



Third Quarter 2023 (October 2, 2023)

Year to date the **Suncoast Dividend Growth** portfolio was +10.2% versus the S&P 500 +13.1%. Dividend Growth held up slightly better than the index during the third quarter's decline. We highlight two long-term holdings with recent developments and an increase in our newest position, **TJX Companies**.

Portfolio Updates

In late August one of our larger portfolio holdings **Amerisource Bergen (ABC)** changed its name to **Cencora (COR)** to better reflect its unified global presence of 46,000 employees and as a reminder that their customers, patients and team members "are at the center of everything we do." ABC was formed in 2001 when Amerisource Health Corporation merged with Bergen Brunswig to create a leader in U.S. pharmaceutical services with \$36 billion in sales. Now with \$260 billion in annual revenue, the company sources and distributes brand name, generic and over-the-counter healthcare solutions for both people and animals all over the world. After closing on the acquisition of OneOncology in June and posting strong sales and higher operating margins, COR increased its 2023 earnings targets for the third time this year to +7-8%. This comes on top +19% earnings growth in 2022. Business momentum like this gives COR the ability to increase its dividend as it has done year after year for decades. Currently COR's yield is 1.1% but we also consider our yield to cost, which is 2.2% (clients that were invested in our Dividend Growth strategy since we purchased ABC/COR in 2020 are earning 2.2% as the stock is +90% from its initial cost basis). The company will likely announce another dividend hike when it reports 2023 fiscal year end results in November.

Similarly, **Hershey (HSY)** reported strong net sales growth, gross margin expansion and double-digit earnings growth. President/CEO Michele Buck stated new capacity and increased brand investment should allow HSY to sustain business momentum in the second half of 2023. As a result, sales growth was reaffirmed driven by 8% organic growth in its largest segment, North America Confectionary, which represents 82% of sales. This segment includes well-known brands such as Hershey Kisses, Twizzlers, Reese's, as well as lesser-known brands like barkTHINS, Brookside and IceBreakers Mints.



NA Confectionary also generates higher margins than its NA Salty Snacks and International units and led HSY to slightly increase its 2023 adjusted earnings target to +11-12%. But the *sweetest* part of report was the announcement of a +15% dividend increase, which equates to a current yield of 2.2%. HSY is one of our original Dividend Growth holdings and its business momentum and solid financials have allowed it to increase the dividend from \$2.40 a share at inception in 2016 to \$4.45 this year, up 85%!

Portfolio Activity

We increased our position in **TJX Companies (TJX)** during the third quarter. As noted last quarter when we initiated the position, TJX has 4884 stores in 9 countries mostly under the brands of T. J. Maxx, Marshalls and HomeGoods. In August TJX reported sales, profit margin and earnings “significantly exceeded” internal targets and management once again raised estimates. Comparable same store sales were +6%, driven entirely by customer traffic (as opposed to price increases) as well as sales growth at its largest division, Marmaxx. HomeGoods also posted better than expected results. TJX expects same store sales to be +3-4% and earnings to be +15-16% for its fiscal year ending in February 2024. With high returns on capital of 35%+, net cash, and increasing operating margin, TJX is a classic example of what we look for in our **SEM-Disciplined Investment System (SEM-DIS)**. Add to that their recent +13% dividend increase, and we hope to own TJX for years to come as the company executes on its growth strategy.

Outlook

As we close out the year and look to 2024, we will be watching for consistent growth in our companies’ sales, earnings and dividends. Please don’t hesitate to reach out with any questions or comments.

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&P 500 % Return</u>	<u>SEM - Growth of \$1,000,000</u>	<u>S&P 500 - Growth of \$1,000,000</u>
Year-to-Date 2023	+10.2%	+13.1%	\$ 1,102,000	\$ 1,130,700
One-Year	+20.0%	+21.6%	\$ 1,199,500	\$ 1,216,200
Three-Year	+12.3%	+10.2%	\$ 1,417,400	\$ 1,336,500
Five-Year	+13.0%	+ 9.9%	\$ 1,840,800	\$ 1,604,400
<i>Inception (6 ¾ Years)</i>	<i>+14.5%</i>	<i>+12.1%</i>	<i>\$ 2,498,100</i>	<i>\$ 2,161,100</i>

* 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.

The Dividend 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 15-25 stocks and its benchmark is S&P 500 Total Return Index. This strategy is built to provide additional dividend income on par with the S&P 500 but improved dividend growth prospects.

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 are as follows: The Standard and Poor's 500 Total Return Index is 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.

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 Dividend Growth composite has had a performance examination for the periods 12/31/16 – 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.

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