

Third Quarter 2026 (October 1, 2026)

SEM Select Growth advanced 4.2% after fees in the third quarter versus a gain of 2.3% for the S&P 500. While the strategy lagged the S&P 500 considerably over the four quarters ending June 30, 2026, we are beginning to see signs of a change in market leadership as noted in our **Investment Commentary**.

The collective gap between the portfolio's aggregate earnings per share (EPS) growth and returns since mid-2025 is striking. As we have outlined in recent communications, we expect that gap to continue narrowing. Select Growth has already done so the last two quarters +14.5% after fees since the end of March, yet the spread remains wide. We firmly believe the table below represents an investment opportunity for our clients and partners. Barring severe macro conditions or other shocks, rarely do high quality, growing companies remain on sale indefinitely. We are already seeing early indications of convergence.

	2025	2026	2027
Select Growth EPS % Growth	27.0%	30.8%	22.6%
Select Growth % Returns	7.3%	0.1%	?

Source: Actual 2025 data. LSEG estimates for 2026-27 EPS growth. Estimates and 2026 returns as of 9/30/26. Returns net of fees.

Several portfolio companies whose stocks have lagged since the summer 2025, including **Microsoft**, **Mastercard**, **ServiceNow**, **Airbnb**, **Meta** and **Nvidia**, again posted solid results. As investors recognized their continued strong fundamentals their stocks appreciated well ahead of the index. We discuss this more below.

Musing About Meta and Airbnb...

For much of the past year, investors have rewarded companies viewed as direct beneficiaries of AI infrastructure spending while penalizing others for two very different concerns: that AI could disrupt their business models, or that enormous AI capital expenditures may not generate adequate returns.

Airbnb (ABNB) represents the first concern. Market participants worry agentic AI like **Meta's** newly introduced Muse product could change how consumers search for and book travel. Muse works as a personal AI agent that works across apps to manage tasks such as scheduling, shopping, research, communications and multi-



step projects on a user's behalf, rather than simply answering questions. While we believe that online travel agencies like Expedia, which primarily books standard hotel rooms, flights and rental cars may be at risk, we consider ABNB more insulated and even an AI beneficiary if agentic activity expands customer discovery. ABNB uniquely aggregates millions of separately owned homes, providing a durable network of trusted inventory and services. AI may change how customers interact with the platform, but it does not eliminate the need for hosts to market properties, process payments, manage trust and safety, and serve guests. Despite the recent retreat from its peak, the stock was one of our stronger performers during the quarter. ABNB's business is accelerating, especially internationally, with 2026 earnings per share (EPS) expected to grow roughly 32% in 2026 and analysts are forecasting continued double-digit growth in 2027.

Separately, investors have questioned whether **Meta's** enormous AI capital spending will earn sufficient returns. That is a legitimate issue, but new AI-enabled products and monetization opportunities demonstrate how quickly sentiment and potential economics can change. Muse has been the most downloaded app on Apple and Android devices since its introduction in September and early user reviews are favorable. AI has already improved Meta's advertising effectiveness and if it also creates new revenue streams, today's heavy spending can increasingly look like a savvy investment. It is too early to tell specifically how much Meta monetizes Muse, but the stock's extremely rapid snap back during the quarter is an example of what can happen when a company's stock price and fundamentals get overly disconnected. Muse helped remind market participants that Meta remains a powerful global advertising platform growing earnings at an expected 35% in 2026 yet trading at a Price to Earnings ratio below the market.

Both companies illustrate how markets can miss a company's core business value and extrapolate AI risks too far. Our focus remains on durable competitive advantages, strong free cash flow and the ability to adapt as technology evolves.

Portfolio updates

Nvidia (NVDA) made two recent business announcements that continue to build our confidence in one of our largest positions. As we touched upon in the **Investment Commentary**, AI's early development towards agentic systems that can reason, use tools, take actions and complete tasks with limited human intervention



created some scary moments in the last quarter. In July, autonomous AI agents running in an OpenAI testing environment went rogue, coordinating and hacking into external production servers at an AI company, Hugging Face. As this news spread, alongside growing warnings from industry insiders about the risks of increasingly autonomous AI systems, AI stocks declined. In late September, NVDA launched the Open Agent Safety Platform, which helps developers test and deploy AI agents to keep them in a secure environment and ensure the agents follow the rules. The software would quarantine agents in milliseconds should they attempt to move outside their predetermined environments or sandboxes.

Separately, NVDA announced its board approved a \$150 billion stock buyback, bringing the total authorization to \$235 billion, roughly 5% of its current market capitalization. This surpasses the previously highest \$110 billion buyback by **Apple**, another Suncoast holding, announced in May 2024. NVDA CEO Jensen Huang commented: “our cash generation gives us the capacity to invest in the technologies that advance this (once-in-a-generation platform shift to AI and accelerated computing) transformation and return capital to shareholders.” At Suncoast, we recognize both the new Open Agent Safety Platform and the recent capital allocation announcement as building blocks for continued success of the company and for us as part owners.

Given the sheer amount of news coverage surrounding AI, it might seem there is little investment oxygen left in the room for non-AI companies. However, that is not the case. Over time, we believe nearly all companies will become AI companies as with any major technological adoption, the economic benefits of the new technology gradually migrate from its providers to its adopters. One example is portfolio company **McKesson (MCK)**, the nation’s largest distributor of branded, generic and specialty pharmaceuticals. It continues to quietly deliver mid-teens earnings growth and strong free cash flows year after year. Its results are supported by favorable U.S. demographics, enormous scale, growth in drug volumes, pricing, expansion in specialty pharmaceuticals, and acquisitions that extend the company into higher-value healthcare services. AI could add another layer to that growth over time, improving forecasting, logistics, and administrative efficiency while potentially accelerating drug discovery and increasing the number of complex therapies flowing through MCK’s distribution and specialty-care networks. The stock continues to deliver strong growth, yet the share price has moved little year to date. We believe it will, like many of the other companies we have referenced, eventually see its stock return follow profits.

Portfolio Activity

We doubled our **ASML (ASML)** weight to 3.0% following accelerating second quarter earnings growth of +29% and management's commentary pointing to continued strength in 2026-27 and beyond. The stock's decline during the broader AI infrastructure sell-off in July provided an attractive opportunity. Management exceeded expectations, raised its 2026 revenue outlook, guided to accelerating third quarter sales and margins, and indicated that its expanded semiconductor equipment capacity is already fully booked through 2027. We believe ASML offers exceptional pricing power, competitive durability and direct exposure to structurally rising AI-semiconductor capital spending. As the world's sole supplier of the most advanced lithography systems (equipment essential to producing leading-edge logic, memory and AI chips) ASML's competitive position looks especially strong.

We sold our small **Uber (UBER)** position following second quarter results to fund the ASML increase. Uber's quarter was operationally solid, gross bookings grew 24% and operating profits rose 33%, but third quarter earnings guidance was modestly below expectations. UBER was performing roughly in line with our investment thesis, but on a relative basis we believe ASML is more attractive given its near term momentum and its long term competitive position as the sole provider of cutting-edge semiconductor wafer lithography.

We sold our small **Aon (AON)** position to fund an increase in **Amphenol (APH)**, one of the world's leading providers of high performance interconnect, sensor and antenna solutions. AON remains a high-quality business with durable recurring revenues, but we did not expect management to pursue a significant acquisition in the middle market insurance brokerage space during the quarter. We believe APH offers a more attractive combination of organic growth, earnings momentum and long term exposure to rising datacenter and AI infrastructure spending. Independent of the AI boom, APH should continue to benefit from the increasing connectivity and electronic content across a remarkably diverse set of end markets, including aerospace, defense, industrial and automotive applications. Earnings estimates have risen materially with expected growth +60% and +22% in 2026 and 2027, respectively.



Fall

The third quarter provided several encouraging examples of what can happen when strong fundamentals begin to reassert themselves in stock prices. As discussed throughout the letter, companies such as **Microsoft**, **Meta**, **Airbnb** and **Nvidia** saw some stock price recoveries, while businesses like **McKesson**, **ASML** and **Amphenol** continue to deliver strong underlying earnings growth and attractive long term opportunities. We believe the portfolio still trades at a meaningful discount to the strength and durability of its earnings growth, but the improvements we have begun to see suggest that gap may be starting to close. We remain confident that over time sustained growth in earnings and free cash flow should be reflected more fully in shareholder returns. We thank you for your continued confidence and wish you a terrific fall!

Sincerely,

Don

Donald R. Jowdy
CIO

Amy

Amy Lord, CFA
SVP/ Co-Portfolio Manager

Eric

Eric K. Lynch
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	(9.1)	13.6
2001	0.3	(11.9)	12.3
2002	(11.0)	(22.1)	11.2
2003	20.1	28.7	(8.6)
2004	12.5	10.9	1.6
2005	(0.5)	4.9	(5.4)
2006	8.2	15.8	(7.6)
2007	10.1	5.5	4.7
2008	(30.1)	(37.0)	6.9
2009	24.8	26.5	(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 Nine Months 2026	0.1	12.8	(12.7)
Compounded Annual Gain	10.1%	9.4%	-
Overall Gain (1998-YTD 2026)	1,484%	1,221%	-

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.