NOESIS CAPITAL MANAGEMENT

A REGISTERED INVESTMENT ADVISOR

January 15, 2001

Dear Client:

Happy New Year! 2000 marked another successful year for Noesis. While the technology sector led the market down 10%, as measured by the S&P 500 Index, most growth portfolios we managed for the past few years outperformed the market by significant margins. Historically, Nasdaq's 39% loss was the third largest for any major index, and the largest in its own 29-year history. Only the 1931 declines in the Dow Jones Industrials and the S&P 500 were more severe.

In contrast, the bond market enjoyed a double-digit return in 2000. This return was recently validated by a 50-basis-point rate cut between meetings, unprecedented in the Greenspan era. Experience suggests that yields are likely to trend lower as the easing cycle progresses.

Index	**2000**	**1999**	**1998**	**1997**	**1996**
Dow Jones Industrial Average	-6.2%	25.2%	16.6%	22.6%	26.0%
Standard & Poor 500	-10.1%	19.5%	26.7%	31.0%	20.3%
Nasdaq Composite	-39.3%	85.6%	39.6%	21.6%	22.7%
Russell 2000	-4.2%	19.6%	-3.5%	20.5%	14.8%
Merrill Lynch Corp/Government Bond	11.9%	-2.1%	9.5%	9.8%	2.9%

REVIEW OF YEAR 2000

The story of the market in 2000 was the correction of a valuation bubble, or "irrational exuberance", in the words of Alan Greenspan. The divergent market of 1998-1999 turned into a convergent market in 2000. In 1999, the Nasdaq soared 85.6%, with the technology sector accounting for a disproportionate share of overall market appreciation. By contrast, this sector fell freely in 2000, and accounted for slightly over 20% of the S&P 500, down from 30% in 1999.

For the last few years, "dot com" companies seemed invulnerable. However, the market's performance in 2000, caused many of the more cherished beliefs about tech stocks to become unraveled. First, investors were convinced that the growth potential of the tech sector was unlimited and that tech companies could generate breathtaking gains in earnings, sales and productivity for years to come. Such expectations proved to be unrealistic. The tech sector is not immune to demand/supply cyclicality. While demand generally has remained strong, it has dipped below levels anticipated by many optimistic investors.

Second, many investors believed that tech companies were immune to rising interest rates because demand for their products was so strong and their borrowing needs so slight.

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

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Although tech companies do not borrow much themselves, their customers do. As customers have been forced to reduce capital expenditures, tech companies have suffered.

Third, many investors presumed that prospects were more important than immediate earnings. They feared that the real risk was not losing money, but missing major upside moves. The fact is that businesses with negative cash flows cannot operate for long without capital influx. Unfortunately, when the capital market is illiquid, raising capital becomes difficult, expensive and sometimes impossible. Moreover, when competition heats up due to enormous growth potential and/or ease of entry, it often puts a ceiling on prospects of individual companies.

Finally, investor enthusiasm did not take into account that the price of tech stocks had grown so fast that the stocks had become "priced for perfection". Even the slightest disappointment could cause the price of stocks to plummet. As we pointed out in our last annual report, the extremely high valuations at that time left little margin for error for Internet companies. This was the reason we considered it not prudent to invest in these stocks. Events clearly have demonstrated that value eventually counts.

OUR PHILOSOPHY

Simply put, our goal is to seek superior long-term financial results consistent with our clients' investment goals. We believe the best way to achieve this long-term goal is to own stocks of companies in high-quality businesses that are projected to grow at above-average rates, purchase at attractive prices, and hold as long as the fundamentals of the underlying companies remain sound and the valuations remain reasonable. Fundamentals and valuation are the foundation of any sound investment philosophy.

As we have all witnessed, the financial markets are emotional and difficult to predict in the short term, but remain rational in the long run. As long-term investors, we evaluate companies from a long-term perspective and take advantage of short-term volatility to purchase/sell stocks. In this way, we seek to limit risk while increasing the probability of achieving attractive absolute returns.

We utilize a model portfolio to guide the management of our actual portfolios. Our growth model portfolio has grown 154% during the past 5 years, while the benchmark S&P 500 Index and the Nasdaq were up 114.4% and 134.8%, respectively. For the past 3 years, our model has grown 16.3%, compounded annually, while the S&P 500 and the Nasdaq were up 10.8% and 16.3%, respectively. Most of our long-term growth managed portfolios have enjoyed similar performance during this period. We believe that our performance over this period confirms the soundness of our investment philosophy.

	1996	1997	1998	1999	2000	Since 12/31/95
S&P 500	20.3%	31.0%	26.7%	19.5%	-10.1%	114.4%
Nasdaq	22.7%	21.6%	39.6%	85.6%	-39.3%	134.8%
Model	22.8%	31.4%	35.9%	16.6%	-0.7%	154.0%

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OUTLOOK

On January 3rd, the Fed cut the federal funds rate by a half-point to 6% and the discount rate by a quarter-point to 5.75%. This stunning move was taken in light of further weakening of sales and production, lower consumer confidence, tight financial conditions and high-energy prices. The Fed suggested more cuts could be on the way. The timing of the rate cut, between scheduled policy meetings, indicated that the Fed is more concerned about the health of the economy than previously had been thought. With lower interest rates, lower oil prices, and possibly a tax cut, we believe the economy should slowly strengthen in the near term.

In the long term, the healthy outlook for the U.S. economy remains intact. Corporate America continues to improve its global competitiveness and gain market share, with the benefit from continuing technological revolution.

Globally, we are more optimistic about continental Europe than before. Two years ago, we were concerned about the complexity of the launch of the Euro and the European Monetary Union (EMU) and unexpected problems that could challenge the sustainability of the Euro. However, by the fourth quarter of 2000, we started to feel enthusiastic about the Euro zone.

NEW PURCHASES IN FOURTH QUARTER OF 2000

China Mobile (Hong Kong) Limited

China Mobile is the world's second largest cellular company as measured by subscribers. It dominates in 13 provinces among China's richest and most developed areas with 43 million subscribers. While we are optimistic about considerable growth potential in the China telecommunications market, we realize the potentially high risk involved in investing in an emerging market. Accordingly, these shares may not be suitable for every account.

Jabil Circuit

Jabil is a leading worldwide vendor of electronic manufacturing services (EMS) for original equipment manufacturers (OEM) in the communications, computers, peripherals, consumer and automotive markets. As competitive pressure and demand challenges heat up among OEMs, the trend toward outsourcing is accelerating. The worldwide outsourcing opportunity for EMS is believed to be less than 20% penetrated, leaving a massive $440 billion not yet captured. Jabil has a very selective list of top-quality clients including: Cisco, Hewlett-Packard, Lucent and Dell. We note that Jabil was recently added to the S&P 500 Index.

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MSCI EMU Index Fund

This is a passively managed fund designed to track the performance of the MSCI EMU Index, an Euro-zone index provided by Morgan Stanley Capital International. With continuing government financial reform and corporate restructuring, the Euro-zone provides a reasonable growth opportunity at much less risk than do other regions. In the near term, a slowing U.S. economy, lower U.S. interest rates, and a pullback in oil prices could take some of the downward pressure off the Euro.

Nortel Networks

Nortel is a Canadian telecommunications equipment company. The company dominates the optical networking field with a 45% market share. Optical equipment allows for faster, more efficient data flow because the components use light instead of electricity. Also, Nortel is gaining momentum in the booming wireless equipment market, which currently accounts for 20% of the company's revenue.

FINAL NOTES

I would like to thank all of my colleagues for their hard work. Without their commitment, Noesis would not have been as successful in 2000.

In 2000, we initiated our concentrated equity positions program. Since stock-option offering to key employees is common today, the management of concentrated equities positions becomes very important in today's financial services market. Our concentrated programs have since been very successful. Special thanks to the assistance of our new colleague, Michael C. Sanchez, CFA.

As your Investment Advisor, we want to ensure that we are meeting your financial goals. Should you have any questions or any change in your financial situation, please feel free to call your financial advisor or me directly. Wishing you the best in the coming year.

Sincerely,

Joseph T. Lai
Chief Portfolio Manager

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www.noesis-capital.com