



NOESIS CAPITAL MANAGEMENT
A REGISTERED INVESTMENT ADVISOR

April 15, 2001

Dear Client,

The sharp decline that the U.S. stock market experienced last year, unfortunately, has been followed by a weak first quarter this year. Not only has the Nasdaq Composite Index continued its downward trend, but the weakness spread to other indices.

However, we are well-positioned to take advantage of the sharp correction. During the first quarter, we significantly increased our cash position by selling some fully-priced financial, technology and consumer cyclical stocks. This has enabled us to focus on buying opportunities among companies we consider attractive.

Index	First Quarter	Vs. all-time high
Dow Jones Industrial Average	-8.4%	-15.7%
Standard & Poor 500	-12.1%	-24.0%
Nasdaq Composite	-25.5%	-63.6%
Russell 2000	-6.8%	-25.7%
Dow Jones World (ex. U.S.)	-14.1%	-29.0%
Merrill Lynch Corporate/Government Bond	3.2%	-0.8%

The impact of the market pullback varied substantially by both sector and company. The most serious decline remained in the technology sector, which was down 24.8%. This was followed by the healthcare sector's loss of 15.2% and capital goods' loss of 13.8%. Only one sector remained intact, consumer cyclicals, which was up 0.6%. Although no one can predict where the bottom is and when the market is going to turn around, we believe the current situation has created some promising opportunities for long-term investors.

Among the encouraging factors, equity valuations have been reduced and margin debt has decreased. Available cash has increased and an overoptimistic atmosphere has been replaced by some pessimism. The wide difference in relative valuation between new economy and old economy stocks has narrowed. Moreover, monetary policy has become much more accommodating.

Besides these positive moves, the U.S. economy continues to benefit from favorable secular trends, including: rising productivity, more competitive companies, mild inflation, and a large federal surplus. Accordingly, we remain confident about the U.S. economy and feel optimistic about investment opportunities going forward.

Although not eliminated, many imbalances that existed in the market as a whole and among individual stocks have been substantially reduced. As in previous market cycles, the aftermath of a severe correction generally leads to a period of more rational investor activity. This can create a much more favorable environment for those portfolio managers who



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concentrate on industry and company fundamentals. Accordingly, the prospect of entering a period that is likely to favor our investment philosophy is very encouraging and is an additional reason for us to remain optimistic about the future.

While we maintain a positive attitude with respect to the U.S. economy and financial markets, we recognize that certain risks exist that could negatively effect this scenario in the near term. The severity and duration of the current economic slowdown remains unclear, disruptive power shortages may become more widespread and, as always, there is exposure to international economic and political events.

This market correction has motivated many investors to seek professional investment management and, as a result, we have been very fortunate to gain many new clients. Combined with relatively good portfolio performance for most of our existing clients, we continue to increase assets under management during this difficult market period. We welcome our new clients and appreciate the confidence shown in Noesis.

NEW PURCHASES IN FIRST QUARTER OF 2001

Convergys Corp. (CVG)

Headquartered in Cincinnati, Ohio, Convergys operates two subsidiaries: The Information Management Group (IMG), the leading U.S. provider of billing services to the communications and utility industries, and The Customer Management Group (CMG), the world's largest independent provider of complex customer care solutions from its network of state-of-the-art call centers. IMG's clients include AT&T Wireless, Sprint PCS and Verizon, while CMG's long-term relationships include AT&T, Sprint PCS, DIRECTV, American Express, Microsoft, Procter & Gamble and Cisco Systems. The company is a major beneficiary of the trend toward outsourcing in both the billing and customer service markets.

Sincerely,

Joseph T. Lai
Chief Portfolio Manager

* Our updated Form ADV is available upon request.