premium and super-premium price points. DEO's brands, specifically Don Julio and Casamigos, have been well positioned to capitalize on this trend. While this share shift has recently decelerated in the US due to scale, we expect that DEO will be able to utilize its global footprint to potentially drive similar opportunities in other developed markets.

DuPont de Nemours, Inc. (DD)

DuPont de Nemours' offers superior risk-adjusted long-term growth potential versus peers due to the company's multiyear focus on expanding into specialized end markets that are driven by secular trends, as opposed to more commoditized and cyclical markets that the company historically operated within. DD's E&I (Electronics & Industrial) segment provides the company with exposure to semiconductor fabrication and the trend towards more advanced chips increases the company's sales per wafer square inch. The W&P (Water & Protection) segment allows DD to capitalize on stable global demand growth for water purification and industrial wastewater processing.

Eastman Chemical Company (EMN)

Through its vertical integration, focus on specialized products, and exposure to unique growth drivers, Eastman differentiates itself as a strong investment within the materials sector. The company's vertical integration of manufacturing streams reduces its exposure to volatility in commodity chemical prices in addition to lowering input costs for more advanced materials. EMN's focus on more specialized products results in revenue that is less exposed to major shifts in macroeconomic conditions. Eastman's molecular recycling technology (methanolysis) projects are the linchpin of our thesis and will be the primary driver of growth for the company over the next 5+ years. This technology is essential to solving the global plastic waste problem and numerous major companies have already signed agreements booking capacity at the future plants. Critically, EMN has designed this business to have established terms for feedstock and product pricing; the stable margins resulting from this structure combined with robust global demand make this an incredible long-term growth opportunity for the company.

Equinix Inc. (EQIX)

Equinix, a leading global digital infrastructure company, is strategically positioned to capitalize on significant secular trends driven by growing reliance on data, increasing cloud usage, and AI adoption. Its revenue diversification spanning multiple regions and customers, coupled with robust management execution, a wide array of offerings, a network effect moat with dense ecosystem of partners and enterprises, and unparalleled dominance in global interconnections and cloud on-ramps, solidify its premier status within the real estate sector. Considering the acute sensitivity of AI applications to latency, combined with widespread AI adoption globally, Equinix is poised to experience heightened demand for its interconnected data centers as it offers cost-efficient, customizable solutions capable of managing substantial AI inference workloads with low-latency, while having close proximity to the cloud. Additionally, escalating power density requirements and an industry-wide demand-supply imbalance should help sustain and improve profitability in the foreseeable future. Equinix's stellar balance sheet allows it to capture secular industry tailwinds by providing flexibility to pursue growth opportunities or strategic acquisitions, such as the development of hyperscale data centers and investments in innovative technologies like liquid cooling.

Evergy, Inc. (EVRG)

Evergy is a public utility holding company engaged in the generation, transmission, distribution, and sale of electricity in Kansas and Missouri. Evergy has a significant CapEx opportunity as it continues to retire coal power plants and invest in cleaner energy sources, such as wind, solar, and hydrogen-capable natural gas. This would help support its EPS growth targets, reduce regulatory risks, gain high incentives from regulators, and can potentially lead to capital appreciation as valuation re-rates towards the higher multiples of clean energy companies. Along with cleaner energy sources additions, it is also making significant investments in transmission and distribution projects to enhance shareholder returns. Additionally, continuous cost reduction and efficiency initiatives would help improve its price competitiveness relative to other peers.

Gilead Sciences, Inc. (GILD)

Gilead’s robust HIV franchise will drive strong and consistent cash generation for the company in years to come. Settlements reached in 2022 place GILD’s LOE (loss of exclusivity) exposure at the lowest among large cap pharmaceuticals and biotech. Additionally, development of lenacapavir has given GILD a next-gen offering for both HIV treatment and PrEP (pre-exposure prophylaxis).

Furthermore, Gilead’s focus on pipeline development and expansion into non-viral markets (specifically oncology) has provided the company with growth opportunities that are diversified

from its traditional markets. With a number of key assets in this area and expanding scale within cell therapy, this should be an additional growth driver for the company over the long-term.

Honeywell International Inc. (HON)

Honeywell's diversified business segments and offerings allow it to capitalize on a number of secular tailwinds in addition to business spending from macroeconomic growth and consistent margin expansion from internal efficiencies. HON has exposure to green technologies and investment within its segments of HBT (Honeywell Building Technologies) via healthy buildings and PMT (Performance Materials & Technologies) via sustainable technology solutions. Additionally, the company's highly profitable aerospace unit has a strong market position in an industry that is experiencing robust growth. The SPS (Safety & Productivity Solutions) segment provides exposure to the major shift in companies' approach to manufacturing, with industrial sensing, productivity solutions, and warehouse automation.

Johnson & Johnson (JNJ)

Johnson & Johnson's spinoff of its consumer health segment provides JNJ with the opportunity to better pursue growth opportunities and further streamline costs. JNJ's Innovative Medicine business has demonstrated strong commercial execution and has a robust pipeline. It expects to achieve $57B in segment sales by 2025 (vs $54.8B in FY23) followed by a +5% - 7% CAGR from 2025 - 2030. The company's immunology and oncology portfolios should be the primary drivers of this growth. Additionally, JNJ has a robust medical devices business, with leading positions in orthopedics, surgery, and vision. Here, JNJ expects sustain growth at the upper end of projected market growth rates (+5% - 7%) from 2022 through 2027. These attractive top-line growth prospects combined with Johnson & Johnson's strong balance sheet, stable margins, and shareholder-aligned capital allocation priorities make it an attractive long-term investment.

JPMorgan Chase & Co. (JPM)

JPMorgan is the largest bank globally that controls over 10% of the U.S. bank deposits. It is led by an industry-leading and prudent management team. JPM is well positioned to outperform the industry given its strong deposit pricing power, robust card business, synergies from the First Republic acquisition, relatively higher ROE and ROTCE ratios, and healthy balance sheet with strong capital ratios. Additionally, any recovery in the investment banking market would act as a positive catalyst in the medium term.

L3Harris Technologies, Inc. (LHX)

L3Harris Technologies has a strong position in tactical communications, which have proven to be essential on the modern battlefield. The company has further bolstered its position and increased revenue synergy potential in this area with the acquisition of TDL (Tactical Data Link). LHX also has outsized exposure in areas that will be critical to future warfare, specifically hypersonic missile tracking and, through its acquisition of Aerojet Rocketdyne, solid rocket engines (used in missiles, including hypersonic). The company has committed to expanding margins in each of the next 3 years via the LHX NeXt program and has already demonstrated significant progress in realizing run-rate cost savings.

McDonald's Corporation (MCD)

McDonald’s is the world's largest fast-food chain, boasting an efficient franchise model, exceptional marketing prowess, and best-in-class technology. During economic downturns, MCD’s adaptive management strategies and cost-effective dining options should help attract customers who trade down from relatively expensive, full-service restaurants, thus boosting transaction volume and outperforming competitors. Its loyalty program and other digital initiatives provide valuable insights that the company leverages to make informed decisions and offer personalized recommendations and promotions. The loyalty program has boosted customer retention, dining frequency, and satisfaction. Moreover, the emphasis on small-format restaurant opportunities (such as CosMc) and expansion into underpenetrated regions (including emerging markets) positions McDonald's for future growth.

Microchip Technology Incorporated (MCHP)

Microchip Technology is a strong long-term investment because of the company’s demonstrated ability to achieve operational excellence and its favorable end market profile with primary exposures in lower volatility areas (such as industrials vs PCs, smartphones). MCHP’s core narrative has continued to improve since the company’s acquisition of Microsemi in 2018. It has been able to consistently realize synergies with MCHP expanding gross and operating margins. The company has demonstrated agility through various business environments and is committed to maintaining superior margins throughout cycles, shown by the achievement of higher highs and higher lows for margins through cycles. Furthermore, the company is acutely aware of shareholder interests and has demonstrated with through its capital allocation over the past few years.

Microsoft Corporation (MSFT)

Microsoft's strong core business lines and leading position in the burgeoning AI revolution make it a strong investment. The company has a dominant position in productivity software through its Microsoft Office products, with the capability to further enhance this position and price per license via the implementation of AI-based tools in the suite. Additionally, MSFT has one of the top positions within the CSP (cloud service provider) industry. This market has experienced significant growth in the past few years but there have been few ways for CSPs to differentiate their services from competitors. MSFT's investment in and partnership with OpenAI has the potential to grant Microsoft the edge that it needs to further increase its share in the industry.

Novo Nordisk A/S (NVO)

Novo Nordisk has a dominant position in the global diabetes and obesity markets. The company's GLP-1 franchise continues to fuel strong growth in both markets. The standard of care for Type 2 Diabetes continues to shift towards GLP-1 based treatments, where NVO has both oral and once-weekly injection offerings.

Additionally, the publication of SELECT CV trial results demonstrates Wegovy's benefit in reduction of cardiovascular events. This should be the key data point required to drive reimbursement for obesity treatments across the globe, which is a key factor in any drug's lifetime value. There are a number of ancillary opportunities for Novo's existing drugs, as demonstrated by the FLOW trial in kidney failure and early indications that GLP-1s have the potential to treat alcohol abuse.

PepsiCo, Inc. (PEP)

PepsiCo is a global leader in the snacking and beverage industries with exposure to all regions and the best distribution of any major snacking company. Within beverages, the strength of the company's brands has been demonstrated with resilient performance despite pressure on consumers. PEP has been focused on expanding margins within beverages, which should further fuel bottom-line growth. PepsiCo continues to see significant growth in savory and salty snacks, with robust share gains. PEP's stable beverages revenue, strong snacking growth, and expanding margins make it an excellent long-term investment.

RTX Corporation (RTX)

RTX, formerly Raytheon Technologies, is a large defense prime with diversified non-platform franchises and an attractive global sales reach. Its larger programs grant exposure to multiple key

areas of defense budget focus, including missiles (hypersonics), missile defense, and space. RTX also has highly profitable exposure to the commercial aerospace market via the Collins and Pratt & Whitney segments, with high margin aftermarket sales providing leverage to continued global air traffic recovery.

Sempra (SRE)

Sempra has a solid track record and operates in attractive geographies that are seeing robust macro growth. We remain confident in Sempra's ability to achieve its annual EPS growth rate of 6% to 8% in the long-term, supported by its capital plan and LNG projects pipeline. Furthermore, its California business is likely to see tailwinds from clean energy solutions as California aims to achieve carbon neutrality by 2045. The company is seeing strong demand for its energy delivery services in Texas and is also capitalizing on robust global LNG demand with projects such as Cameron and Port Arthur LNG that have vast reach and substantial headroom for expansion. However, newer and future projects might encounter delays in obtaining the required permits to begin operations due to the temporary pause by Biden administration on applications for LNG export authorization to non-Free Trade Agreement (non-FTA) countries. We anticipate that this pause will be lifted within a few quarters, given the substantial advantages of LNG and the increasing global push for cleaner energy sources to reduce reliance on coal and oil, thus we maintain a bullish outlook on the stock.

Shell PLC (SHEL)

Shell is one of the largest energy companies in the world and has a strong base of core assets. COVID was the wake-up call that the company needed in order to redefine strategic aspirations, rationalize capital allocation, and rightsize its net debt position. With its Integrated Gas segment, particularly its differentiated LNG (liquefied natural gas) portfolio, SHEL benefits significantly from regional dislocations in energy prices caused by macro events, which have been increasing in frequency. LNG is also viewed as a transition fuel in global decarbonization which provides additional demand as the world still requires energy in the decades required to implement a green transition. The company has a long history of prioritizing shareholder interests and the reduction of net debt combined with ramping return of capital to shareholders further extends this track record.

The Home Depot, Inc. (HD)

Home Depot is the market leader in the home improvement industry with a solid track record. While we expect shorter-term challenges driven by macroeconomic uncertainty and normalization of home improvement wallet share, long-term industry trends are highly favorable.

The vast majority of homeowners have fixed-rate mortgages under 5% and US housing supply has been at historic lows for multiple years. These factors are driving homeowners to stay in their current homes rather than purchasing a new one. This, combined with an aging housing stock (oldest since World War II), results in a structural and relatively macro-resilient demand for repair and remodel.

HD is well situated to capitalize on these tailwinds and outperform the market. It has a robust and growing product offering, an industry-leading distribution network, significant customer insights, and is strategically investing to become a one-stop-shop for Pros which would allow it to capture greater market share in complex projects. The introduction of Pro loyalty program tiers, focus on efficiency initiatives, and ongoing investments in technology and the Pro ecosystem position Home Depot for continued success in years to come.

The PNC Financial Services Group, Inc. (PNC)

PNC has a diversified loan book with a strong credit quality (one of the lowest NCOs in the industry on a historical basis), thus limiting the downside risk in an economic slowdown. Additionally, its robust dividend yield, buybacks track record, cost saving initiatives, and increasing penetration in BBVA USA markets makes us bullish on the stock.

The Procter & Gamble Company (PG)

Proctor & Gamble's continuous focus on product innovation and their excellent ability to convey the incremental value created by this to consumers places the company in an ideal position to grow at or above market rates while experiencing less volatility due to the relative stickiness of demand for their specific products.

The company is well diversified across a wide range of household products. It also intentionally prices its various brands at different price points, which helps mitigate downside from consumer trade down. The diversification of offerings and intentional pricing both help to reduce top-line volatility for the company.

United Parcel Service, Inc. (UPS)

Our positive outlook on UPS is driven by the company's focus on margin improvement in the US Domestic segment after the contraction experienced following the Teamsters negotiation. The company expects this to be driven by numerous productivity improvements and customer mix shifts. The new union contract structure front-loads costs within the first year, which will be a headwind to margins in the near term. This has been well priced in and is reflected in the share price; however, we believe that there is significant upside potential over the long-term, as the

cost structure over the entire 5-year duration of the contract is favorable, at just a 3.3% CAGR, which when combined with progress on efficiency initiatives, should allow UPS to resume margin expansion following Q2 2024. Additionally, the finalization of the Teamsters agreement de-risks the company's labor and union exposure for the next 5 years.

Though it operates in an industry with few ways to differentiate services from competitors, the company has proven its ability to drive major shifts on the cost side of the business by continually implementing transformative technologies such as RFIDs used in smart scanning and loading as well as routing packages through automated hubs.

U.S. Bancorp (USB)

US Bancorp is set to benefit from cost and revenue synergies from the Union Bank acquisition in the medium term. It has solid payment service solutions which can be cross-sold to Union Bank's customers. While its capital ratios declined materially post-Union bank merger in 4Q22, the bank has notably improved its capital ratios since then by actively taking prudent measures such as pausing buybacks and optimizing risk-weighted assets, which bodes well for the management and its ability to meet Category II requirements (when its assets exceeds $700B). Additionally, it has a robust net interest margin and credit quality, and industry-leading ROTCE ratio.

Wells Fargo & Company (WFC)

Despite encountering growth limitations due to the asset cap, Wells Fargo has remained dedicated to enhancing shareholder returns by implementing cost-saving measures, which notably include workforce reductions. It is in the process of transforming the business after past mishaps via its implementation of risk and control framework. This may help to provide relaxation or removal of the asset cap which can in turn fuel WFC's growth prospects significantly and reduce regulatory and risk work-related costs. WFC has an ambitious target to reach 15% ROTCE over the cycle through optimizing capital and additional efficiency initiatives which can help deliver strong returns.