NOESIS CAPITAL MANAGEMENT

A REGISTERED INVESTMENT ADVISOR

April 15, 2009

Dear Client:

The markets have started to rebound with both the S&P 500 and S&P Global 1200 Indices up more than 19% in the last three weeks of the first quarter. Finally, there are indications that the market may have touched bottom.

The current recession is one of the most serious in history. Historically, recessions endure thirteen months on average, or eleven months excluding the Great Depression's forty-four month run. We have been mired in the current recession for sixteen months already, the second longest in history. There has been a loss of more than five million jobs, the highest level since the 1929 Depression. The first quarter will be the seventh straight quarterly drop for U.S. corporate profits, the longest losing stretch since the Great Depression. In terms of the S&P 500 Index, the current downturn of -57.69% from the peak to the recent trough, is the second deepest in history (see Table I).

TABLE I

Business Cycle			S&P 500	Unemployment Rate
Peak	Trough	Endurance (months)	peak to trough	
08/01/29	03/01/33	44	-86.19%	---
05/01/37	06/01/38	13	-54.47%	---
11/01/48	10/01/49	11	-20.57%	7.9%
07/01/53	05/01/54	10	-14.82%	5.9%
08/01/57	04/01/58	8	-21.47%	7.4%
04/01/60	02/01/61	10	-14.02%	6.9%
12/01/69	11/01/70	11	-37.27%	5.9%
11/01/73	03/01/75	16	-49.93%	8.6%
01/01/80	07/01/80	6	-21.62%	7.8%
07/01/81	11/01/82	16	-28.01%	10.8%
07/01/90	03/01/91	8	-20.14%	6.8%
03/01/01	11/01/01	8	-50.50%	5.5%
12/01/07	To Date	16	-57.69%	8.5%

The U.S. and global economies have undoubtedly suffered and are in worse shape than most could have imagined. The current situation is a once-a-century type of crisis. It has impacted just about everyone globally. With the exception of U.S. Treasuries, all asset classes have declined dramatically and, consequently, "textbook" investment principles such as diversification, asset allocation and long-term investment, have not lessened the sting. As these difficult conditions persist, frustration, doubt and fear occupy the minds of

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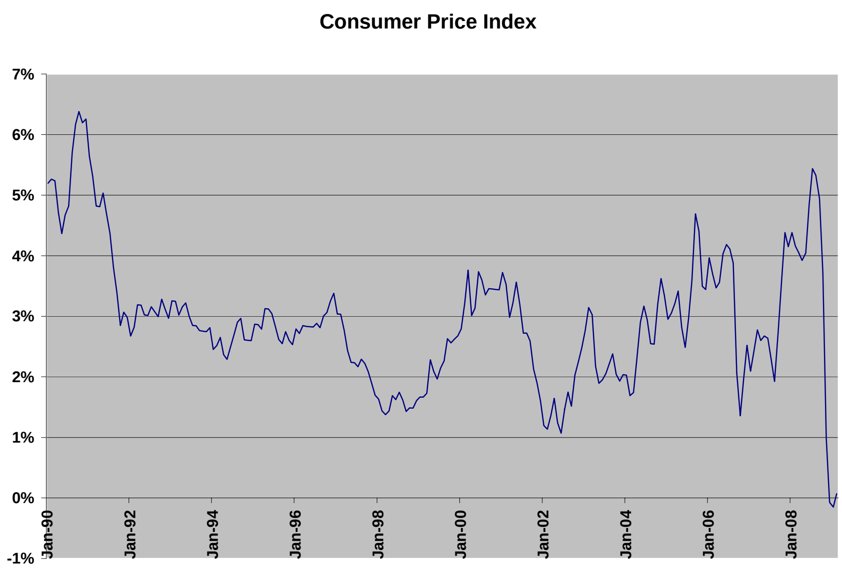
many investors, professional and amateur alike, causing many to abandon their discipline. However, this is exactly the time when focus and discipline is sorely required.

There are a few encouraging signs. With all the money being aggressively pumped into the markets worldwide, the financial system is expected to start working again. Many companies are fighting for survival with lots of changes. As they continue to cut capital expenditures, payrolls and inventories, sales gains should flow quickly to the balance sheets, even as consumers rein in debt and save more. With the exception of the financial sector, companies in general have much stronger balance sheets compared to other recent recessions. One year into this recession, the level of economic activities has been lowered significantly and thus our recovery will begin from a lower base point. This translates into a more favorable comparison than in 2007 and 2008 for performance purposes.

There is also growing demand coming from the emerging markets, such as Brazil, Russia, India and China, each of which have large populations and buying power. In terms of investment, the signs of a recent turnaround globally should help raise investor confidence to a level so that cash sitting on the sidelines and gaining extremely low returns may be deployed into the market again.

There is widespread concern about potential inflation. However, remember that we are still contending with deflation, which could have a greater impact than inflation as corporations and consumers delay capital expenditures and purchases alike. Chart I below shows historical inflation levels since 1990. Without consumption, which accounts for 70% of GDP, asset values across the board and economies are slow to grow. With respect to the billions of dollars that the U.S. government is pumping into the system, there is an expectation that much of it will return to the Fed in the form of investment return once the financial system is working again. This should reduce the pressure of inflation at least for the present (see comments in Fixed-Income Update).

CHART I



There has also been concern among clients about asset allocation being too aggressive. We have worked diligently to “stress-test” our asset allocation. However, any adjustment should be transitioned gradually as the situation improves. When the environment is as bad as we have been experiencing, it is natural to be pessimistic. We should not invest emotionally when the market is so volatile. As Warren Buffett has said, “be fearful when others are greedy; be greedy when others are fearful.”

NEW PURCHASES IN FIRST QUARTER OF 2009

C.R. Bard, Inc. (BCR)
C.R. Bard, Inc., founded over 100 years ago, is a leading multinational developer and manufacturer of medical technologies that focuses on vascular, urology, oncology and specialty surgical procedures. Bard’s well diversified product portfolio presents a solid and stable business model and most of Bards’ products are necessary peripherals with long product life cycles. Bard also has a strong product pipeline.

Fluor Corp. (FLR)
Fluor Corp. is one of the largest engineering and construction companies in the world. Fluor’s business is diversified into five segments: oil and gas (58% of revenue), industrial and infrastructure (15%), power (9%), government (6%) and global services (12%). Approximately half of Flour’s business comes from international markets. As such, we believe Fluor will benefit from the governments’ stimulus plans around the world due to their global leadership and expertise in front-end engineering works. Fluor’s financial health is in excellent condition.

HSBC Holdings PLC (HBC)
Headquartered in London, HSBC is one of the largest banking and financial services organizations in the world. It was established in 1865 to finance the growing trade between Europe, India and China. HSBC became a leading international banking group in the Asia-Pacific region with a strong presence in the UK, North and South America and the Middle East. The company has a strong focus on retail banking, consumer finance and commercial banking and has strengthened its investment banking business in recent years. HSBC is the only mega global bank not receiving any government funds during the recent credit turmoil.

FIXED-INCOME UPDATE

Interest rates on Treasuries moved higher during the quarter, with the 3-month T-Bill moving from 0.11% to 0.21% and the 10-year Treasury Note moving from 2.25% to 2.71%. Yields likely moved higher because of increased government debt expectations, rather than from economic data substantially improving. In March, the Fed announced that they would start buying up to $300 billion of treasury securities from 2 years to 10 years in maturity. Essentially, they will be printing money and buying U.S. debt, usually an inflationary activity and damaging to an economy if overdone. However, deflationary forces should dominate as house prices have continued to decline, job losses have mounted and the unemployment rate has risen to a multi-decade high (8.5% in March). Since the velocity of money has decreased while the money supply has increased, we do not anticipate that the Fed's activities will be highly inflationary. Rather, it should help reverse the deflationary trend. That being said, the risk of entering an above average inflation period in the future has increased. Once the credit turmoil subsides, fixed-rate long maturity income securities will be at higher risk of experiencing price declines.

Municipal bonds are still offering yields higher than a treasury security of a similar maturity, without having to pay tax on the income. This is very unusual and not likely to last indefinitely. Generally, if a U.S. client is in a high tax bracket and has an allocation to income securities, we recommend using municipal bonds instead of government bonds because of the yield advantage currently that exists. There are credit risks with municipal bonds, but municipalities can increase taxes and/or cut spending to increase interest coverage ratios. In addition, many revenue bonds are backed by essential services like water, sewer, and electric utility services.

Our esteemed colleague Richard Brown recently retired. Dick has been part of the Noesis family for over 16 years. We were truly blessed to have Dick's wisdom and experience for so many years following his illustrious 30 year career with Goldman Sachs prior to joining Noesis. We wish Dick and his wife Nancy many more years of health and happiness together in Cape Cod.

We are always available to discuss your portfolio and/or address any questions.

Sincerely,

Joseph Lai, CFA
Chief Portfolio Manager

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