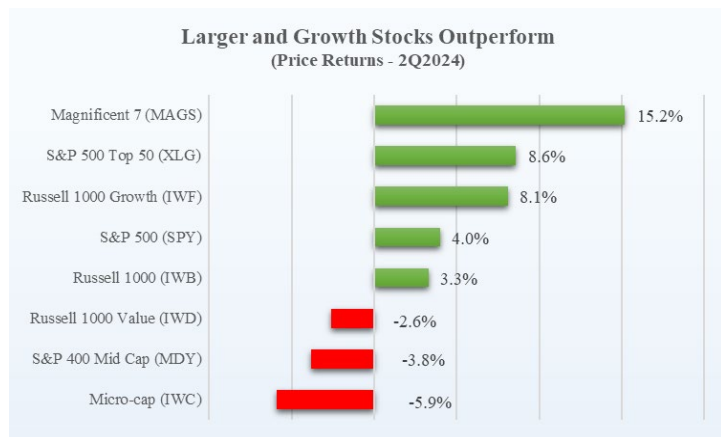


In the second quarter of 2024, the S&P 500 returned 4.3%. This uptick extended the trend from the previous quarter, with the Technology and Communication Services sectors continuing to dominate, fueled by a surge of optimism surrounding AI advancements.

Inflation showed signs of improvement, inching closer to the Fed's 2% target after a series of unexpectedly high Consumer Price Index (CPI) reports in Q1. This shift in inflation data led to evolving market sentiments and prompted the Fed to adopt a more positive tone. Meanwhile, uncertainty around election results contributed to market volatility, with potential impacts on economic policies.

The chart on the right illustrates that the market rally was driven by sustained outperformance from major companies and growth stocks. Nvidia alone accounted for nearly half of the tech sector's gains year-to-date, with its rally exceeding 100%.



Source: AlphaSense

Cooling Inflation and Signs of Economic Softening: Rate-Cutting Cycle Set to Begin Soon

We are observing a macroeconomic environment where economic growth is slowing but remains positive, the labor market is showing signs of softening yet remains robust, inflation appears to be easing, and the Fed is likely to initiate its rate-cutting cycle within the coming months.

Recent favorable CPI reports confirm that inflation has resumed its sustained downward trajectory towards 2% of the Fed's target after consistently above-expectation inflation data in the first quarter. That said, there are still two more sets of monthly incoming data before the September FOMC meeting, where a rate cut with over 90% probability is highly anticipated, as per the FedWatch tool. While the recent data has been favorable, an uneven trend may prompt the Fed to proceed cautiously with rate cuts unless the economy or labor market weakens materially. The market anticipates two to three rate cuts this year, potentially one in

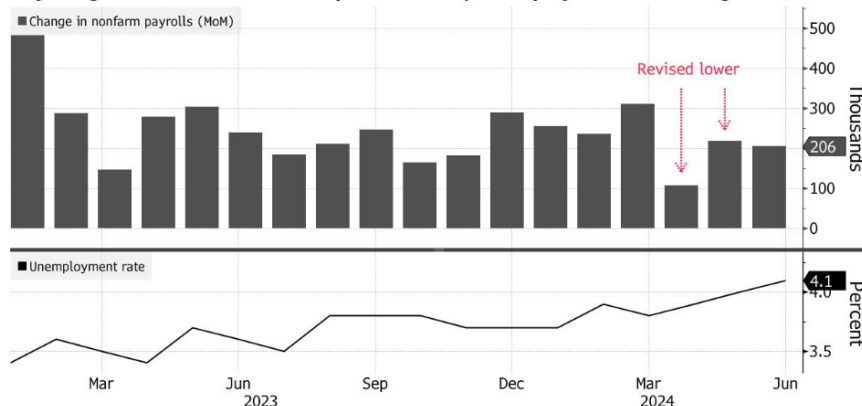
September, another in November, and possibly one in December.

The health of the labor market and the overall economy also influence the trajectory of inflation and the Fed's stance.

While job openings remain elevated, the balance between labor supply and demand has significantly improved and is now roughly in line with 2019

Job Market Cools in Second Quarter

Payroll growth revised lower in prior months, unemployment climbs higher



Source: Bureau of Labor Statistics

levels. There are currently about 1.2 job openings per unemployed person, a notable decrease from the peak of over two openings per unemployed person in early 2022. Although the unemployment rate remains low, it has edged above 4%, and wage growth has also slowed from its previously elevated levels. These trends help avoid potential overheating in the labor market that could have led to a resurgence of inflation.

The U.S. economy also remains strong, but the pace of growth has slowed from 2023 levels. Annualized Q1 GDP grew at 1.4%, softer than 3.4% in Q4 2023, but this still does not signal the likelihood of a recession. Retail Sales data continue to reflect strong consumer spending, although there are signs of weakness among lower-income consumers. This weakness is not unexpected as cash buffers have been depleted, and both inflation and interest rates remain high. Consequently, the shift from discretionary to non-discretionary spending has accelerated, likely making consumers more selective about where they spend. However, overall consumer health and spending remain robust.

US Economy Shows Signs of Slowing Amid Softer Data Citi's economic surprise index hits the lowest level since August 2022

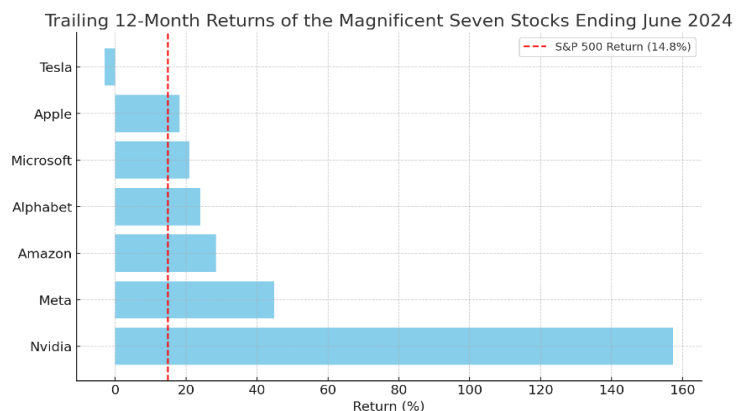


Given the slowing economy and emerging signs of weakness in the labor market, we believe the risk of inflation resurging is now lower than it was previously, with the soft landing still on track. Therefore, a rate-cutting cycle should begin in the coming months.

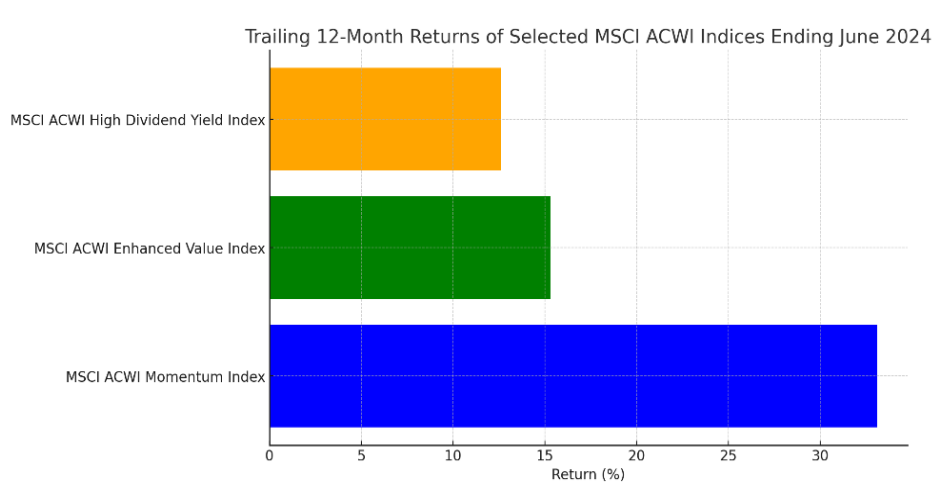
Our portfolio construction discipline makes us short a key market driver, momentum

Over the past several months, momentum has played a significant role in driving the U.S. equity markets. Major technology stocks, often referred to as the "Magnificent Seven" (including companies like Nvidia, Microsoft, Meta, and Amazon), have been key contributors to market rallies and accounted for a substantial portion of market gains.

As of mid-2024, the "Magnificent Seven" stocks—Apple, Microsoft, Alphabet (Google), Amazon, Nvidia, Meta (Facebook), and Tesla—collectively account for approximately 31% of the S&P 500's total market capitalization. As the chart demonstrates, all but Tesla outperformed the market, and Meta and Nvidia outperformed significantly.



Source: Investor's Business Daily and YCharts



During the 12 months ending June 2024, the momentum factor returned 33.1%, while dividend strategies returned 12.6% and value strategies returned 15.3%:

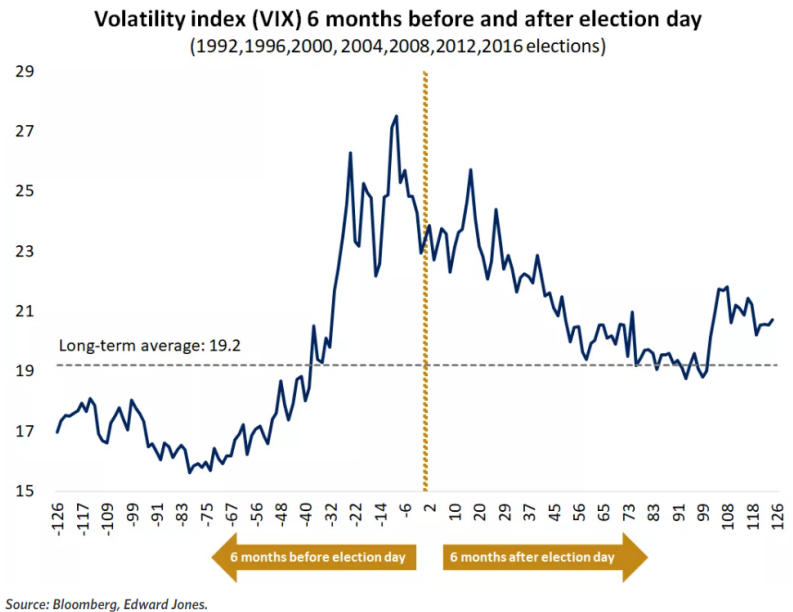
Source: MSCI

Brookmont’s investment philosophy related to portfolio construction includes a disciplined rebalancing of positions whose size exceeds 5% of the portfolio. This results in the strategies being short of the momentum factor, which puts the strategy at a disadvantage when a handful of momentum-driven growth stocks dominate markets. However, over-exposure to momentum can lead to higher volatility and risk if and when the trend reverses. We stand by our disciplined management style even during short periods of underperformance. Our approach keeps investors better exposed to the equity markets over the entire market cycle than more speculative philosophies.

Election uncertainty, Biden in particular, and the market implications

The 2024 presidential election is one to remember, and we are not even past the party conventions. On Sunday, July 21st, President Biden dropped out of the race, and now the presumptive nominee is Vice President Kamala Harris. We cannot predict that she will be the nominee that emerges from the convention, but we do predict more uncertainty. As the Democratic Party tries to find a candidate to unite, there will not be much policy discussed during the campaign that would necessarily affect financial markets. Most of their rhetoric will be focused on Donald Trump’s character. According to PredictIt, Trump has a 61% chance of winning the presidency, and Kamala Harris has a 36% chance of winning. Historically, presidential elections have not dramatically impacted financial markets, but this election could be different for several reasons. The first is the volatility associated with Trump’s rhetoric. During his first term, several prominent financial firms began tracking the volatility related to the number of Trump tweets and the subject. These firms, including Goldman Sachs, did find a correlation between Trump’s tweet rhetoric and volatility in

the equity market. On July 17th, President Trump commented on not protecting Taiwan unless they start paying the US for defense. This led to TSMC shares closing 2.4% lower and NVDA shares closing 5.5% lower that day. This is the type of volatility we can expect from Trump's rhetoric as we get closer to the election and his odds of winning continue to increase. The chart on the right shows that market volatility (VIX) increases significantly as presidential elections approach, indicating the market's heightened sensitivity to political events. Some policies that Donald Trump has spoken about that have the potential to move markets include;



- a 100% increase in tariffs on China,
- a 10% increase in tariffs on all goods coming into the country,
- closing the southern border,
- lowering the corporate tax rate to 15%, and
- changing the current Western alliances to be more economically favorable to the US.

For the sake of brevity, we cannot go through every proposed policy change, but should these policy initiatives be implemented brashly, they could increase inflationary pressure. Tougher on China and a more protectionist trade policy coming out of this election could accelerate the process of AI adoption and automation to facilitate on-shoring. Despite moving away from Biden, Trump's chances of winning remain high. His policies should be more pro-domestic business and less favorable to companies with significant foreign investments and revenue.

Integrating The Quality Factor Enhances Your Portfolio

Within the context of stretched AI valuation and election uncertainty, we believe a premium should be paid to the "Quality Factor." Integrating quality can provide greater downside protection and reduced volatility while maintaining growth potential for long-term investors. Quality companies typically have low leverage and strong cash flows, making them less susceptible to high interest rates. Additionally, they often possess pricing power, allowing them to pass increased costs to customers during inflationary periods, thereby protecting their margins. These traits help avoid value traps by identifying fundamentally sound, undervalued companies less likely to experience sharp declines during downturns and recover more quickly from troughs. This resilience makes the quality factor a significant contributor to portfolio performance, particularly during challenging market conditions.

Characteristics	Quality	Growth	Value
Focus	Companies with robust fundamentals, competitive advantages, and consistent profitability	Companies with high earnings growth potential	Undervalued stocks are trading below intrinsic value, with an emphasis on finding overlooked companies.
Advantages	Lower volatility and downside risk compared to growth stocks. Well-suited for long-term investors focused on wealth preservation.	Potential for rapid price appreciation during bull markets	May offer dividend income and relative safety in down markets; significant gains if undervaluation is corrected.
Valuation	Moderate	High	Low
Volatility	Low	High	Low
Dividends	Generally average, safer, and growing dividends	Low or none	High
Potential Risks	There is less potential for dramatic short-term gains, and they may lag behind and appear less exciting than growth stocks in a bull market.	Can become disconnected from fundamentals; Prone to sharp corrections when sentiment shifts; Innovation risk: may fail to live up to the hype.	May underperform in a bull market; Value Traps that may stay undervalued.
Rationale	Sustainable business models will lead to long-term outperformance	Future earnings will justify a higher current price	The market will eventually recognize undervaluation, leading to price appreciation

Why Brookmont Moving Forward

With a market driven by momentum and not fundamentals, coupled with the uncertainty surrounding the presidential election cycle and rates, investing in fundamentally sound companies at reasonable valuations is more important than ever. As always, the team at Brookmont carefully evaluates a 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. We continuously evaluate them to ensure 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, and well-covered dividends continues to represent an attractive allocation for strategic investors in the equity market. This, coupled with rate volatility, represents greater relative value compared to fixed-income alternatives. The team at Brookmont is happy to share additional thoughts on the markets and our portfolios.

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.

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. 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.

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 benchmark is the Russell 1000 Value and was changed on October 1, 2020 from the Russell 1000 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.

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 Dividend Growth Strategy Composite is measured against the Russell 1000 Index. The Russell 1000 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 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment.

Brookmont's returns do include reinvestment of dividends and are shown gross-of-fees. All transaction costs are included. The Russell 1000 Value or the Russell 1000 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®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization nor does it warrant the accuracy or quality of the content contained herein. 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, Brookmont Core Dividend Strategy, and Brookmont Quality Growth Strategy is available through several institutional platforms and registered investment advisors that are not affiliated with Brookmont Capital Management. Required minimum investments and advisory fees 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 results.