

Second Quarter 2025 (July 1, 2025)

The equity markets rebounded from the lows reached in early April, with mid-year performance for the **Suncoast-SMID Portfolio (SEM-SMID)** composite at +2.5% after fees versus +0.5% for the S&P 400 Growth index. We will discuss our second quarter portfolio activity below.

Portfolio Activity

During the second quarter we purchased two new businesses, **Huron Consulting** and **Monolithic Power Systems**, and we sold **Deckers Outdoor** and slightly reduced **Brown & Brown**.

Huron Consulting (HURN) is a professional services company providing expertise in technology, operations, analytics and advisory services, with a focus on the Healthcare, Education and Commercial sectors. HURN's business is a little more recession resistant because of the Healthcare and Education segments, which make up 80%+ of total revenues, and tends to be more stable if the overall economy were to weaken. Healthcare is being driven by the aging population and new product development while Education services are led by changes in technology. Both segments should benefit from proposed changes in government regulations. Post pandemic HURN's business has excelled. After several years of relatively flat net income pre-pandemic, profits doubled to \$120 million last year from \$57 million in 2021. Free cash flow allocation after capital expenditures, which have been consistently low the last few years in the \$35 million range, is a balance of tuck-in acquisitions that give the company added capabilities and new opportunities to serve clients, and a return of capital in the form of share buybacks, since HURN doesn't pay a dividend. Share count has declined 22% to 17.3 million shares from 22.2 million at the end of 2022. We will look for continued business momentum in the coming quarters before increasing our position.

Monolithic Power Systems (MPWR) designs and markets semiconductors that provide energy-efficient power solutions focused on reducing customers' total consumption with more green, practical and compact solutions. MPWR's energy control products are an important component of the AI-driven data center expansion, and it appears to have a competitive advantage with its asset-light fabless model, in which it integrates many functions in the design of a single chip to offer a smaller form factor and greater energy

efficiency. The fabless business model, a process MPWR uses to outsource its manufacturing, enhances its focus on new and rapid innovations. It also leads to low capital expenditure requirements relative to cash flow, resulting in high profitability and returns on invested capital, currently above 20%. MPWR is by nature a more volatile business as it will be dependent on continuing growth in the AI-data center industry. Other end markets such as autos are also showing growth, as MPWR drives more value to an increasingly electrified vehicle design with more complex driver-assisted systems and drivetrains.

To fund the purchases above we sold our position in **Deckers Outdoor (DECK)** and slightly reduced our position in **Brown & Brown (BRO)** to a core portfolio weighting. DECK is best known for its two primary footwear brands HOKA and UGG that make up 57% and 37% of revenues, respectively. Growth year over year is slowing from the previous year's very high levels and it is experiencing a lower demand environment, which may put near term pressure on margins. We did well with DECK over our short ownership time horizon of 3 ¾ years, earning a +98% return on our recent sale. We will continue to watch the development of this footwear company and always consider past holdings as potential prospects should they regain business momentum.

BRO recently announced the acquisition of Accession Risk Management Group, with a cash offer for \$9.825 billion. This transaction represents a significant expansion for BRO. To pay for part of this acquisition, the company raised an estimated \$4 billion by issuing 39.2 million additional shares at a price of \$102 per share, below the current stock price of \$110. BRO's pre-acquisition enterprise valuation (market capitalization of \$32.2 billion, plus debt, net of cash, of \$3.1 billion as of March 31st) is approximately \$35.3 billion. Shares outstanding will increase to approximately 324.2 million shares from 286 million or dilution of 13%. The remainder will be funded internally and result in increased debt. While we believe the integration will be successful, this is a meaningful purchase for BRO, and we will continue to own it just at a slightly lower weighting.

Summertime

We expect 2025 to remain volatile for our businesses with numerous global events impacting the markets, including economic developments and ongoing political and military conflicts. We believe the management teams of our businesses are operating in the best interests of shareholders as they navigate choppy waters to



increase the intrinsic value of their companies. Thanks for continued confidence and we will keep working hard at it. We wish you a great summer season!

Sincerely,

Don

Donald R. Jowdy

CIO

Amy

Amy Lord, CFA

Co-Portfolio Manager



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>
First Half 2025	+ 2.5%	+ 0.5%	\$ 1,025,100	\$ 1,004,800
One-Year	+ 10.1%	+ 4.3%	\$ 1,101,000	\$ 1,043,000
Three-Year	+ 16.3%	+ 13.9%	\$ 1,572,000	\$ 1,477,500
Five-Year	+ 12.5%	+ 11.3%	\$ 1,799,500	\$ 1,708,100
<i>Inception (8 years)</i>	+ 12.9%	+ 9.2%	\$ 2,639,800	\$ 2,025,700

* 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.