

# *Form ADV Part 2A – Disclosure Brochure*

## *Item 1 – Cover Page*



*February 12, 2020*

This Disclosure Brochure provides information about the qualifications and business practices of GS Investments, Inc. (“GS Investments” or “the Firm”). If you have any questions about the contents of this brochure, please contact John Steinke at (612) 371-0590 or by email at [john@gsinvestments.com](mailto:john@gsinvestments.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about GS Investments is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

GS Investments, Inc.  
CRD No: 107782  
333 South 7<sup>th</sup> Street, Suite 3060  
Minneapolis, MN 55402  
Phone: (612) 371-0590 Fax: (612) 371-9869  
[www.gsinvestments.com](http://www.gsinvestments.com)

## **Item 2 - Material Changes**

This Disclosure Brochure is dated February 12, 2020. There have been no material changes made to the Disclosure Brochure since our last annual amendment on February 26, 2019.

## **Item 3 - Table of Contents**

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## **Item 4 - Advisory Business**

### **Firm Information**

GS Investments, formed in 1993, is an independent, fee for services investment advisor, registered with the SEC.

Privately owned and operated, GS Investments is run by its three principals, John G. Steinke, M.B.A., Glenn H. Steinke, CFA, and Greg Cunningham.

This Brochure provides information regarding the qualifications, business practices, and the advisory services provided by GS Investments.

### **Advisory Services Offered**

GS Investments manages separate accounts for individuals, closely-held businesses, trusts, 401(K) and 403(B) plans, corporate pension and profit-sharing plans, foundation and endowment accounts; all on a fully-discretionary basis.

GS Investments works closely with its clients to develop an appropriate investment strategy in order to achieve their uniquely individual, long-term investment objectives. This includes the establishment of goals, objectives, risk tolerance and investment time horizon.

GS Investments utilizes attractively valued, individual securities with the potential for growth for the core of its client holdings. Additionally, the firm looks to opportunistically complement the majority of portfolios with fixed income securities, exchange-traded funds ("ETFs"), and mutual funds, in an effort to provide necessary income and adequate diversification while reducing risk and enhancing returns over time.

GS Investments also offers financial planning services in order to further address the needs of its clients.

### **Client Account Management**

Each GS Investments client is required to sign an Investment Advisory Agreement with the Firm. This agreement defines the terms, conditions, authority and responsibilities of the Firm and the client. These services may include:

- The establishment of an Investment Policy Statement ("IPS") – GS Investments, if requested by the client, may develop a statement that summarizes the investment goals, objectives and investment strategy to be employed. An IPS generally includes specific information regarding the client's stated goals, time horizon for achieving the goals, investment strategies, risk tolerance and any restrictions imposed by the client.

- Asset Allocation – GS Investments will define asset allocation parameters in order to meet the investment objectives, time horizon, financial situation and tolerance for risk for each client.
- Portfolio Construction – GS Investments will construct a portfolio that is intended to meet the stated goals and objectives of each client.
- Asset Management and Supervision – GS Investments will provide investment management and ongoing oversight of each client’s portfolio(s)/account(s).

### **Assets Under Management**

As of December 31, 2019, GS Investments had total assets under management of \$192,988,961; \$191,183,926 (discretionary) and \$1,805,035 (non-discretionary).

### **Item 5 - Fees & Compensation**

The following paragraphs detail the fee structure and compensation methodology for investment management.

#### **Fees for Advisory Services and Planning**

All fees, including asset management and financial planning fees, are determined and charged on a quarterly basis, in arrears and are automatically deducted from client accounts by the custodian at the end of each calendar quarter. This is pursuant to the terms of the Investment Advisory Agreement. Although all fees are subject to negotiation, the Firm’s Standard Advisory and Planning Fee Schedules are found below:

*GS Investments Standard Asset Management Fee Schedule*

0 – 1 Million	@	1.00%
1 – 5 Million	@	0.75%
Above \$5 Million		Negotiable

*GS Investments Financial Planning Fee*

Account Value	@	0.1% or \$500 Minimum fee
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In addition to the Firm’s asset management and financial planning fees, clients will also incur transaction charges for the investments bought or sold. These transaction charges are paid to the custodian and are communicated to clients by GS Investments upon establishing an investment advisory relationship. GS Investments does not receive any portion of the transaction charges.

The custodians have the discretion to change the transaction charges at any time, and GS Investments will notify the clients if this occurs. The transaction charges vary based on the type of investment (e.g., individual equity securities, individual fixed income securities, ETFs, and mutual funds), and range from \$0.00 to \$50.00.

To the extent applicable, client will also incur charges imposed by the custodian or other 3<sup>rd</sup> parties, including, but not limited to, the following; ETF and mutual fund management fees and administrative expenses, mutual fund 12b-1 fees, mutual fund transaction fees and redemption charges and deferred sales charges on previously purchased mutual funds transferred into the account, executing broker/dealer commissions or markups/markdowns, IRA and qualified retirement plan fees, administrative servicing fees for trust accounts, and other charged required by law. GS Investments does not receive any portion of these fees and expenses.

In addition, the custodian may receive other compensation (direct or indirect) from other third parties in connection with client holdings or transactions. Clients are encouraged to carefully review all disclosures provided by the custodian in the custodians account opening application.

To the extent a fixed income transaction is executed through a broker/dealer other than Charles Schwab & Co., Inc. ("Charles Schwab"), Interactive Brokers LLC. ("Interactive Brokers") or Wells Fargo Investments LLC ("Wells Fargo Investments") as described in Item 12 – Brokerage Practices, the executing broker/dealer may charge a commission, markup/markdown, or other fee for the transaction. Any such charges will be reflected in the price of the security, and GS Investments does not receive any portion of these charges.

### **Rollovers**

There is a conflict of interest regarding rollovers for a client that is a plan participant in an employer-sponsored retirement plan. Upon reaching a distribution event, a plan participant may decide to liquidate and withdraw funds from their employer-sponsored retirement plan account and rollover the proceeds to an IRA. In the event of an existing relationship with GS Investments, it would not be unusual for the plan participant to request the assistance of GS Investments. A conflict of interest exists because GS Investments will be compensated only if the plan participant rolls over the proceeds into an IRA that is then managed by GS Investments. As a result, it can be construed that GS Investments has a financial incentive to recommend one option over another. Therefore, a plan participant should include in his/her decision making process, a thorough review of all options presented when reaching a distribution event; for example (i) remain invested under the employer-sponsored retirement plan (if available), (ii) transfer retirement plan assets to a new employer-sponsored retirement plan (if available), (iii) transfer retirement plan assets to an IRA with a financial institution, or (iv) withdraw assets directly which would be subject to federal and applicable state and local taxes and possibly subject to the IRS penalty of 10% depending upon the age of the plan participant.

### **Termination and Refund of Fees**

GS Investments is compensated for its services, in arrears, for the quarter in which investment advisory services are rendered. Clients may request to terminate their Investment Advisory Agreement with the Firm, in whole or in part, by providing written notice, 30 days in advance.

The client shall be responsible for any fees up to effective date of written termination, plus 30 days. As fees are charged in arrears, clients are not typically due a refund. If the client is due a refund, the Firm will refund any unearned fees by sending the client a check to the address on record, via regular mail. The client's Investment Advisory Agreement with the Firm is non-transferable without the written approval of both the client and the Firm.

### **Item 6 – Performance-Based Fees & Side by Side Management**

GS Investments does not charge performance-based fees for its investment advisory services. The fees charged by the Firm, as described in Item 5 – Fees and Compensation above, are not based upon the capital appreciation of the funds or securities held by any client.

### **Item 7 – Types of Clients**

As mentioned earlier, GS Investments manages separate accounts for individuals, closely-held businesses, trusts, 401(K) and 403(B) plans, corporate pension and profit-sharing plans, foundations and endowments.

Although the Firm has a stated minimum account size of \$500,000, exceptions are made at the discretion of the Firm.

### **Item 8 – Methods of Analysis, Investment Strategies, & Risk of Loss**

GS Investments utilizes a balanced approach for the majority of its accounts although each account is tailored to the individual needs of each client. Taxable or tax-exempt bonds are used along with a common stock component. The division between bonds and stocks is determined by the personal objectives of each client. A need for income and a willingness to assume risk are also determinants of an account's bond/stock mix.

GS Investments emphasizes the purchase of quality securities and employs a long-term investment style as market timing, frequent shifts in asset allocation and interest rate forecasting are not consistent with the firm's philosophy. In depth market analysis and many years of experience support this approach.

GS Investments emphasizes a staggered maturity approach when purchasing bonds. Individual security investment grades and call protection are considered when making these investments. Quality grades of "A" or higher are favored with tax-exempt issues. Government bonds are dominant among taxable securities.

GS Investments may also employ the use of Real Estate Investment Trusts (REITs), International ETFs and fixed income/bond ETFs. These securities are used when and where appropriate, to provide inverse correlation to other asset classes and to reduce the market risk for GS Investments clients.

GS Investments favors stocks emphasizing quality and growth. Appropriate cyclical growth stocks and small capitalization growth stocks are used periodically as well.

Additionally, GS Investments believes that a growth-oriented philosophy tends to result in less frequent trading and lower tax payments (for taxable accounts) on realized capital gains. This provides a lower cost approach for the client.

GS Investments works with each client to achieve proper asset allocation (between stocks and bonds) and diversification (among securities) in an effort to provide the appropriate risk-adjusted return. Each client is aware however, that despite all efforts to guard against loss of principal, all or part of the client's capital is subject to loss.

### **Methods of Analysis**

GS Investments utilizes fundamental analysis as its primary tool to evaluate securities. Through this methodology, the Firm attempts to measure the intrinsic value and growth potential of each security by examining economic (micro and macro), financial and other qualitative and quantitative factors. The goal is to determine whether a security is overpriced, underpriced or fairly-valued. This helps the Firm determine when to "buy," "sell," "add to" or "trim" a given security from a client's portfolio.

GS Investment's research also benefits from external sources of information, including financial media companies, third-party research materials, internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

As noted earlier, GS Investments employs a long-term investment approach, one that is consistent with the financial goals and objectives of each of its clients. Typically, all or a portion of a purchased security will be held for more than a year. In some cases, securities may be held for shorter periods of time; typical factors include a change in the goal and objectives of the client, a change in the fundamentals of a given company, a change in market dynamics or the need for cash.

The risk associated with fundamental analysis, as with other forms of analysis, is that it can be viewed as subjective in nature. Fundamental research typically entails a qualitative assessment of the interaction of market forces and their impact on the investment(s) in question.

The inherent risk is that the Firm's assessment of current market forces or the impact that they may have could be wrong, and might lead to unfavorable investment decision(s). Additionally, while alternative, more quantitative forms of analysis such as "technical analysis" exist, they don't guarantee more favorable returns.

ETFs are typically investment companies that are legally classified as open-end mutual funds or UITs. However, they differ from traditional mutual funds, in that ETF shares are listed on a securities exchange. Shares can be bought and sold throughout the trading day like shares of other publicly-traded companies. ETF shares may trade at a discount or premium to their net asset value. The difference between the bid price and the ask price is often referred to as the "spread".

The spread varies over time based on the ETF's trading volume and market liquidity and is generally lower if the ETF has a lot of trading volume and market liquidity and higher if the ETF has little trading volume and market liquidity. Although many ETFs are registered as an investment company under the Investment Company Act of 1930 like traditional mutual funds, some ETFs, in particular those that invest in commodities, are not registered as an investment company.

Investing in international markets presents additional risks including currency fluctuations, the potential for diplomatic and political instability, regulatory and liquidity risks and foreign taxation among others. The risks of foreign investing are generally greater in emerging markets.

### **Risk of Loss**

Investing in securities involves certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. GS Investments will assist clients in determining an appropriate investment strategy based on their tolerance for risk and other factors noted earlier. However, there is no guarantee that a client will meet his/her investment goals.

GS Investments will provide each client with an ongoing review of his/her investment goals and objectives, financial situation, time horizon, tolerance for risk and other factors, all in an effort to develop an appropriate investment management strategy for the future. Client participation in this process, including full and accurate disclosure of requested information, is essential for the proper analysis of the client's account.

GS Investments relies on the financial and other information provided by the client without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the client to inform the Firm of any changes in financial condition, goals, objectives or other factors that may affect this analysis.

### Concentrated Portfolios

Portfolios that hold 20 or fewer stocks (bonds, mutual funds and/or exchange-traded funds are excluded) are considered to be "concentrated" portfolios. As such, they are much more likely to experience sudden or dramatic changes in price than a more "diversified" portfolio might experience. Concentrated portfolios are considered to be more aggressive and volatile than diversified portfolios.

### Frequent Trading

Frequent trading in securities can result in higher transaction costs for the client. For taxable accounts, frequent trading can also result in taxable transactions each year that would not be present in a buy-and-hold strategy. There are no guarantees that a frequent trading strategy will provide superior performance by correctly timing the purchases and sales of any particular security.

Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each client should understand and be willing to bear. Clients are reminded to discuss these risks with the Firm. For more information, please contact one of us at (612) 371-0590.

### **Item 9 - Disciplinary Information**

There are no legal or disciplinary events involving GS Investments or any of its employees. We encourage you to perform the requisite due diligence on any advisor or service provider with whom you partner.

### **Item 10 - Other Financial Industry Activities & Affiliations**

GS Investments is only in the business of providing management and financial planning services as described in this Disclosure Brochure.

### **Item 11 - Code of Ethics, Participation/Interest in Client Transactions, & Personal Trading**

GS Investments, Inc. has adopted a Code of Ethics and corresponding policies and procedures, consistent with Section 204A of the Investment Advisers Act of 1940. This Code of Ethics defines its fiduciary commitment to each client and applies to all persons associated with the firm.

Specifically, the Firm's Code of Ethics sets out standards of conduct expected of advisory personnel, safeguards material nonpublic information about client transactions and requires the Firm's "Access Persons" to report their personal securities transactions. To request a copy of our Code of Ethics, please contact John Steinke at (612) 371-0590 or via email at [john@gsinvestments.com](mailto:john@gsinvestments.com).

GS Investments allows its employees to purchase and sell the same securities held in client accounts, a potential conflict of interest that the Firm is obligated to disclose.

In order to prevent such conflicts of interest, the Firm has developed written supervisory procedures that include personal investment and trading policies for all its employees and their immediate family members ("Associated Persons"):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons may trade in simultaneous fashion with client trades in order to ensure best execution for all involved.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an "insider."
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Chief

Compliance Officer of the Firm.

Within the Firm's Code of Ethics, insider trading (material non-public information controls) and personal securities reporting procedures, are laid out. These are designed to detect the misuse of material, non-public information.

At no time, will GS Investments employees or any associated person of the Firm, transact in any security to the detriment of any client.

### **Item 12 - Brokerage Practices**

Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or a bank. The Firm generally recommends that its clients use Charles Schwab ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Under certain circumstances, other brokerage firms may be considered upon client request.

GS Investments is independently owned and operated and not affiliated with Schwab. Schwab will hold client assets in their own brokerage account(s) and buy and sell securities as instructed by the Firm. While Schwab is the recommended custodian/broker, it is ultimately the decision of the client as to where their assets are held. Although the majority of client account(s) are held at Schwab, other brokers may be used to execute trades, as described in the next paragraph.

GS Investments seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. The Firm considers a wide range of factors, including the following:

- A combination of transaction execution services along with asset custody services (generally without a separate fee for custody).
- The capability to execute, clear and settle trades (buy and sell securities for client accounts).
- The capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.).
- The access to a breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.).
- The availability of investment research and tools that assist the Firm in making investment decisions.
- The overall quality of services offered.
- The competitive pricing of the custodial services (transaction charges, other fees, etc.) and their willingness to negotiate them.
- Utilizing a custodian with a strong reputation, financial strength and stability.

While GS Investments believes that Schwab has execution procedures designed to obtain the best execution possible, there can be no assurance that best execution will be achieved. Client should understand that not all investment advisors require clients

to direct brokerage. By directing brokerage, client may be unable to achieve the most favorable execution of client transactions. Therefore, directed brokerage may cost clients more money.

GS Investments receives no economic benefit from Schwab or any other custodian for their services rendered. This includes “discounted” research services or compensation as a result of the Firm’s recommendation that they serve as the broker of choice for the client.

Schwab, on the other hand, provide benefit to GS Investments and its client base through the extension of such services as discounted trading costs, educational publications, conferences and events, technology, compliance, legal and practice management consulting.

Although most client account trades are done at the custodian of choice, GS Investments may choose to execute certain fixed income security transactions through another qualified custodian and executing broker/dealer consistent with our duty to seek to achieve best execution. The executing broker/dealer may charge a commission, markup/markdown, or other fees for the transaction. Any such charges will be reflected in the price of the security, and GS Investments does not receive any portion of the charges.

Additional details regarding the brokerage practices of the Firm are found below:

- *Soft Dollars* - Soft dollars are revenue programs offered by broker-dealers whereby an advisor enters into an agreement to place security trades with the broker in exchange for research and other services. GS Investments does not participate in soft dollar programs sponsored or offered by any broker-dealer.
- *Brokerage Referrals* - GS Investments does not receive any compensation from Charles Schwab or any third party in connection with the recommendation for establishing a brokerage account.
- *Directed Brokerage* - All clients are serviced on a “directed brokerage basis,” where GS Investments places trades within the established account(s) at the custodian designated by the client. Further, all client accounts are traded within their respective brokerage account(s). The Firm will not engage in any principal transactions (i.e., trade of any security from or to an Associated Person’s account at the Firm) or cross transactions with other client accounts (i.e., purchase of a security into one client account from another client’s account(s)).

### **Aggregating and Allocating Trades**

To the extent it is in the best of interest of clients, GSI will aggregate (e.g., block or bunch) trades in the same security for multiple accounts. When transactions are aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the client account will be deemed to have purchased or sold its proportionate share of the securities involved at the average price obtained. If an aggregated trade is only partially filled, shares will be allocated to participating accounts in good faith based on the following considerations: amount of cash in the account,

existing asset allocation and industry exposure, risk profile, type of security, and transaction charges.

### **Item 13 - Review of Accounts**

GS Investments recognizes that it has a fiduciary responsibility to its clients to monitor and review client accounts to ensure that their respective goals and objectives are being met.

Accounts are monitored on a regular and continuous basis by the GS Investments Principals, John Steinke, Glenn Steinke and Greg Cunningham. Formal reviews are generally conducted at least annually or more or less frequently depending on the needs of the client. The Firm also offers to conduct quarterly conference calls and annual meetings to review client portfolios.

In addition to the investment monitoring noted above, each client account shall be reviewed at least annually. Reviews may be conducted more or less frequently at the client's request. Accounts may be reviewed as a result of major changes in economic conditions, known changes in the client's financial situation, and/or large deposits or withdrawals in the client's account. The client is encouraged to notify GS Investments if changes occur in their personal financial situation that might adversely affect their investment plan. Additional reviews may be triggered by material market, economic or political events.

The client will receive brokerage statements no less than quarterly from the trustee or custodian. These brokerage statements are sent directly from the custodian to the client. The client may also establish electronic access to the custodian's website in order to view these reports and account activity. Client brokerage statements will include all positions, transactions and fees relating to the client's account(s).

The client will also receive performance reports from GS Investments on a quarterly basis. GS Investments may also provide other ad hoc reporting to the client as agreed upon with the client from time to time. Clients are reminded that these reports do not take the place of official statements provided by the custodian to the client.

### **Item 14 - Client Referrals and Other Compensation**

GS Investments currently receives no fees for client referrals nor does it receive additional compensation outside the customary scope of advisory or financial planning fees.

GS Investments does not pay any solicitors for client referrals.

## **Item 15 – Custody**

### **Fee-Debited**

GS Investments has limited custody of our clients' funds or securities because the clients authorize us to deduct our management fees directly from the client's account. GS Investments is also deemed to have custody of clients' funds or securities when clients have standing authorizations with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of standards intended to protect client assets in such situations, which we follow.

### **Account Statements**

A qualified custodian holds clients' funds and securities. Clients will receive statements directly from their qualified custodian at least quarterly. The statements will reflect the client's funds and securities held with the qualified custodian as well as any transactions that occurred in the account, including the deduction of our fee. Clients should carefully review the account statements they receive from the qualified custodian. When clients receive statements from GS Investments as well as from the qualified custodian, they should compare these two reports carefully. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive a statement from their qualified custodian at least quarterly should also notify us. Minor variations may occur because of reporting dates, accrual methods of interest and dividends, and other factors. The custodial statement is the official record of your account for tax purposes.

## **Item 16 – Investment Discretion**

GS Investments maintains discretionary, trading authority for nearly all of its clients' accounts. The firm is granted this authority by having the client sign the associated custodial form(s) and the GS Investments Investment Advisory Agreement(s).

## **Item 17 – Voting Client Securities**

GS Investments does not vote proxies on behalf of its client base. Proxy information for any securities held in a client's account will be sent to the client by the account's custodian. GS Investments will not be providing this information. However, clients may contact us for general information about a particular solicitation.

## **Item 18 – Financial Information**

GS Investments has no financial commitment that impairs our ability to meet contractual or fiduciary commitments to clients and has not been the subject of a bankruptcy petition.