



*Second Quarter 2022 (July 1, 2022)*

The **Suncoast - Dividend Growth Portfolio (SEM-DG)** held up slightly better than the S&P 500 in the first half of 2022, but still declined -16.2% versus the index -20.0%. The requirement that each business in this portfolio pay a dividend and have the ability to increase that dividend over time, has helped dampen the recent stock price volatility. We discuss three transactions in the portfolio this quarter, a new purchase, an increase of a long term holding and a sale.

#### Portfolio Activity

We initiated a position in **Automatic Data Processing (ADP)** during the quarter. With 920,000 clients in 140 countries, ADP is also the nation's largest provider of business outsourcing solutions, like payroll and tax compliance, servicing 1 out of every 6 U.S. workers. ADP is a direct beneficiary of the strongest U.S. job market in decades. The tight labor market combined with a dispersed workforce (more people working remotely) and increasingly complex regulations for employers are all tailwinds for the global Human Capital Management (HCM) industry that is growing 5-6% a year. As a result of the strong economy and high inflation, the Federal Reserve is raising interest rates, which will increase the Interest on Client Funds that ADP earns. Payroll companies typically pull funds from the employer 1-2 days before payroll is deposited in the employees' accounts and taxes are paid to the government. That allows ADP to invest the funds in AAA rated securities and earn overnight interest. The company's scale should allow ADP to benefit more than competitors in a rising interest rate environment. In fact, it moved \$2.3 trillion in annual U.S. payroll and taxes on behalf of clients in its most recent report. Consequently, earnings should grow double digits and we will look for an opportunity to increase our position as ADP executes.

**Sherwin Williams (SHW)** is a "Day One" position for us, having owned it since inception of our Dividend Growth strategy in 2017. At first glance, its dividend yield seems low at 1.0%, but SHW has almost tripled its dividend since our initial purchase due to its strong revenues and profitability. In the first quarter it once again reported solid results with total sales +7.4% driven by the Performance Coating Group +24%. Earlier this year SHW implemented price increases in all of its segments to offset higher input costs and noted raw materials were much more readily available at the end of the quarter.



Management stated the worst is mostly behind them regarding supply chain issues and raw cost inflation. As America’s leader in paints and varnishes with brand names like Valspar, Dutch Boy and Miniwax, SHW could benefit even if the housing market slows since painting projects tend to be less expensive than other home improvements and are an easy way for homeowners to add value to their properties. With strong demand, price increases and easing supply chain issues, we slightly increased our SHW position in the quarter.

We sold our small in position in **Abbvie (ABBV)** after two years of ownership. In early 2020 after it announced it planned to acquire Allergan (AGN), which was known not only for pharmaceuticals for eye care, the central nervous system and digestive issues but also its aesthetics portfolio like Botox and Juvederm, we made an investment. Although sales and earnings were growing double digits at that time, management was trying to offset the upcoming U.S. patent expiration of Humira in 2023, its most successful product. Humira treats numerous indications like Rheumatoid Arthritis and Crohn’s Disease and generated \$20.7 billion in sales in 2021, more than a third of ABBV’s total sales. We had hoped that the company’s revenue would be more diversified by now but sales and earnings are expected to decline next year and possibly in 2024, as well. ABBV served its purpose during our ownership and was up 12% in 2022 at the time of sale.

Outlook

With a balance of earnings growth and dividend growth, the Dividend Growth portfolio owns what we believe are above average businesses. We will continue to watch them closely to ensure their growth prospects are intact regardless of the economic environment. Thank you for your confidence.

Sincerely,

*Amy*

Amy A. Lord, CFA

Senior Vice President/ Co-Portfolio Manager

*Don*

Donald R. Jowdy

CIO



*Suncoast Equity Management, LLC*

Performance results versus the Standard & Poor's 500 Index

<u>Time Period</u>	<u>SEM % Return*</u>	<u>S&amp;P 500 % Return</u>	<u>SEM - Growth of \$1,000,000</u>	<u>S&amp;P 500 - Growth of \$1,000,000</u>
Year to Date 2022 (June 30 <sup>th</sup> )	-16.2%	-20.0%	\$ 838,500	\$ 800,400
One-Year	+0.55%	-10.6%	\$ 1,005,500	\$ 893,800
Three-Year	+13.2%	+10.6%	\$ 1,450,600	\$ 1,352,900
Five-Year	+14.2%	+11.3%	\$ 1,940,300	\$ 1,708,600
<b><i>Inception (5 ½ Years)</i></b>	<b><i>+15.0%</i></b>	<b><i>+12.0%</i></b>	<b><i>\$ 2,155,000</i></b>	<b><i>\$ 1,868,200</i></b>

\* Composite results of all SEM Dividend Growth managed accounts, net of all fees.

Note: Performance for the three and since inception year periods represent the annual average rates of return



**Performance Disclosure**

Suncoast Equity Management, LLC is an independent investment management firm established in 1997. Suncoast Equity Management is primarily an equity investment manager that invests in U.S.-based securities. As of December 2016, SEM also offers a Dividend Growth Composite. The Dividend Growth Composite includes all discretionary, fee-paying portfolios managed within this strategy. The creation and inception date of the Dividend Growth composite is 12/31/2016.

Bundled fees include management consultant fees, custodial, trading, and advisor fees. Performance is calculated gross of all foreign withholding taxes. Additional information regarding policies for valuing investments, calculating performance, and preparing GIPS Reports, as well as a complete list and description of composites, is available upon request.

For the non-bundle fee accounts, the performance results presented are net of actual investment advisory fee and net of all transaction costs. For the bundle fee accounts, the performance results presented are net of actual investment advisory fee and net of all transaction costs and expenses. Investment advisory fees are described in Part II of Suncoast Equity Management, LLC's Form ADV. The management fee schedule is as follows: 1.00% fee on assets managed. The Firm does not assess performance-based fees.

It is impossible to invest directly in an index. The performance of an index does not reflect any transaction costs, management fees, or taxes. The index used for comparison is the Standard and Poor's 500 Total Return Index; an unmanaged index with no expenses, which covers 500 industrial, utility, transportation, and financial companies in the U.S. markets. It is a capitalization-weighted index calculated on a total return basis with dividends reinvested.

Valuations and returns are computed and stated in U.S. Dollars. The Firm does not use leverage or derivatives to implement the intended strategies.

Beginning in June 2002, accounts that experience cash flows in excess of 10% of the account's market value are temporarily removed from the composite. These accounts are added back to the composite when they are considered fully invested. The minimum account value for inclusion in the composite is \$100,000. Additional information regarding the treatment of significant cash flows is available upon request.

Past performance does not guarantee future results. Investment returns and principal value will fluctuate. Investments may be worth more or less than their original cost when sold. It should not be assumed that investment decisions we make in the future will be profitable. Current performance may be lower or higher than the performance data shown. Returns include the reinvestment of all income.

Suncoast Equity Management claims compliance with the Global investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. 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. Suncoast Equity Management has been independently verified for the periods 12/31/97 – 12/31/20. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Dividend Growth composite has had a performance examination for the periods 12/31/16 – 12/31/20. The verification and performance examination reports are available upon request. For any additional information, please contact the Chief Compliance Officer at (813) 963-0502.

This is not a solicitation or recommendation to purchase the securities mentioned herein. An actual portfolio may not hold some or any of these securities. These securities may or may not be purchased by Suncoast Equity Management LLC in the future. This piece is solely the opinion of Suncoast Equity Management LLC. The information presented here is believed to be accurate as of the time of this writing.