NOESIS CAPITAL MANAGEMENT

A REGISTERED INVESTMENT ADVISOR

April 15, 2004

Dear Client,

After a steady eleven-month advance, the stock market finally took a breather. The Dow Jones Industrial Average and the technology-led NASDAQ Composite each ended the first quarter with losses. The Standard and Poor's 500 Index, however, finished with positive returns for the fourth consecutive quarter, unseen since 1998.

Index	First Quarter
Dow Jones Industrial Average	-0.92%
Standard & Poor's 500	+1.29%
NASDAQ Composite	-0.46%
Russell 2000	+6.00%
Dow Jones World (ex. U.S.)	+5.58%
Merrill Bond/Preferred/Convertible Composite[1]	+3.03%

One of the key concerns in the financial market has been ongoing weak employment data. However, the March payrolls came in with an unexpected gain of 308,000, the first solid sign of recovery. Further, the four-week average of new unemployment claims is now at the lowest level since November 2000. Hopefully, more robust job creation can be realized in the coming months.

In our view the technology boom of the late 1990s and global outsourcing have been the two major factors impeding job creation. Technology has substantially improved many companies' efficiency and productivity. With the price of new equipment continuing to decline and interest rates at historical lows, companies have been able to improve productivity by investing in technology without stepping up hiring. This is particularly true when companies compare required capital expenditures with high labor costs, which have not slowed as much as past experience would suggest, and have been affected by the continued rising cost of health insurance. The second factor is global outsourcing. Many developing countries, particularly China and India offer a huge pool of highly trained and educated professional talent, as well as improved manufacturing capability at much lower costs than in the U.S. It is difficult for companies to avoid utilizing these resources.

Although it hurts our labor market in the short term, advanced high-tech equipment and global outsourcing have helped corporate America to effectively compete in the global market. In fact, most of our core holdings are major beneficiaries of these trends. They not only maintained profitability during an economic downturn, but also gained market share. We believe that intensified global competition will force companies to continue to cut costs. Therefore, companies have no alternative but to take advantage of advanced technology and cheap global labor. High inflation is not expected in the near future, despite a recent rise in commodity prices. However, we have seen pricing pressures moving steadily upward in the economy from low stage commodity prices to higher stage producer prices. We might see this pressure gradually pushing into consumer prices.

We are pleased with the overall condition of our growth portfolios. In fact, for the most recent reporting period, 22 out of 23 of our core portfolio companies reported earnings in line or better than Wall Street estimates. We added a couple of new companies to our portfolios during the current

[1] This composite consists of an equal blend of Merrill Lynch Corporate/Government/Mortgage Master Index, Merrill Lynch Fixed Rate Preferred Stock Index and Merrill Lynch Convertible Index.

market correction. We believe the fundamentals of the market are strong overall, valuation in the current low interest rate environment is reasonable, and the economic outlook is favorable. Without making a short-term prediction, we commit to being fully invested due to our long-term confidence in the U.S. economy and its financial system.

NEW PURCHASES IN FIRST QUARTER OF 2003

Procter & Gamble (PG)

Procter & Gamble is the world's largest consumer product company with 300 brands in roughly 60 markets. P&G is organized into 5 Global Business Units:

1. Fabric & Home Care (29% of 03' sales) – Tide®, Downy®, Cascade®, Ivory®.
2. Beauty Care (28%) – Pantene®, Olay®, Cover Girl®, Head & Shoulders®, Tampax®.
3. Baby & Family Care (23%) – Charmin®, Bounty®, Puffs®, Pampers®, Luvs®.
4. Health Care (13%) – Crest®, Iams®, Vicks®, Pepto-Bismol®, PUR®, ThermaCare®.
5. Snacks & Beverages (7%) – Pringles®, Folgers®, Millstone®, Sunny D®.

P&G is one of the best managed companies in the U.S. Operating largely in mature markets, P&G generates only 17% of sales and 13% of profits outside the U.S. and Western Europe. As such, there are still significant opportunities for growth.

Bank One

Based on asset size, Chicago-based Bank One is the sixth largest U.S. bank holding company. After the proposed merger with J.P. Morgan Chase, the combined firm will be the second largest financial-services powerhouse in America, behind Citigroup. Its business lines are complementary, combining Bank One's strong consumer businesses and J.P. Morgan's corporate banking franchise. Jamie Dimon, the CEO of Bank One and a previous star manager of Citigroup, will become CEO in 2006.

Sincerely,

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