



Second Quarter 2026 (July 1, 2026)

In the second quarter, the **SEM Select Growth** portfolio and the broader market rebounded strongly, with our portfolio up 9.9% net of fees. While we still need to recover ground lost in the first quarter and remain down low single digits year to date after fees, we are encouraged by the strong profit growth reported for the first quarter and expect earnings momentum to continue. The trailing 15-month performance has been frustrating for us as well—our capital is invested alongside yours—but as we have noted, we have seen temporary dislocations between our portfolio companies’ share prices and earnings before, followed by share prices eventually catching up with profits. In a period of dynamic technological change, including early innings of the broad adoption of AI across the economy, we believe forward-looking analysis is increasingly critical — and we are encouraged by the competitive positioning and earnings power of the businesses we own. Below is a table of earnings growth looking back to 2025, the outlook for 2026 and an early look forward of consensus earnings growth potential in 2027.

Earnings Growth		
2025 EPS <u>Actual</u>	2026 EPS <u>Estimates*</u>	2027 EPS <u>Estimates*</u>
27%	26%	20%

*Source Eikon as of 6/30/26

As discussed in our **Investment Commentary**, the broader market rebound has been led by cyclical, high-beta AI infrastructure beneficiaries as investors embraced the potential for a multi-year AI capital spending cycle. While durable compounders with strong economic moats—the types of businesses that have driven our long-term portfolio performance—have generally lagged for much of the past 15 months, we believe the underlying fundamentals of these companies remain highly attractive. We view this divergence between short-term stock price leadership and durable earnings growth as an opportunity, reinforcing the importance of maintaining discipline by owning businesses with persistent competitive advantages.

Nvidia and The Opportunity in Economic Moats vs. Cyclical AI

In contrast to Intel’s buzzy second quarter returns and huge expectations which we outlined in the **Investment Commentary**, **Nvidia’s (NVDA)** stock price was up only a fraction of Intel’s return for the quarter, despite delivering another exceptional first quarter, with revenue up 85% and earnings per share up 140%. Consensus

estimates call for continued strong profit growth in 2026 and 2027, supported by demand for accelerated computing, networking, software, and AI infrastructure. The contrast is striking - Intel's stock has risen sharply on the hope that it can rebuild the competitive position it once had, while NVDA's stock has lagged many lower-quality AI beneficiaries despite already demonstrating dominant market share, extraordinary profitability, and a widening ecosystem advantage.

We believe NVDA is different from many of the companies currently being grouped into the AI infrastructure trade. NVDA is not merely a cyclical beneficiary of higher data center spending; it owns the leading accelerated computing platform, including GPUs, networking, systems, software libraries, developer tools, and an installed base that has become increasingly difficult for competitors to displace. This creates a scale and ecosystem advantage that looks more like a durable economic moat than a typical semiconductor cycle. Morningstar, the independent investment database, assigns a Wide Moat rating to NVDA and No Moat to Intel. Morningstar also assigns No or Narrow Moat ratings to other recent market leaders such as Micron and Advanced Micro Devices.

That does not mean NVDA is immune from cyclicity, competition, or valuation risk. AI capital spending could moderate, hyperscaler customers could seek to diversify suppliers, and margins may normalize over time. We take those risks seriously. However, there is an important difference between a company whose stock is rising because investors hope it may someday participate meaningfully in AI, and a company that is already generating significant revenue, earnings, free cash flow, and return on capital from a leading position in the AI value chain. NVDA's current fundamentals are not theoretical. They are visible today.

Portfolio Activity - "Mind the Moat"

We believe the best opportunity to deliver strong long-term capital returns is found in companies with durable economic moats. In the second quarter, we upgraded the portfolio by adding two new holdings, each with a unique and strategically important position within its industry. In a nod to our discussion in the Investment Commentary, both companies are classified as Wide Moat businesses by Morningstar, reflecting the strength and durability of their competitive advantages.

We added **Applied Materials (AMAT)**, one of the world’s leading semiconductor equipment companies. AMAT supplies the tools chipmakers use to deposit, remove, modify, and inspect materials on silicon wafers—steps that become increasingly complex as AI, advanced logic, high-bandwidth memory, and advanced packaging require more powerful and efficient chips. AMAT’s moat is built on scale, product breadth, deep customer relationships, a large installed base, and decades of process expertise. While the company remains exposed to semiconductor capital spending cycles, its tools are deeply embedded in mission-critical manufacturing flows where yield, reliability, and uptime matter, making supplier displacement difficult. We believe AMAT is well positioned to benefit from the long-term increase in semiconductor complexity created by AI and next-generation computing. Services and parts are approaching 25% of revenues and the ubiquity of compute has driven improvements in margins, returns on capital, earnings and free cash flow. The company reports a strong line of sight into their order book over the next two years, and we expect earnings to grow 30% in fiscal years 2026 and 2027.

We also added **ASML**, the sole supplier of extreme ultraviolet lithography, or EUV, equipment required to manufacture the world’s most advanced semiconductors. Without ASML’s systems, leading-edge AI accelerators and high-performance chips cannot be produced at scale. Its moat is protected by decades of engineering expertise, enormous R&D requirements, a highly specialized supplier network, and deep integration with the world’s leading chip manufacturers. ASML is also not immune from semiconductor cycles or export restrictions, but we believe its monopoly-like position in advanced lithography gives it exceptional long-term strategic value and durable earnings power. As AI adoption broadens and demand for leading-edge chips continues to grow, we believe ASML remains one of the most strategically important companies in the global technology supply chain. The company is a direct beneficiary of the explosion of demand for AI memory. The company recently announced an \$8 billion equipment deal with High Bandwidth Memory (HBM) chip market leader and key Nvidia partner, SK Hynix.

Both companies have announced rapid acceleration to their current and future earnings and sales trends as chip manufacturers seek to increase chip supply to meet AI processing demand. To fund the purchase of these wide moat, mission-critical suppliers, we sold two businesses with solid, but less spectacular (double-digit to low-teens expected earnings growth) profiles – **Automatic Data Processing (ADP)** and **Intuit (INTU)**.

Portfolio Update

The **Eli Lilly (LLY)** stock price reacted positively at the end of the quarter after announcing that the Centers for Medicare & Medicaid Services (CMS) will launch the Medicare GLP-1 Bridge program starting today, which allows Medicare Part D members to access covered weight-loss medications for a flat \$50 monthly copay through late 2027. The program covers LLY's Zepbound administered using a KwikPen and its recently approved oral GLP-1, Foundayo, for an estimated 14 million patients who meet the clinical criteria. We believe LLY continues to execute its product line-up well and will lead the GLP-1 market for both primary and additional applications.

Summertime

We believe the SEM Select Growth Portfolio is undervalued both in an absolute and relative sense. From an absolute perspective, the current disconnect between our portfolio earnings growth and stock prices continued this past quarter, and from a relative sense the indexes we compare to have had a lift from many AI companies whose longer-term earnings profile may be more cyclical and less durable. We thank you for your continued confidence and best wishes for a terrific summer!

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)
First Half 2026	(3.9)	10.2	(14.1)
Compounded Annual Gain	10.0%	9.4%	-
Overall Gain (1998-YTD 2026)	1,420%	1,191%	-

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.