

First Quarter 2026 (April 1, 2026)

The trends of late 2025 continued in the first quarter with solid intrinsic value growth in our **Suncoast Small to Mid Cap** businesses accompanied by volatility and price declines due to the selloff in software companies and the conflict in Iran as discussed in the **Investment Commentary**. Consequently, the SMID portfolio fell -8.4% after fees compared to S&P 400 Growth index which was +3.9% year to date. Despite short term performance we remain focused on consistently growing (non-cyclical) companies with high levels of free cash flow and pricing power. We added three new companies that meet that criteria, **Cardinal Health**, **Cadence Design** and **Autodesk**, with the sale proceeds of **Yelp**, **NetApp** and **Brown & Brown**. We discuss these transactions below as well as **Cintas'** long-awaited acquisition of **UniFirst**.

Portfolio Activity

In February we initiated a position in **Cardinal Health (CAH)** and added to it in March, a company that delivers healthcare services and products. CAH is seeing broad based growth in all its segments including Pharmaceuticals and Specialty Solutions, Global Medical Products and Distribution as well at-Home Solutions and OptiFreight with total revenue +19% during its most recent quarter. Similar to its peers **McKesson (MCK)** which we own in **Select Growth** and **Cencora (COR)** which we own in **Dividend Growth**, CAH has been selectively adding higher-margin service companies to its portfolio with the recent purchase of 75% of Solaris Health, the largest U.S. urology managed services organization (MSO). Solaris adds 750+ providers in 14 states and brings CAH's MSO platform to 3000 providers in 32 states. With expanding gross and operating margins and a share buyback that was completed early, CAH increased its 2026 adjusted earnings target for the second time this fiscal year to +23-26%.

Cadence Design (CDNS) is a global leader in electronic design automation (EDA) software primarily used in the semiconductor industry and we took advantage of the market volatility in February to add it to the portfolio. CDNS ended 2025 with sales +14% at \$5.3 billion and a record backlog of \$7.8 billion, giving management clear visibility into 2026 business momentum. R&D has historically been, and continues to be, a priority at 33% of sales. As a result, CDNS is already deploying AI agents leading to a 10x increase in productivity for clients using specific workflows. We believe the company is well-positioned to monetize the increased usage and efficiency

gains its clients are benefiting from. With a history of double-digit revenue growth, expanding margins and 25%+ returns on capital, we will look for more opportunities to increase this high-quality name.

We also purchased **Autodesk (ADSK)** during the volatility, a global leader which specializes in 3D design for architecture, land development, engineering, construction, and manufacturing. ADSK, which was the first in its industry to introduce a consumption-based pricing model 10 years ago, ended the fiscal year 2026 with revenues +18% and billings (total revenue plus changes in deferred revenue) +30%. The company has also been investing in deep AI for almost ten years and CEO Andrew Anagnost believes ADSK is competitively advantaged in the complex regulatory environments it operates in. Project-based and outcome-based pricing should increasingly drive results and 2026 expectations are for revenue growth of +12-13% and earnings growth of +18-20%.

As mentioned in our **Investment Commentary**, the volatility during the quarter allowed us to upgrade some of our positions to more consistent, faster-growing companies. One upgrade was the sale of **Yelp (YELP)** to purchase **CDNS**. YELP is known for its advertising products and reviews for local businesses, restaurants and retail. Restaurants, Retail, and Other revenue fell in the quarter as businesses pulled back on advertising. Earnings will likely decline this year compared to mid-teen growth for CDNS. Similarly, we used the funds from the sale of **NetApp (NTAP)** to buy **ADSK**. NTAP combines unified data storage, integrated data and workload services for enterprises. Although they reported decent third quarter results, product gross margins fell due to unprecedented inflation in computer memory prices. ADSK should grow its earnings almost twice as fast as NTAP this year and is benefiting from the global data center, industrial and infrastructure buildout.

We also sold **Brown & Brown (BRO)**, a diversified insurance agency, wholesale brokerage and service organization that we first bought in late 2023. In January BRO reported organic sales fell 3% driven by an 8% decline in Specialty, its higher margin segment, and declining catastrophe insurance rates. BRO is facing competition from startups in the insurance industry and had to file an injunction against one recently for taking revenue and employees from the firm. These factors led to declining 2026 sales and earnings estimates, so we sold our small position. We also slightly trimmed our long-term holding **Copart (CPRT)**, an online auto auction and vehicle remarketing services company, which is managing through a difficult macro environment with declining global insurance units.

Portfolio Update

In late December our long term holding **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 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. 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.

Outlook

We believe discipline and consistency make the difference and continue to believe our **SEM-Disciplined Investment System** will generate attractive long-term results, as it has historically. The SMID portfolio companies grew their earnings 20% in 2025 and are on track to compound at a mid-teens rate this year. We can't predict how stock prices will gyrate in the short run but feel strongly this portfolio will build wealth over time, both yours and ours as co-investors. Please reach out with any questions.

Sincerely,

Don

Donald R. Jowdy

CIO

Eric

Eric Lynch

Managing Director / Co-Portfolio Manager



Annual Returns vs. Benchmark

Year	SEM (Net)	S&P 400 Growth	Difference
2nd Half 2017	7.0%	10.5%	(3.5%)
2018	(3.6)	(10.3)	6.7
2019	42.7	26.3	16.4
2020	24.2	22.8	1.4
2021	29.9	18.9	11.0
2022	(25.3)	(19.0)	(6.3)
2023	23.5	17.5	6.0
2024	17.7	15.9	1.8
2025	(1.5)	7.5	(9.0)
1st Qtr. 2026	(8.4)	3.9	(12.3)
Compounded Annual Gain	10.1%	9.7%	-
Overall Gain (2 nd Qtr. 2017 – 1st Qtr. 2026)	132.4%	125.1%	-

Returns are net of fees. Past performance is not indicative of future results.

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 – 12/31/24. 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 SMID composite has had a performance examination for the periods 6/30/17 – 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.