

Third Quarter 2026 (October 1, 2026)

The **Suncoast Small to Mid Cap** strategy increased +1.5% after fees in the third quarter, outperforming the S&P 400 Growth index which fell -6.5%. The portfolio benefited from growth in earnings and a shift in market sentiment towards lower volatility, less cyclical companies as we highlighted in our **Investment Commentary**, though we still trail the index year to date. We initiated two new positions, **Keysight Technologies** and **Fabrinet**, and added to **Wabtec** and **Credo Technologies**. To fund the purchases, we sold **Broadridge Financial Solutions** and **Steris**. An upward trend in operating margins is a key metric for the **SEM- Disciplined Investment System (SEM-DIS)** since it signals business momentum and gives management flexibility. We discuss this concept further and how it relates to performance over time.

Portfolio Activity

We bought an initial weighting of 2.3% of **Keysight Technologies (KEYS)** in the portfolio, a provider of electric design, test and measurement instruments, systems and services. Customers are mainly OEMs (Original Equipment Manufacturers) and contract manufacturers that service the data center, semiconductor, energy, aerospace and defense industries. The Communications Solutions Group represents 73% of sales and grew +43% in the most recent quarter, driven by the rapid scaling of AI infrastructure and autonomous platforms. Segment operating margins exceeded management's range and jumped to 34% from 26%. Similarly, its Electronic Industrial Solutions Group posted +21% revenue growth and margins scaled to 31% from 22%. With broad based growth across all its segments, KEYS increased its sales target to 32% and earnings are expected to be +60% for its fiscal year ending in October. A \$2 billion backlog translates into strong 2027 growth as well and we hope to increase our position in the coming quarters.

Fabrinet (FN) was also a new purchase in the portfolio, a global leader in advanced precision optical, electronic and mechanical manufacturing services that sells mainly to OEMs. FN's segments include Data Centers, Communications Infrastructure, Automotive and Industrial. Fourth quarter revenue was +45% driven by the Data Center segment +68% and Communications Infrastructure +40%. Higher operating margins led to better than expected adjusted earnings, +55%. With strong free cash flow and no debt, FN is well positioned to gain market share in the large markets it serves. We plan to increase our position accordingly.

We added to **Wabtec (WAB)** and **Credo Technologies (CRDO)** after initiating small positions in the second quarter. WAB provides brakes, air compressors, heat exchangers, cooling systems and door assemblers to the global rail industry. Sales accelerated this quarter to +18% driven by higher Freight and Transit segment growth as well as acquisitions. Gross and operating margins benefited from robust sales growth and adjusted earnings were +22%. WAB's 12 month backlog increased +11% to \$9.1 billion. Chairman/CEO Rafael Santana raised 2026 sales expectations to +12% and earnings to +20% at the midpoint. CRDO provides secure, high speed connectivity solutions, like copper and optical interconnect products, to the data infrastructure market that are fast, reliable and energy efficient. CRDO just reported its 7th quarter in a row of triple digit revenue growth, with sales +115% at \$479 million. Expanding margins led to even faster net income growth, +140% to \$263 million. While research and development remains a high priority there is still room for improvement in margins given revenue and profits should be +80% for the fiscal year ending April. With no debt and minimal capital expenditures relative to dramatically increasing cash flow, we believe CRDO has a long runway to profitable growth.

Long term holdings, **Broadridge Financial Solutions (BR)** and **Steris PLC (STE)**, were sold in order to take advantage of better business momentum in the companies detailed above. Consequently, the SMID portfolio is on track to generate intrinsic value growth of +30% in 2026 and 20%+ in 2027. Both expectations are noticeably ahead 2026-27 estimates for the S&P 400 Growth index of about +25% and +15%, respectively.

Margins and Profits – The Key to Long Term Performance

Readers of our quarterly letters should know the drill by now. We are not only looking for solid revenue growth but also want to see improving margins before initiating a new position or adding to an existing one. Those are some of the defining metrics of business momentum. Improving margins lead to higher profitability and thus increase the intrinsic value of our investment. Additionally, it gives management greater strength to reinvest for growth, make acquisitions or buy back stock. In the table below we highlight several examples.



		Operating Margins		
Company		2025	2026e	2027e
Cadence	CDNS	47.6%	48.0%	50.0%
Cardinal Health	CAH	1.6%	1.9%	2.1%
Cintas	CTAS	27.6%	27.7%	28.0%
Corpay	CPAY	56.7%	57.0%	58.0%
Credo Technology	CRDO	31.4%	50.4%	49.8%
Eaton	ETN	23.7%	25.0%	25.5%
Fastenal	FAST	22.4%	22.5%	23.0%
Hubbell	HUBB	29.1%	29.5%	30.0%
ITT Inc	ITT	22.3%	22.5%	23.0%
Keysight Technology	KEYS	29.5%	31.0%	32.0%
Monolithic Power	MPWR	28.0%	33.0%	36.0%
Neurocrine Biosciences	NBIX	40.2%	42.5%	43.0%
US Foods Holding	USFD	4.9%	5.1%	5.3%
Veeva Systems	VEEV	46.1%	52.0%	54.0%
Wabtec	WAB	29.1%	29.5%	31.0%

Source: Value Line

Margins vary by industry so it is important to note that the positive trend is more relevant than the absolute number. This table reinforces our belief that the portfolio is well-positioned for higher profitability and growth in intrinsic value. With 24% sales growth and +30% earnings growth expected in 2026, +15% sales and 20% earnings growth again in 2027, we believe the SMID portfolio is primed to generate good results.

Thank you for your interest and please don't hesitate to reach out. We look forward to answering your questions and wish you and your families many blessings during the upcoming holidays.

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)
First Nine Months 2026	(1.3)	13.7	(15.0)
Compounded Annual Gain	10.4%	10.2%	-
Overall Gain (2 nd Qtr. 2017 – YTD 2026)	150.2%	146.2%	-

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, which 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.