



Second Quarter 2023 (July 3, 2023)

Year to date, the **Suncoast-SMID Portfolio** posted a composite return of 15.0% versus the comparable benchmark of the S&P 400 Growth of 10.4%. We will discuss our purchase of **Hubbell Inc.** and long-term holdings **Steris** and **Broadridge Financial Solutions**. We also highlight the balance sheet strength of several of our companies below.

Portfolio Activity

During the quarter we initiated a position in **Hubbell Inc. (HUBB)**. Hubbell dates back to the Industrial Revolution in the late 1800's when growing demand for assembly and manufacturing machinery led founder Harvey Hubbell to develop new tooling and equipment. HUBB's foundation is built on creativity and innovation and that tradition continues today. With products that range from occupancy sensors and smart thermostats to charging solutions, HUBB's customer base is diversified across businesses, manufacturers, utilities, and homeowners. From a quantitative perspective it has a strong balance sheet, free cash flow, and high returns on capital, meeting the strict criteria of our **SEM-DIS (Disciplined Investment System)**. Margin expansion has been impressive across both the electrical and power system segments, and was driven by price increases, cost, volume, and productivity tailwinds. In fact, operating margins have consistently grown from 16.9% in 2018 to 21% in 2022. Around two thirds of HUBB's sales are from distributors, including one of our **Select Growth** positions, **Grainger (GWW)**. Hubbell operates in a competitive market and has differentiated itself with its strong brands, breadth of products and the ability to lower the customer's costs all while managing a complex level of SKU's. With the recent supply chain headwinds, Hubbell's large suite of product lines has given distributors a one stop shop eliminating the back-office cost of working with multiple suppliers. As the company executes, we look forward to increasing our position.

Portfolio Highlights

A trend we are seeing across our portfolios is that demand for elective healthcare procedures is starting to revert to pre-covid levels. **Steris (STE)** has been positively impacted and is one of the providers of choice for sterilization and disinfecting supplies. Staffing shortages are diminishing, and procedure volumes are improving.



No surgeon will operate in an unsanitary environment and hospitals are vigilant in their sterilization and disinfecting processes. STE is one of a few companies that has pricing power in the surgical products and services industry and that, combined with 80% recurring revenue, is a very attractive business model.

Another one of our holdings, **Broadridge Financial Solutions (BR)** which is also in our Dividend Growth portfolio, launched BondGPT: an application powered by OpenAI GPT-4 in early June. BondGPT will answer bond-related questions and will assist users in identifying corporate bonds on the LTX platform, based on a user's criteria. The LTX Liquidity Cloud will incorporate real-time information, simplifying workflows, and driving efficiency for users in their complex processes. Asset managers, hedge funds and dealers will all benefit. BondGPT adds generative AI to build on the AI neural network LTX has used since launching and to date has more than 30 dealers and over 80 asset managers on the LTX platform. Management announced BondGPT is the first of many products and services they will release to clients using AI technology.

SMID Portfolio Financial Strength

We noted in our Investment Management commentary the outlook for higher interest expense may be a burden for some of our companies' competitors. Highly leveraged businesses will have to choose between investing for growth, diluting current shareholders by issuing more stock, or refinancing at much higher rates, which eats into profits. Fortunately, our businesses do not have to make those difficult choices since one of the metrics of our **SEM-DIS** is the strength of the balance sheet. Below we highlight a few of our businesses and their most recent net cash positions.

<u>Company</u>	<u>Ticker</u>	<u>Net Cash (millions)</u>
Veeva Systems	VEEV	\$3,615
Copart Inc.	CPRT	\$2,092
EPAM Systems	EPAM	\$1,721
Fortinet	FTNT	\$1,313
Deckers Outdoor	DECK	\$982
Edwards Lifesciences	EW	\$658
ITT Corp	ITT	\$462



Outlook

We are midway through the year and SMID is still on track to grow its sales and earnings high single digits. As always, we are grateful for your support and are available to answer your questions should you have any.

Sincerely,

Don

Donald R. Jowdy
CIO

Cheeroke

Cheeroke Townsend
Co-Portfolio Manager, Analyst



Suncoast Equity Management, LLC

Performance results versus the Standard & Poor's 400 Growth Index

<u>Time Period</u>	<u>SEM % Return*</u>	<u>S&P 400 % Return</u>	<u>SEM - Growth of \$1,000,000</u>	<u>S&P 400 -Growth of \$1,000,000</u>
First-Half (2023)	+15.0%	+10.4%	\$1,150,400	\$1,104,400
One-Year	+21.5%	+19.2%	\$ 1,214,500	\$1,192,200
Three-Year	+11.6%	+11.3%	\$1,390,300	\$1,378,300
Five-Year	+12.4%	+7.2%	\$1,794,900	\$1,412,800
<i>Inception (6 years)</i>	<i>+12.6%</i>	<i>+ 8.5%</i>	<i>\$2,039,400</i>	<i>\$1,634,500</i>

* Composite results of all SEM Small-Mid Capitalization 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 June 2017, SEM also offers a Small to Mid Cap (SMID) Growth Composite. The SMID Composite includes all discretionary, fee-paying portfolios managed within this strategy. The creation and inception date of the SMID composite is 6/30/2017.

The SMID Growth composite is an equity composite employing the principles of Benjamin Graham & Warren Buffett. The discipline is a bottom-up fundamental approach and blends value and growth parameters. The portfolio consists of between 20-30 stocks. This strategy of smaller companies will own businesses with high earnings growth relative to the market, while incurring moderately more risk than SEM Growth Composite. Potential investors should have a minimum three year time horizon, since selling at a disadvantageous time could result in principal impairment.

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. As of 1/1/2021 we retroactively changed the index used for comparison to the Standard and Poor's 400 Growth Total Return Index is an unmanaged index with no expenses, which covers growth stocks within the S&P 400 index. It is a float adjusted market capitalization-weighted index calculated on a total return basis with dividends reinvested. Prior to this change, the index used for comparison was the Russell 2000 Growth index.

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.

Suncoast Equity Management adheres to the GIPS valuation hierarchy principles.

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 – 12/31/21. 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 SMID composite has had a performance examination for the periods 6/30/17 – 12/31/21. 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.