



Suncoast Equity Management, Inc.

June 30, 2002

Dear Client,

Listed below are **Suncoast Equity Management's** performance results versus the Standard & Poor's 500 Index for the period ended June 30, 2002:

	SEM	S&P 500	SEM - Value	S&P 500 - Value
<u>Time Period (Ended 6/30/02)</u>	<u>% Return*</u>	<u>% Return</u>	<u>of \$1,000,000</u>	<u>of \$1,000,000</u>
Year-to-Date 2002	-7.68%	-13.16%	\$ 923,200	\$ 868,400
One Year	-2.76%	-17.99%	\$ 972,400	\$ 820,100
Three Years	+4.20%	-9.18%	\$ 1,131,300	\$ 748,900
Since Inception (4.5 Years)	+9.67%	+1.76%	\$ 1,514,400	\$ 1,081,400

* 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.

For the past two and one-half years, common stock prices have been under pressure. The S&P 500 has declined 30.5% for the two and one-half year period ended June 30, 2002. The SEM composite of managed accounts declined only 3.62% (net of fees) in the same time frame. More recently, a crisis of confidence in corporate America and ongoing concerns of terrorism and world stability have consumed the minds of most investors.

Experience, a historical perspective, and optimism lead me to the same conclusion a few wise men came to as they boiled down the history of mortal affairs into four words, "This too shall pass."

While much has changed in the world over time, the recipe for intelligent investing remains very much the same: Ignore predictions about the stock market, the economy, interest rates and especially political events. Become a part-owner at a reasonable price in high quality businesses that will grow in intrinsic value.

The war on terrorism and other global instabilities such as Pakistan and India are very real and of great concern. Yet I am hopeful that these threats to peace will dissipate to a large degree much the same way we worked through more recent conflicts including the 1967 Arab - Israeli war, Vietnam and the Cold War.

The public and our politicians are disgusted with the corporate leaders of today. Disguised as thoughtful CEOs, several bad apples took great risk by borrowing huge sums of money from investors to build their castles. As well, many of them entered new businesses they had no experience in operating. As their castles wobbled they tested the legal limits of accounting to hide their mistakes and stole any remaining funds available on the way out either through overreaching executive compensation plans or insider trading.

History is filled with charlatans who have taken advantage of others and incurred great risk. They surface in abundance during long periods of economic expansion, when investors who are seeking unreasonably high returns are only too happy to throw money at them. Though the facts are not the same each time, you can be certain that whenever greed is present, the same mistakes will be made and they will continuously reappear in the future.

SEM's disciplined approach to investing seeks to minimize the chance of being in partnership with these types of corporate leaders and their risky business entities, though we will error from time to time. One early indicator a few years back that certain businesses such as Enron, MCI Worldcom, Tyco and many others were not for us was the accelerating amounts of debt on their balance sheet. It took time to accumulate the debt and this buildup was there to see over several years for anyone who cared to look, do his or her homework and avoid it as we did.

Although the true investor should not ignore these difficult events and conditions, over the long term they may have little lasting effect on investment results. In my opinion, intelligent and disciplined investing will outlive the many apparently negative events of our times.

What will take us forward? Medical science is still making great advances. For example, scientists only now know that clogged arteries are responsible for just 15% of heart attacks rather than the newly discovered and far deadlier problem from deposits of plaque embedded in the walls of the pipes which don't cause any symptoms. Advanced imaging systems to diagnose and medications to treat are advancing rapidly. Another new development includes an artificial pancreas that is leading to improved prevention of hypoglycemia and diabetic complications.

During the 1990s, American business made real progress in productivity, an important factor in economic growth. Today productivity advances continue. For example, handheld computers or PDAs (personal digital assistants) have become a vital productivity tool for sales forces and the management of inventories. Data is updated as changes occur. While this might seem like a marginal improvement to some, the benefits become substantial for corporations that handle large volumes of data and execute a significant number of transactions.

What kinds of companies are responsible for new product and service advantages? The very companies we are part owners in including **Medtronic, Microsoft, Johnson & Johnson** and **General Electric** to name a few. New product and service advances along with increasing productivity and an eventual recovery in confidence will get the economy growing again.

The **SEM-Disciplined Investment System (SEM-DIS)** analyzes the facts about a business and assesses the price to value equation. It has produced very satisfactory results with this methodology and has made little to no political or economic forecasts. I believe it will continue to work well in the future.

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

Sincerely,

Don Jowdy

President