NOESIS CAPITAL MANAGEMENT
A REGISTERED INVESTMENT ADVISOR

April 14, 2006

Dear Client:

As shown in the table below, all major U.S. stock indices were ahead in the first quarter of 2006 and over the past 52 weeks:

Index	**1st Quarter**	**Last 52 Weeks**
Dow Jones Industrial Average	3.66%	6.78%
Standard & Poor's 500	3.73%	10.39%
NASDAQ	6.10%	17.88%
Russell 2000	13.65%	25.11%
Morgan Stanley EAFE	8.78%	21.31%

REVIEW OF FIRST QUARTER

It is becoming increasingly evident that the current global economic recovery reflects very strong performance by developing countries, in addition to good showings by the more established economies. Leading the march of the "emerging" countries are China, Mexico, South Korea, India and others, who are providing much of the momentum usually created by the G-7 countries (United States, United Kingdom, Japan, France, Germany, Italy and Canada). This trend is a demonstration of much broader strength that could enhance the potential for an extended period of sustainable growth. Historically, the developed world represented about two-thirds of total global GDP. Currently, emerging economies account for more than half of the world's GDP and their share is rising. As these foreign economies expand, increased consumer spending will follow and so should expansion of foreign markets for our exports.

We are continuing to evaluate and, when appropriate, invest in companies that are capitalizing on these emerging markets. As we have mentioned in previous quarterly letters, many of our portfolio companies derive a significant portion of revenue from international markets.

While the performance, in general, of our equity portfolios trailed the performance of S&P 500 Index for the first quarter of 2006, the performance for most of these portfolios over the past 52 weeks exceeded that of the S&P 500. We consider the twelve month results a more valid indicator of long term performance. The consensus estimate of S&P 500 earnings for 2007 is $85.00 per share, with a P/E multiple of 15.1 times estimated earnings and 6.3% growth. The Noesis Model Portfolio has a P/E multiple of 16.6 times estimated earnings and projected earnings growth of 13.5%. Based on relative valuations and prospective growth, we continue to view the outlook favorably for our equity portfolios.

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U.S. first quarter GDP growth was likely to have been about 4.5%, well above its long term potential of 3.25%. Positive factors were capital spending, post-hurricane reconstruction, manufacturing activity and consumer spending. This was a rebound from the weak 1.7% rise in GDP in the fourth quarter of 2005, which had been affected by the impact of hurricanes and elevated energy prices.

OUTLOOK FOR 2006

The strong rebound of the economy in the first quarter is likely to moderate somewhat to a more sustainable pace as the year progresses, but nevertheless appears likely to be somewhat stronger than generally expected a few months ago. Manufacturing activity has accelerated and, with sales rising more rapidly than inventories, could continue to strengthen. Increases in capital expenditures are contributing to higher factory output, as well as to a pickup in exports of capital goods.

Corporate balance sheets are in excellent condition, with substantial cash available for expansion programs and share repurchases versus earlier emphasis on reducing debt and increasing dividends. Moreover, foreign economies also have high levels of financial liquidity without serious inflationary pressure and appear to have the capability of supporting vigorous growth in international trade.

The possible negatives that could derail or impair a seemingly healthy international economic environment include the ever-present exposure to troubling international geopolitical events, oil price volatility and a continuing high U.S. budget deficit. A slowdown in the housing market, widely anticipated, is perhaps one of the most current concerns. Barring a sharp rise in mortgage rates, which we do not anticipate, a moderate decline in the housing market, in our opinion, is more likely than a sharp drop. Possible exceptions are perhaps some of the "hot" markets on both coasts. We expect the Fed to maintain a monetary policy of moderate restraint in order to prevent core inflation from becoming a problem. However, in the unlikely event of severe weakness in housing, the Fed could be expected to shift gears in order to encourage lower mortgage rates.

As previously mentioned, a combination of circumstances resulted in an unsustainable 4.5% rise in GDP, according to many observers. This could slow to an annual rate near 3.5% for the first half of 2006 and slightly lower in the second half. Although growth could be below the 4.1% average of the past 2½ years, it could be accompanied by a relatively benign inflation rate and would widely be considered acceptable.

NEW PUCHASES IN FIRST QUARTER OF 2006

Nike, Inc. (NKE).

Headquartered in Oregon, Nike is the world's largest supplier of athletic footwear and apparel, generating 54% of its sales outside the USA. In addition to Nike products, the company also owns other popular brands including, Cole Haan®, Converse®, Starter®, Bauer®, and Hurley®. With a solid balance sheet and diverse product portfolio, Nike is well positioned in its market segment to adapt effectively to a changing environment. We believe Nike has many growth opportunities in developing markets and with the development of Converse®, Starter® and other brands. Furthermore its main competitor Adidas could experience difficulties integrating its recent acquisition of Reebok, providing Nike with a chance to take market share from its biggest competitors.

Ecolab Inc. (ECL).

Headquartered in St. Paul, Minnesota, Ecolab produces and sells cleaning and sanitizing products and services to hospitality, foodservice, institutional, and industrial companies, holding the number one position in the industry. The company derives 53% of its revenues from the U.S. and 47% from international markets. Ecolab offers a wide range of products through the industry's largest sales force, which provides the company with significant cross-selling opportunities and intense business penetration. Ecolab delivered stable earnings and returns over the past 10 years, thereby showing high consistency in meeting its long-term financial objectives. Its largest competitor, JohnsonDiversey, recently announced a major restructuring program for the next 2-3 years and most of the remaining market is fragmented among independent companies with lack of scale and service competency.

iShares MSCI Japan Index (EWJ).

EWJ is an Exchange-Traded Fund (ETF), which seeks to provide investment results that correspond generally to the price and yield performance of publicly traded securities in the Japanese market, as measured by the MSCI Japan Index. ETFs such as EWJ provide an affordable and efficient way to invest in a foreign market. We like EWJ for a number of reasons. Japan's economy is showing clear signs of recovery in large part due to its recent efforts in financial reform and infrastructure improvement. EWJ also has much higher liquidity and better representation of the overall Japan stock market than similar funds, such as iShares S&P/TOPIX 150.

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UPDATE FROM OUR FIXED-INCOME DEPARTMENT

Index	**1st Quarter**	**Last 52 Weeks**
Merrill Lynch Domestic Corp/Govt/ Mortgage Bond Index	-0.65%	2.34%
Merrill Lynch Preferred Stock Index	1.40%	4.91%
Merrill Lynch Convertible Security Index	5.40%	10.89%

Long term interest rates as measured by the 10 year Treasury moved higher during the first quarter of 2006, from 4.39% to 4.86%. As such, we are now more comfortable buying securities that have maturities four to five years out, closer to our benchmark average maturity. In the recent past, we have concentrated on securities with relatively short maturities, so that when interest rates moved higher, as we expected, we could reinvest the principal in securities with higher rates of return. The yield curve, however, is still relatively flat, as measured by the 2 year Treasury yield at 4.82% and the 10 year Treasury yield at 4.86%. We believe that at current levels, there is still inadequate yield differential to warrant extending maturities.

We are always available to discuss your portfolio and welcome the opportunity to address any questions.

Sincerely,

Richard M. Brown

Richard M. Brown, CFA
Chief Investment Strategist

Our most recent Form ADV, Part II is available upon request

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