MarketView

First Quarter 2006

INVESTMENTS, INC.

GSI Tenets

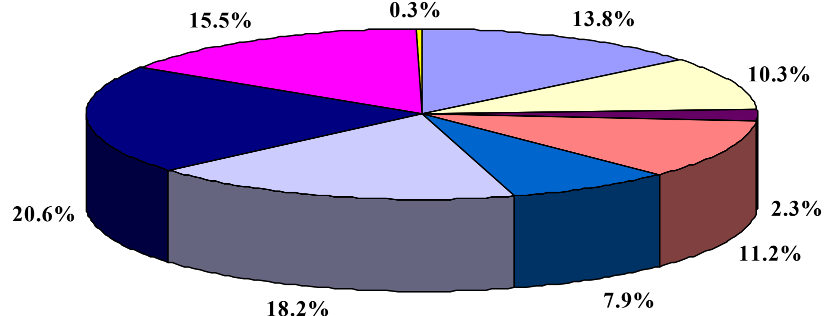
GS Investments, Inc. represents a logical choice for investment management for the following reasons:

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

Sector Breakdown—December 31, 2005



Top Ten Holdings (as a percent of Equities)

Wells Fargo	2.04%
Amgen	1.90%
PepsiCo	1.86%
General Electric	1.81%
American International Group	1.76%
Home Depot	1.74%
Target	1.73%
Microsoft	1.70%
Caterpillar	1.67%
Proctor and Gamble	1.65%
United Healthcare	1.60%

Market Summary

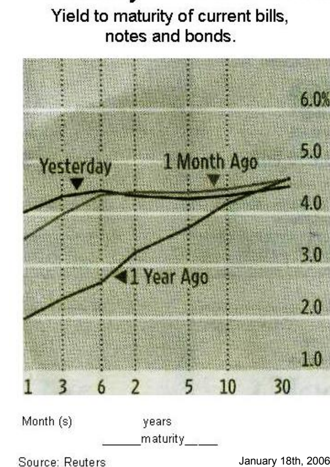
The New Year is upon us. The financial markets are moving again after languishing in December, and essentially marking time in 2005. The markets are breathing a sigh of relief due to the expectation that "measured" interest rate increases by the Federal Reserve are nearly over. Maybe the uphill trip from a low of 1% in mid-2004 to 4 ¼% now and perhaps topping out in the 4 1/2%-5% range is a growing possibility. In retrospect, it is clear that the Federal Reserve was targeting the housing market when it began to raise rates. There is evidence that the housing market has been slowing, so the Federal Reserve may have hit the bull's eye.

However, more is at stake than the housing market. Energy prices have risen dramatically during 2005, and the Federal Reserve has been concerned that increases would eventually translate into an unacceptable rate of inflation. Inflation has been rising, but recent data suggest that this key economic measure is flattening to an acceptable level.

The new Federal Reserve Chairman-to-be Ben Bernanke is thought to have an inflation target range of 1%-2%, and last year's rate of 2.2% is slightly above the upper end of this of this range. We remember in 2000 when Chairman Greenspan moved the federal funds rate to 6.5% to halt stock market speculation. The result was a recession and a precipitous drop in the stock market. We feel that if inflation continues within the acceptable range, and the housing market is better controlled by interest rates approximating these levels, a rate increase halt is imminent.

Market Summary (Cont)

One uncertainty is the closeness of short-term interest rates to long-term interest rates or an essentially flat yield curve. There is a distinct fear that the curve may invert (longer-term rates lower than short-term rates) and cause another recession. Historically, this is what often happens. The argument against such an event happening this time around is our Federal deficit is being financed in good part by petrodollars meaning receipts by foreigners are being invested in our Treasury securities causing downward pressure on longer-term interest rates. Some have estimated that if it were not for such demand, our longer-term rates (10 years +) would be higher by up to ¾%. Thus, the inverted yield theory curve vanishes.



This argument may be a bit too easy as banks still find it difficult (as does the mortgage market) to invest in such an environment. But if rates do not increase appreciably, our economy may squeeze through the gates of negative influences and achieve gradual growth and stability in 2006. Our best guess is that the domestic economy will grow 3%-4% this year. Also we feel corporate profits could rise nearly 10%.

Our portfolio asset allocation has been shifting in recent years, and we felt it might be appropriate to discuss changes in this letter. Portfolio management theory has it that timely changes in asset allocation represent the major reason for superior portfolio returns. For this reason, we want to review changes that have been made and results that have been achieved. Before discussing steps that we have taken, we should note that we make asset allocation changes gradually, not in haste because frankly we don't know if the move will prove successful.

When interest rates dropped to historically low levels early in this decade, we looked for bond substitutes offering higher returns and began to put Real Estate Investment Trust (REIT) securities in tax exempt accounts. At the time these REIT's were providing dividend returns of 6%-8% compared to bonds having coupon yields of 3%-4%. We put up to 5% of account value in REIT's and found this step to be unusually successful. In 2005 REIT's outperformed bonds (and stocks) on a total return basis.

In 2004 and 2005, we anticipated the developing value of energy stocks (even coal stocks) and began to build important positions in this sector.

This step also turned out well for client portfolios as energy stocks were top performers last year. We really don't know how long this out-performance will last, but demand remains strong throughout the world, and it appears as if energy stocks will continue to do well.

In 2005, we built important positions in client portfolios in international stocks using Exchange Traded Funds (ETF's).

This step also paid off handsomely as foreign stocks significantly outperformed domestic stocks. With China and India growing at three and two times the rate of the domestic economy respectively and that growth expected to continue, we want to hold and possibly increase client exposure in this area.

Moving into 2006, we expect to continue to hold important positions in REITs, energy and international ETFs. We are fully aware of the cash buildup on corporate balance sheets. This has come from two sources: strong earnings results and repatriation of earnings held overseas by multinationals. In 2005, multinationals were incented to repatriate foreign earnings by paying a low 5 ½% tax rate. This compares with an approximate 35% rate paid on domestic earnings. This incentive caused significant movement of overseas earnings to this country. As a result, we expect corporations to raise their capital expenditures in 2006. One area that should benefit is technology. A number of the companies that we already own should benefit. So, we will work to maintain and increase our technology weighting this year with current and probably new names.

Earnings being reported currently (4th Quarter) must now include adjustments for stock options. Technology companies are affected more than others because they have relied on stock options to compensate employees. We will observe the market's reaction to these reports before increasing exposure in technology. Perhaps the discounting of this change is not yet complete.

Finally, there is now greater incentive to extend the term of fixed income investments to the intermediate section of the yield curve. Some funds that we have reserved for this category have been "parked" in money market funds awaiting greater visibility on interest rate increases. Again, this will be a gradual move as short-term interest rates also provide good returns and flexibility.

We wish all our clients and friends a profitable and healthy New Year!

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

Glenn & John Steinke