



*Fourth Quarter 2023 (January 2, 2024)*

The **Suncoast Dividend Growth** portfolio was +20.3% compared to the S&P 500 +26.3% in 2023, after holding up better during the 2022 decline. The portfolio completed its seventh year and has generated a solid track record +15.4% after fees versus the index +13.4% since inception. We discuss our newest addition **Marsh & McLennan**, the sale of **Home Depot** and an exciting new FDA approval for **Eli Lilly**.

### Portfolio Activity

We initiated a position in **Marsh & McLennan (MMC)** during the fourth quarter, which offers risk and insurance services as well as consulting. With a 150-year track record and operations in 130 countries, MMC is the world's leading insurance broker and risk advisor. It has placed \$140 billion in annualized premiums across many different market segments and sees significant growth opportunities in areas such as climate and cyber risk mitigation. Another large business segment is Mercer Investments, which offers wealth management, retirement solutions and advisory services, and has \$379 billion in assets under delegated management. Sales should be +10% in 2023 to about \$23 billion and even though operating margins have increased from 19% in 2019 to 23% currently, management sees further runway for improvement as it focuses on its faster growing segments, such as digital and international. Consistent profitability allowed the company to increase its dividend 20% in August to a current yield of 1.5%, which is in line with the S&P 500 yield and also allowed it to qualify for our strategy. We look forward to increasing our position in MMC as its revenues, earnings and dividends march higher.

After reducing our position in June, we sold our small position in **Home Depot (HD)**. HD was one of the original holdings of our Dividend Growth strategy and grew modestly but consistently for many years. As consumers spent heavily on home renovations, appliances and landscaping during and after Covid, sales and earnings grew significantly faster than historical averages and hit new highs. Consumer spending shifted in the last year from home improvements to experiences such as travel, live concerts and dining out, which we highlight in our Investment Commentary. As a result, it may take a few years for HD to grow sales and earnings from 2022 levels. We will watch for that progress and may choose to re-enter the position at that time, but for now we believe MMC has better business momentum.



Similarly, we slightly reduced our position in **Tractor Supply (TSCO)** in both our **Dividend Growth** and **Small-Mid Cap** strategies as it has been affected by more discerning customers, specifically demand for seasonal products and big-ticket items was soft. Expectations for growth have slowed to low-single digits, although management has increased its target for new store openings. We will be watching for better execution on its growth strategy in 2024.

Portfolio Updates

In November our long-term holding **Eli Lilly (LLY)** received FDA approval for Zepbound, which is a powerful new option for the treatment of obesity and weight-related medical problems but is actually the same formula as LLY's diabetes drug Mounjaro. After Mounjaro launched in 2022 patients found that if they combined the diabetes medication with a healthy lifestyle, most people lost 20% of their body weight within a year. In fact, a clinical trial showed that adults taking Zepbound at the highest dose lost an average of 48 pounds. It is likely that Mounjaro and Zepbound also reduce the risk of heart attacks and strokes like Novo Nordisk's competing drugs, Wegovy and Ozempic, although those trials are ongoing. LLY began distributing Mounjaro under the Zepbound label in the U.S. in December and continues to see tremendous demand (which is facilitated by our new **Select Growth** position **McKesson (MCK)**). Although it is very early in the Zepbound launch LLY is working with government programs, insurers, healthcare providers and patients to provide access for this life-changing treatment since the current price is about \$1100 a month. The momentum from Mounjaro/Zepbound as well as LLY's portfolio of treatments for oncology, neuroscience and immunology should allow the company to grow revenues in the mid-teens this year and earnings significantly faster than that. As such LLY boosted its dividend +15% for the third year in a row. We are also excited about LLY's submission of its Alzheimer's treatment, donanemab, after trials showed early treatment slowed progression of the debilitating disease by as much as 40-60%. Approval is expected early this year.

Outlook

Our businesses are fundamentally sound and growing sales, profits and dividends at a solid rate. We welcome your thoughts and wish our valued clients a healthy and prosperous new year!

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>
One-Year 2023	+20.3%	+26.3%	\$ 1,203,300	\$ 1,262,900
Three-Year	+12.8%	+10.0%	\$ 1,434,600	\$ 1,331,000
Five-Year	+17.6%	+15.7%	\$ 2,247,000	\$ 2,072,100
<i>Inception (7 Years)</i>	<i>+15.4%</i>	<i>+13.4%</i>	<i>\$ 2,727,600</i>	<i>\$ 2,413,800</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 – 12/31/22. 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 – 12/31/22. 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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