Suncoast Equity Management, Inc.

April 4, 2006

Dear Client:

Listed below are Suncoast Equity Management's (SEM) performance results versus the Standard & Poor's 500 Index for the period ended March 31, 2006:

Time Period (Ended 3/31/06)	SEM % Return*	S&P 500 % Return	SEM - Value of $1,000,000	S&P 500 - Value of $1,000,000
First Quarter 2006	-0.56%	+4.26%	$ 994,400	$ 1,042,600
Three-Years	+10.23	+17.19%	$ 1,339,900	$ 1,610,100
Five-Years	+5.59%	+3.95%	$ 1,312,900	$ 1,213,900
Since Inception (8 1/4 years)	+8.46%	+5.14%	$ 1,955,000	$ 1,512,700

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

We believe our portfolio is well-positioned for 2006 and beyond. Our process is strong and our relative value, as compared with S&P 500 and Value Line Composite, is very attractive.

SEM's relative value; indices aligned
In the table on the following page we present the current and year 2000 valuations of our portfolio, the S&P 500 and the Value Line Composite. The Value Line and the S&P 500 were at opposite levels in the year 2000. The Value Line Composite Index and the Standard and Poor's 500 measure the stock market differently. Value Line assigns the same weight to each of its 1,700 components. S&P weights its 500 components by adjusted market value. General Electric accounts for 3% of the S&P but only 1/1700th of the Value Line. The largest 50 stocks account for about 50% of the S&P but only 3% of the Value Line.

During the last five years the S&P 500 and the Value Line Composite indices have experienced a reversal of fortune. The P/E ratio of the Value Line Composite has gone from 14.7 to an estimated 18.3 while the P/E of the S&P has fallen from 23.9 to an estimated 17.9. This five year journey included two separate stock market crazes; technology up to 1999 and most recently energy companies following the run-up in oil prices. Today the two indices are similarly valued, and the market is more in balance.

Interestingly, due in part to the unpopularity of the companies in our portfolio (not much technology and no energy) our valuation has drifted towards an in line market valuation versus its typical premium. As you know our focus is on high quality companies with strong balance sheets, formidable moats and sustainable franchises. One important indicator of high quality is return (profit) on equity (owner's investment). As you can see in the table, our portfolio's return on equity in both 2000 and 2005 (and consistently throughout our history) is well above that of the S&P 500 and Value Line Composite. Since our portfolio consists of above average companies it warrants a valuation premium to the stock market averages.

We are well positioned, with both the S&P 500 (more heavily weighted in larger companies) and the Value Line composite in line with each other, and our portfolio relatively undervalued. Our ROE is higher and its earnings yield (inverse of the P/E ratio) is right at both the market averages (S&P 500 and Value Line).

	2000	**2005**
Suncoast Equity Management Portfolio (SEM)		
Earnings Yield	3.7%	5.5%
Price to Earnings Ratio	27.0x	18.2x
Return on Equity	27.1%	29.5%
Standard & Poor's 500		
Earnings Yield	4.2%	5.6%
Price to Earnings Ratio	23.9x	17.9x
Return on Equity	15.2%	16.5%
Value Line Composite		
Earnings Yield	6.8%	5.5%
Price to Earnings Ratio	14.7x	18.3x
Return on Equity	18.2%	18.5%

Portfolio Activity

We had above average portfolio activity in the first quarter, due in large part to our margin-of-safety decision to disengage from **Sherwin-Williams**, which was one of our largest positions. SHW was discussed in our March portfolio update letter. We added three companies to our portfolio, **W.W. Grainger** (GWW), **Nike** (NKE) and **United Parcel Service** (UPS) and sold **Intel** (INTC).

GWW is the leading provider of maintenance, repair and operating supplies to businesses and institutions. The company is at the tail-end of two successful campaigns, (1) a multi-year market expansion program and (2) the implementation of a SAP enterprise application system. Both are driving steady improvements in operating margins. GWW is debt free and has plenty of cash for new business investment or to return to shareholders. **NKE** has been accumulating cash and expanding its product portfolio. As the numbers of retailers consolidate into very large entities, NKE is meeting their diverse and growing demand for products with the help of its recently acquired brands, Converse and Starter. The Nike brand is doing well and a renewed focus on women's lifestyle and athletics is driving results. They are capitalizing on the fact that women buy 81% of all athletic apparel, including 60% of men's and 91% of children's. **UPS** is driving growth through international package delivery and logistics services. Currently international delivery revenues are less than one-third of the U.S. delivery business, but this is rapidly changing. Growing markets, such as the People's Republic of China, have great potential for UPS. UPS and only a few others have true global delivery capabilities and with the significant costs involved to build a strong and profitable distribution infrastructure, it is unlikely that the number of competitors will meaningfully increase.

We sold **INTC** after only 7 months of ownership; a much shorter time period than normal for **SEM-DIS's** average 3-5+ year holding period. INTC reported a slightly weaker fourth quarter than we were hoping for but that was not our immediate concern. When the company announced in February greater price cuts for its microprocessors and meaningfully boosted its capital spending budget from $5 billion to $6.7 billion, we reconsidered our position. Price cuts have been an important part of INTC's business strategy for many years but these were a bit deeper than expected. We also felt that the $1.7 billion boost in capital spending is aimed at fighting off a recent surge in a competitor's success; changing earlier plans to return that cash to shareholders in the form of stock buybacks. Increasing investments in plant and equipment can be done both opportunistically and under duress. We prefer the former and this may be the latter.

<u>Time, time, time...</u>

The most recent 15 month rise in the market averages and the corresponding flat performance of our portfolio prompts concerns from many of you. This is not unusual and we welcome your calls at anytime to discuss our process and thoughts.

Most investment managers, operating in accordance with their customer's craving, believe it is their job to beat the market averages in the short run. As a result, those managers will invest pretty much the way everyone else does to satisfy the short term time horizon, rather than stay with a strategy that promotes long term wealth preservation and growth.

SEM's focus is long term and our family and company savings plan is in the same portfolio. We hope that the above analysis between SEM and the market averages demonstrates our relative value as well as the importance and role of time. It is also important for you to know that we are confident in our relative value but we can't pinpoint exactly when it will be realized. What *will* happen is much easier to assess than *when* it will happen.

The process is sound, it has generated very good results since its inception just eight years ago, and the better relative values of our companies should show up in the not too distant future. Thank you for your continued support and please call at anytime.

Sincerely,
Donald Jowdy
President

P.S. - *We hope you are enjoying the book we sent, "The Little Book That Beats the Market". If you need an extra copy or would like to discuss the book, give us a call. If you don't have time to read the entire book right away, we encourage you to consider reviewing from the bottom of page 71 through to page 75. In this passage author Joel Greenblatt talks about how clients left a manager during a three year period of underperformance but should have "stuck around" as the long term results, led by a strong discipline, proved very rewarding.*