Suncoast Equity Management, Inc.

April 6, 2007

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, 2007:

Time Period (Ended 12/31/06)	**SEM % Return***	**S&P 500 % Return**	**SEM - Value of $1,000,000**	**S&P 500 - Value of $1,000,000**
First Quarter 2007	-1.14%	+0.70%	$ 988,600	$ 1,007,000
One Year	+7.57%	+11.82%	$ 1,075,700	$ 1,118,200
Five-Years	+4.44%	+6.26%	$ 1,242,900	$ 1,354,700
Seven- Years	+3.96%	+0.88%	$ 1,312,500	$ 1,063,100
Since Inception (9 ¼ years)	+8.37%	+5.85%	$ 2,102,800	$ 1,691,500

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

The rollercoaster like ride in the first quarter ended just about where it started; at break-even. Sub-prime mortgage worries, auto and factory inventory concerns, as well as the Shanghai flu (rumors that the Chinese government is interested in slowing its boom and “speculative" stock market rise) drove the market's mid-quarter "correction" according to “industry experts."

This quarter's chatter is a classic illustration of a key mistake most investors repeatedly make; they see too much news and not enough truth. Let’s identify a few investment truths worth pursuing:

1. The great long term outlook
2. Risk is more than just a four letter word, it’s the "real thing"
3. Don't time the market (and be wary of the Boo-Yah's!)

The Great Long Term Outlook

The intelligent investor’s focal point is the long term miracles of progress (and of wealth-building), and not the news stories of any particular quarter. Events that are accelerating include medical discoveries, technological advances and the triumph of capitalism and democracy. Here at home the framework of our economy is sound, durable, flexible, entrepreneurial spirits are high and innovation is strong. The four prosperity killers, a paradigm coined by Arthur Laffer many years ago and recently observed by Lawrence Kudlow, all look dormant: inflation, taxes and regulatory burdens are low and free trade keeps expanding. It pays to be long term positive.

Risk....It's the Real Thing!

The Discovery Channel's Emmy-nominated show, the Deadliest Catch, returns for a third season April 3rd -- the promo reads "voyage to the Bering Sea and follow the brave captains and crew of eight crab-fishing vessels as they struggle against the treacherous weather conditions doing one of the deadliest — and most lucrative — jobs in the world." In most human endeavors risk is directly connected to reward; however, in the investment markets this is not always the case, risk can just lead to a permanent loss of capital.

Human behavior is an accelerant to risk just like oxygen is to fire. Investors have accelerated their commitment to alternative investment vehicles such as hedge funds and private equity, with little thought to changes in risk they can experience there. We shared our concern about hedge funds in our last letter but we can't help ourselves when new stories arise. The Wall Street Journal reported in March that hedge funds, in search of returns, are trying to amass fuel-grade uranium. Uranium isn't traded on any exchanges, only in private transactions. Exploiting legal channels set up mostly for utilities and suppliers, hedge fund investors have driven the price up four fold from about $21 a pound to the $75-$85 range; in fact the price hasn't had a down week since June 2003. Although some production shortfalls have existed near term, uranium is abundant in the earth's crust and eventually the market price for this commodity will come back to earth and lots of investors will lose.

Private equity has become the next "great thing" and investors must be very careful here as well (and keep in mind that most require you to lock-up your money for two or more years). As prominent value investor David Dreman recently wrote, The private equity model works best when it finds very cheap companies, enlists an operating genius who tries to dramatically improve company earnings where previous management failed, then ladle on debt in hope that the earnings will improve, only to try and sell it back to the public market several years later at a premium. One such concern we see involves the recent actions at a well known firm; Blackstone Group. Blackstone seems to have veered away from the traditional model when it recently purchased Samuel Zell's Equity Office Properties Group for $39 billion (including debt). Zell is a shrewd operator and great investor so Blackstone most likely paid full price. This purchase could be a sign that so much new money is coming under Blackstone's management that the pressure to "put it to work" is building. Competition among private equity funds could also be making it hard to find good values. So what else is Blackstone dreaming up during this period of private equity frenzy? Why not take its own firm public? The lead partners of Blackstone announced plans to do just that, and the castle in the sky pricing will likely fill their pockets.

In chasing after returns, with little regard to risk, Wall Street has also graduated collectibles to the "alternative investments" category. According to a February Wall Street Journal report, investment funds have been established to "cash in" on the soaring interest among consumers and collectors who invest in wine. One such fund, the Wine Investment Fund, bought its first lot of wines during its launch in 2003, with the idea to warehouse cases of classic wine and then sell those five years later for a profit. There is also a relatively new index of "investment grade" wine prices, the Liv-Ex 100. Despite the kind of price changes some wine experiences, a bottle of wine does not have the investment legitimacy of a share of Berkshire Hathaway or Pepsi Foods, where as the latter can grow its earnings and support a higher intrinsic value. You can gain some personal fulfillment from a bottle of wine and you can even drink your losses but it is most certainly not a proper path for growth and preservation of capital.

Don't Time the Market (and be wary of the Boo-Yah's!)

Boo-Yah!....behold an epiphany re-emerges! In our last letter we shared with you Jim Cramer's (CNBC's lead TV showman) ridiculous and negative assessment of PepsiCo. This March, less than six months after his original comments Cramer has seen the light! His comments say it all;

"Sometimes you have to get hit over the head to get the story right. I have been adamant in these cyber pages that Pepsi's (PEP) day had come, that the growth engine that is Frito-Lay was going to hit a wall because of health concerns.......So I traveled to Aberdeen, Md....where Frito-Lay is revolutionizing snack food. It is producing popular, good gross-margined foods without trans fats, made simply with corn and salt or multigrain and sunflower oil. They're selling more than they can make, even though they are running the plants six and a half days a week..... I know now, from this field trip and from meeting with the top-level execs last night and today from Frito-Lay, that I was just dead wrong. I believe that much of the Street is dead wrong about Pepsi, too. This is the one to own."

Yet another self-proclaimed "hit over the head" statement by Jim. So turn off the TV, don't try to time a stock or the market, and stay with an advisor that will select and maintain a small group of high quality companies to achieve long term returns.

Portfolio Activity

We initiated positions in Nokia (NOK) and Automatic Data Processing (ADP). NOK is the global market leader in the mobile phone business with a 36% share. Last year NOK sold nearly 350 million units throughout the world. The key growth drivers include the large markets of China and India and emerging markets in areas such as Latin America and other areas of the Asian Pacific. The company is based in Finland and New York; it is well run with no debt and has over ten billion in cash on the balance sheet. ADP is the nation's largest payroll and tax filing processor. The company has a renewed focus on unlocking shareholder value with a plan to spin-off a non-core business called Broadridge, which provides back office recordkeeping and other services for brokerage firms, and is making a greater effort to return excess cash to shareholders. ADP's business results remain solid and also benefit from an improvement in its portfolio yield to 4.5% -- income earned on the funds collected from clients but not yet remitted.

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

Sincerely,
Donald R. Jowdy
President