Suncoast Equity Management, Inc.

April 3, 2009

Dear Client:

SEM's performance of –9.31% is slightly ahead of a 1st quarter decline of -10.93% for the S&P 500. A late quarter bounce-back by larger financial stocks combined with President Obama's negative overtones for healthcare and defense, erased our mid quarter lead over the market averages. We see some signs that the economy is contracting at a slower pace. Globally, there are policy decisions that require attention and careful handling. Although we expect earnings for most of corporate America to remain weak for several quarters, the relative strength of our businesses will pull us through. The dividend payout muscle of our companies is a key advantage we talk about just below.

Portfolio Dividends

The most common method of distributing business profits or returning surplus capital to common share owners is through dividends. Although a dividend payout is not a requirement of the **Suncoast Disciplined Investment System** (SEM-DIS), the current comparison of our dividend outlook and that of the S&P 500 is revealing. Reuters info service estimates that the dividend payout for the S&P 500 will ***decline*** 17% in 2009. A Standard & Poor's analyst recently reported that the dividend decline is the worst since the third quarter of 1958. For our companies that pay a dividend, the 2009 projection is an ***increase*** **(**on average) in excess of 10%. Seventeen of the twenty-one companies in our portfolio pay a dividend. Of those seventeen that pay a dividend, fourteen will increase their payout and only three are expecting to hold their dividend steady (one of three has kept the payout unchanged for ten years). Below is our list of companies whose dividend payout projection for 2009 will grow in excess of 10% from the prior year.

Abbott Labs	Emerson Electric
Automatic Data Processing	General Dynamic
Baxter Int'l	Harris Corp.
Becton Dickinson	McKesson Corp.
Colgate	Microsoft

The four companies that don't pay a dividend but rather retain 100% of their profits for business reinvestment or return of capital via other methods such as stock buybacks are Berkshire Hathaway, Google, Patterson and St. Jude Medical.

We believe the financial strength of our companies will drive the long term outperformance of our portfolio versus the market averages. Near term the stock market influences are wide-ranging and can cause fluctuations in our relative performance. For example, late in the first quarter the stock prices for several large financial companies, that meaningfully impact the performance of the DJIA, bounced from March 9 lows. These include Bank of America (from $3 to nearly $8), Citigroup (from $1 to nearly $3) JP Morgan Chase (from $16 to $28).

President Obama's proposals for healthcare reform and budget changes dented the stock prices of our healthcare and defense companies late in the quarter. We see more long term opportunities rather than challenges for several of our healthcare companies, especially McKesson, that could benefit from faster generic introductions and increased healthcare IT spending. Although defense spending will likely ease in the coming years, our two companies in this industry are key providers. General Dynamics is in an entrenched position and provides key equipment. Harris provides leading technology in defense communication systems including networks and handsets. Its advanced and secure products may lead to significant international demand during the upcoming decade.

Glimmers of a recovery

With every downturn comes an eventual upturn. Business has been contracting for 13 straight months. The road ahead will still be bumpy, though we have seen some early signs that the economy is heading towards a base. Some of these signs include:

- Consumer spending decreases (ex-autos) are flattening out.
- Nationally, existing home sales grew 5.1% in February as first time home buyers found greater tax savings incentives and greater affordability from lower prices.
- Manufacturing inventories are getting leaner and eventually will need to be replenished.
- Higher personal saving rates are improving consumer balance sheets and household disposable income is stabilizing.

Policy decisions require careful handling

A free market economy, when compared to its alternatives, is better at raising productivity, reducing poverty, improving health and integrating people of the world. Free markets, despite their shortcomings, must include not only goods and services but also extend to the flow of people as well. During difficult times and rising unemployment it is easy for a country with borders to turn inward. The Obama administration says it wants to resist moves towards protectionism but recent actions are to the contrary. Recent *Wall Street Journal* articles highlight at least three avenues of legal immigration that have seen roadblocks, including the H-1B visa for highly skilled workers. Companies receiving federal bailout money have to prove they tried to recruit American workers at prevailing wages and that foreigners who normally qualify for H-1B visas aren't replacing U.S. citizens. This is a stark contrast to when the U.S. raised the number of H-1B visas during the last economic up cycle. It is reasonable to conclude that any company in need of bailouts would be better served if they can attract the best qualified folks to help them correct the previous mess no matter where they live. Foreigners on H-1B visas living in the U.S. would be in the market to buy a home and help the U.S. economy. Think about what Silicon Valley would be like if it did not have the ability to attract the current Indian, Chinese and Israeli talent, among other brain power, at hand.

The other two recent changes involve the J-1 and H-2A visas. The State Department is asking some seasonal employers at hotels and golf resorts to reduce dependence on foreign labor via the J-1 visa. The H-2A proposal is to suspend an agricultural guest-worker program. Suspending the H-2A program will either drive up the price of products such as crab processing in Maryland or reduce the product availability. The modifications of the H-2A program, which allow guest agriculture workers to stay as long as 10 months, now requires growers to fill vacancies with Americans first.

Immigration concerns are happening in other places as well. Europe, with steep unemployment rates, is paying migrants to return home. Recent protests include British union members staging a rally at a power station claiming overseas workers were being hired.

Classic trade protectionism is slowly rising in all forms. The European Union introduced export subsidies on butter and cheese. Japan is offering help to a broad array of its corporations but not to subsidiaries of foreign companies located in Japan. And similarly the U.S. has helped out the dying carmakers in our country. Last fall Warren Buffett and friends invested approximately $230 mm in BYD, a Chinese company that is the world's biggest producer of rechargeable batteries and is also a manufacturer of compact auto sedans and subcompacts. Our bet is with Buffett.

China recently rejected Coca-Cola's $2.4 billion bid for China Huiyuan Juice Group. Perhaps the origin of this tussle began a few years back when the U.S. lawmakers raised national security concerns over China National Offshore Oil Company's proposal to purchase Unocal in 2005, even though 70% of Unocal's energy reserves were in Asia. In these two cases, among many others, a nation is trying to protect a local company from a prospective foreign buyer. In the Coca-Cola deal the collateral damage is also with Chinese entrepreneurs such as the founder Zhu Xinli who owns 36% of the juice company. He lost about $500 million due to the deal's failure and likely would have redeployed the proceeds into new enterprises. These kinds of economic based nationalism are not yet extreme but need to be addressed.

We should not forget that the long term growth prospects from emerging markets remain bright and despite recent policy practice, opportunities for investment and development will abound. Coke is still planning on investing $2 billion in China over the next three years and PepsiCo $1 billion. Geopolitical stability is a result of economic interdependence, cultural transfers and modern technology. Serious international institutions exist to diffuse conflicts.

Technology continues to evolve more rapidly than ever before and play an increasing role in globalization and increasing productivity. One example over the last decade is the evolution of medicine. Traditional pharmaceuticals, based on chemical and synthetic ingredients, are giving way to a greater number of biotechnology, cell based, discoveries to enhance human life. Biotechnology is also leading the way towards more personalized and targeted treatments. On a more rapid scale, print newspapers have been yielding ground to on-line media sources and the acceleration should just about annihilate print as we have known it for periodicals and books within the next decade or less. The reading devices such as the newer version of the Amazon's Kindle will be replaced by an e-paper device, a thin piece of plastic the size of a legal pad that can be taken anywhere.

The economy will work towards a recovery. Our portfolio is a sturdy boat on some still rough seas. And although we must ride the waves we need to keep in mind that low prices make stocks less risky, not more risky, especially for our portfolio of above average businesses. Thanks for your continued confidence. Please call anytime.

Sincerely,

Donald R. Jowdy
President

Suncoast Equity Management, Inc.

Performance results versus the Standard & Poor's 500 Index

Time Period (Ended 3/31/09)	**SEM % Return***	**S&P 500 % Return**	**SEM - Value of $1,000,000**	**S&P 500 - Value of $1,000,000**
One- Year (2009)	-32.49%	-38.05%	$ 675,100	$ 619,500
Three-Year	-8.75%	-13.06%	$ 759,500	$ 656,900
Five-Years	-3.87%	-4.78%	$ 820,700	$ 782,800
Seven- Years	-1.85%	-3.21%	$ 877,700	$ 795,900
Ten- Years	+0.83%	-3.01%	$ 1,086,600	$ 736,500

* Composite results of all SEM managed accounts, net of all fees.
Note: Performance results for the three, five, seven and ten year periods represent the annual average rates of return.

SEM Composite Account
vs. the Standard & Poor's 500

Year	**SEM***	**S&P 500**	**Relative Results**
1998	26.19%	28.57%	-2.38%
1999	24.10%	21.03%	3.07%
2000	4.50%	-9.15%	13.65%
2001	0.35%	-11.91%	12.26%
2002	-10.98%	-22.15%	11.17%
2003	20.12%	28.62%	-8.50%
2004	12.52%	10.96%	1.56%
2005	-0.51%	4.86%	-5.37%
2006	8.20%	15.77%	-7.62%
2007	10.13%	5.48%	4.65%
2008	-30.10%	-37.03%	6.93%
1st Qtr 2009	-9.31%	-10.93%	1.62%
Since Inception (Overall Gain)	48.49%	-0.63%	47.86%
Average Annual Gain	3.57%	-0.06%	3.51%

Suncoast Equity Management's (SEM) performance is Net of All Fees.

Highlight denotes years of meaningful underperformance.