SUNCOAST EQUITY MANAGEMENT, LLC

October 3, 2017

Dear Client:

The SEM portfolio posted solid results through September 30th, +21.2% YTD vs the S&P 500 +14.2%. A year ago we wrote "We see meaningful appreciation potential for our portfolio due to above market intrinsic growth outlook and an attractive valuation." The appreciation we've seen this year is much more consistent with our long held belief that over time our businesses will grow in line with the growth in their intrinsic value. We will discuss the importance of consistently following our **SEM-Disciplined Investment System** especially in uncertain times (which if you think about it, all times are uncertain) and highlight a few of our companies.

Portfolio update

Portfolio activity was minimal in the third quarter. We initiated a position in **Adobe Systems Inc**. in the last few days of the quarter and we will discuss that holding in our next letter. Two of our businesses that are doing well this year are **Cognizant Technology** and **Mastercard.**

Cognizant Technology Solutions (CTSH), similar to our position in Accenture, helps its clients as they transform to mobile, cloud, analytics, and social media with its consulting and outsourcing services. In our special edition client letter last November, CTSH was one of the companies we highlighted. We noted that CTSH's stock price was down 10% year to date despite consistent 10%+ growth in its intrinsic value. At the time, the stock sold off mostly due to its self-reporting that the company may have violated US laws in a small number of Indian affiliates. As it worked to correct the violations, we anticipated the fines would be minimal. The fines turned out to be less than $5 million, which is immaterial to a company with $14 billion in sales. CTSH has been gaining business momentum this year and it expects to increase its adjusted operating margin from 19.5% in 2017 to 22% by 2019. Our discipline of looking at the business fundamentals and judging the facts rather than reacting emotionally to the news, allowed us to benefit from the appreciation. Although we won't be right about every company, our results have proven that our discipline is sound.

Mastercard (MA) is another company that has gained momentum this year. In recent letters we have discussed our holding in Visa. We like MA for many of the same reasons. With very strong economic moats, both MA and V tend to think of cash and checks as their biggest competitors, rather than each other. MA noted the enormous potential for digital transactions versus cash and checks at its September Investor Day. CEO Ajay Banga estimates the market for digital transactions is 4 times its current size and is an opportunity for MA. The company's cross border transactions, its most profitable transactions, grew 14% in the second quarter boosted by its recent acquisition of VocalLink. As a result of industry tailwinds and the company's solid execution, MA increased its 3 year targets through 2018 from mid teens earnings growth to 20%.

As we saw in our portfolio in 2016, the value of a business can differ meaningfully from its short term stock price performance. But as long term investors and stewards of our clients' capital (as well as most of our own capital), it is our responsibility to focus on the intrinsic value growth of our companies and their economic moats. With the appreciation we've seen in 2017, the portfolio is trading closer to its fair value. As such, further appreciation will likely come from the underlying increase in the intrinsic value of our companies. The SEM portfolio is on track to grow its earnings 12% in 2017 and is expected to grow another 12% in 2018, versus 10% and 8% for the S&P 500, respectively.

Scary times? Been there ignored (survived) it!

In the third quarter, threats of war escalated between the US and North Korea and Pyongyang actually launched several missiles including one over Japan. There was also another terrorist attack in the UK, the fourth one this year. These were not the only events this quarter. We had multiple hurricanes that impacted millions of people in the US, Caribbean, and Leeward Islands, two powerful earthquakes hit Mexico and a data breach exposed 143 million Americans. In the face of these events the S&P 500 rose +4.5% in the quarter.

With President Donald Trump threatening North Korea leader Kim Jong Un with total destruction, news reports including traditional print, TV broadcast and social media video are filled with stories such as "How Do Nuclear Codes Work?". While we don't know the outcome with North Korea, it will likely be sooner rather than later. The worry itself is enough to keep many folks up at night and shake their complete confidence in investing. History may be helpful here. Below is a table of various geopolitical events along with the corresponding emotional decline in the market.

Event	**Year**	**Market Loss**	**Days to Bottom**	**Days to Recover**
WTC 9/11	2001	11.6%	5	19
Iraq invades Kuwait	1990	5.9%	2	30
Chernobyl	1986	4.5%	14	20
Madrid Train Bombing	2004	4.1%	10	18
Cuban Missile Crisis	1962	2.7%	1	5

The key takeaway is that although the market declined during these events, the days to recovery never exceeded thirty. While geopolitical shocks can result in human tragedy and they create heightened uncertainty, they do not affect the long term earnings power of corporations. Amidst the current conflict with North Korea, Warren Buffett, long term Chairman of **Berkshire Hathaway (BRKb),** made the cover of the 100th anniversary of *Forbes* magazine. The issue highlighted great business minds including several of our CEOs. At a dinner celebrating the event two weeks ago, he noted all of the hundreds of wealthiest people that have been on the cover of *Forbes* have one thing in common - none have been short-sellers (a term used to describe those that sell stocks in hopes of buying them back later at a lower price). He also said that the Dow Jones Industrial Average will likely be above 1 million a hundred years from now, up from its current 22,000 level. The math looking forward works out to +3.9% annually to the year 2117, while looking backwards the Dow has gained 5.7% annually over the last 100 years. Buffett has always been optimistic on America and he is quoted as saying "Being short America has been a loser's game…and it will continue to be a loser's game." In other words, don't sell yourself short and let your emotions determine your investment strategy. We encourage everyone to keep calm and stay on track with their investments.

Synchronized growth

While interruptions from geopolitical events or Mother Nature can cause temporary declines in the stock market, global economic growth is on solid footing which supports a favorable earnings path for our businesses. Memories of the financial crisis of 2008-2009 and the "dot com" bust of 1999 remain fresh in the minds of many investors, so we are not in a stage of the market marked by "irrational exuberance." In fact, the Organization for Economic Cooperation and Development (OECD) recently reported that for the first time in a decade, the world's major economies are growing in sync. Supporting factors include low accommodative interest rates, low inflation (thanks Amazon!) and the gradual fading of the financial crisis that over the years spread from the U.S. to Greece to Brazil and beyond. All 45 countries tracked by the OECD will grow this year and 33 of them are poised to accelerate from a year ago. We will keep working hard to preserve and grow your capital and we thank you for your continued confidence.

Sincerely,

Don	***Amy***
Donald R. Jowdy	Amy Lord, CFA
President	Senior Vice President

Suncoast Equity Management, LLC

Performance results versus the Standard & Poor's 500 Index

Time Period	**SEM % Return***	**S&P 500 % Return**	**SEM - Value of $1,000,000**	**S&P 500 - Value of $1,000,000**
YTD	+21.2%	+14.2%	$ 1,211,600	$1,142,400
Three-Year	+8.2%	+10.8%	$ 1,266,000	$ 1,360,700
Five-Years	+12.4%	+14.2%	$ 1,795,500	$ 1,944,400
Ten-Years	+7.8%	+7.4%	$ 2,116,000	$ 2,048,800
Inception (19 3/4 Years)	***+8.5%***	***+6.9%***	***$4,968,300***	***$ 3,763,400***

* Composite results of all SEM managed accounts, net of all fees.
Note: Performance for the three, five, ten and since inception year periods represents the annual average rates of return