Suncoast Equity Management, Inc.

April 3, 2008

Dear Client:

With an economic slowdown well underway and the credit market crisis in full swing in the U.S., investors are trying to identify the weak and sort out the risky. Housing declines continue and a few important financial firms (Bear Stearns being one) had to seek lifelines. In the first quarter, stock market drama and severe volatility continued, although it impacted our portfolio less than others as we reported a -6.11% versus -9.47% return for the Standard and Poor's 500 market index. As the business cycle unfolds over the next few years, our companies will continue to provide products, systems and services that are valuable to its customers. The companies in our portfolio continue to have solid growth prospects and are available at a very good value.

"Go To" Gold?

With economic uncertainty comes fear, and as fear increases, participants grab at anything to ease their immediate psyche. Gold has been one of those "go to" havens. The price of gold is up more the 40% since August from the $650 level to in-excess of $900, after having reached $1,000 per ounce. We have had a few clients ask us how they should invest in gold, via gold funds, Exchange Traded Funds (ETFs), mining companies, etc., since they "don't want to miss out on the opportunity". We can't advise on gold and don't have the confidence that anyone can. Why? While it is true that the price of gold is quoted daily and indeed it is up; the value, well who knows! Many suggest that gold is comparable to common stocks since the price can go up and down. That is where the comparison starts and ends. Gold has appeal, due to its beauty, scarcity, durability in jewelry and in some small industrial applications. However, the recent popularity is due to participant's strong conviction to own gold as an inflation or U.S. dollar hedge. But how do you determine its value? You can't. It is indeterminate. Gold is a nonearning asset. As author Roger Lowenstein once observed over ten years ago, even if you could count how many folks are fearful of inflation, that wouldn't tell you how much to pay per ounce. Gold is governed by *extrinsic* factors in which buyers and sellers, via speculation, determine the price. Some day investors will decide that "owning" gold is not desirable and the price will fall.

In contrast to gold, common stocks are governed by *intrinsic* factors, as you can determine their value by looking at the business and the earnings. If you choose to analyze, as we do, those businesses that are reasonably predictable going forward, you can project earnings into the near to intermediate future. The predictable earnings stream would then produce a return and value that can be compared against other stocks or owning a particular bond. If the common stock trades in the market at significantly less than its value, an investor can take advantage of that and vice versa.

"Go To" Common Stocks!

Our companies continue to report sales and earnings growth. In the aggregate, we expect earnings growth in excess of +12% for our portfolio companies in 2008. If the U.S. and the global economy weakens from here this growth could end up in the mid to high single digit range. The purpose of focusing on our businesses and not being overly attentive to predicting short term economic results, can be partially understood with a simple

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statement applicable to our investments: illnesses always need remedies; that will not change during any part of the business cycle and that is why, in part, we own companies such as **Becton Dickinson**, **Laboratory Corp** , **Kinetic Concepts**, **Medtronic** and **Patterson Companies**, which make up a meaningful 22% of our portfolio.

Earnings can grow for our companies in spite of inflationary pressure from commodity cost inputs. How? Our businesses benefit from the combined efforts of new product offerings, favorable pricing strategies, productivity improvements, efficiencies, and cost cutting. Here is one example; Three billion times a day **Procter & Gamble** brands touch the lives of people around the world. After some business struggles that date back to 2000, CEO A.G. Lafley refocused on a few simple principles, foremost is that innovation is needed to drive organic growth. Innovation needed a spark and it came from two new ideas, (1) seek innovation from any and all sources including customers, suppliers, competitors past and present; not just from internal sources and (2) make consumers active participants in innovation not just passive as in the traditional experiment settings. The successful implementation of these two ideas to drive organic growth resulted in new and useful products that are improving consumers' lives in a small and genuine way. Of course, PG's success also shines through on the income statement, cash flows and balance sheet, and ultimately for us as shareholders.

SEM Ten-Year (Since Inception) Rankings Released

Many of you may be familiar with Morningstar and their famous one to five (worst to best) star rankings for mutual funds. Yet you may not be aware, since it is available only to institutional investors at this time, that they also rate separate account managers as well, which SEM falls under this category. We are pleased to inform you Morningstar has awarded us a five star ranking. Another independent ranking service that we receive reports from is Informa/PSN. At the end of 2002, just following the three year severe decline in the market, Informa had us ranked in the top 1% of all managers since inception. During the last few years as our portfolio increased in value but performed less well than others that were fully immersed in the commodities boom, our since inception ranking now resides in the top one-third of all domestic equity managers. We believe that this ranking will move back upwards as we proceed with managing client assets during the next ten years. You can view the Informa/PSN reports, including our most favorable risk/reward ranking, on our new and improved website at www.SuncoastEquity.com. The Morningstar report is available by request, so please call any time.

We are thankful for your continued confidence. Please call us at any time.

Sincerely,

Donald R. Jowdy
President

Suncoast Equity Management, Inc.

Performance results versus the Standard & Poor's 500 Index

Time Period (Ended 03/31/08)	**SEM % Return***	**S&P 500 % Return**	**SEM - Value of $1,000,000**	**S&P 500 - Value of $1,000,000**
1st Qtr 2008	-6.11%	-9.47%	$938,900	$905,300
1 Year	+4.59%	-5.18%	$ 1,045,900	$948,200
Three-Year	+4.26%	+5.83%	$ 1,133,000	$ 1,184,900
Five-Years	+8.57%	+11.31%	$ 1,507,400	$ 1,707,300
Seven- Years	+5.74%	+3.68%	$ 1,477,000	$ 1,287,200
Ten Years	+7.11%	+3.49%	$ 1,985,700	$ 1,407,700

* Composite results of all SEM managed accounts, net of all fees.
Note: Results for the three, five, seven and since inception 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%
1st Qtr 2008	-6.11%	-9.47%	3.36%
Since Inception (Overall Gain)	119.94%	60.40%	59.54%
Average Annual Gain	8.01%	4.73%	3.28%

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

Highlight denotes years of meaningful underperformance.