Second Quarter 2022 (July 1, 2022)

The Suncoast-Select Growth Portfolio posted further declines as did the S&P 500 market index in second quarter, with the SEM composite -25.5% versus the S&P 500 market index at -20.0% for the first six months of 2022. We made no changes to the portfolio this quarter.

We identified in our *Suncoast 2nd Quarter investment Management Commentary* that many businesses are facing tough challenges due to the economic volatility caused by the pandemic including (1) swings in consumer behavior and (2) supply chain issues - getting the right products at the right time to the marketplace. One important output as a result has been significant inflation. Our **SEM- Select Growth** portfolio is not immune; but at the same time we own businesses that boast long-term growth trends.

Mastercard and Visa – Still beneficiaries of shift from cash to card (and digital)

Visa (V) and **Mastercard (MA)** are core positions in our SEM – Select Growth portfolio and have been for 12 and 7 years, respectively. Many believed that the pandemic significantly accelerated the conversion from cash to digital, some analysts initially thought by as much as 5-10 years. Although it did accelerate that dynamic, it was more like a year or so per Visa CFO Vasant Prabhu who spoke at a recent conference. Analysts from Goldman Sachs recently commented that the cash-to-card transition is more in the "middle-innings" than the "late-innings" across major economies. After a dip in earnings for V and MA in 2020 during the first year of the pandemic, 2021 followed with mid-digit earnings growth of 8.6% and 8.1%.The outlook at this point for 2022 is for 21.1% and 25.6% earnings growth for Visa's fiscal year ending September 30th and MA's fiscal year ending December 31st, respectively. This growth comes in spite of a slow return for both companies of cross-border transactions primarily resulting from the resumption of travel. Part of V and MA's strength versus competitor American Express (AXP), is that V and MA do not hold the financial receivables from customer balances. AXP does and the banks that issue V and MA cards do. So Visa and MA are simply tollbooths and are absent that credit risk element. Every company we own including V and MA faces long term competitive threats, but for the near term they seem to be executing well in a difficult environment.

Economic Volatility – And Inventory Management

In our SEM Select Growth Portfolio, we are fortunate to own growing businesses with great balance sheets. Challenges can be mitigated through the abundant free cash flow and financial strength that permeates our portfolio. For many of our businesses, inflation is mostly limited to increasing labor costs. For several others they have this challenge and the added effort of managing inventory within this period of rapidly changing consumer consumption. Examples of companies in our portfolio that are working through the ebb and flow of pandemic-related consumer behavior changes and inventory management include **Advanced Auto Parts, Amazon, Apple, Grainger W.W., Home Depot, Nike** and **Tractor Supply.**

Amazon (AMZN) is one of our companies to report challenges associated with the pandemic. Early on AMZN took advantage of its market leading experience and speed with e-commerce, to deliver products at the doorstep of those at home during the pandemic. The company rapidly expanded and opened hundreds of new warehouses, sorting centers and other logistical facilities, and it doubled its workforce by March 2022 from 2020. AMZN's net income also doubled to $22 billion from the $12 billion range, and revenue grew to nearly $470 billion from $280 billion in just two years through 2021.

As the pandemic restrictions eased and consumer behavior shifted, AMZN now finds itself with too much capacity. Andy Jassy, the new CEO who succeeded Jeff Bezos one year ago, finds himself in the opposite position of when he started. He is now managing a large component, albeit low margin, of the business that is contracting instead of growing. This is in stark contrast to the business he pioneered, the fast-growing, high margin cloud computing business. It is our belief that e-commerce will continue to take share away from in-store visits by consumers, but for now that trend has paused.

For now, our other businesses are managing their inventory as well as possible. We have other businesses where inventory management is important but whose inventory placement is just timing, such as our medical supplies and pharmaceutical companies **Stryker(SYK)** and **Merck (MRK).** The pandemic drove people to stay at home but now they are returning for healthcare services, updating their physical exams and getting back on track with new medications as well as knee and hip replacements, as we all get older.

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Portfolio Management (and more Amazon)

So how do we manage a portfolio position that encounters business challenges? Let's take you through our short journey so far with AMZN. Our initial purchase of AMZN came in June 2019 prior to the pandemic. Our main interest was in its much more profitable business of cloud computing services (Amazon Web Services or AWS) and its digital advertising business (which complements its e-commerce segment), as we discussed in that quarter's letter. Had our primary interest been in the e-commerce products business, we would have purchased AMZN years ago. We slightly added to our AMZN position in December 2020 as the business results grew, especially its cloud computing business. By the end of 2021 the cloud business was less than 15% of total revenue but nearly 75% of operating profit. Although we increased our position, we kept it below our core portfolio weighting range of 4%-6%. We take time to build our portfolio position weightings as business results confirm our analysis. From a portfolio management standpoint it has always been our preference that when one of our companies runs into challenges, we will continue to hold a smaller weighting, as long as the issue is mostly macro related and not an erosion of its competitive advantage. We may give the company a few more quarters in order to observe more business data points relative to the overall economy, the company itself and other businesses we can own. We will maintain our 3% portfolio weighting at this time.

Our portfolio management is much like managing a successful hockey team (congrats to both the Tampa Bay Lightning for a great season and generous commitment to the Tampa Bay community and the Colorado Avalanche on their Stanley Cup win), which is only allowed to dress a maximum of 20 players. We do our best to focus on the players, not worry about an individual single game score. We watch our players as best we can to determine if they maintain or improve their competitive advantage, but if they erode we look to replace them. Importantly, we hope to do well owning 20 competitive businesses over time, instead of owning all 500 companies in the S&P Index, even if we score less than the S&P 500 in a given year . We believe our almost 25 year track record speaks to our SEM-DIS (Disciplined Investment System) and bears this out.

Looking Ahead

As investors we aim to own high-quality businesses, in much the same way if they were private enterprises, for the long term through the good and bad economic cycles. We need to remind ourselves that just because our personal computing device or TV flashes an offer for our share of the business 5 days a week and 8 hours a day, we can ignore it.

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The longer we own a business, the better opportunity the stock market has to reflect upon and measure the progress of the business, be it a growth entity or a company that erodes. In the short run the stock market is impacted by emotions and headlines can indiscriminately take the price down on a good and weak company equally. We will continue to observe the impact of shifts in consumer behavior as well as the Russia-Ukraine war. Thank you for your ongoing support and please contact us anytime as we welcome discussion.

Sincerely,

Don	*Amy*
Donald R. Jowdy	Amy Lord, CFA
CIO	Senior Vice President/ Co-Portfolio Manager

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Suncoast Equity Management, LLC

Performance results versus the Standard & Poor's 500 Index

Time Period	SEM % Return*	S&P 500 % Return	SEM - Growth of $1,000,000	S&P 500 – Growth of $1,000,000
Year to Date 2022 (June 30th)	-25.5%	-20.0%	$ 744,700	$ 800,400
One-Year	-18.3%	-10.6%	$ 816,600	$ 893,800
Three-Year	+9.6%	+10.6%	$ 1,317,100	$ 1,352,900
Five-Years	+13.5%	+11.3%	$ 1,881,900	$ 1,708,600
Ten-Years	+13.4%	+13.0%	$ 3,506,500	$ 3,381,600
Inception (24 ½ Years)	***+9.3%***	***+7.7%***	***$ 8,853,400***	***$ 6,154,400***

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

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Suncoast Equity Management, LLC (SEM) 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. SEM also invests in high-grade fixed income. The Suncoast Equity Management Composite includes all discretionary, fee-paying portfolios managed within this strategy. The creation and inception date of the Suncoast Equity Management composite is 12/31/1997.

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 indices 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 Suncoast Equity Management composite has had a performance examination for the periods 12/31/97 – 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.