



## Suncoast Equity Management, Inc.

March 31, 2002

Dear Client,

Listed below are Suncoast Equity Management's performance results versus the Standard & Poor's 500 Index for the period ended March 31, 2002:

	SEM	S&P 500	SEM - Value	S&P 500 - Value
<u>Time Period (Ended 3/31/02)</u>	<u>% Return*</u>	<u>% Return</u>	<u>of \$1,000,000</u>	<u>of \$1,000,000</u>
First Quarter 2002	+3.11%	+0.26%	\$ 1,031,100	\$ 1,002,600
One Year	+13.82%	+0.20%	\$ 1,138,200	\$ 1,002,000
Three Years	+7.31%	- 2.55%	\$ 1,235,900	\$ 925,400
Since Inception (4.25 Years)	+13.16%	+5.36%	\$ 1,691,300	\$ 1,248,600

\* Composite results of all SEM managed accounts, net of all fees.

**Note:** Performance results for the three-year and since inception period represent the annual average rates of return.

Our portfolio changes in the first quarter include two new additions, **Colgate-Palmolive (CL)** and **H&R Block (HRB)**. CL is the second largest domestic manufacturer of toiletries and detergents. Their major brands include Colgate toothpaste, Palmolive detergents, Fresh Start, Fab, Dynamo and Ajax as well as Irish Spring. CL also produces a healthier brand of dog food, Hill's Science Diet, which earns rave reviews not only by Veterinarians but also our own two dogs, Diamond and Pearl.

HRB helped over 19.2 million taxpayers prepare their returns last year and we expect growth in the current year. With over 10,000 offices located primarily in the United States, HRB has become more meaningful to its taxpayer client base as it has added new services including home-mortgage assistance, financial planning and investment services. HRB is also attracting a new group of taxpayers; those with more complicated returns. We look forward to a long and prosperous relationship with our two new businesses.

SEM's performance relative to the S&P 500 Index is what I believe you should judge our results against. The S&P 500 Index is a widely used benchmark consisting of the 500 largest publicly traded companies in the U.S. It is a fair representation of American businesses and the general investor's experience in securities.

As we noted in our 2001 year-end letter, our clients experienced excellent relative performance during the last two years as the S&P 500 Index declined by nearly 20% in value and our client portfolios increased 4%. I want you to understand that the large performance differential we earned in years 2000 and 2001 may not be achieved each year, and in any given year our portfolios could under perform the benchmark. Separately, I also acknowledge that some people may argue, as Warren Buffett observed when he remarked about his poor results in this year's letter to shareholders, "you can't eat relative performance."

My belief is that owning the S&P 500 Index, in spite of what could be a continuously bumpy road along the way, will produce reasonably satisfactory results over time. Consequently, gaining small advantages, after all costs, over the Index over a long period of time will prove rewarding. I believe that the **SEM-Disciplined Investment System (SEM-DIS)** will earn better returns than the S&P 500 Index and most other money managers while incurring less risk because it identifies and selects higher quality companies in terms of financial strength, free cash flow, and growth.

I believe an important contributor to our above average results is that we typically own a small collection of 15 - 20 businesses versus most other money managers that load up on 50 - 100 or even many more. There are a relatively small number of truly outstanding companies that exist among the 5,000 or so publicly available companies. My preference is to own a few of these outstanding businesses rather than a larger number of average businesses because time is the friend of outstanding businesses and the enemy of mediocre businesses. **The SEM-DIS's** sole purpose is to identify and value superior businesses and weed-out the mediocre and poorer businesses that don't stand the test of time.

Effron/PSN, a national performance rating and reporting company, recently released their money manager ratings for the 2001 year-end. **SEM now ranks in the top 6% of the Effron/PSN equity manager universe since our inception four years ago.** The graphical presentation of Effron's ratings can be seen at our website **[www.SuncoastEquity.com](http://www.SuncoastEquity.com)**.

I am proud of the ranking because it is an indication that I served you well, though I don't spend but a minute reviewing this since it tells me only about last night's scoreboard and nothing about how to coach my players on the field today. I focus my efforts instead on the SEM-DIS and look for above average returns with a margin of safety in all our investments.

Thank you for your confidence and I look forward to speaking with you soon.

Sincerely,

*Don Jowdy*

President