NOESIS CAPITAL MANAGEMENT

A REGISTERED INVESTMENT ADVISOR

October 10, 1999

Dear Client:

As of September 29th, the Standard & Poor's 500 Index declined 10.6% from its record close of 1419 on July 16th, meeting the widely accepted definition of a "correction" as a 10% drop. The Dow-Jones Industrials were off 9.8% from its record close of 11,326 on August 25th. Reflecting the strong, although volatile, performance of numerous technology and Internet stocks, the NASDAQ Composite Index was down only 5.4% from its high of 2,887. On a year-to-date basis, the S&P 500 was up 3.18%, the Dow 11.24%, and the NASDAQ Index 24.52%.

Despite the unusual length of the present U.S. economic expansion, none of the major contributing factors to past recessions are currently in evidence. Inflation remains low, interest rates are still low notwithstanding some recent increases, and the outlook for corporate profits remains intact. While further rate increases are of course possible, there is no apparent need for a sharp rise from present levels.

Similarly, there are real and/or perceived risks relating to the Y2K computer problem, but we believe that any such difficulties would be of a relatively short term nature. The ability of the U.S. economy to remain in a low inflation growth cycle largely reflects the impact of dramatic progress in the commercial and industrial utilization of continuing technological innovations and their positive effect on productivity. Such benefits may well continue to build up, although we certainly are not suggesting that these forces can eliminate economic contractions in the future.

We continue to believe that the stock market is rational and reasonably predictable on a long term basis and that investment strategies based on this premise can have a high degree of success. Conversely, short-term market fluctuations can not be predicted with any degree of consistency.

During the third quarter, the U.S. financial markets experienced some selling pressure (see table below). Returns for most types of bonds, which include the price and interest payments, have been negative year to date. For example, 30-year Treasuries have lost 12%. Similarly, more than 60% of stocks on the New York Stock Exchange are down year to date. However, we believe recent weakness is more emotional than fundamental.

Index	**Third Quarter**
Dow Jones Industrial Average	-5.78%
Standard & Poor 500	-6.56%
Russell 2000	-6.64%
Dow Jones World (ex. U.S.)	3.49%
Merrill Lynch Corporate/Government Bond	0.56%

Many investors have serious concerns about the current market level and the outlook for the U.S. economy. However, we believe that information technology is transforming the United States and much of the world into a "New Economy", with a faster economic growth rate without igniting inflation. Since 1996, productivity gains have doubled to approximately 2% annually compared with the previous two decades. The surge in productivity substantially upgrades the sustainability of the U.S. economic growth rate without substantially increasing inflation. In our opinion, higher share prices are justified by improved fundamentals.

1801 Clint Moore Rd., Suite 100, Boca Raton, Florida 33487
561-999-9888 • Fax 561-994-2893 • E-Mail: info@noesis-capital.com
www.noesis-capital.com

NOESIS CAPITAL MANAGEMENT

A REGISTERED INVESTMENT ADVISOR

During the third quarter, we raised cash positions to approximately 15% from below 4% for most growth portfolios. Some investors might wonder if we have become a market timer rather than a long-term investor. I want to assure you that our selling discipline remains as stern as our firm belief in long-term investment.

Basically, there are four reasons for us to sell a stock: 1) weakening fundamentals; 2) excessive valuation; 3) more attractive alternatives; and/or 4) the value of a stock or an industry becomes proportionately high relative to the portfolio. Of course, in some cases, the selling decision is based on a combination of some of these conditions. The major reason for a higher turnover ratio in our portfolios in the past 12 months is the unusually high market volatility. While our long-term attitude is unchanged, we want to take advantage of market emotion, both in selling and buying opportunities.

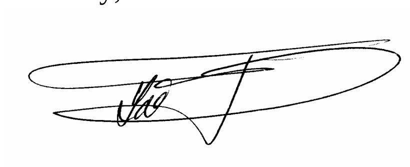
A brief comment on MCI WorldCom's recently announced agreement to merge with Sprint Corp. Sprint is the third largest American long-distance telecommunication carrier and owns very advanced assets in wireless. We believe the addition of wireless will complete MCI WorldCom's strategy and will reinforce its leading position in the global telecom arena, which we believe will be controlled eventually by a few very large participants.

NEW PURCHASES IN THIRD QUARTER OF 1999

Abbott Laboratories

Abbott Labs is a leading global maker of pharmaceutical, nutritional, diagnostic and hospital products. Founded in 1888, the company has a reputation for consistent financial performance, producing superior returns for shareholders year after year. The recent acquisition of ALZA Corporation is a compelling strategic fit. ALZA is a specialty pharmaceutical company focused on drug delivery technologies plus original drug compounds for the urology and oncology markets.

Sincerely,



Joseph T. Lai
Chief Portfolio Manager