



Suncoast Equity Management, Inc.

July 3, 2006

Dear Client:

Listed below are Suncoast Equity Management's (SEM) performance results versus the Standard & Poor's 500 Index for the period ended June 30, 2006:

<u>Time Period (Ended 6/30/06)</u>	<u>SEM % Return*</u>	<u>S&P 500 % Return</u>	<u>SEM - Value of \$1,000,000</u>	<u>S&P 500 - Value of \$1,000,000</u>
First Six Months 2006	-1.89%	+2.74%	\$ 981,100	\$ 1,027,400
Three-Years	+6.86%	+11.18%	\$ 1,220,300	\$ 1,374,700
Five-Years	+4.36%	+2.48%	\$ 1,238,200	\$ 1,130,300
Since Inception (8 1/2 years)	+8.03%	+4.81%	\$ 1,928,800	\$ 1,490,500

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

Note: Results for the three, five and since inception year periods represent the annual average rates of return.

Equity returns for the indices during the first six months of this year, much like last year, are being led by energy, commodities and material stocks. Amidst a backdrop of a growing economy and increasing pressures of inflation, both the cost of energy, commodities and materials have continued to rise. So much so, that in some cases they have taken on the speculative characteristics reminiscent of internet stocks in 1999. Copper is one example of this trend, and it will just take some passage of time before that party ends, and ends badly for many investors. Earnings reports from **SEM** companies have been generally good and consequently as their intrinsic value builds and as time passes the stock market prices will catch-up and reflect the steady progress of our businesses.

Portfolio Changes

We initiated positions in two companies during the quarter, the **3M Company** (MMM) and **Wal-Mart** (WMT). We also sold **Dell** (DELL). **MMM** is a diversified manufacturer of innovative products ranging from Post-It Pictures (a new product derived from Post-It Notes), to traffic safety systems and graphic display films that make LCD TVs, notebook computers and other devices whiter, brighter and more colorful. **MMM** has a new CEO in place after being led by James McNerney Jr., a terrific General Electric alumnus, who installed various operational initiatives including Six Sigma, E-Productivity and improving global sourcing. McNerney left to take the CEO position at Boeing and following in his footsteps at **MMM** is George Buckley, previously with the Brunswick Corporation. Buckley's plans are evident from a recent quote "It's more fun growing grapes than working a wine press." **MMM's** reinvigorated culture, its enhanced focus on growth and confirmation from its strong first quarter earnings report attracted our interest.

We have studied and watched **WMT** for years and several important developments combined with a historically low relative stock market price for its shares make it an attractive opportunity. We have always held the belief that when WMT finally says, which they recently did, that they are about bringing low prices but not the absolute lowest possible price to the customer; it would signal to us that the scale and global influence that they have spent years building could lead to significant advantages not seen in the past. For one, strategic pricing versus lowest price on everything can lead to higher profitability. Other important developments include the promotion of Eduardo Castro-Wright to President and CEO of WMT U.S.A in September of 2005 after having successfully led WMT of Mexico. Wright is putting a much needed plan in place in the U.S. that includes remodeling, merchandise and service changes that are already leading to better business growth, improved customer service experiences and reduced inventory and working capital requirements. Finally, WMT is also about lowering the cost of living for everyone, not just in America but throughout the globe. International sales represent only 20% of its total revenue and markets that have been worthwhile to operate within are improving their scale. We have had limited retail businesses in our portfolio in the past because most of the free cash flow generated by those companies is reinvested into more inventory or store fronts and rarely makes it way back to owners. However, WMT has been returning cash to owners through share buybacks and we believe the stage is set for a slow and steady path towards operating margin improvement. Historically WMT has met our requirements for above average returns on capital and a strong balance sheet but these new developments should lead to increasing intrinsic value potential.

DELL pre-announced in early May an earnings shortfall for its current quarter and brought into question the sustainable growth that we seek. Dell still retains a cost advantage over its rivals but in our judgment this has narrowed. Also, Dell's weaker presence in growing markets, such as China, India and Brazil, is cause for some concern.

Investment behavior versus Investment Returns - A twenty year perspective

A very important determinant of real life long term return isn't just what the portfolio does; it's what the investor does. A recent report highlights how investor behavior severely damages their returns. According to reports from Dalbar, Inc. and Washington-based Investment Company Institute, investor's lack of staying power cost more than three-quarters of their potential gain during the last twenty years. An investor who bought and held an S&P index fund from 1986 to 2005 would have realized an annual average return of 11.9%. However, the study found that the average mutual fund investor, switching from fund to fund chasing current stock market fads of any particular year, actually earned just 3.9% annually, representing a lost opportunity of 77%.

We're a big advocate of staying the course. A good process leads to a good outcome, and that is what we have at **SEM**. Our results since inception only 8 1/2 years ago have added value, utilizing a mix of growth, consistency and wealth preservation, and a strong aversion to loss. We believe that we will add value during the next 8 1/2 years and beyond and that a long lasting partnership with you will carry you to the top percentile of all Americans, in terms of real-life return.

Thank you as always for your continued support and please call anytime.

Sincerely,

Donald R. Jowdy
President