

October 13, 2001

Dear Client:

It has been four weeks since the tragic events of September 11, 2001. Words alone cannot express our shock and the grief we feel for the victims and their families.

Despite some initial volatility, our markets have been relatively calm since reopening on September 17th. The S&P 500 Index has rebounded to pre-event levels. This reflects confidence in the underlying strength of the U.S. economy and a willingness to look beyond the immediate problems caused by recent events.

Index	3rd Quarter	Year to Date
Dow Jones Industrial Average	-15.76%	-17.98%
Standard & Poor's 500	-14.99%	-21.16%
NASDAQ Composite	-30.63%	-39.33%
Russell 2000	-21.10%	-16.27%
Dow Jones World (ex. U.S.)	-15.61%	-26.63%
Merrill Lynch Corporate/Government Bond	5.00%	8.51%

While the U.S. equity markets have been difficult for the past 18 months, the third quarter was the weakest since the sharp market decline in 1987. As shown in the table above, all major equity indices declined 15% or more during the past quarter. The NASDAQ Composite, heavily weighted by technology companies, declined more than 30%.

What is in store for the economy, the stock market, and what does Noesis plan to do? There is no doubt that the U.S. economy is facing abnormal stresses and, in fact, may have entered a recession. However, we believe that near term weakness will not alter long-term prospects. There are several factors that help to put our views in perspective:

1. The Fed has aggressively lowered interest rates. While investors are concerned about deteriorating consumption and capital expenditures, the reduced interest expenses and greatly increased liquidity in the banking system could be important stimulants.
2. Additional fiscal stimulus continues to look very likely both from accelerated government spending and further tax cuts. These programs could limit the duration and depth of any economic disruption.
3. Home prices have increased substantially over the past few years, compensating for a large portion of individual investors' market losses.
4. We live in an age of dual income families, providing some stability in the event one spouse loses a job. Further, as America becomes more of a service economy, cyclical and manufacturing jobs are a substantially smaller percentage of the work force than decades ago.



A REGISTERED INVESTMENT ADVISOR

5. Significant innovations in technology help create jobs, makes businesses more efficient and, overall, add to worldwide prosperity. We believe that innovation will continue to help drive the American economy forward and at a pace similar to the past decade.

A stock market rally has preceded every U.S. economic recovery since WWII. We remain confident about the economic system over the long-run and, therefore, believe the markets will perform accordingly. Many stocks have lost over half of their value from their highs and, as a result, current market valuation appears attractive. We believe that some investment opportunities are emerging.

Our investment approach remains as disciplined as before. We continue to invest in top-quality companies that should prosper in good times and hold up well when conditions are more difficult, as long as their valuations appear reasonable. Our investment strategy has worked in the past and should continue to perform well in the future.

NEW PURCHASES IN THIRD QUARTER OF 2001

Medtronic, Inc.

Medtronic is a diversified medical technology company with leading shares in the \$3.5 billion market for cardiac rhythm management devices. The success of its R&D effort has moved the company to the top of its class in both the growing market for implantable defibrillators and the more mature pacemaker business. Recent acquisitions of PhysicControl, Sofamor Danek, Arterial Vascular Engineering, and MiniMed have helped broaden the company's core competencies.

Pharmacia Corp.

Pharmacia, based in New Jersey, was formed on April 3, 2000, through the merger of Pharmacia & Upjohn Inc. and Monsanto Co. The company ranks among the world's largest drug companies. Pharmaceutical products account for 60% of Pharmacia's sales while agricultural products makes up 30%. Its focus therapeutic areas are arthritis/pain, women's health, cancer, and ophthalmology.

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Lai", enclosed within a large, loopy oval scribble.

Joseph T. Lai, CFA
Chief Portfolio Manager

P.S. To better communicate with our clients, please provide us with your e-mail address, if you have not already done so.