# GS INVESTMENTS, INC.

# MarketView

*First Quarter 2004*

## GSI Tenants

GS Investments, Inc. represents a logical choice for investment management for the following reasons:

1. A commitment to high-quality, personalized, client service.
2. Utilization of individual securities.
3. Balanced account manager utilizing bonds and stocks, their mix based on account objectives.
4. Use of large-cap growth stocks, adding a mid/small-cap "twist" for superior investment performance.
5. Extensive experience in the management of both individual and institutional investment accounts.
6. A competitive fee schedule.
7. Confidential environment.

## Investment Strategy

1. Invest for the long-term.
2. Diversify investments.
3. Use fixed income securities for portfolio risk control and income.
4. Use equities to maximize portfolio return and offset inflation.
5. Manage portfolios according to each owner's risk parameters

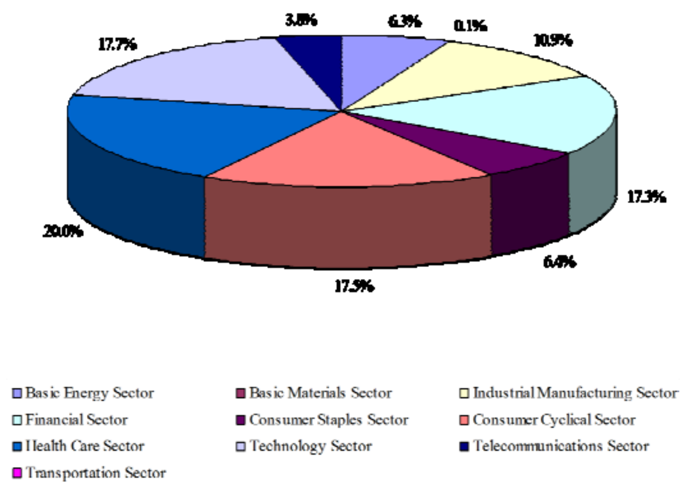
"I know of no more valuable commodity than information."

*Gordon Gekko—Main character in the movie Wallstreet*

## Core Equity Portfolio Characteristics

| | |
|---|---|
| P/E Ratio Forward | 21.2 |
| Expected 5Yr. EPS Growth | 15.5 |
| Beta | 1.02 |
| Turnover | 27% |

## Industry Breakdown




## Top Ten Holdings (as a percent of Equities)

| | |
|---|---|
| Wells Fargo | 2.41% |
| Cisco Systems | 2.13% |
| Intel Corporation | 2.09% |
| 3M Company | 2.03% |
| H&R Block | 1.99% |
| Microsoft Corporation | 1.92% |
| Medtronic Incorporated | 1.91% |
| Amgen | 1.87% |
| Home Depot Incorporated | 1.85% |
| Pfizer Incorporated | 1.82% |

## Market Summary

2003 turned out to be a banner year for clients of GS Investments, and it was a near perfect way to celebrate our 10th anniversary as an investment management firm. Stock market returns were up sharply.

The year began with many clouds on the horizon including war with Iraq. We fully invested our equity accounts and equity portions of balanced accounts as the year moved along, because it was our view that many factors were already in place to grow the economy and corporate earnings. Also, corporate governance issues were being resolved, and accounting matters were being corrected. This view turned out to be rewarding for our clients, and we are pleased to report excellent results. Not only did we position our accounts to be fully invested, but account stock market returns ranged from 30% to about 36%, well ahead of the S&P 500 benchmark return of 28.68%.

Bond market returns were also positive, up about 10%, well ahead of benchmark returns of roughly 5%. The use of Real Estate Investment Trust (REIT) equities as bond substitutes provided excellent returns and contributed favorably to overall fixed income results. REIT's are hybrid securities being that they invest in real estate underlying shopping malls and industrial properties and are required to pay out at least 90% of their earnings in dividend income to shareholders to avoid double taxation. At time of purchase, our REIT's dividend returns ranged from 5% to 8%, and since purchase several have raised their dividends. In using these securities our client accounts have experienced cash flows well above bond returns due to prevailing low interest rates. Also, our REIT's have experienced capital appreciation.

In order to offset low money market returns (now less than 1%), we have invested in stable value funds in tax-exempt accounts. These stable value funds currently provide income returns of about 2.4%, and price stability essentially comparable to money market funds. We have chosen to use these funds now, but will reduce their weighting in accounts when bonds provide higher income returns.

The year 2004 has already begun. Low interest rates remain with us, and our economy continues to improve. It is an election year and already the candidates are raising money and positioning themselves for the November election. We recently learned that the famous financier George Soros is going to spend $12.8 million of his personal money to defeat George W. Bush, and the total amount raised for this effort may be $400 million. It should be an interesting year!

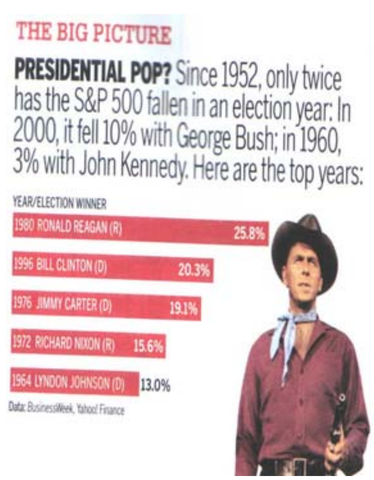
We feel the economy will continue to expand possibly at a rate higher than the 4% consensus. There are reasons for this view. Some are listed below:

1. Tax cuts implemented in 2003 will continue to benefit the economy.
2. The decline in our dollar will benefit U.S. corporations by making our products more price competitive with foreign corporations.
3. As a result of the dollar decline, European automakers have already announced they will begin manufacturing their autos in the U.S. That puts new factories here along with new jobs plus greater manufacturing efficiencies.
3. We believe Wall Street institutions and U.S. corporations are still cautious and underestimating the strength of this upturn due in good part to happenings in 2000, 2001 and 2002. Analysts fear being accused of hyping securities for such could result in a jail term. Corporations and accounting firms also continue cautious, because of many misdeeds leading to severe punishment in the recent past.
4. Capital spending will kick in not only due to better corporate earnings but also due to tax benefits that will apply in 2004 and 2005.
5. In 2003 much of corporate profits went to improve capital structure (reduce debt), and for pension fund liability improvements. This activity should be nearing more satisfactory levels allowing for increased capital spending and/or increased dividend payments.
6. Interest rates are low and corporate refinancing continues. Because capacity is underutilized and unemployment remains high, inflation is benign, so interest rates could remain low for a period longer than expected.
7. As the economy expands, inventories will rise, and there will be less reluctance to carry high inventories due to low interest rates.

There may be additional reasons, but above are listed those we think are important.

One concern we have is the price of energy. Oil has been hitting $35 bbl., higher than we had expected. This is partially due to the declining dollar (oil is priced worldwide in dollars). However, it does negatively impact our manufacturers. Chemical companies are a good example. We will have to pay close attention to the price of energy.

In closing, we think 2004 could be another strong year for the economy and the stock market, and we hope that will be the case. Two other sources, Business Week and Ned Davis Research think so too. Panels in publications by each are shown below. We found them interesting. We hope you do, as well.




| Election-Year Performance of DJIA* | | |
|---|---|---|
| Party Win/Lose | # of Cases | Year's Med. % Gain |
| Republican Incumbent Wins | 9 | 14.6 |
| Incumbent Wins | 16 | 13.3 ✓ |
| All Elections | 26 | 8.0 |
| Democrat Incumbent Wins | 7 | 12.1 |
| Incumbent Loses | 10 | 4.2 |

Source: Ned Davis Research

We are committed to providing our clients with high-quality service and superior performance over the long-term.

*Glenn & John Steinke*