



Brookmont Capital Management

Brookmont Capital Management

Celebrating our Tenth Anniversary

Launched in 2007, Brookmont Capital Management is an employee-owned registered investment advisor based in Dallas, Texas. The firm's clients include individuals and families, public pension plans, foundations, corporations, and registered investment advisers.

Brookmont specializes in dividend equities and offers three distinct SMA portfolios through major brokerage firms, regional investment firms, and leading platforms. We also provide full portfolio management services for individuals and institutions that includes tailored asset allocation, equity portfolios, and ladder fixed income .

Our signature investment strategy is based on a portfolio of individual equities that provide attractive current yields and the opportunity for capital appreciation. Brookmont utilizes a top-down approach because we believe proper investing begins with an understanding of the current economic and market cycles. Our macroeconomic outlook is the primary factor in determining the firm's asset allocation models, sector weightings, and attractive market sectors (including market capitalization, domicile, and equity style).

We believe in several principles of investment management. It is an art as much as it is a science. Quantitative measurements are only part of the story. Behind every stock is an actual company that includes management, employees, and products or services that are sold to a target audience. Once our universe of eligible holdings is run through an extensive screening process, we research these companies to find the ones that include superior management, strong brands, and competitive industry positioning.

Long-term holdings are an investment; short-term investments are speculation. Diversification does not require owning 100 stocks. It is achieved by owning a portfolio of stocks with low internal correlation. The stock market has produced a 10% annual return over several decades, with 3% from dividend income and 7% from capital gains. Do not ignore 30% of the market's annual returns.

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Our Investment Philosophy and Process

Brookmont Capital Management specializes in dividend-paying common stocks. We have concentrated on this market sector since the day our firm opened its doors in 2007. We have expanded our SMA portfolios during the years, but have never wavered from the philosophy that current yield and dividend growth are an integral part of long-term total returns.

Brookmont is a top-down manager in that our first decision is determining which sectors provide near-term and intermediate potential. The objective is to determine the current position in a normal economic-cycle and overlay the cycle with the market's historic sector performance.

Our portfolios are built with securities that offer an opportunity for capital appreciation. The portfolios do not include fixed income securities, preferred stocks, or other investments that are purchased primarily for current income.

Our portfolios do not include the market's highest-yielding stocks. "Reaching for yield" in the stock market can be just as dangerous as investing in junk-bonds and illiquid securities. A high current yield is a red flag that should not be ignored.

Our portfolios do not include concentrations in specific sectors or individual holdings. Our compliance policy restricts sector weightings to a maximum 20% of the total portfolio, and individual holdings are restricted to a 5% maximum weighting.

The normal annual turnover is 10% with a range of 5-20%. We buy stocks for their long-term potential based on a long-term theme. This may include buying companies that are focused on the growing consumer market in emerging countries, medical companies that are advanced in cardiovascular and oncology, or products that are geared to the Millennium Generation.

We do not manage our portfolios based on a single month of economic data, on current market "fads," or a motivation to chase performance. This normally leads to making poor decisions and lower long-term investment returns.

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Brookmont offers three distinctive equity portfolios that emphasize current yield, dividend growth, and a balance of current income and rising dividends. Each Strategy includes long-only positions that are not restricted to a specific equity style, domicile, or market capitalization. Risk is controlled through rebalancing and maximum weightings in a specific sector and individual holdings. The portfolios are constructed to hold positions that have low internal cross-correlation.

	<u>Dividend Equity Strategy</u>	<u>Core Dividend Strategy</u>	<u>Dividend Growth Strategy</u>
Benchmark	Russell 1000 Value	Russell 1000	Russell 1000
Equity Style	Core/Value	Core	Core/Growth
Inception	January 2008	January 2015	January 2015
Beta	0.69	0.98	0.96
12-month Forward Yield*	3.20%	2.82%	2.17%
12-month Dividend Growth	5%	6%	12%
Largest Sector Weightings	Health Care, Technology	Technology, Health Care	Health Care, Discretionary
Non-U.S. Holdings	18%	14%	8%
Large-Cap Allocation	87%	86%	82%
Small and Mid-Cap Allocation	13%	14%	18%
Number of Holdings	37	40	33
(Statistics as of 09/30/17)			



Dividend Equity Strategy

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The Brookmont Capital Dividend Equity Strategy is a diversified portfolio of individual holdings that provide above average dividend yields with the potential for long-term capital gains. The Strategy is not limited to a certain “style” or market capitalization. Instead, it invests in high-quality stocks that offer attractive valuations with below-market risk profiles. We avoid making large sector bets or concentrations in individual names. The Strategy normally invests in the major economic sectors as defined by the S&P 500 Index.

Recognitions for Investment Performance – the Dividend Equity Strategy has received numerous awards from respected data agencies based on its past performance. The recognitions below are based on gross-of fees unless noted. Further information (including important disclosures) on each recognition is available upon request.

Lipper/Thomson Reuters

- Has been ranked as the #1 US Large-Cap Value Manager and #1 US Large-Cap Manager (based on 5-year performance)

Morningstar’s SMA Database

- Was ranked as the #1 Large-Cap Value Manager and #1 Dividend Equity Manager based on 5-year performance

Informa Investment Solutions (Informais)

- Listed as the Top Large-Cap Value Manager (6-Stars) for three consecutive quarters
- Recognized 11 times as a “Bull and Bear Master” based on 3-year Upside and Downside Capture Ratio
- Ranked among the Top 1% of Large-Cap Value Managers (based on performance since inception) – September 2017

Zephyr

- Has been ranked as the #1 Large-Cap Value Manager (5-year performance)

WrapManager

- WrapManager’s Top Equity Money Manager Picks for 2015

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Investment Objective

- The **Brookmont Capital Dividend Equity Strategy** invests in common stocks that provide above-market average dividends with a history of increased quarterly payouts.
- The Strategy normally invests in all sectors of the economy (*represented by the S&P 500*) and may invest in domestic and foreign securities ranging from small to large-cap stocks.
- Annual turnover has ranged from 5% to 20%
- Top-down approach that emphasizes sector selection based on economic and market cycles
- Investment philosophy includes generating cash flow, downside protection, and potential for capital gains
- The portfolio includes low correlated securities
- The portfolio manager has 17 years of experience in dividend equities and 28 years in asset management

Annualized Returns (as of 09/30/2017)

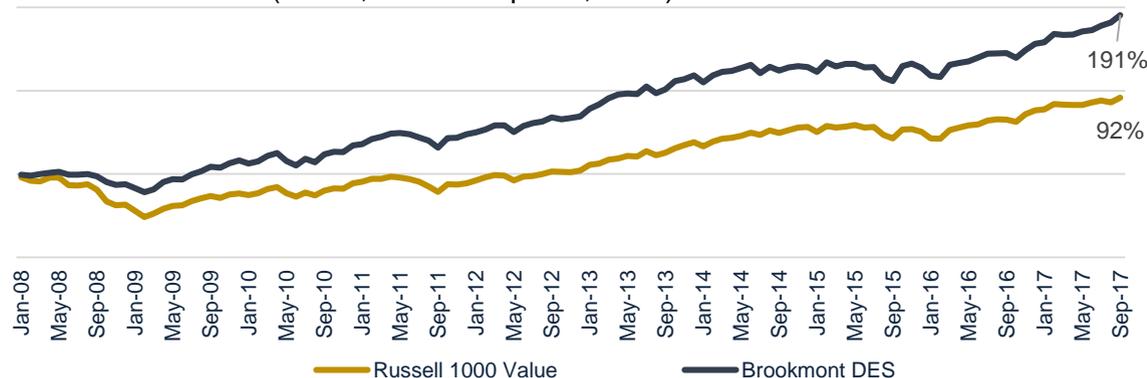
	<u>3rd Qtr.</u>	<u>Year-to-Date</u>	<u>1-Year</u>	<u>3-Year*</u>	<u>Inception*</u>
Dividend Equity Strategy	6.62%	13.57%	18.71%	9.09%	11.60%
<i>(net of fees)</i>	6.47%	12.95%	17.85%	8.23%	10.84%
Russell 1000 Value	3.11%	7.92%	15.12%	8.53%	6.72%

Inception January 1, 2008
*annualized returns

Calendar Year Returns

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Dividend Equity Strategy	-12.28%	32.44%	15.58%	10.03%	14.45%	29.24%	4.66%	-0.51%	12.63%
<i>(net of fees)</i>	-12.83%	31.88%	14.60%	9.23%	13.93%	28.64%	4.07%	-1.32%	11.75%
Russell 1000 Value	-36.85%	19.69%	15.51%	0.39%	17.51%	32.53%	13.45%	-3.83%	17.34%

Cumulative Performance (Jan. 1, 2008 – Sept. 30, 2017)



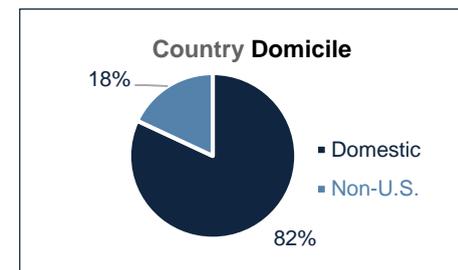
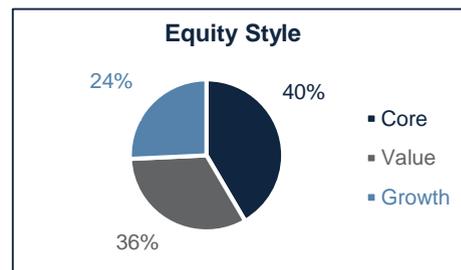
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Strategy Statistics (Since Inception)

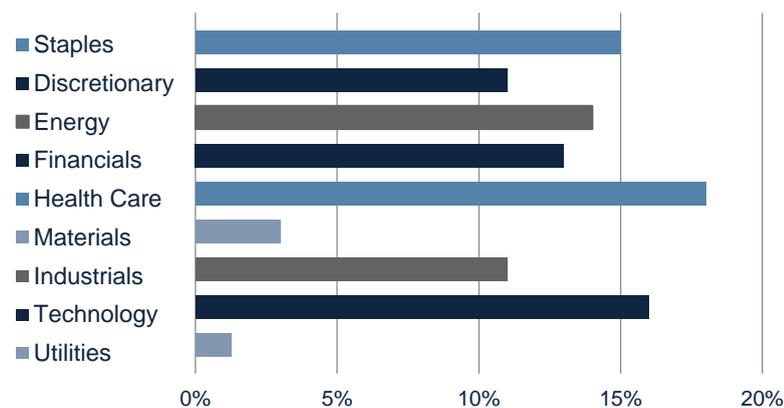
	Strategy	Russell 1000 Value
Alpha	6.19	-1.39
Beta	0.69	1.04
R2	86	96
Upside Capture	88	99
Downside Capture	59	106

Strategy Characteristics

	Strategy	Russell 1000 Value
Dividend Yield	3.10%	2.50%
P/E Ratio	18x	17x
Avg. Market Cap.	\$143B	\$118B
Return on Equity	28.5	12.6
Return on Assets	8.02	4.38



Sector Weightings



Largest Composite Holdings

JPMorgan	4.14%
McDonald's	4.10%
Home Depot	4.08%
Unilever	4.08%
Royal Dutch Shell B	3.97%
Chevron	3.97%
Novo Nordisk	3.80%
United Parcel Service	3.55%
Wells Fargo	3.33%
Novartis	3.21%



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Disclaimer: Dividend Equity 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 Jan. 1, 2008. Gross-of-fees returns do not include management or custody fees but do include all trading costs.

The Brookmont Dividend Equity Strategy Composite contains fully discretionary accounts with similar value equity investment strategies and objectives. For comparison purposes, the Dividend Equity Strategy Composite is measured against the Russell 1000 Value Index. The Russell 1000 Value Index measures the performance of the large-cap value 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.

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. Past performance is not indicative of future results.

Brookmont's cumulative returns do not include reinvestment of dividends and are shown gross-of-fees. All transaction costs are included. The Russell 1000 Value 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-fee performance was calculated using actual management fees could be lower. Additional information regarding the policies for calculating and reporting returns is available upon request.

Your account returns might vary from the composite's 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.

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.

The Dividend Equity Strategy is available through several institutional platforms and registered investment advisors that are not affiliated with Brookmont Capital. 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.

Brookmont Capital Management

The Principals of the firm have an average of 27 years of experience in Portfolio and Asset Management with a background in equities, fixed income, and alternative securities

Robert Bugg, CFA

Principal, Chief Investment Officer

214-953-0433

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Mr. Bugg has 28 years of experience in managing portfolios for individuals, corporations, and Foundations. Before he founded Brookmont Capital, he served as the Senior Investment Manager for Comerica Bank's Asset Management Department in Texas. In 2000, he helped launch and manage their Dividend Income Strategy. Prior to Comerica, he was Portfolio Manager and Equity Analyst for AmSouth Bank and SunTrust Bank.

As Principal and CIO, Mr. Bugg's responsibilities include the Dividend Equity Strategy, Core Dividend Strategy, and Managed ETF Strategy. He serves on the Investment Policy Committee and directs the firm's asset allocation models.

He graduated from Huntingdon College with a Bachelor of Arts in Marketing and History and earned his Master of Business Administration from the University of Alabama and is a Chartered Financial Analyst.

Neal Scott

Principal, Fixed Income Manager

214-953-0196

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Mr. Scott brings 26 years of experience in fixed income instruments, including taxable and tax-free bonds, short-term investments, and preferred securities. Prior to Brookmont Capital, he spent nine years at Morgan Keegan in their Birmingham, Alabama office. Previous employment also includes institutional fixed income sales with Compass Bank.

As Principal at Brookmont Capital, Mr. Scott manages the firm's fixed income and actively managed cash portfolios. He provides credit analysis for holdings in the Dividend Equity Strategy, directs the firm's new business efforts, and serves on the Investment Policy Committee.

Mr. Scott earned his finance degree from the University of Alabama.

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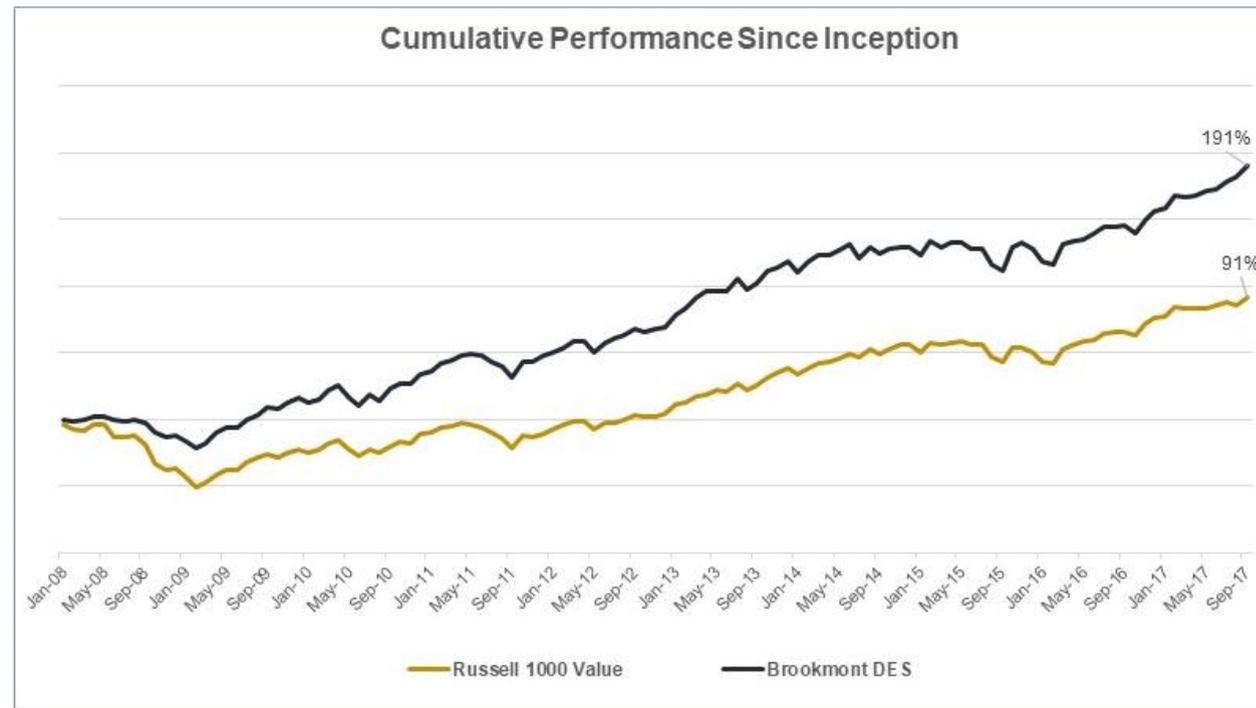
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