

First Quarter 2026 (April 1, 2026)

The first quarter was marked by continued volatility following trends that began in 2025, and the Iran conflict which as of this writing is unresolved. As discussed in our **Investment Commentary**, a combination of an extended cyclical rally, accelerating concerns around AI disruption in digital businesses, and geopolitical uncertainty created a challenging environment for high-quality growth companies. The **Suncoast Select Growth** portfolio has been temporarily out of step -12.6% in the first quarter, versus the S&P 500 -4.3%. Contributing to our underperformance, the S&P 500 Energy sector is up nearly +40% this year, but otherwise market participants indiscriminately sold assets in March. Stocks of all kinds, bonds and gold are down notably since the Iran conflict began over concerns of an energy shock and potential stagflation. We discuss market dynamics and the portfolio’s fundamental earnings summary in the first segment of our comments. Our portfolio decisions in the first quarter were strategic given the current volatile environment and advancements in AI, as we upgraded two “growth” positions and added to our “safety and growth” positions, which will be complementary to our current holdings’ strength going forward.

Market Dynamics

While our portfolio companies continued to deliver strong earnings, their stock prices remained depressed as market participants favored cyclical and high beta businesses. We believe this divergence between returns and fundamentals presents an opportunity and reinforces the importance of maintaining discipline in owning businesses with durable earnings. If history is a guide, we believe it is just a matter of time (and patience) until the strong intrinsic value growth in the table below reconciles with our temporary negative portfolio return. The last time cyclical stocks dominated market returns, Select Growth trailed the S&P 500 by 15% and 8% in calendar years 2016 and 2010, respectively. After each time, clients experienced three straight years of superior returns.

	Earnings Growth	
	2025 EPS	2026 EPS
	<u>Actual</u>	<u>Estimates</u>
SEM Select Growth	27.0%	20.4%

Source: Eikon as of 3/28/26

Current market dynamics consist of a high level of both noise and signal. Noise events incorporate emotional investment actions centered on current events, be it the conflict with Iran or the proliferation of prediction markets that begs for a gambling mentality. At the same time, we are witnessing accelerating advances in technological innovation and earnings growth for select companies since ChatGPT arrived in late 2022.

“Safety” - A Key Component of Select Growth

Seeking smoother long-term capital appreciation, we try to mitigate the inherent downside risk in equity markets by maintaining portfolio exposure to companies that exhibit not only growth, but also resilience. We call these “Safety and Growth” companies and during times of heightened animal spirits they may drag portfolio performance. Conversely, their growing, but durable cash flows lend to outperformance in volatile markets. Current portfolio holdings like **Stryker** and **Visa** have delivered fantastic returns over time, and even better return profiles considering their lower volatility. These companies’ economies of scale, platform dominance, and the punitive switching costs posed to their customers, have made them difficult to disrupt.

A new addition this quarter that reflects the “safety-first” principle, while still offering “growth”, is **TJX Companies (TJX)**, the leading off-price retailer. TJX has consistently delivered double-digit earnings growth given its strong merchandising advantages. In an environment where consumers are increasingly value-conscious - particularly as cost pressures weigh on middle and lower-income households - we believe TJX is well-positioned to sustain 10%+ earnings growth. The Iran conflict could exacerbate affordability if areas like transportation, manufacturing, and food production are impacted by an energy shock.

S&P Global (SPGI) represents another safety and growth addition aligned with our preference for high-margin businesses with competitive moats. The company is one of three government licensed credit rating firms that dominate global credit. It has delivered strong operating leverage and profit growth. We expect SPGI to continue compounding earnings at about 10%+, supported by durable demand for financial data, ratings, and index-linked revenues, as well as increasing monetization of proprietary datasets in an AI-driven world.

We sold **Adobe (ADBE)** to fund the purchase of SPGI. While still a high-quality franchise with double digit profit growth, Adobe may be facing increasing uncertainty as generative AI lowers barriers to content creation and introduces new competitive dynamics. We believe SPGI and its proprietary data will be more defensible.

We also added **Aon (AON)**, a global professional services firm with durable growth characteristics from recurring annual revenues. We expect Aon to compound earnings at a low-to-mid-teens rate, supported by pricing power and ongoing share repurchases. Over decades, the firm has built a differentiated data and analytics advantage, enabling it to design bespoke insurance solutions across complex risk categories - AI and cyber security, property and casualty, liability, health, reinsurance, and other specialty areas.

AI Disruption and Market Dislocation Creates Opportunity: Portfolio Upgrades

Innovation lifts standards of living, even if it displaces certain jobs and industries. Artificial intelligence is experiencing rapid application - speak with a software engineer - and will likely compare to past advancements like the internet, electricity and industrialization. However, the speed of AI's adoption and its exact impact on productivity are simply unknown. What is clear is that there will be winners and losers. The difficulty in separating the two groups has pressured our digital-heavy businesses and is reflected in our performance, including two recent portfolio additions discussed above, SPGI and AON, both of which we believe will benefit from implementing AI into products and service offerings.

We believe the concerns that amplified into a near AI panic this quarter created an opportunity to upgrade the portfolio. We reviewed each of our digital-leaning portfolio companies through an intensive Agentic AI Disruption framework following the Anthropic advances this quarter, assessing the business' long-term competitive durability, specifically its technological and operational integration, mission critical factors, cost versus value, substitutability, and any regulatory, legal and risk protections.

We upgraded by selling **Salesforce (CRM)** to initiate a position in **ServiceNow (NOW)**, a leading enterprise workflow automation platform. Despite near-term pressure on software valuations, NOW continues to deliver approximately 20% revenue and earnings growth. We believe NOW's deep integration into enterprise workflows and early leadership in AI-enabled productivity translate to strong intrinsic value growth.

The company's AI control tower, already integrating Anthropic, allows clients to deeply embed AI into workflows, but safely. While Salesforce has also aggressively pursued agentic AI, we were concerned about the software company's periphery position in the enterprise - sales and customer service - versus being at the center of a company's highly integrated, mission critical and transactional systems.

We also purchased **Airbnb (ABNB)**, a differentiated global marketplace with strong network effects. The company literally created its industry, and we believe large language AI models are unlikely to disrupt the services currently supplied by the company - millions of individual homes supply aggregation, guest and host screening, safety and fraud protection, reviews, payments and insurance. After a post-covid lull, the company is delivering mid-teens revenue growth with strong free cash flow margins, and we believe it can sustain double-digit earnings growth through concerted global expansion to large markets like India and others.

We exited **Booking Holdings (BKNG)** to fund the purchase of Airbnb. Booking is a dominant online travel platform with double digit earnings growth as well, and it has been a successful holding since purchase. However, while the business remains strong, we believe its long-term growth outlook is more balanced, particularly as AI-enabled travel planning and booking tools that directly transact with hotels introduce incremental uncertainty and present, we believe, a greater disintermediation risk versus Airbnb.

These additions, whether AI dislocation upgrades or "safety and growth" businesses, reflect a combination of highly embedded data and workflow platforms, mission-critical service providers, and differentiated consumer models that we believe are well-positioned to compound earnings at double-digit rates with resilience.

Perspective and Recency Bias

Recency bias is a frequent condition of human nature in which we have the tendency to overemphasize recent events or information over historical data, often leading to bad decisions, be they emotional or irrational. With Suncoast's recent performance we felt it was important to update our presentation to make highly visible each of our calendar year returns so clients can look back over our history and see we have had similar experiences, and importantly strong recoveries. 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.

Please keep in mind our quarterly fact sheets will continue to include trailing periods of annualized returns. 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

While commercial deployments of AI have accelerated, the deeper integration of agentic systems remains a work in progress, and its ultimate impact is still uncertain. In many cases, AI will prove complementary; in others, it may be disruptive. We view platforms like ServiceNow as the highway - critical infrastructure that enables workflows at scale - while newer AI agents, such as Anthropic's Claude, are better thought of as high-performance vehicles operating on that road. The vehicle can improve dramatically, but it still depends on the underlying system to move efficiently and safely.

We remain in a period of elevated uncertainty surrounding the Iran conflict - an environment markets typically struggle to price. Should this persist and translate into oil supply concerns, energy stocks may continue to attract investor interest, despite long-term cyclical characteristics that have generally lagged higher-quality compounders such as Stryker and Mastercard. Conversely, the cyclical stocks that have carried the S&P 500 High Beta index's exceptional 67% return over the trailing 12 months are likely to lag in a volatile market.

The Select Growth portfolio is purpose-built for uncertain times. We intentionally construct portfolios with what we believe are secular or idiosyncratic growth characteristics and persistent economic moats that provide profit resilience. Morningstar, the independent investment classification company assesses individual stocks' valuations. Currently, Morningstar estimates that **SEM Select Growth** is 20% undervalued. This is the opportunity at hand when markets punish a set of businesses with 20% EPS growth for a year.

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



Annual Returns vs. Benchmark

Year	SEM (Net)	S&P 500	Difference
1998	26.2%	28.6%	(2.4)%
1999	24.1	21.0	3.1
2000	4.5	(9.2)	13.7
2001	0.3	(11.9)	12.3
2002	(11.0)	(22.1)	11.2
2003	20.1	28.6	(8.5)
2004	12.5	10.9	1.6
2005	(0.5)	4.8	(5.3)
2006	8.2	15.8	(7.6)
2007	10.1	5.5	4.7
2008	(30.1)	(37.0)	6.9
2009	24.8	26.4	(1.7)
2010	6.8	15.1	(8.2)
2011	4.3	2.1	2.2
2012	19.2	16.0	3.2
2013	36.2	32.4	3.8
2014	10.1	13.7	(3.6)
2015	3.9	1.4	2.5
2016	(3.0)	12.0	(14.9)
2017	30.9	21.8	9.1
2018	1.1	(4.4)	5.5
2019	35.7	31.5	4.2
2020	26.7	18.4	8.3
2021	27.4	28.7	(1.3)
2022	(23.4)	(18.1)	(5.2)
2023	31.4	26.3	5.2
2024	23.1	25.0	(2.0)
2025	7.3	17.9	(10.5)
1st Qtr. 2026	(12.6)	(4.3)	(8.1)
Compounded Annual Gain	9.8%	8.9%	-
Overall Gain (1998-1st Qtr. 2026)	1,283%	1,021%	-

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

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 – 12/31/24. 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 Select Growth composite has had a performance examination for the periods 12/31/97 – 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.