GS
INVESTMENTS, INC.

www.gsinvestments.com
612-371-0590

MarketView

First Quarter 2009

2008, we bid you a fond Farewell!

TRUST is an expected "trait" of a good investment advisor. That is because clients allow an advisor to act on their behalf when investing THEIR money. The Madoff and Petters debacles have raised concern among many investors causing them to question the trustworthiness of their managers. In addition, Wall Street, Banks and our Federal Government through Fannie Mae and Freddie Mac have made a mess of the mortgage market placing our financial system in chaos. This has resulted in investor shock, fear and a sense of wariness, to say the least.

This seems to be a good time to remind our clients of the security of their investments and their assets. We do not take possession or have the power to take possession of client assets. In most cases with GSI accounts, Charles Schwab acts as custodian of client assets. When a client makes a deposit to their account or takes a distribution from their account that transaction moves between Schwab and the client; it does not go through our office. Using a Limited Power of Attorney which is authorized on the Schwab account opening form, we are allowed to make account transactions; that is our role in the relationship. Also, all investments in client accounts are in marketable securities listed on a national exchange. No investments are made in private investments or channeled through an instrument accessible to us. If there are any questions regarding client relationships, please contact us. We want to insure clients of the trust factor between them and GS Investments.

2008 was a year we would like to omit from the calendar. Financially, it was horrible for anyone invested in the marketplace. Since we do not time the market, our client accounts were invested and consequently experienced a sharp decline in value. Some saving grace came from the sale of securities or maturing bonds where we did not promptly reinvest. Those proceeds flowed into money market funds,

(Continued on page 2)

Notable Quotes

"The government cannot give to anyone anything that it does not first take from someone else."

Benjamin Franklin

"People will accept your ideas much more readily if you tell them Benjamin Franklin said it first."

David Comins

GS Investments, Inc.
Largest Stock Holdings

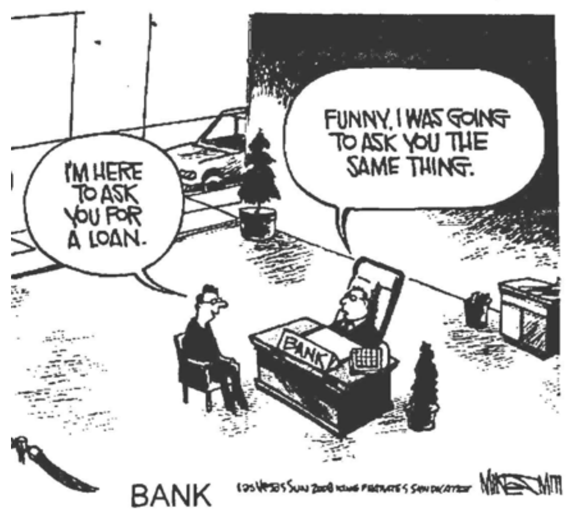
12/31/2008

Securities	**Pct.**
McDonald's Corporation	2.29%
Wells Fargo Bank , NA	2.28%
Proctor and Gamble Company	1.99%
Wal-Mart Stores, Incorporated	1.80%
ExxonMobil Corporation	1.78%
Johnson and Johnson Company	1.78%
US Bancorporation	1.74%
Philip Morris Company	1.62%
PepsiCo Incorporated	1.59%
Express Scripts Incorporated	1.56%

(Continued from page 1)

and we felt it necessary to be cautious regarding which money market funds to select. This was because some money market funds got into trouble.[1] We chose U S Government money market funds in the interest of caution. Interestingly, the only marketable security class we know of that experienced gain for the year was U S Treasury obligations. Otherwise bonds declined and stocks declined sharply, the latter close to 40%.

It was a year when every time we made a long-term investment, predominantly in stocks, we ended up feeling foolish. This is hard to admit, but it is true. We shifted some funds to dividend paying stocks or preferreds; early in the year we used inflation protected bonds for some accounts; we increased and added positions in defensive stocks; insured bank C/D's were used in some accounts (these investments did not lose value, but they are tied up to maturity date); and, finally in taxable accounts we realized losses in order to leave clients with the opportunity to record a net, tax-loss for the year. Also, we made certain accounts were well diversified, and we reviewed allocations between bonds and stocks to ascertain appropriate risk levels. Still, account valuations dropped sharply. Outside of Treasury securities, 2008 was a losing year.



Our style, principally a growth stock manager, is to select a security and then shave off a portion of the holding as the security rises in price due to its becoming a proportionately large holding in an account. The proceeds are reinvested in alternate securities having a more attractive price. This tends to work in a normal market, but when everything is declining there is little opportunity to function. Early in the year, this approach worked with stocks like Garmin and Apple, for example. As the year progressed however, it was impossible to work this strategy. When the economy abruptly stopped growing, growth stocks became quickly unattractive.

2009 began on a positive note as far as the markets are concerned. The economy has yet to show signs of recovery, but the stock market began to show improvement. However, recent results for Wal-Mart and Intel along with unemployment news have caused a downward spiral. President-elect Obama's stimulus plan message seems to be helping soften negative news, but it may be difficult to achieve a positive effect as poor corporate earnings results are reported in the coming weeks. The bond market seems to be reacting to stronger liquidity due to a slight improvement in yield spreads between Treasuries and other fixed income instruments. Also, there is hope that the stimulus package being developed by the Obama administration will motivate an economic upturn. We think this is possible, but it may take timely effort to get a program in place. Congress will have to get behind the plan, and no doubt there will be posturing by members especially because many feel they were "burned" by the haste and authority used in last year's $700 billion package. It will be interesting to observe how Congress will handle this issue.

As for 2009…...

Our thoughts for 2009 form around the banking system and then shift to the bond market and the stock market, domestic and international. First, the banking system. In recent years, the concept of a global economy has developed. As time passed, commerce increased between nations. Russia and its satellites, China and many other countries opened their doors to trade. NAFTA was established. The EURO was created. Money and goods moved more easily throughout the world. This was all accommodated by a world banking system. In 2008 that banking system showed its flaws and its strengths. The flaws were represented by the transfer and holdings of derivative securities. In other words, these investment banking creations did not only end up in U.S. banks,

[1] The Reserve Funds, Denver, CO.

(Continued on page 3)

(Continued from page 2)

but also in banks in England, Germany and other countries. So, when they exploded, they exploded throughout the world. Quite a sales job by the bankers!

Interestingly, the global economy began to sink in '08, bankers began to work together to shore up financial markets throughout the world. And they continue to do so in '09. This is unusual in world banking history. It has no doubt happened because nations are indeed tied together by commerce, and also, nations better understand what is needed to fix world economic and financial problems. To us, this is a good sign as it strengthens world trade; supports investment opportunities throughout the world; and, tends to encourage independent nations to join the club or be left out.

Then, there is the bond market. Municipal bonds often have insurance protection in order to achieve higher ratings and lower yields. But, what happened in '08? Answer: these insurance companies fell apart because they invested in securities (derivatives) that declined sharply in value resulting in nearly worthless insurance for municipal securities. So, without insurance support, municipals declined in price. Because of shaky earnings prospects, downgrades by rating agencies and frozen credit markets corporate bonds slipped in price, also.

ECONOMIC FORECASTS	
↓	**GDP growth** -1.8% in '09
↓	**Interest rates** Prime interest rate falling to 3.2% in '09 10-Year T-Notes yielding 3%
↑	**Unemployment** Rising to nearly 9% by year-end 2009
↓	**Inflation** Declining in coming months
↓	**Crude oil** Averaging $63/barrel in '09
↑	**Housing sales** A small pickup during '09
↓	**Retail Sales Growth** Struggling to stay positive in 2009
↓	**Trade deficit** $446 Billion, 3.2% of GDP in 2009

Source: Kiplinger

The bond market might be described as a pacesetter for the financial marketplace. In'09 there will be changes in bond market returns. Bond interest rates spread widely between Treasuries and corporates/municipals in '08, because the credit market simply "froze up." Toward the end of the year a thaw began due to the federal government providing liquidity. One example of a change in the credit markets is the fixed rate on 30-year mortgages. That has declined one full percent to about 5% from around 6%. Much work is yet to be done in the credit area, but it seems to be improving. Substantial U. S. Government debt will no doubt be issued in '09 due to stimulus packages, but still it may happen that interest rates on corporate and municipal bonds will decline. This would narrow the spread. A narrowing would be especially helpful for corporate and municipal borrowers, alike.

As for stocks, there is a theoretical relationship between bond yields and stock returns. If interest rates decline, stocks could rise, because if stocks are reasonably priced (we think they are), lower interest rates could result in higher stock prices. Then, a federal government stimulus package should benefit the economy, especially if it comes in the form of a tax cut. In a sense, this would be another tax cut, because lower fuel prices can have an effect similar to a tax cut. Some have estimated that, on an annualized basis, current lower fuel prices could add roughly $350 billion in consumer spending to our economy. These actions should benefit corporate profits which should support higher stock prices.

Countries outside the United States are setting up packages too; China and Germany are examples that come to mind. All of this could provide improved world trading activity. Both domestic and foreign corporations and their stocks could benefit from these actions. In a recent speech, Dick Kovacevich, Chairman of Wells Fargo stated, "I wouldn't want to bet against all the regulators and all the governments of the world---this is a coordinated effort. If you want to bet against them, go right ahead, but I wouldn't. They'll get this thing fixed."

(Continued on page 4)

(Continued from page 3)

So, we think markets, bond and stock, appear attractive at this time. The first quarter of '09 will be tough as economic statistics and corporate profits will be filled with bad news, but as the year progresses, stimulus packages throughout the world should begin to work. The risk is that eventually inflation may rear its ugly head again, but this could take time to elevate and not be an issue in the near to intermediate term.

Some of the industries that could benefit from a stimulus package are infrastructure, materials and retail. We have positioned portfolios in each one of these areas. Also, in balanced accounts, we have been using some bonds.

There will no doubt be anxious moments as '09 progresses. However, it could be a better year for investors. That wouldn't take much when compared to '08. Happy New Year!

GSI Tenets

Who is GSI?

GS Investments, Inc. is an investment management company specializing in individual and institutional asset management. Privately owned and operated, GS Investments, Inc. is run by its two principals, Glenn H. Steinke, C.F.A., and John G. Steinke, M.B.A.

Glenn Steinke brings over 45 years of investment management experience to the business. Previous capacities include Vice President and Senior Investment Officer with a major pension fund ($1.8 billion under management) and Senior Vice President with a major Minneapolis-based financial institution ($3 billion under management).

John Steinke offers a broad financial services background with 14 years of portfolio management experience and 7 years of banking experience including capacities as a Vice President of a $50 million bank and as a private banking officer for a large, Minneapolis-based financial institution.

GSI Investment Philosophy

GS Investments, Inc. 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, Inc. 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.

GSI Fixed Income Strategy

GS Investments, Inc. 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.

GSI Equity Strategy

GS Investments, Inc. favors stocks emphasizing quality and growth. Appropriate cyclical growth stocks and small capitalization growth stocks are used periodically as well. Additionally, GS Investments, Inc. 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, Inc. emphasizes client communication. Written investment objectives as well as periodic oral and written reports are used to heighten the understanding between the client and investment manager. In addition, easy to read, detailed reporting is provided by state of the art investment software in order to inform the client of portfolio progress.