



# **BROOKMONT CAPITAL MANAGEMENT**

# Brookmont Capital Management



**Launched in November 2007, Brookmont Capital is a management-owned registered investment advisor based in Dallas, Texas.** Brookmont offers professional investment management through Separate Managed Accounts and direct relationships. Our SMA products are available through national and regional brokerage firms, independent advisors, and asset management platforms. Brookmont also provides custom portfolio management services for individuals, tax-exempt organizations, and corporate institutions.

**As a registered investment advisor, Brookmont Capital has a fiduciary responsibility to act in our clients' best interest and provide sound investment advice.** Our firm avoids potential conflicts of interest and provides full transparency regarding all fees and trading costs.

**Brookmont specializes in dividend-paying common stocks. We have concentrated in this market sector since the day our firm opened its doors.** 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 has received numerous recognitions for its past performance,** which includes being named "Manager of the Decade" by PSN Informais. The Dividend Equity Strategy was listed in four major categories, including being named as the #1 Large-Cap Value Manager and #5 US Equity Manager.\*

**\*Managers of the Decade:** products must have an R-Squared of 0.80 or greater relative to the style benchmark for the latest 10-year period. Moreover, products must have returns greater than the style benchmark for the latest 10-year period and Standard Deviation less than the style benchmark for the latest ten-year period. At this point, the top-10 performers for the latest 10-year period become the PSN Top Guns of the Decade.

**Brookmont utilizes a top-down investment process 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 allocation to attractive market sectors (including market capitalization, domicile, and equity style).

**We firmly believe that proper investment management is an art and a science.** Quantitative models and financial statements are the basis for building a portfolio, but experience in managing dividend equities sets us apart from other asset managers. We know that opportunities with dividend-paying stocks exist in all areas of the market. They can be found in value and growth stocks, small and mid-cap companies, and domiciled in the U.S. and around the world.

- **The Strategies 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.

- **The Strategies 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.

- **Our portfolios do not include concentrations in specific sectors or individual holdings.**

Brookmont's compliance policies restrict 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%.**

We buy stocks for their long-term potential and hold them for a full cycle or longer.

Our signature investment portfolio is the **Brookmont Dividend Equity Strategy**, which is comprised of individual equities that provide attractive current yields and the opportunity for capital appreciation. The **Brookmont Dividend Growth Strategy** focuses on companies that have reached the stage where quarterly dividends and top-line revenue are growing faster than the S&P 500. The **Brookmont Core Dividend Strategy** strikes a balance between dividend growth and current yield, and was built with existing holdings in the Dividend Equity and Dividend Growth Strategies.

# Dividend Strategies

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>
<b>Benchmark</b>	Russell 1000 Value	Russell 1000	Russell 1000
<b>Equity Style</b>	Core/Value	Core	Core/Growth
<b>Inception</b>	January 2008	January 2015	January 2015
<b>Beta (5-year)</b>	0.69	0.98	0.96
<b>12-month Forward Yield*</b>	2.83%	2.69%	1.80%
<b>12-month Dividend Growth</b>	8%	9%	15%
<b>Largest Sector Weightings</b>	Health Care, Technology	Technology, Health Care	Industrials, Staples
<b>Non-U.S. Holdings</b>	16%	13%	4%
<b>Large-Cap Allocation</b>	96%	96%	89%
<b>Small and Mid-Cap Allocation</b>	4%	4%	11%
<b>Number of Holdings</b>	37	43	31
<b>Largest Holdings</b>	JP Morgan, Home Depot	Raytheon, Microsoft	Estee Lauder, ConocoPhillips
(Statistics as of 03/31/18)			

# Dividend Equity Strategy

# Dividend Equity Strategy

## Investment Objective

- The **Brookmont Capital Dividend Equity Strategy** invests in common stocks that provide above-market average dividends with a history of increased payouts.
- The primary objectives include the generation of rising cash flow, downside protection, and long-term capital appreciation.
- The Strategy normally invests in the major 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.
- **Risk Control:** the portfolio is diversified through low internal correlation and restricted weightings in individual holdings and sectors.
- **Experience:** The portfolio manager has 18 years of experience in dividend equities and 28 years in asset management

## Strategy Accolades

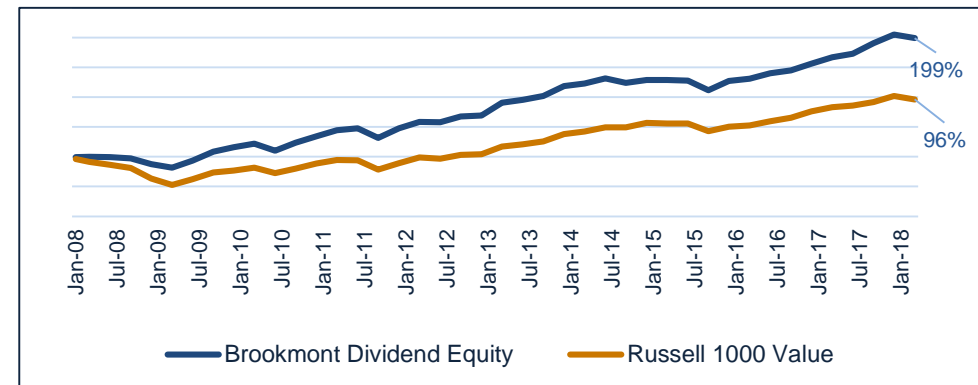
Morningstar	5-Stars (10-year)	4 Stars Overall
Morningstar	#1 Large-Cap Value Manager (10-yr. net)	2008 - 2017
PSN/Informa	#1 Large-Cap Value Manager	2008 - 2017
PSN/Informa	#5 US Equity Manager	2008 - 2017
PSN/Informa	"Manager of the Decade"	2008 - 2017
Lipper	Only Ranked Dividend Manager (10-yr.)	Dec. 2017

## Annualized Returns (as of 03/31/2018)

	YTD	1-Yr	3-Yr*	10-Yr*	Inception*
<b>Dividend Equity Strategy</b>	<b>-2.48%</b>	<b>11.90%</b>	<b>9.30%</b>	<b>11.63%</b>	<b>11.32%</b>
<i>(net of fees)</i>	<i>-2.70%</i>	<i>11.00%</i>	<i>8.42%</i>	<i>10.85%</i>	<i>10.55%</i>
Russell 1000 Value	-2.83%	6.95%	7.88%	9.61%	6.63%

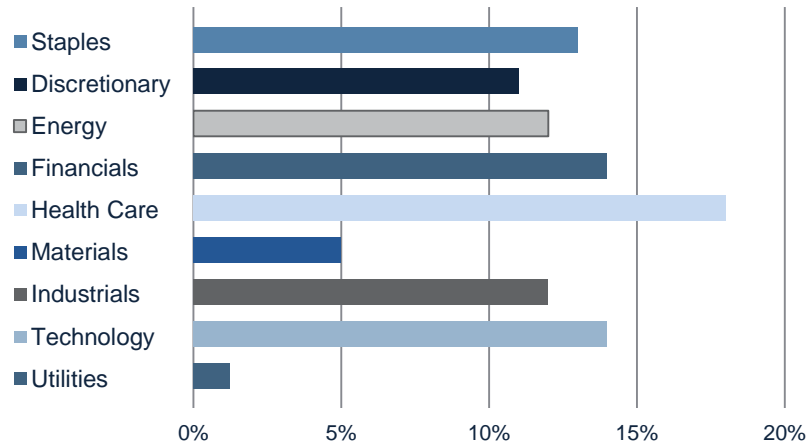
Inception January 1, 2008  
\*annualized returns

## Cumulative Return (Jan. 1, 2008 – March 31, 2018)



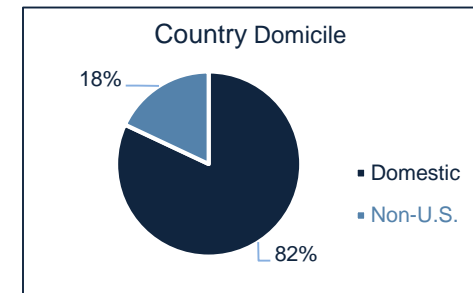
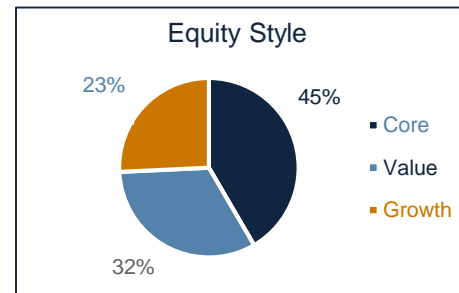
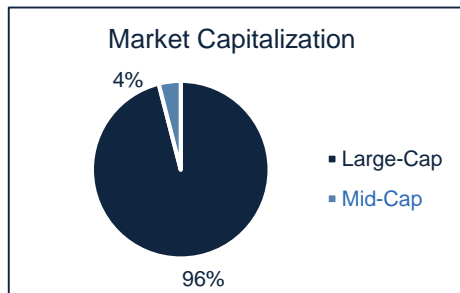
# Dividend Equity Strategy

## Sector Weightings



## Largest Composite Holdings

Company	% of Portfolio
JP Morgan	4.55%
Home Depot	4.38%
Royal Dutch Shell	4.09%
McDonald's	4.04%
Unilever	3.81%
Chevron	3.80%
Novo Nordisk	3.78%
Harris	3.32%
Wells Fargo	3.14%
Abbott Labs	3.10%



## Strategy Statistics

	10-Year	3-Year
Alpha	5.51	1.97
Beta	0.71	0.91
R2	90	87
Upside Capture	92	107
Downside Capture	57	86

## Strategy Characteristics

	Strategy
Yield	2.83%
P/E Ratio	15x
Avg. Market Cap.	\$113 B
Return on Equity	16.8
Return on Assets	4.08

# Dividend Equity Strategy



**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.

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-of-fees returns do not include management or custody fees but do include all trading costs. 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. 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.

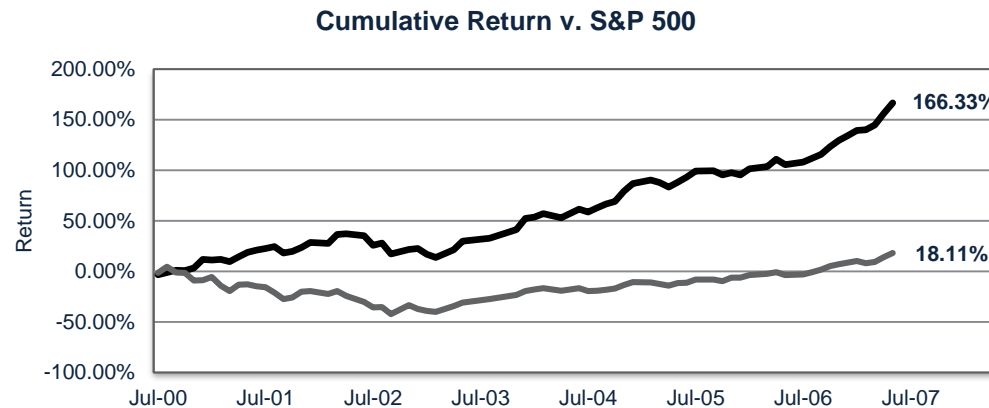
Brookmont Capital Management claims compliance with the Global Investment Performance Standards (GIPS®). To receive a complete list and description of Brookmont Capital's composites and/or a presentation that adheres to the GIPS standards, contact Susan Begando at (214) 953-0190 or write Brookmont Capital Management, LLC 2000 McKinney Avenue Suite 1230 Dallas, TX 75201, or [sbegando@Brookmont.com](mailto:sbegando@Brookmont.com).



# Addendum (Prior Performance)

In August 2000, the manager of the Brookmont Dividend Equity Strategy helped initiate a dividend income strategy at a previous employer and served as its co-manager through May 2007. The calendar and annualized performance results for the strategy are listed below. The same investment philosophy was applied to the Brookmont Dividend Equity Strategy when it was launched in January 2008. **The performance information is for illustrative purposes only and may not be linked with the Brookmont Dividend Equity Strategy.**

	2000	2001	2002	2003	2004	2005	2006	2007 <sup>^</sup>	3-Yr <sup>*</sup>	5-Yr <sup>*</sup>
<b>Prior Performance</b>	<b>12.80%</b>	<b>17.49%</b>	<b>-1.42%</b>	<b>27.89%</b>	<b>22.47%</b>	<b>4.86%</b>	<b>20.48%</b>	<b>10.22%</b>	<b>15.66%</b>	<b>18.60%</b>
<b>S&amp;P 500</b>	<b>-9.10%</b>	<b>-11.68%</b>	<b>-22.10%</b>	<b>28.67%</b>	<b>10.86%</b>	<b>4.91%</b>	<b>15.79%</b>	<b>8.78%</b>	<b>10.44%</b>	<b>6.19%</b>



**Disclaimer:**

- Strategy inception date: August 2000.
- <sup>^</sup>Returns for 2007 are through May 30.
- <sup>\*</sup>Three and five-year returns are annualized.
- Returns are gross of account level fees. Data is derived from a composite of accounts (taxable and non-taxable).
- Stated results are based on composite averaged performance. Performance results reflect co-management of a dividend income strategy at a previous employer between August 2000 and May 2007.
- The investment results listed above are only for representative purposes. The performance returns do not include a cash component.
- Past Performance does not guarantee future results. Investments may lose value and are not insured against losses.

# Dividend Growth Strategy

# Dividend Growth Strategy

## Investment Objective

- **The Dividend Growth Strategy** invests in common stocks that have demonstrated a commitment to significant dividend growth
- The Strategy's primary objective is to produce long-term performance and rising annual income. Current yield is secondary to future dividend income that outperforms the rate of inflation
- The Strategy invests in various sectors of the economy and includes domestic and foreign securities
- The Strategy is not restricted by equity style and will include a blend of growth and value securities
- Individual holdings are restricted to a 5% maximum weighting with a normal range of 1.25% - 3.75%. The portfolio includes a 20% maximum weighting in a specific sector

## Strategy Statistics (3-Year)

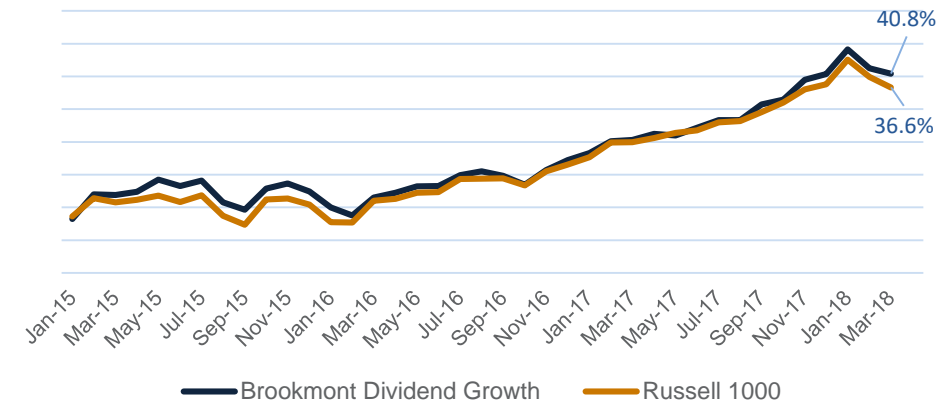
	<b>Strategy</b>
Alpha	0.64
Beta	0.96
R2	87
Upside Capture	100
Downside Capture	92

^ versus S&P 500

## Strategy Characteristics

	<b>Strategy</b>
Yield	1.94%
Dividend Growth	13.6x
Avg. Market Cap.	\$112 B
Return on Equity	22
Forecasted P/E	18.02

## Cumulative Performance: (01/01/2008 – 03/31/2018)



## Annualized Returns (as of 03/31/2017)

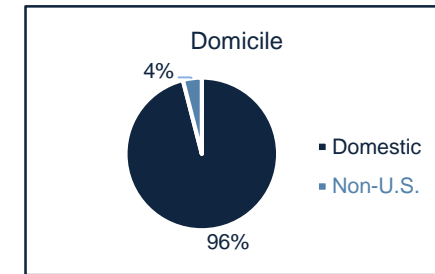
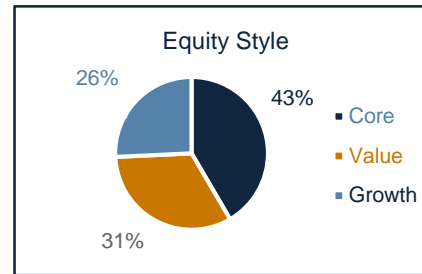
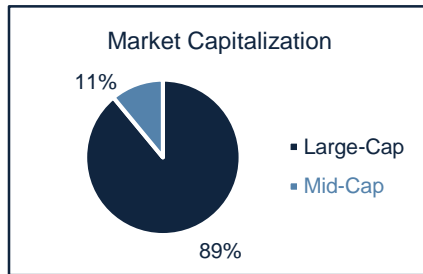
	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Dividend Growth Strategy</b>	<b>4.78%</b>	<b>9.11%</b>	<b>22.88%</b>
(net of fees)	4.31%	8.96%	22.34%
Russell 1000	0.92%	12.05%	21.70%

## Calendar Returns

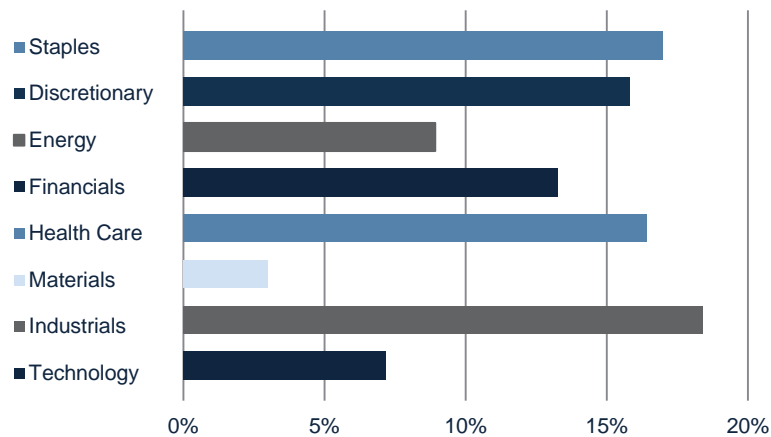
	<b>YTD</b>	<b>1-Year</b>	<b>3-Years</b>	<b>Inception*</b>
<b>Dividend Growth Strategy</b>	<b>0.10%</b>	<b>16.69%</b>	<b>10.66%</b>	<b>11.07%</b>
(net of fees)	-0.06%	16.06%	10.29%	10.72%
Russell 1000	-0.69%	13.98%	10.39%	10.12%

Inception January 1, 2015  
\*annualized returns

# Dividend Growth Strategy



## Sector Weightings



## Largest Composite Holdings

Company	% of Portfolio
Estee Lauder	4.71%
ConocoPhillips	4.32%
Raytheon	4.25%
Stryker	3.87%
Constellation Brands	3.85%
Lowe's	3.83%
Activision Brands	3.80%
Tyson Foods	3.76%
UnitedHealth	3.76%
Chevron	3.53%

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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 Index. The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. The Russell 1000 Index is constructed to provide a comprehensive and unbiased barometer for the large-cap 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.

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. 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. Cumulative returns are shown gross-of-fees. Returns for the Russell 1000 Index includes reinvested dividends. Strategy returns do not include reinvested dividends. During a rising market, not reinvesting dividends could have a negative effect on cumulative returns.

Past performance is not indicative of future results

# Dividend Growth Strategy



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# Principals/Owners



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  
rbugg@brookmont.com

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  
nealscott@brookmont.com

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. His previous employment also included 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.

**Brookmont Capital Management**

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