NOESIS CAPITAL MANAGEMENT

A REGISTERED INVESTMENT ADVISOR

April 11, 2000

Dear Client:

To many experienced portfolio managers, the past two quarters were challenging, to say the least. The equity market was segregated into two parts: "old-economy" vs. "new-economy". As we neared the end of the 1st quarter, old economy stocks were down on the average more than 20% from their highs, while new-economy stocks were up on the average more than 30%. By common definition, the main portion of the market, or the "old economy" sector, was in a bear-market stage.

Index	**First Quarter**
Dow Jones Industrial Average	-5.0%
Standard & Poor 500	2.0%
NASDAQ	12.4%
Russell 2000	6.8%
Dow Jones World (ex. U.S.)	-1.5%
Merrill Lynch Corporate/Government Bond	2.8%

In contrast, the market has shown signs of a turnaround as we head into the second quarter. While old-economy stocks jumped up dramatically, many of the new-economy stocks have dropped sharply. By April 4th, technology stocks were down on average more than 30% from their highs.

During the past year, tech stocks have performed extraordinarily well. However, many financial professionals, including Noesis, have not participated fully in this rally. The reasons for this are two-fold and are a direct consequence of our adherence to a disciplined investment approach.

First, let us state that we strongly believe the technology trend will remain intact and we shall continue to participate in it, but on a more selective basis. However tempting it may be to invest in "high-flying" Internet stocks, we will continue to focus our technology participation in companies that lead their respective industries and which are consistently profitable. This is why we have invested in companies such as Cisco Systems, IBM, Intel, MCI Worldcom, and Microsoft.

Second, although we look for long-term growth opportunities, we also focus on valuation. As you know, the earnings growth of a company and its P/E multiple expansion or contraction determines stock performance. Valuation is as important as a company's fundamentals. P/E ratio represents the market consensus confidence in the underlying company's growth potential. However, the higher the PE, the lower the margin of safety, and vice versa. In our opinion, many technology stocks trading at extremely high multiples simply show investor overconfidence in the growth potential of the sector, while totally ignoring the downside risk. Moreover, many of these stocks have no earnings and, therefore,

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

no P/E ratios. If this group of stocks remains weak for a while, their ability to finance their growth or even survive becomes very questionable.

The biggest economic surprise of recent months is the continued surge of U.S. productivity. The extraordinary acceleration of productivity in recent years remains the key factor that extends the U.S. economic expansion, despite tight labor markets, higher oil prices and rising interest rates. In contrast to previous expansions, we have yet to experience diminishing returns as the expansion ages. As long as profit gains remain high and core inflation low, high profit expectations from the stock market remain intact.

NEW PURCHASES IN FIRST QUARTER OF 2000

America Online

America Online is the leading Internet brand worldwide. The company's products and services include: 1) two worldwide Internet online services, AOL, with 20 million members and CompuServe, with 2 million members; 2) several leading Internet brands including ICQ, Digital City, and MovieFone; 3) two Internet portals, the Netscape Netcenter and AOL.COM; and 4) the Netscape Navigator and Communicator browsers. With the pending acquisition of Time Warner, AOL is well positioned to remain atop the Internet and Media/Communication integration.

Carnival Corp.

Carnival Corp. is the world's largest cruise operator, with a 37% share of total North American berths. Carnival has a seasoned management team and a balanced brand portfolio including Carnival, Holland America, Windstar, Cunard, Costa Crociere, and Seabourn. Representing less than 5% of the vacation market, the cruise industry has ample room to grow.

Sincerely,

Joseph T. Lai
Chief Portfolio Manager