Second Quarter 2024 (July 1, 2024)

The **Suncoast Dividend Growth** portfolio ended the second quarter in line with the first quarter, +8.9% year to date after fees compared to the S&P 500 +15.3%. While never preferable, short-term underperformance is part of long-term investing, and we believe the underlying growth of our businesses will support further stock price appreciation over time. We discuss the slight increase of **Marsh & McLennan** and **TJX Companies** with the proceeds from a minor reduction in **Hershey**. We also highlight portfolio companies that are using their excess free cash flow to buy back shares and increase shareholder value.

Portfolio Activity

Our newest position, **Marsh & McLennan (MMC)** had another solid earnings release, so we increased it to 4% from our initial 2% weighting. This is a good example of our process. We build our positions over time as we get confirmation that the business continues to have momentum. You may recall MMC is a global leader with operations in 130 countries and a 150-year history in risk and insurance services. Its insurance brokerage unit Marsh has placed $160+ billion in annualized premiums across many different market segments while taking no underwriting risk. It also offers retirement and management consulting through its Mercer and Oliver Wyman segments, respectively. In fact, Oliver Wyman was a standout in the first quarter delivering +15% revenue growth. MMC is gaining market share across its segments and management sees significant growth opportunities in areas like mitigating cyber and climate risk. Sales and earnings should grow high single digits this year.

We also added to our small position in **TJX Companies** after the company's same store sales came in at the high end of management's range driven by more traffic and increased customer transactions. With almost 5000 stores its brands include T.J. Maxx, Marshalls, HomeGoods, Sierra, Home Sense and Winners. Gross margins rose in the first quarter and TJX increased its target for the fiscal year ending January 2025's pretax profit and earnings per share. These decisions are always relative, and we trimmed our long-term holding **Hershey (HSY)** to increase MMC and TJX. HSY is managing through a challenging environment with a more discerning consumer and significantly higher cocoa prices, one of its largest input costs. As a market leader HSY continues to invest in research and development, marketing and a new ERP system. But because of higher costs and continued investment, earnings will likely be flat this year. We believe MMC and TJX currently have better business momentum.

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The Power of Buybacks

As mentioned in the Investment Commentary, the **SEM–Disciplined Investment System** leads us to companies that generate robust free cash flow and, as part owners, we benefit in several ways. Ideally the first priority is for management to reinvest cash flow back into the business to earn the same or higher returns on capital that originally attracted us to become owners. Our ***SEM-Dividend Growth Portfolio*** consists of more mature businesses that generate cash beyond their reinvestment needs so management here may elect to return capital to us as owners in two ways, **dividend payouts** and **stock buybacks**. Increasing dividends is a key factor and, of course, a requirement for this portfolio. Proof in point, the average dividend growth across the portfolio has been +9-10% annually since inception of the strategy more than seven years ago.

Stock buybacks can also be very additive to us as business owners over time, as long as the business also continues to grow its profits. Simply explained, if we had three owners in a business and we shared profits equally our stake would be 33.33% each. If over time our business generated excess cash and one of the owners wanted out, we could take the profits from the business to pay out that owner rather than taking cash from the other two owners' personal savings. Now the remaining two owners earn 50% of the profits. Warren Buffett offered similar comments in last year's annual letter. *"The math is not complicated: When the share count goes down, your interest in our many businesses goes up. Every small bit helps if repurchases are made at value-accretive prices."* In May long-term holding of both our Select Growth and Dividend Growth portfolios as well as Buffett's largest equity position at **Berkshire Hathaway**, **Apple (AAPL)** announced an astonishing $110 billion buyback plan, the largest in U.S. history. For years AAPL has been using its free cash flow to buy back shares. The company generates so much excess cash that it is constantly evaluating the opportunity to reinvest in its business for future growth opportunities such as AI for its customers, as well as return cash to its shareholders. In the last ten years, AAPL has reduced shares outstanding by a remarkable *34%*, even before this latest announcement. In the table below we highlight nine more Dividend Growth holdings where we are benefiting from buybacks.

Company		**Share Count Reduction from 2016 to 2023**
Apple	AAPL	-24%
Automatic Data Processing	ADP	-10%
Cencora	COR	-9%
Eaton Corporation	ETN	-11%
Eli Lilly	LLY	-14%
Microsoft	MSFT	-5%
Nike	NKE	-9%
Sherwin Williams	SHW	-8%
TJX Companies	TJX	-12%
Tractor Supply Company	TSCO	-17%

* Dividend Growth inception was 12/31/16

Although we have only owned four of these positions since inception, we believe this table highlights the overall financial strength of our businesses and effective capital allocation. As always, we will be watching our companies for management teams that think and act like fellow owners.

Outlook

Earnings of the Dividend Growth portfolio should grow slightly faster than the index this year. We believe the businesses will continue to increase their intrinsic values over time and expect stock prices to follow that growth. Thank you for your confidence in Suncoast and please reach out with any questions.

Sincerely,

Amy	*Don*
Amy A. Lord, CFA	Donald R. Jowdy
Senior Vice President/ Co-Portfolio Manager	CIO

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Suncoast Equity Management, LLC

Performance results versus the Standard & Poor's 500 Index

Time Period	**SEM % Return***	**S&P 500 % Return**	**SEM - Growth of $1,000,000**	**S&P 500 - Growth of $1,000,000**
First Six Months 2024	+ 8.9%	+15.3%	$ 1,089,000	$ 1,152,900
One-Year	+15.3%	+24.6%	$ 1,152,700	$ 1,245,600
Three-Year	+11.5%	+10.0%	$ 1,385,900	$ 1,331,500
Five-Year	+14.9%	+15.0%	$ 1,999,400	$ 2,015,300
Inception (7 1/2 Years)	***+15.6%***	***+14.6%***	***$ 2,970,400***	***$ 2,782,900***

* 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.

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.

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