



Wait until you see the whites of their eyes

As we indicated in our previous market update, Brookmont believes that the current coronavirus induced volatility will represent a good re-entry point for long-term investors.

In times of extreme market volatility with a dearth of fundamental data it is important not to get drawn into the panic selling or buying. At Brookmont our investment decisions are based on fundamentals, and at this point in the virus' life cycle it is still unclear as to the severity, depth, or breath the virus' impact will have on the global population. Once that is better understood we anticipate having more clarity as to the ensuing economic impact along with how the global fiscal stimulus will be implemented. Until we have greater transparency it is difficult to deploy a strategic longer-term investment strategy; trading in the market until then is little more than speculation.

As mentioned in our last update we held approximately 8% cash in the portfolio at the beginning of 2020. We are taking a disciplined, three-phased approach to capital deployment in this time of uncertainty. **Phase 1:** We are opportunistically buying new securities in the strategy that represent strong longer-term businesses which have been disproportionately impacted by the selling. This is ongoing

	Announced/Proposed
US	<ul style="list-style-type: none"> Passed \$8.3 Bn bill Proposed \$1.2 trillion economic stimulus for virus response Passes Bill To Allow For Paid Leave, Testing & Tax Credits
UK	<ul style="list-style-type: none"> Announced a £30 billion emergency stimulus package Sick pay Business tax suspension for SME; Hardship Fund; tax rebates; ease loans
EURO AREA	<ul style="list-style-type: none"> EC approved € 37 billion Spain: €200 billion allocated to fight the virus Germany: about to give up balanced budget France: €45 Bn; proposed €300 Bn bank loans guarantees for small firms Italy: raised to €25 Bn now from € 7.5Bn
JAPAN	<ul style="list-style-type: none"> Second package: Announced ¥ 430.8 Bn Second package: ¥ 1.1 Tn for cheap loans First Package: ¥ 500 Bn for loans for firms with financial difficulty
CANADA	<ul style="list-style-type: none"> Additional stimulus package to come (CAD 20 Bn) Announced CAD 1.1 Bn
AUSTRALIA	<ul style="list-style-type: none"> Announced AUD 17 Bn
NEW ZEALAND	<ul style="list-style-type: none"> Announced NZD 10.3 Bn
SWEDEN	<ul style="list-style-type: none"> Announced US\$31 Bn emergency package
NORWAY	<ul style="list-style-type: none"> Announced NKR 100bn
SWITZERLAND	<ul style="list-style-type: none"> Announced CHF 10 Bn
KOREA	<ul style="list-style-type: none"> Announced a stimulus package of KRW 11.7 Tn

© BCG Research 2020

and is anticipated to account for roughly 4% of the cash on hand. **Phase 2:** We are rebalancing the portfolio to deploy the remaining cash position in securities we believe will outperform exiting the drawdown. **Phase 3:** We are making additional changes to the model which include adjusting weightings to reflect best ideas given the intermediate term effects of the lingering economic slowdown and upcoming fiscal stimulus. We are looking for sectors and businesses that have strong underlying fundamentals and balance sheets which position them to flourish during and after this storm.

Risk to the Upside

The United States' \$1 Trillion fiscal stimulus package is comparable to other developed countries' stimulus packages, which exceed three trillion globally. These packages are designed to stimulate consumption not business bailouts (with possibly exceptions of retail, restaurants, hotels, airlines and energy). This level of spending, similar to previous world wars, has led to inflation. In an inflationary or reflationary

environment, stocks are typically the best performing asset class.

Most prognosticators believe that the first half of this year will experience significant economic retraction, followed by a sharp increase in the second half of the year. We believe financial markets will recover well before the economic fundamentals. Further, there are several bullish scenarios in which the market may recover sooner than expected, including: The discovery that many coronavirus cases are either asymptomatic or mild resulting in much of the workforce returning sooner rather than later. One or more of the proposed treatment options show efficacy. Social distancing and containment efforts are successful, and warmer weather stifles the virus.

The Brookmont philosophy of investing in companies with strong balance sheets, well-covered dividends, and disciplined management provides an attractive allocation for strategic investors in the equity market.

The team at Brookmont are 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.

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.

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.

The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, included those accounts no longer with the firm. 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 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's returns do not include reinvestment of dividends and are shown gross-of-fees. All transaction costs are included. The Russell 1000 cumulative return includes reinvestment of dividends and capital gains. During a rising market, not reinvesting dividend could have a negative effect on cumulative returns. 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. 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 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.

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, 2000 McKinney Avenue, Suite 1230, Dallas, TX 75201.

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