

Third Quarter 2025 (October 1, 2025)

Through the third quarter, the **SEM Select Growth** portfolio returned +5.2% net of fees versus +14.8% for the S&P 500 index. As discussed in detail in our third quarter Investment Commentary, it is not just AI driving market returns, but the most cyclical stocks with weak balance sheets continue to widely outperform in the V-shaped recovery since early April. An indicator of speculative and cyclical stocks, the S&P 500 High Beta index is up 25% YTD, driven by its striking 64% appreciation since its post Liberation Day April 8th, 2025, low when it was down -24% for the year. Since that low, the S&P 500 has trailed the High Beta Index by almost 30% points.

	12/31 - 4/8	4/8 - 9/30	YTD 9/30
S&P 500 High Beta Index Returns	-24%	64%	25%
S&P 500 Index Returns	-15%	35%	14%

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.

Our experience with past market cycles reminds us to stay disciplined and true to our process which favors investments in companies with not only business momentum, but also sustainable earnings and strong financial profiles. The average expected earnings per share growth for Select Growth in 2025 and 2026 is 23% and 16%, respectively versus +10% for the S&P 500 according to LSEG estimates. As it has in the past, superior AND sustainable earnings growth bodes well for future relative returns.

Portfolio Activity

We made an initial purchase of **Uber (UBER)**, which owns and operates a digital platform linking ridesharing and meal providers with customers in need of those services. The company has recently transitioned from a growth-at-all-cost transportation disruptor into a durable, cash-generating platform company operating in the \$1 trillion global mobility and food delivery markets. Sales have consistently grown in the mid to high teens, but importantly operating results became profitable in 2023, and free cash flow has tripled in the last three years as the business has grown to sufficient scale and service density. Uber's new mobility and food delivery monthly subscription service, Uber One, offers users increased perks and food merchants richer promotional opportunities. More Uber One users attract more food merchants, which brings more Uber One users, which brings more food options, and so unfolds the virtuous cycle of a digital network effect business. Subscribers



have risen 60% year over year and now account for over 40% of combined mobility and delivery bookings. Since cross-platform (mobility and delivery) consumers spend more and merchants advertise more to them, profitability per Uber user is increasing. Increasing monthly subscription revenue and merchant advertising on top of an expanding geographic footprint (globally to major urban areas and locally to rural ones) make for a business with a long runway.

We also initiated a position in **Broadcom (AVGO)**, a diversified IT hardware and software company. With the pervasiveness of digitization and potential for AI integration across all facets of the economy, we believe semiconductor demand has expanded significantly beyond the traditional information technology sector to veritably all industries, old and new, making it potentially less exposed to the boom-and-bust semiconductor cycles of the past, and more recurring in nature.

AVGO has AI pole position in delivering custom silicon chips tailored for inference workloads. Think of inference as the real world, everyday usage of the trained large language models like ChatGPT that took years to develop in secret labs. AI chip demand appears to be shifting toward inferencing, as more AI is deployed into real applications. This phase is clearer and more durable because inference grows in step with consumer and business usage, creating recurring workloads and revenue stream. Broadcom has become a foundational infrastructure partner for mega tech companies like current holdings **Microsoft**, **Meta** and **Google**. This past month AVGO announced a \$10 billion deal with privately-owned AI innovator, Open AI, the inventor of ChatGPT, now used by over 700 million people. Broadcom has very strong business momentum and the inference market is indeed likely in the early innings. In the most recent quarter, Broadcom sales grew +22%, and management guided for similar revenue growth and earnings per share growth of +35% in fiscal 2026.

We sold long-time portfolio holding **Accenture (ACN)** to fund the purchases of Uber and Broadcom. Accenture, by far the global leader in enterprise technology consulting and integration, has served us well, gaining nearly 600% excluding dividends since our first purchase just over sixteen years ago. While it still offers significant free cash flow and continues to grow its dividend double digits, earnings growth has decelerated a bit. The company needs to reskill its consultants to serve the growing need for AI implementation for its

customers. Accenture has navigated its way through prior technological transformation periods, but we felt we could benefit from stronger earnings growth in our new positions in the interim.

We also increased **McKesson (MCK)** and trimmed our largest position **Nvidia (NVDA)** to fund it. In FY 2025, MCK delivered 16% revenue growth and 20% adjusted earnings per share (EPS) growth driven by strength in its pharmaceutical/distribution core and expansion in fast growing specialty medicines like GLP-1s, weight loss and diabetes drugs that continue to gain approvals for additional clinical indications such as sleep apnea. With its 2026 adjusted EPS guidance raised to +14–17%, MCK is doubling down on higher-margin segments like oncology, aiming to shift the mix toward more scalable, value-added businesses.

Not Just AI

While we have exposure to high growth AI, it is important to remember there are companies in the market capable of providing excellent non-AI led growth, while also providing some level of protection from speculative excess should AI fail to deliver adequate returns in the near term. McKesson, a leading drug distributor that grew EPS in the teens even during the heart of the global financial crisis is one, while portfolio companies like **Booking, Uber, Mastercard, Visa, and Stryker** are examples of others likely not immediately exposed to AI. All are estimated to grow earnings per share as fast or faster than the S&P 500 in 2025. Over time, however, we believe the delineation between AI and non-AI will become less meaningful as AI becomes societally and economically pervasive. Yale professor, William Nordhouse, estimated that 97% of the benefits of 20th century innovations ultimately accrued to consumers though it took time, often decades, to disseminate. We expect AI will follow a similar pattern as both corporations and consumers increasingly integrate it into their daily operating systems, though perhaps the gains will be accelerated given the largely digital nature of AI versus the physical nature of past innovations like flight, railroads, highways and electricity.

It is also important not to conflate all tech prospects with AI prospects. **Microsoft (MSFT)** is not just an AI company as it benefits from corporate customer demand on a vast array of “regular” technology, including cloud infrastructure computing, business application software, cybersecurity, databases and a host of other entrenched software. Companies are increasingly choosing to rent computing power and software from cloud providers like Microsoft rather than buying it and employing legions of proprietary IT personnel. This

transition from “on-premise” to “cloud” computing began with companies’ internal developmental software work, but enterprises are now moving their live, mission-critical pieces to the cloud as well. Goldman Sachs estimates corporations are only about 30% of the way through this transition and the market is expected to grow 22% annually through 2030. In the most recent two quarters, ending June and March respectively, MSFT grew its Azure (infrastructure cloud) business by 39% and 33%. In the March quarter MSFT disclosed that more than half of Azure’s revenue growth came from non-AI services. A Bernstein analyst recently highlighted that non-AI Azure gross margins are considerably higher in the low to mid 70% range as compared to the 30-40% range for AI. Ultimately, the accelerating corporate shift can be viewed as preparation for corporations integrating large scale AI into their businesses. For Microsoft, this shift is only additive to its burgeoning cloud-delivered software like Microsoft 365, Outlook, Word and Excel.

Looking Ahead

Looking ahead, we remain confident that **SEM Select Growth** is well positioned for the next phase of the market cycle. Our disciplined focus on companies with durable earnings power, strong balance sheets, and long runways for growth continues to differentiate the portfolio in an environment where speculative enthusiasm has at times overshadowed fundamentals. With exposure to secular themes such as AI and cloud computing, complemented by resilient non-AI growth segments like healthcare, digital payments, and travel, we believe the portfolio offers a balanced path for both growth and stability. As always, our priority is to compound value for clients through companies that can sustain superior earnings growth over time.

Sincerely,

<i>Don</i>	<i>Amy</i>	<i>Eric</i>
Donald R. Jowdy	Amy Lord, CFA	Eric K. Lynch
CIO	SVP/ Co-Portfolio Manager	Managing Director/Co-Portfolio Manager



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	+ 5.2%	+ 14.8%	\$ 1,052,400	\$ 1,148,300
One-Year	+ 11.2%	+ 17.6%	\$ 1,112,300	\$ 1,176,000
Three-Year	+ 22.9%	+ 24.9%	\$ 1,855,000	\$ 1,950,100
Five-Years	+ 12.6%	+ 16.5%	\$ 1,811,300	\$ 2,143,000
Ten-Years	+ 14.4%	+ 15.3%	\$ 3,831,000	\$ 4,153,000
<i>Inception (27 3/4 Years)</i>	<i>+ 10.4%</i>	<i>+ 9.2%</i>	<i>\$15,511,900</i>	<i>\$ 11,415,600</i>

* 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

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. 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 1/1/2022, 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.

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

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