Second Quarter 2024 (July 1, 2024)

The early part of the second quarter was volatile but equity markets advanced in the second quarter in June with the S&P 500 posting a +15.3% year to date return and the **Select Growth** portfolio posting +12.9% net of fees. We have been building up our **Salesforce** position in the last few quarters and had the opportunity to increase it again this quarter. To support the increase, we trimmed **W. W. Grainger**. Many of our portfolio companies have repurchased a meaningful amount of their outstanding shares over the last ten years. We discuss how this benefits us as long-term part owners of the businesses. With strong equity returns the last 18 months, SEM's Select Growth performance is reflective of its long history in the market in which we have on average slightly underperformed in "up" markets but usually outperformed in "down" markets.

Portfolio Activity

We increased **Salesforce (CRM)** once again after it reported first quarter earnings. CRM is a leading provider of on-demand customer relationship management software, and the company derives 90% of its sales from subscriptions, which generate recurring revenue. First quarter adjusted operating margins increased to 32% from 28% year over year and management reaffirmed its fiscal year 2025 revenue growth target of +8-9% and an operating margin of 32.5%. Cash flow was also strong, and CRM expects it to increase +21-24% this year. Like many other enterprise software companies CRM is seeing slightly longer sales cycles, higher levels of budget scrutiny and weakness in Europe. The stock sold off on the report as the current market opinion is that gen AI will eventually replace enterprise software. As mentioned in our **SEM Investment Commentary** investors are trying to quickly assess whether CRM will be a winner or loser as businesses use AI to increase productivity and cut costs. Currently, we believe CRM is well positioned to benefit from gen AI with its Einstein 1 Platform that unifies terabytes of customers' disconnected data, app development, security, and AI on one platform and then incorporates it directly into workflows. Last quarter we discussed **Adobe (ADBE)** and its sell off on speculation that ChatGPT's text to video application might disrupt ADBE's Digital Media segment. In June ADBE reported record total revenue, increased its Digital Media net new ARR (annual recurring revenue) and adjusted earnings targets as it begins to monetize its AI applications. Although we see similarities in CRM and ADBE we will continue to watch for data points that confirm it has business momentum.

We needed cash to increase CRM, so we slightly reduced **W.W. Grainger (GWW**), a leading provider of maintenance, repair and operating (MRO) supplies and services. GWW continues to grow market share in the highly fragmented MRO market but at a slower rate since the industry is not expected to grow this year. GWW also expects pricing to be flat after increasing prices in the last few years. CRM is growing sales and earnings faster than GWW with a slightly better valuation at this time; it was a relative decision.

Stock Buybacks - Free Cash Flow Allocation Option

One of the key metrics of the **SEM–Disciplined Investment System** is to own companies that consistently generate robust free cash flow. Just as important is watching how that cash flow gets allocated by management and how we will benefit as owners. Ideally the first priority is to reinvest it back into the business to earn the same or higher returns on capital that originally attracted us to become owners. The company may use its cash flow to make niche acquisitions to complement its existing products or services or expand into new markets. Dividends are also an option although many of our fast-growing companies have minimal yields or do not pay a dividend at all, since they are reinvesting back into the business to support their growth.

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 a portfolio holding of both our **SEM Select Growth** and **SEM Dividend Growth** portfolios as well as Buffett's largest equity position at **Berkshire Hathaway**, **Apple (AAPL)** announced a $110 billion buyback plan, the largest in U.S. history. 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 shareholders.

In the table below we highlight thirteen more Select Growth holdings where we are benefiting from buybacks.

Company - Share Count Reduction from 2014 to 2023

Apple	-34%	W. W. Grainger	-27%
Adobe	-9%	Mastercard	-20%
Alphabet (Google)	-8%	McKesson	-44%
Automatic Data Processing	-14%	Merck	-11%
Berkshire Hathaway	-12%	Microsoft	-10%
Bookings	-34%	Nike	-12%
Eaton Corporation	-15%	Visa	-27%

The "Upside" and "Downside"

SEM has 26+ years of independently verified investment results which we submit to the institutional databases. With the same investment team in place since the first time SEM had enough assets under management and cash flow to support a team, a picture emerges as to the profile of our investment performance. One measure of risk is the "upside" and "downside" capture ratio against comparable indexes.

	Net Return	Upside Market Capture	Downside Market Capture
Suncoast Equity Management	10.92%	92.11%	75.62%
S&P 500	8.63%	100.00%	100.00%
Russell 1000 Growth	9.21%	112.57%	111.98%

Since Inception 12/31/97 to 3/31/24 per eVestment,
which is most recent available

In the table above, the S&P 500 is the baseline, and we also compare ourselves to the Russell 1000 Growth, a popular institutional index in our category. The statistics show that we capture 92.1% of the upside and 75.6% of the downside. So, if the S&P 500 was +10% SEM has been about +9.2%; and if the S&P 500 was -10% SEM has historically been about -7.6%. You can also see the Russell 1000 Growth index is meaningfully more volatile based on both its higher upside and downside capture ratios. Keep in mind the above statistics represent an average, and that SEM has not and will not "underperform" in every single up market and "outperform" in each down market.

SEM does not try to steer the portfolio to achieve specific upside and downside capture results. Ultimately the statistical outcome is reflective of the culture of the investment team involved and the preference, as we have our own savings in the same holdings, to own a select group of companies that meet our criteria for both the "growth and safety" of our capital in the years to come.

These statistics are also contained in an institutional chart called the Risk/Reward graph. Although not shown here the conclusion is the same, Suncoast has earned a higher return while taking less risk since its inception.

Outlook

As we look to the second half of 2024, we would not be surprised to see more volatility, especially given it is an election year. We will do our best to filter out the noise and focus on the business fundamentals. We believe the Select Growth portfolio companies should grow their earnings in the mid-teens this year, which is faster than the earnings growth expectations for the S&P 500. We appreciate your continued support and are here to answer any questions you may have.

Sincerely,

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

5550 W. Executive Drive, Suite 320 • Tampa, FL 33609 • 813-963-0502 • www.suncoastequity.com

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	+12.9%	+15.3%	$ 1,129,300	$ 1,152,900
One-Year	+24.7%	+24.6%	$ 1,247,100	$ 1,245,600
Three-Year	+7.7%	+10.0%	$ 1,247,600	$ 1,331,500
Five-Years	+15.0%	+ 15.0%	$ 2,012,300	$ 2,015,300
Ten-Years	+13.7%	+12.9%	$ 3,607,200	$ 3,352,100
Inception (26 1/2 Years)	***+10.3%***	***+ 8.7%***	***$13,525,400***	***$ 9,167,700***

* Composite results of all SEM Select Growth managed accounts, net of all fees.
Note: Performance for the three, five, ten, and since inception year periods represent the annual average rates of return

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Performance Disclosure

Suncoast Equity Management, LLC (SEM) 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. SEM also invests in high-grade fixed income. The Select Growth composite includes all discretionary, fee-paying portfolios managed within this strategy. The creation and inception date of the Select Growth composite is 12/31/1997. As of 6/30/2020, the Suncoast Equity Management composite was renamed the Select Growth composite.

The Select Growth composite is an equity only 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 18-22 stocks.

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 Select Growth composite has had a performance examination for the periods 12/31/97 – 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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