



Third Quarter 2025 (October 1, 2025)

The **Suncoast Dividend Growth** performance was +6.9% year to date after fees while the S&P 500 rose to +14.8%. Although relative underperformance is never our goal, we have seen similar market environments before and find it useful to focus on what we can control - what we own and how much of it we own. With that in mind, we increased **Fastenal** after it reported solid earnings and trimmed **Accenture**. We give more context below and also discuss the solid business results our companies are generating.

Portfolio Activity

After initiating a position in June, we increased **Fastenal (FAST)** to a 4.75% weighting. You may recall FAST is a distributor of industrial supplies used for safety, janitorial, plumbing and construction components as well as a provider of logistics and secure supply chain solutions. The company reported revenues +9% driven by market share gains and growth from its larger customers. Contract sales were +11% up from 8.5% last quarter and represent 73% of total sales. Margins also increased and earnings expectations have risen to +11% for both 2025-26. In order to increase FAST, we reduced our long-term holding **Accenture (ACN)** to 2%. ACN closed out its fiscal year ending August 31st with 7-8% sales and earnings growth as well as \$6.3 billion in net cash on its balance sheet. Management guided fiscal year 2026 sales to +2-5% in local currency and adjusted earnings to +5-8% as it navigates slower growth in its U.S. federal business and a changing landscape due to the impacts of AI on its consulting business. With better business momentum and double-digit earnings growth, our preference is to own more of FAST than ACN.

Just for Context

The goal of the Dividend Growth portfolio is to be competitive and outperform the S&P 500 after fees while taking less risk. We achieved this goal and outperformed since inception with less volatility up until second quarter 2025, but as of third quarter portfolio performance has lagged so we thought it would be helpful to revisit the purpose of the strategy. Dividend Growth was created almost nine years ago to offer clients a portfolio of businesses that are less likely to be disrupted using our **SEM – Disciplined Investment System** of business momentum, above average returns on capital, robust free cash flow and strong balance sheets.



For example, we believe it is very unlikely that **Sherwin Williams (SHW)** will be disrupted as the global market leader in paint and coatings compared to a software company that could be disrupted by generative AI.

Furthermore, the intrinsic value of our companies is compounding at a faster rate than the S&P 500 index with sales expected to be +8-9% and earnings +12-13% in 2025-26. This allows our businesses to increase dividends at a faster rate as well and in fact Dividend Growth has grown its payout 9-10% a year since inception much higher than the S&P 500 at +6%. This year is no exception with a third of the portfolio announcing meaningful increases in the last few months:

<u>Company</u>	<u>Dividend Growth</u>
Accenture	10.1%
Broadridge	10.8%
Marsh & McLennan	10.4%
Microsoft	9.6%
Paychex	10.2%
TJXCompanies	13.3%

So, Is It Safety Last or Is It the Tortoise and the Hare? Only Time Will Tell

As referenced in our **Investment Management Commentary**, Safety companies as defined by Value Line and in particular companies with consistently growing dividends have significantly lagged high beta companies, those with less predictable earnings (and sometimes no earnings at all) most of which don't pay dividends.

	12/31 - 4/8	4/8 - 9/30	YTD 9/30
S&P 500 High Beta Index Returns	-24%	64%	25%
S&P 500 Dividend Aristocrats Returns	-8%	15%	5%

Source: FactSet, S&P 500 Beta Index tracks the 100 stocks in the S&P 500 that exhibit the highest sensitivity (beta) to overall market movements, while the S&P 500 Dividend Aristocrats tracks constituents that have increased dividends every year for at least 25 consecutive years.

While we cannot predict when stock prices will realign with the growth in intrinsic value and the S&P 500, this strategy has performed relatively well versus its competitors. SMArtX Advisory Solutions just announced that Suncoast Dividend Growth ranked in the Top 90th percentile of its peer group as of third quarter 2025 based on their proprietary system that ranks consistency of risk adjusted returns over multiple time periods.



Outlook

Portfolio management is a profession where performance could always be better. As we work diligently to achieve that goal for our clients, as well as our own portfolios invested in the strategy, we will remain focused on owning consistently growing, high quality companies that have the financial flexibility to increase their dividends every year. Please reach out with any questions.

Sincerely,

Amy

Amy A. Lord, CFA

Senior Vice President/ Co-Portfolio Manager

Don

Donald R. Jowdy

CIO



Suncoast Equity Management, LLC

Performance results versus the Standard & Poor's 500 Index

<u>Time Period</u>	<u>SEM % Return*</u>	<u>S&P 500 % Return</u>	<u>SEM - Growth of \$1,000,000</u>	<u>S&P 500 - Growth of \$1,000,000</u>
First Nine Months 2025	+ 6.9%	+14.8%	\$ 1,068,600	\$ 1,148,300
One-Year	+ 4.3%	+17.6%	\$ 1,043,200	\$ 1,176,000
Three-Year	+16.6%	+24.9%	\$ 1,585,100	\$ 1,950,100
Five-Year	+13.4%	+16.5%	\$ 1,873,100	\$ 2,143,000
<i>Inception (8 3/4 Years)</i>	<i>+14.6%</i>	<i>+15.3%</i>	<i>\$ 3,301,300</i>	<i>\$ 3,465,300</i>

* 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.

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 Dividend Growth composite has had a performance examination for the periods 12/31/16 – 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.