First Quarter 2026 (April 1, 2026)

The first quarter of 2026 was a volatile one with the software selloff, rising oil prices and geopolitical uncertainty. The **Suncoast Dividend Growth** strategy was slightly ahead of the S&P 500 for the first two months of the year but ended the quarter down -7.9% after fees compared to the S&P 500 -4.3% as the market favored energy and commodity businesses during March. We initiated two new positions, **ResMed** and **TE Connectivity,** and increased **Trane Technologies**. **Eaton, Eli Lilly, Automatic Data Processing** and **Broadridge** were trimmed to fund the purchases. Our rationale is discussed below as well as two portfolio updates.

<u>Portfolio Activity</u>

We purchased a 2.25% position in **ResMed (RMD),** which develops and distributes ventilation equipment and masks for sleep apnea and chronic obstructive pulmonary disorder (COPD) to patients in 140 countries. RMD also offers remote monitoring software which allows patients to self-monitor and healthcare providers to see and respond to real-time comprehensive therapy data. Mask sales increased +8% in the most recent quarter, up from 4% in the prior quarter and margins expanded. CEO Michael Farrell believes RMD is actually benefiting from the expanded use of weight loss drugs like Wegovy and Zepbound as patients become more aware they have sleep apnea and take a wholistic approach to improved health. In fact, the company has done multiyear studies that show patients taking these drugs are more likely to be on CPAP therapy 1 and 3 years out from initiation than those not taking weight loss drugs. As a leader in the large underpenetrated market of an estimated 2.3 billion people globally that suffer from sleep apnea, COPD and insomnia, RMD sees a long runway for growth. Current expectations are for high single digit revenue growth and double digit earnings growth for the fiscal year ending June as well as next year.

TE Connectivity (TEL) is a global industrial technology company that offers connectivity and sensor solutions that enable the distribution of power, signal, and data. End markets include transportation, data centers, automated factories, renewable energy and medical technology. We initiated a 2.25% position after it reported broad based growth across its Transportation and Industrial segments with quarterly sales growth +22% and organic sales +15%. Adjusted operating margins expanded from 20% to 22% led by the Industrial

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Solutions and the rise of digital data networks, +70%. Although AI sales are growing rapidly and management raised its 2026 revenue target by $200 million, TEL is diversified across many sectors and data networks represent only 13% of its $17.3 billion in annual revenue. In March, the company announced a 10% increase to its quarterly dividend, which equates to a 1.5% yield. We look for business momentum to continue and hope to increase our position to a core weighting of 5-6% as TEL executes.

We slightly increased **Trane Technologies (TT)** after a solid fourth quarter and its Americas division, 81% of total revenue, reported bookings for Commercial HVAC (heating, ventilation and AC) were +35%. TT acquired two small companies during the quarter, LiquidStack and Stellar Energy, and is building out its portfolio of data center liquid cooling capabilities (specific deal terms were not disclosed). CEO David Regnery outlined targets for +8.5-9.5% revenue growth in 2026 and adjusted earnings growth of +12-14%. To fund the purchase, we slightly reduced **Eaton (ETN)** which as a power management company and manufacturer of highly engineered industrial, commercial and aerospace products is also benefiting from investments in AI infrastructure. It was a relative decision for us and TT appears to have a little better business momentum at this time.

On a similar note, we trimmed our position in **Eli Lilly (LLY)** to purchase RMD. LLY had appreciated to an 8% weighting and we felt it was prudent to slightly diversify as it was awaiting approval for its new weight loss pill, orforglipron. Just today it was approved by the FDA and will be sold under the name Foundayo. **Automatic Data Processing (ADP)** and **Broadridge (BR)** were reduced to 3% positions to make room for TEL which is growing sales and earnings at a faster rate.

<u>Portfolio Updates</u>

In late December after we initiated a position, **Cintas (CTAS)** made an offer to acquire its smaller rival **UniFirst (UNF)** for $5.5 billion. CTAS had approached UNF in 2022 and 2024 and its persistence finally paid off. In March UNF’s Board of Directors and the founding Croatti family, which controls two-thirds of the vote, unanimously approved the deal. CTAS is confident it will receive regulatory approval but agreed to pay a $350 million reverse termination fee should that not happen. The acquisition should close in the second half of this year and would give the combined company almost 50% market share in the US uniform rental market.

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With scale and increased route density CTAS will have a unique cost advantage and the ability to serve customers of all sizes profitably. In fact, cost synergies are expected to be $375 million over the next four years. UNF shareholders will receive $155 in cash and 0.772 shares of CTAS stock for each share they own, which represents a total of $310 per UNF share and a stake in the success of the company as a whole.

Effective January **Marsh McLennan** transitioned to a single, unified brand by simplifying its name to **Marsh** and changing its ticker to **MRSH** from **MMC**. Management believes this better represents its combined expertise in risk, reinsurance, talent and strategy. By 2027 MRSH will rebrand its reinsurance segment Guy Carpenter and its Health, Wealth and Career segment Mercer to the namesake Marsh. Its business consulting unit Oliver Wyman will be renamed Marsh Management Consulting.

<u>Perspective and Recency Bias</u>

Dividend paying companies have significantly underperformed equity benchmarks the last three years. As a result, both **Dividend Growth** and the S&P 500 Dividend Aristocrats index (a popular strategy comprised of companies that raise their dividends every year) posted annualized returns of +8.3% after fees and +7.4%, respectively, underperforming the +18.3% return of the S&P 500.

Recency bias is a human condition defined by the tendency to overemphasize recent events or information over historical data, which often leads to emotional or irrational decisions. Falling victim to recency bias may result in an investor removing funds from a strategy when in fact they should consider doing the opposite and adding more. With this in mind, we have decided to change the format of historical performance in our letters by showing annual returns since inception (our quarterly fact sheets will remain the same). We believe an annual presentation better reflects the volatile nature of equities and highlights how we have managed through challenging market environments. Transparency is a core value of Suncoast Equity and we remain committed to reporting current as well as long-term performance.

Outlook

After consistently practicing the **SEM- Disciplined Investment System** for almost thirty years, we believe we are well-positioned to advise clients on the relative value of our portfolios. Morningstar's estimate that our companies are on average 10% below their fair values validates our belief that current prices do not reflect the earnings power of our businesses. Furthermore, our current dividend yield is 1.7% compared to the S&P 500 at 1.2%, the largest relative difference we've seen since inception of Dividend Growth in 2017. Double-digit earnings growth with little to no debt to pay off gives our businesses the financial flexibility to keep compounding their dividends +9-10% annually.

Thank you for entrusting us with your hard-earned capital and as always we are here to answer your questions.

Sincerely,

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

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Annual Returns vs. Benchmark

Year	SEM (Net)	S&P 500	Difference
2017	22.8%	21.8%	1.0%
2018	(1.1)	(4.4)	3.3
2019	34.2	31.5	2.7
2020	16.7	18.4	(1.7)
2021	35.2	28.7	6.5
2022	(11.8)	(18.1)	6.3
2023	20.3	26.3	(6.0)
2024	13.3	25.0	(11.7)
2025	5.1	17.9	(12.8)
1st Qtr. 2026	(7.9)	(4.3)	(3.5)*
Compounded Annual Gain	12.6%	14.2%	-
Overall Gain (2017-1st Qtr. 2026)	199.1%	240.3%	-

Returns are net of fees. Past performance is not indicative of future results.
*Numbers vary due to rounding

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 – 12/31/24. 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 – 12/31/24. 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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