Suncoast Equity Management, Inc.

January 6, 2003

Dear Client,

Suncoast Equity Management's (SEM) performance results versus the Standard & Poor's 500 Index for the period ended December 31, 2002:

	SEM	S&P 500	SEM - Value	S&P 500 - Value
Time Period (Ended 12/31/02)	**% Return***	**% Return**	**of $1,000,000**	**of $1,000,000**
One Year (2002)	-11.27%	-22.15%	$ 887,300	$ 778,500
Three Years	-2.52%	-14.58%	$ 926,300	$ 623,100
Five Years (Since Inception)	+7.79%	- 0.62%	$ 1,455,500	$ 969,500

* 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.

SEM's client track record just reached the five-year mark and we feel as though we are just warming-up. Crossing an initial milestone, it is useful to review how we earned excellent relative results and to discuss why we believe they should continue into the future. Let's revisit our investment objective:

SEM's investment objective for its clients is to consistently produce returns in excess of the market and most other managers while incurring less risk.

Let's break it down into two parts. First, ***less risk***. One strategy we use to lower risk is to own only those companies that have strong balance sheets and moderate to low debt. Companies with this characteristic have several advantages, especially during soft economic periods. Foremost, they can weather an economic storm more easily if they have excess cash and little to no debt. During tough times they are also better equipped to take advantage of opportunities such as purchasing assets of competitors or complementary companies at distressed prices. Another opportunity for our companies arises during a general stock market decline, which is the opportunity to repurchase their own shares due to their financial strength. Repurchases reduce the number of shares outstanding and increase the profit per share for existing owners.

Share prices of companies with great financial strength do not decline nearly as much as average or speculative companies. Our three-year portfolio results support this fact, SEM's total return is -7.37% versus -37.69% for the S&P 500. Another way to view this, as shown in the table above, is a $1,000,000 investment in our portfolio declined to only $926,300 versus $623,100 for the S&P 500. We are not excited about the depreciation in our portfolio, but we believe that limiting losses during very difficult periods is a valuable service.

Part two is ***earning investment returns above the results of the market and most other money managers.*** We have discussed in the past that our greatest advantage is from our understanding that when you invest in a stock, you have in reality, bought into the opportunity to share in the profits of that business for as long as you own your shares. Our observation is that institutional money managers and individuals alike spend most of their time trying to predict the daily, weekly, or next months' stock prices with no consideration towards the benefits of long-term ownership. Investment professionals buy and sell hundreds of stocks each year resulting in very high portfolio turnover rates that are on average in excess of 100% compared to SEM's turnover of 17.6% in 2002. We are not experts at analyzing why this is the activity that most investors embrace, but we can only surmise it has to do with human nature and the results have been mediocre at best.

Earning a portfolio return in excess of the market over time begins with understanding the definition of an above average company. We have been told or read that the stock market has earned on average about 10% over the long run. Though explanations are scarce, SEM believes the catalyst for this level of return is that the average business in the United States earns about 10% return on capital, so the stock market advances over long periods of time in lock-step with what businesses earn. What is return on capital and why is it 10%? Return on capital is the net profits in a single year divided into the capital employed by a business to earn those profits. Capital can be contributed by owners or borrowed from a bank. For example, three partners putting in $1 million each to start a business and also borrowing $1 million from a bank has total capital of $4 million. If we had started such a business with $4 million in capital and it earned each year $400,000 (10%) it would represent the profile of an average business in the U.S.

For the most part, two factors explain why the average business in the U.S. earns a 10% return on capital. First, some businesses require significantly more capital to produce their product or service. For example, starting, operating and maintaining an airline company is capital intensive due to the need for large equipment purchases versus the more limited capital it takes to purchase the machinery to manufacture the syrup Coca-Cola makes for their product. Second, competition in the United States causes inordinate returns in a business to be competed down to an industry/market average. Free enterprise in the U.S. allows any person to attempt to compete against another successful enterprise. For example; Caribou Coffee tries to compete against Starbucks, whereby, over time the potential for Starbucks to consistently earn greater profits on the capital invested in their stores gets reduced through market share attacks by Caribou which reduce Starbucks' returns through price competition, better service, superior product, etc.

Without digging too deeply into other factors that influence return on capital, it is important to understand that some businesses have demonstrated an ability to earn above average returns on total capital over long periods and those businesses have been the big winners for investors over the long run. **SEM's Disciplined Investment System (SEM-DIS)** focuses on the qualitative analysis and selection of a small group of high return on capital businesses. Whereas, the average return on capital for the companies representing the S&P 500 stands at about 11% today, the SEM portfolio of companies has an average return on capital of 18%. That difference in and of itself, combined with financially strong balance sheets, yields to us a better opportunity to earn returns in excess of the market over the long run.

The U.S. economy is in low gear and fighting towards a positive direction. The obvious near-term uncertainty is global stability and we have hope for reasonable resolutions. Mostly good values exist today and they have set the stage for better returns that could lie ahead over the next five to ten years. We believe that the **SEM-DIS** portfolio will continue to prove its value to you over the long-run. Thank you for your confidence and I look forward to speaking with you soon.

Sincerely,

Don Jowdy

President