NOESIS CAPITAL MANAGEMENT
A REGISTERED INVESTMENT ADVISOR

April 12, 2005

Dear Clients:

All of the major U.S. stock indices declined in the first quarter of 2005, with the NASDAQ index showing the most weakness, as illustrated in the table below:

Index	**1st Quarter**
Dow Jones Industrial Average	-2.59%
Standard & Poor's 500	-2.59%
NASDAQ Composite	-8.10%
Russell 2000	-5.60%
Morgan Stanley EAFE	-0.77%

REVIEW OF FIRST QUARTER

Concerns about rising interest rates, high oil prices, rising inflation, the trade deficit, the budget deficit and a weak dollar receive constant attention and are unlikely to diminish significantly anytime soon. On the brighter side, key measures of economic activity have become increasingly favorable, including capital spending, which picked up strongly in the latter half of 2004 and continued to show strength in the first quarter. Surveys of corporate spending plans indicate probable continuation and the recent pickup in dividend increases and stock buybacks is favorable. Corporate earnings are continuing to rise, although as we mentioned in our January 14, 2005 letter to clients, they are not expected to show as large a gain as in 2004. Still, a full year gain of 10% or more is now expected for the S&P 500 companies, excluding the effect of an accounting change requiring the expensing of employee stock options.

The following table shows the performance breakdown of the S&P 500 Index by industry segment and illustrates the impact of energy on first quarter results. Excluding energy (+17.07%), utilities (+4.44%), and to a minor extent, materials (+1.27%), first quarter results for the S&P 500 Index would have declined much more significantly. This should be borne in mind in relation to the performance of your portfolios, inasmuch as Noesis adheres to a disciplined investment strategy focusing to the extent possible on companies with predictable earnings. The energy sector is highly volatile and consistently lacking predictability. We have avoided stocks with these characteristics in the past and are likely to continue doing so in the future. There are periods such as the present when our performance relative to the S&P 500 Index is negatively affected by this cyclicality. In

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contrast, particularly since energy prices are very difficult to forecast, our long term performance probably has been enhanced by avoiding investments in the energy sector.

S&P 500 Index by Industry Segment	2005 Year to Date
Energy	17.07%
Materials	1.27%
Industrials	-2.04%
Consumer Discretionary	-5.90%
Consumer Staples	0.15%
Health Care	-1.02%
Financials	-6.96%
Information Technology	-7.47%
Telecommunications Services	-8.61%
Utilities	4.44%

OUTLOOK

With the prospect of more moderate economic growth this year, combined with intense global competition, inflation appears unlikely to increase sharply and interest rates, therefore, probably will not rise as much as some investors seem to expect. We also doubt that the value of the dollar will fall precipitously or that the price of oil will stabilize substantially above the current level, although it must be recognized that both are volatile and that a temporary upward spike in oil prices is possible. We are also concerned about the budget deficit, potentially another major problem, and hope that it can be brought under control.

We remain confident that our clients' equity portfolios are positioned to perform well in the economic environment we envision for 2005. In general, companies in our portfolio have above-average predictability combined with relatively low valuations, a combination that historically has resulted in increased market recognition.

Over the past few quarters we have increased our holdings in healthcare, an industry sector which we believe offers bright growth prospects and minimal exposure to economic cyclicality, notwithstanding the highly publicized issues that some pharmaceutical companies have faced lately, including Pfizer. The recent additions of Genentech, Novartis and Johnson & Johnson, to our existing holdings in Amgen, Medtronic and Pfizer represent a strong participation in this industry.

Similarly, our portfolio positions in the financial services category, which have underperformed in the past year, have particularly promising prospects. For example, Citigroup and JP Morgan have excellent operating records, dividend yields close to 4%, and attractive future outlooks, but currently sell at very low double-digit P/E multiples due largely to exaggerated concerns about earnings sensitivity to rising interest rates. In our opinion, Citibank and JP Morgan, as well as other positions which we hold in this sector, are significantly undervalued, have minimal risk at current levels and should prove to be rewarding holdings.

NEW PUCHASES IN FIRST QUARTER OF 2005

Genentech (DNA)

Genentech is one of the world's largest biotechnology company with projected five-year revenue and EPS growth of 20% and 20-25%, respectively. Key products include prescription drugs for: breast cancer - Herceptin ($483 million in 2004); non-hodgkin's lymphoma - Rituxan ($1.7 billion in 2004); and metastic colorectal cancer - Avastin ($554 million in 2004). The 2008 sales forecast for these three drugs exceeds $5 billion. Other important products, Xolair, Tarceva, Raptiva, Activase, and Pulmozyme contributed $630 million in 2004 and are expected to have over $2 billion in sales by 2008.

There have been some promising recent developments for Genentech. Several of its drugs, including Avastin (for lung cancer and breast cancer), Rituxan (for rheumatoid arthritis) and Herceptin (for adjuvant breast cancer), have yielded promising results during Phase III clinical trials. It is projected that some of these applications could begin contributing to the company's sales late in 2005 and in 2006.

Novartis (NVS)

Novartis was formed in 1996 by the merger of Swiss pharmaceutical companies Ciba-Geigy and Sandoz. Novartis is a major industry participant with 2004 revenues of $28.2 billion and a market capitalization of $117 billion. Novartis has a broad product line, with its five top selling drugs accounting for an industry-low 28% of total sales and its late-stage product pipeline is outstanding compared with other companies in the industry. Moreover, only 15% of its drug sales are exposed to patent expirations between 2005 and 2015. The company's generic drug subsidiary, Sandoz, is currently second largest in worldwide generic drug sales and will become the top company upon completion of a pending $8.4 billion purchase of Hexal AG and Eon Labs. Novartis has an ROE of 18% and projected 5-year EPS growth of 12%.

UPDATE FROM OUR FIXED-INCOME DEPARTMENT

Our income portfolios continue to be defensively positioned with respect to interest rate risk. We are buying income securities with shorter maturities and larger coupons in anticipation that the coming months will provide a more attractive environment to invest in income securities. Based upon the current Federal Funds futures market, we expect that the Federal Reserve will increase the short term target rate from 2.75% to around 4.00% by the end of 2005. Income portfolio returns will be enhanced if we are able to reinvest at higher interest rates. This lower risk posture was beneficial during the first quarter of 2005 as interest rates all along the yield curve increased and prices declined. Although inflation concerns rose during this period, core inflation gauges continue to reflect a very moderate rate of inflation.

We are always available to discuss your portfolio and look forward to hearing from you if any questions arise.

Sincerely,

Richard M. Brown, CFA
Chief Investment Strategist

Our most recent Form ADV is available upon request