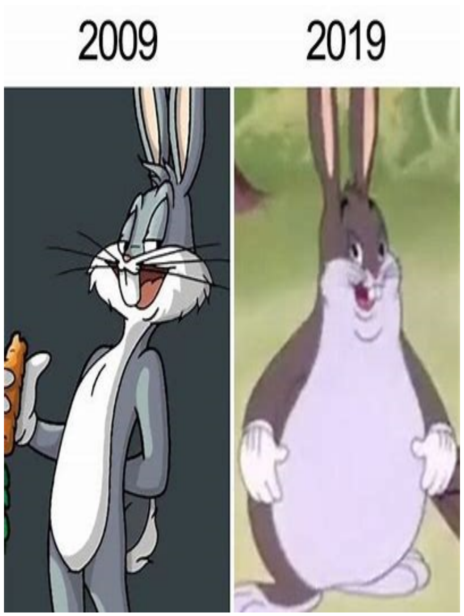
MARKETVIEW
FIRST QUARTER 2020

WHAT A DIFFERENCE 10 YEARS MAKES

Coming out of the financial crisis of 2008 and 2009 there was not a lot of optimism about the future of the economy. Foreclosures were happening at a record pace with declining housing prices reaching a bottom in 2011, about 1/3rd lower than their 2006 peak. Many were predicting a long depression, but things did eventually turn around. Here are some tidbits regarding where we were at the end of 2009 and where we are now:



- GDP growth was **(2.5%)** in 2009. The forecast for 2019 is **2.1%.**
- Unemployment was **10.1%** and now sits at **3.5%.**
- The S&P was at **1,115** at the end of 2009 and **3,231** at year-end 2019 for a 290% gain.
- Virtually all economists kept getting interest rate forecasts wrong as they assumed higher interest rates were imminent. Instead, the 10-year treasury stood at **3.85%** at the end of 2009 and closed 2019 near the lowest rates seen in human history at **1.92%** (even lower in Europe and Japan).
- Real wage growth (after inflation) was **(1.3%)** in 2009 and **1.1%** at the end of 2019.
- Oil production was up **120%** over the decade while coal usage dropped in half. Ironically, both the coal and oil & gas exploration/drilling sectors ended the decade with substantial losses.

Warren Buffet often says that the best time to invest is when there is blood in the streets. Over the past decade, he was proven correct again. As we enter 2020, we acknowledge we do not have 20/20 vision regarding what the future holds. However, the economy has good momentum and with the trade war with China subsiding a bit, there is hope for further gains in the economy, earnings, and stock prices.

GS INVESTMENTS, INC.
LARGEST STOCK HOLDINGS
12/31/2019

SECURITIES	PCT.
APPLE INCORPORATED	4.02%
VISA INCORPORATED	3.47%
MICROSOFT INCORPORATED	3.42%
WALT DISNEY COMPANY	3.05%
HOME DEPOT INCORPORATED	2.89%
BERKSHIRE HATHAWAY CLASS B	2.82%
HONEYWELL INTERNATIONAL	2.75%
STRYKER CORPORATION	2.74%
THERMO FISHER CORPORATION	2.73%
INTEL CORPORATION	2.62%

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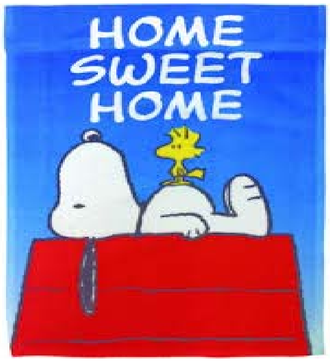

Home Sweet Home

We are often asked why our allocation to foreign securities is not higher. There are several tactical reasons why we have chosen this path, and so far, it has worked to our client's advantage. Over the last ten years (ending 9/30/19), the Standard & Poor's 500 Index, the U.S. main market index, has returned on average 13.2% annually. This compares quite favorably to the iShares MSCI EAFE Index of developed European and Asian economies of 1.7% and the iShares MSCI Emerging Markets Index of .6%. Additionally, we have previously discussed the negative interest rate environment that is pervasive across Europe and Japan, making foreign bond holdings a bit difficult as well. There are several reasons why our markets have fared better than those overseas.

Coming out of the financial crisis, the U.S. made the difficult adjustments for the economy to recover. The U.S. had indeed bailed out the banks and addressed necessary regulatory shortfalls, while the Federal Reserve provided plenty of liquidity to the U.S. financial system. Also, U.S. corporations, local governments, and in some regards the federal government improved their balance sheet. Europe, on the other hand, has not made significant improvements to the capital structure of its banks, hampering their ability to lend. Furthermore, on the heels of the 2008 financial crisis, European banks were hit with a new debt crisis in Greece that threatened to spread to other highly leveraged countries including Portugal, Italy, Ireland, and Spain. France's response to this crisis was to raise taxes resulting in an effective tax rate of more than 100% on the wealthy which discouraged the necessary investments to help jumpstart a recovery. Once the dust settled from the Greek crisis, Europe was forced to deal with "Brexit," as Britain voted to leave the European Union. This caused another round of financial and trade concerns. Meanwhile, several Asian countries have struggled to contend with increasing competition from China. Of note, the Japanese market still sits almost 40% below its 1989 all time highs.

Emerging markets have not fared much better. Corruption and political turmoil led to economic depressions in Brazil, Argentina, Venezuela, Turkey and most of central America. The Middle East has been weak as well due to depressed oil prices. Venezuela's economy has contracted 60% from 2013 to 2018 and is projected to decline another 25% in 2019. For many years, this country was the growth engine of Central and South America. Now it is a drag on all the economies of the region. Finally, financial controls remain an issue with emerging markets as prosperous companies often see their profits or ownership redistributed to those who are well connected with the government.

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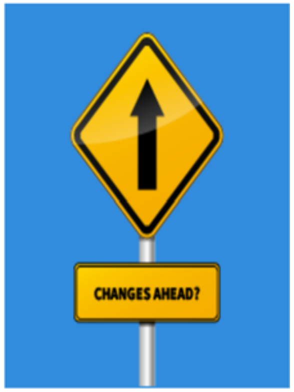
Looking ahead, we will continue to consider debt, regulatory/tax policies, political stability and corruption in determining whether an investment in a foreign market is appealing. For example, growth has improved in France as the government has become more business friendly under Macron's leadership. Many unpopular individual taxes were rescinded and the corporate tax rates, which were among the highest in the world, have been brought in line with the 25% average of the rest of the developed world.

It is not that we have never invested in foreign markets. Recently, we had positions in European based firms such as Vodaphone, Roche, and Nestle. Brexit concerns and a soaring Swiss currency during the Greek crisis prompted us to sell these stocks. At the end of the day, large foreign based firms often look not much different than their U.S. counterparts. Just as Roche and Nestle sell products all over the world, so do Apple, Boeing, and Booking Holdings whose sales come mainly from overseas rather than in the U.S. We will continue to evaluate entry points to foreign markets as we move forward.

Will the Secure Act Make Us More Secure?

Late last year a significant piece of legislation passed, affecting IRA and 401k retirement plans. The main intent of this law was to make retirement saving plans more broadly available and easier to participate in. However, there are also some provisions that may factor into some individual's planning. Here are some of the major provisions:



- Encourages small employers to offer retirement plans by reducing compliance burdens, extending tax incentives, and allowing for pooling of multi-employer plans.
- Extends availability to part-time workers that meet reduced requirements to participate.
- Broadens the definition of eligible compensation to include things like educational grants paid by employers.
- Permits longer plan participation, allowing those older than 70 ½ to continue contributing to a traditional IRA as long as they have earned income (i.e. "wage" income).
- Increases the age at which an individual must take a required minimum distribution from 70 ½ to age 72.
- Allows for more flexibility of 529 plans to pay for private elementary and secondary schools, apprenticeships, and to pay off a portion of student load debt.

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In order to pay for these changes, the government effectively ended the use of traditional IRA's, Roth IRA's, and other retirement plans as estate planning tools. Instead of allowing non-spouse beneficiaries to spread distributions over their lifetimes, the government now requires non-spouse inherited plans to be paid out entirely within 10 years. The only exception is for disabled and minor beneficiaries. In the latter case, distributions must be made in full, 10 years following the minor's 18th birthday. If you have named children or grandchildren as beneficiaries of your plan, you may want to review your estate plans at this time. We encourage you to visit with your accountant for more specific information.

Finally, we ask that you think of us and the services we offer when visiting with family, friends or associates. Our clients continue to be our best referral source over time.

We thank you for your continued business and wish you a Happy New Year.

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GSI Tenets

GS Investments

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 owners, Glenn H. Steinke, C.F.A., John G. Steinke, M.B.A. and Greg Cunningham.

Glenn Steinke, CFA brings over 50 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). Glenn is a graduate of the University of Minnesota.

John Steinke MBA offers a broad financial services background with 27 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 office for a large, Minneapolis-based financial institution. John received his BA from Concordia College (Moorhead) and his MBA from the University of Minnesota.

Greg Cunningham Prior to joining GS Investments, Greg spent 18 years at Minneapolis-based Ameriprise Financial, a national leader in financial planning with over 2 million retail clients and $300 billion in assets. Here he worked with the Chief Investment Officer in support of the international and domestic hedge funds and with the President and General Manager of RiverSource mutual funds. Greg is a graduate of Gustavus Adolphus College in St. Peter, MN.

Sheri Ritchie brings over 28 years of financial services experience to the business. Previous capacities include client service and support positions with Dean Witter and Kemper brokerage firms and a Minneapolis-based investment management firm. Sheri is a graduate of the University of St. Thomas.

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.

GSI Client Communication

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.