



First Quarter 2024 (April 1, 2024)

Following a rather volatile start to the year, the **Suncoast-SMID Portfolio (SEM-SMID)** posted results +14.8% after fees vs the S&P 400 Growth index +15.6% in the first quarter. We discuss the increases of **MSA Safety, Brown & Brown**, and **Nice LTD**, as well as the sale of **EPAM Systems** and **Tractor Supply**. We also highlight **Corpay Inc.**, formerly **Fleetcor Technologies**.

Portfolio Activity

During the quarter, we bolstered our investments in three key positions: MSA Safety (MSA), Brown & Brown (BRO), and Nice LTD (NICE). **MSA Safety (MSA)** specializes in crafting safety products vital for safeguarding workers in the oil, gas, and mining sectors. Our initial acquisition of MSA Safety took place in October 2022, followed by two subsequent increases in 2023, and another boost in the first quarter of 2024. The latest earnings report from MSA illustrates a sustained upward trajectory, driven by robust growth in both top and bottom lines, ranging from low to mid-single digits, alongside noticeable margin expansion.

Brown & Brown (BRO) operates as an insurance agent and broker, offering insurance solutions in property, casualty, and employee benefits. Our entry into Brown & Brown occurred last quarter, and they've consistently delivered strong organic revenue growth, registering low double-digit annualized growth (11.5%) over the past 5 years and mid-teen annualized earnings growth (+17.5%), alongside a commendable 13% increase in their dividend just in 2023. As a result of their consistent performance, we have upgraded Brown & Brown to a core position this quarter. The company's results have shown steady improvement over time, and management maintains confidence in their ability to sustain consistent earnings growth. Projections for 2024 anticipate further acceleration, with expected earnings growth reaching the high teens. This reinforces our confidence in Brown & Brown's performance trajectory.

Just over a year ago, we initiated a position in **Nice LTD (NICE)**, a technology company specializing in customer relations management software, artificial intelligence, digital and workforce engagement management, gradually scaling it up to a core holding this quarter. NICE has experienced increased demand for bookings among enterprise clients due to a surge in AI requirements.



The company's revenue and earnings grew 9% and 22% respectively, while margins expanded, in 2023, setting a promising trajectory for 2024 with anticipated double-digit growth in both revenue and earnings.

In contrast, we divested from two positions this quarter: EPAM Systems (EPAM) and Tractor Supply (TSCO). In both cases we applied the proceeds towards existing portfolio holdings that were just discussed with better relative strength. **EPAM Systems (EPAM)**, a global IT services firm, faced challenges stemming from disruptions to its operations in Ukraine as a result of the Ukraine/Russian conflict. Throughout 2023, it also encountered a challenging demand environment, which put pressure on its revenue. Earnings are likely to decline in 2024 because of persistent challenges in the pricing landscape. Our investment in **Tractor Supply (TSCO)** commenced in April 2020, coinciding with the onset of the COVID-19 pandemic. Last quarter, we observed a deceleration in growth compared to prior years, particularly impacting seasonal products and high-value items. Consequently, we reduced our stake and opted to divest entirely this quarter, as this trend persisted. Both of these companies will be kept in mind for future consideration when growth recovers.

Portfolio Update

One of our longer-term holdings, **Fleetcor Technologies (FLT)**, a prominent global payments company, has recently announced it is rebranding as **Corpay Inc. (CPAY)**. This decision stems from the company's belief that the new name better aligns with its current suite of corporate payment solutions. Consistent with our **SEM-Disciplined Investment System (SEM-DIS)**, which requires robust free cash flow generation and maintaining a strong balance sheet, CPAY continues to excel in these areas. In 2023 alone, the company achieved a record \$1.3 billion in free cash flow, alongside annual sales totaling \$3.8 billion. The company's ability to consistently generate significant excess cash, combined with its commitment to low leverage, underscores the strength of its balance sheet. CPAY's growth trajectory remains impressive, driven by both internal investments and strategic acquisitions. In 2023, the company acquired four companies totaling \$545 million and during the quarter closed on a majority investment in Zapay, Brazil's first digital mobility solution for paying vehicle taxes, registrations, and tickets. These investments contributed to low double digit revenue growth and underscore CPAY's capacity to adapt to evolving market demands.



Outlook

Despite the volatile start to the year, our SMID portfolio companies are on track to produce mid to high single digit sales growth and low double-digit earnings growth in 2024. Please contact us with any questions and thanks for your continued support.

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>
1 st Qtr 2024	+14.8%	+15.6%	\$ 1,148,200	\$ 1,156,000
One-Year	+30.5%	+29.3%	\$ 1,304,900	\$ 1,293,000
Three-Year	+10.7%	+ 6.4%	\$ 1,355,100	\$ 1,205,500
Five-Year	+15.2%	+12.0%	\$ 2,027,000	\$ 1,765,100
<i>Inception (6 3/4 years)</i>	<i>+14.6%</i>	<i>+10.9%</i>	<i>\$ 2,513,000</i>	<i>\$ 2,010,100</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 – 12/31/22. 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 SMID composite has had a performance examination for the periods 6/30/17 – 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.

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.