



Third Quarter 2023 (October 2, 2023)

The **Suncoast-SMID Portfolio** (SEM-SMID) composite is +9.1% versus the S&P 400 Growth benchmark at +6.9% for the first nine months of 2023. In the third quarter we increased two holdings, **Hubbell Inc.** and **MSA Safety**, and we sold **Keysight Technologies**. We provide an update on portfolio holdings **Genpact** and **Roper Technologies** and highlight the operating strength of several of our companies below.

Portfolio Update

During the quarter we increased **Hubbell Inc. (HUBB)** and **MSA Safety (MSA)** to core positions. We purchased HUBB last quarter, and it continued to deliver strong financial results this quarter, building on the momentum primarily driven by grid hardening and modernization among other secular tailwinds. HUBB's margins are strong and increased by +35% in the second quarter year over year and +52% year to date year over year. We also increased our position in MSA after it delivered market share gains and sales grew double digits across all product categories and geographies. That led to double digit margin expansion and management increased their guidance for the full year. Both HUBB and MSA are purchases made in the last year and we look forward to the value they will add to the portfolio long term. To source funds for HUBB and MSA we sold **Keysight Technologies (KEYS)**. We first purchased KEYS in October 2021 and were attracted to the company because it was the leader in communications testing and measurement solutions, as well as a beneficiary of the conversion to 5G technology across communication networks. KEYS has faced some headwinds with order growth declining double digits. As result, sales and earnings are expected to decline, as well. During the most recent earnings call management stated there would be a few quarters of weakness so we decided to exit the position.

Portfolio Highlights

Genpact (G), a company we have owned since September 2019, provides business outsourcing and IT services including accounting, cost management, analytics, and data security. During our ownership revenues have increased 30%+, earnings have grown 38% and the dividend is +55%. In its most recent quarter, management gave guidance for bookings growth to be +25-30% driven by large deals and new logo wins. Genpact is collaborating with one of our **Select Growth** holdings, **Microsoft (MSFT)**, to equip their global talent with access to Microsoft's Azure OpenAI.



AI is transforming the world as we know it and Genpact is combining AI and advanced analytics by committing \$600 million over 3 years to build out its AI capabilities. Whether it's employee productivity or operational efficiency that is improved by using generative AI, the company is using innovation to problem solve and accelerate business solutions.

Roper Technologies (ROP) is one of the positions we've held since inception. ROP drives growth through their disciplined and process-driven acquisition approach. During the quarter ROP acquired Syntellis Performance Solutions, a cloud-based performance management and data solutions company that provides services for healthcare, financial institutions, and higher education. Syntellis will be combined with ROP's Strata Decision Technology business. Bridging Syntellis's niche market leadership with ROP's diversified technology offerings should drive growth and enhance the value provided to their combined customer base.

Operating Margin Strength

Margin expansion is one of the quantitative criteria that qualifies a company for the **SEM-DIS (Disciplined Investment System)**. Increasing margins over time is a strong sign of financial and operating strength in a business because they are making more money on a dollar of sales after variable costs. We highlight a few of our holdings' operating margin expansion over the 5-year period from 2017 to 2022.

<u>Company</u>	<u>Ticker</u>	<u>2017 Operating Margin</u>	<u>2022 Operating Margin</u>	<u>Operating Margin Improvement</u>
Fortinet	FTNT	11.1%	24.2%	118%
Fair Issac Corp.	FICO	22.9%	40.9%	79%
Eaton Corp	ETN	16.7%	21.8%	31%
Agilent Technologies	A	23.9%	30.3%	27%
Veeva Systems	VEEV	31.8%	39.0%	23%



Outlook

We believe the SMID portfolio is well-positioned for sales and earnings growth as we head into 2024 and will keep working hard to preserve and grow your capital. If you would like to discuss the portfolio further, please don't hesitate to reach out.

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 Growth % Return</u>	<u>SEM Growth of \$1,000,000</u>	<u>S&P 400 Growth- Growth of \$1,000,000</u>
Year to Date 2023 (Sept. 30 th)	+9.1%	+6.9%	\$ 1,091,300	\$ 1,068,600
One-Year	+19.6%	+16.2%	\$ 1,196,300	\$ 1,162,100
Three-Year	+6.2%	+7.6%	\$ 1,196,100	\$ 1,246,400
Five-Year	+9.5%	+5.6%	\$ 1,575,200	\$ 1,315,100
<i>Inception (6 ¼ years)</i>	<i>+11.1%</i>	<i>+7.6%</i>	<i>\$ 1,934,700</i>	<i>\$ 1,581,600</i>

* Composite results of all SEM Small-Mid Capitalization Growth managed accounts, net of all fees.

Note: Performance for the three, five 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.