

*First Quarter 2025 (April 1, 2025)*

First quarter performance for the **Suncoast-SMID Portfolio (SEM-SMID)** composite came in at -3.2% after fees versus -8.4% for the S&P 400 Growth index. The negative returns were no surprise considering it follows two years of strong stock market returns and the shift from optimism to uncertainty surrounding the Trump Administration's economic and policy plans. During the quarter we initiated two positions, **US Foods Holding** and **Celestica**, and added to our existing position **Genpact**, as well as trimmed **Fair Isaac**.

Portfolio Activity

We added two new positions to the SMID portfolio during the quarter, **US Foods Holding (USFD)** and **Celestica (CLS)**. USFD is the second largest food distributor which supplies over 250,000 restaurants, healthcare, hospitality, educational institutions and other operators with food products, supplies and equipment (the largest is Sysco Foods). USFD is gaining market share in the fragmented food service distribution market and has room to continue expanding, despite an uncertain demand environment. Productivity initiatives are increasing operating margins, and the company is aiming for continued margin expansion over the next five years. USFD selectively allocates its free cash flow between opportunistic acquisitions and returning capital to shareholders through share buybacks, it does not currently pay a dividend. In 2024, USFD allocated \$950 million of its free cash flow to repurchase 6% of its outstanding shares and \$214 million to purchase IWC Food Service, a family-owned broadline distributor based in Tennessee.

**Celestica** participates in the Electronic Manufacturing Services (EMS) industry, offering a full range of design, assembly and aftermarket services. It serves a wide range of industries including technology and communications (cloud computing and AI companies), industrial, defense and medical. The communications end market is the fastest growing and includes key customers such as Alphabet (GOOG), Amazon (AMZN) and Meta. Its primary products in the segment are its 400G and 800G network switches supporting data centers and management believes it is the market leader in this space. It also recently announced two new customer wins, including a 1.6 terabyte switching program with a hyperscaler (large cloud service provider) that it already sells primary products. CLS is in position to offer industry-leading support as AI infrastructure gets built

out, yet the stock will be volatile for the same reason. Financially the company is improving its operating margins and used its free cash flow to buy back nearly 7% of its shares over the last three years.

We increased our position in **Genpact (G)**, a provider of business outsourcing and IT services that offers accounting, cost management, financial planning and invoicing for clients as well as analytics, research and data security. Genpact specializes in the banking, financial services and insurance industries. The company delivered another strong quarter with revenue +9%, led by its Data-Tech-AI segment +12%. Both gross and operating margins increased and adjusted earnings were +11%. With record new bookings +15%, we look forward to continued business momentum.

To fund the purchases above we reduced **Fair Isaac (FICO)** but it remains one of our largest and most successful holdings over the last seven years. Its products include application scoring models, behavioral scores and credit bureau scoring services provided to the financial, telecommunication and retail industries. While FICO is on track to generate another year of 20% earnings growth, we believe the stock price and position size had gotten slightly ahead of itself and thought it was prudent to reallocate to G, USFD and CLS.

### Spring Ahead

Our two new additions this quarter bring our total holdings to twenty-four. We view a focused portfolio as an important contributor to generating returns above the indexes, which contain many more holdings, such as four hundred in the S&P 400 Growth. Over time we rarely see us getting above twenty-five holdings. Our ebb and flow as to the number of holdings relates to the business momentum of our positions. In the current uneven economic environment, we may add to existing holdings and deemphasize others. As we enter 2025, our **Suncoast-SMID Portfolio** is strategically positioned for sales and earnings growth. We are always here for further discussion and wish you a healthy and successful year ahead!

Sincerely,

*Don*

Donald R. Jowdy

CIO

*Cheeroke*

Cheeroke Townsend, CFA

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&amp;P 400 Growth % Return</u>	<u>SEM Growth of \$1,000,000</u>	<u>S&amp;P 400 Growth Growth of \$1,000,000</u>
1 <sup>st</sup> Quarter 2025	- 3.2%	- 8.4%	\$ 968,000	\$ 916,400
One-Year	- 0.8%	- 8.1%	\$ 991,900	\$ 919,100
Three-Year	+8.1%	+ 3.6%	\$ 1,262,100	\$ 1,112,200
Five-Year	+16.4%	+14.4%	\$ 2,135,100	\$ 1,961,700
<i>Inception (7 3/4 years)</i>	<i>+12.5%</i>	<i>+ 8.2%</i>	<i>\$ 2,492,800</i>	<i>\$ 1,847,500</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.

The composite dispersion represents a measurement of the consistency of the composite's performance results with respect to the returns of the individual accounts within the composite over an annual period. The annual dispersion is measured by the asset-weighted standard deviation of the composite and is calculated using net of fees returns. Only portfolios that have been managed for the full period are included in the composite dispersion calculation. In accordance with the GIPS standards, dispersion data is not provided for years in which the composite is comprised of five or fewer accounts and of periods of less than one year. 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. The 3-year annualized Ex-Post Standard Deviation is calculated using 36 consecutive monthly net of fees returns to the end calculation period. 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 – 12/31/23. 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 – 12/31/23. 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.