GS INVESTMENTS, INC.

MarketView

Second Quarter 2008

A Turbulent Quarter

The first quarter of '08 was torturous for short-term traders and not a pleasant one for long term investors, but it was not disastrous for those who stayed the course. Our standard balanced accounts declined plus/minus 5% while those with higher equity ratios were down slightly more. Most equity accounts were in line with the S&P 500, down slightly less than 9.5% in the first quarter. Specifically, real estate investment trusts (REITs) were the best performers with international next and domestic stocks the poorest performers. Investors do not enjoy declining markets, but they do happen. We remember 1987 when stocks, as measured by the S&P 500, were down more than 20% in one day!

Bonds were positive performers providing returns of roughly 2%. Governments were the strongest performers in the fixed income sector.

The disruption in the financial markets was caused by imprudent lending standards, and use of risky derivatives by financial institutions. In addition, rating agencies and regulators failed to do their job. Hedge funds borrowed excessively in search of greater profits, and is often the case, had little idea of the risks they were taking by pooling and securitizing mortgages that were risky in themselves. At the same time, commodity prices, led by oil were ramping up due to world-wide demand, causing inflationary

(Continued on page 2)

"The inherent vice of capitalism is the unequal sharing of the blessings. The inherent blessing of socialism is the equal sharing of misery." *Winston Churchill*

GS Investments, Inc.
Largest Stock Holdings

3/31/2008

Securities	Pct.
Ishares Trust MSCI EAFE Index Fund	3.66%
Ishares Trust MSCI Emerging Markets Index Fund	1.96%
Proctor and Gamble Company	1.90%
Apple Computer Incorporated	1.64%
Wells Fargo Company	1.85%
McDonald's Corporation	1.83%
US Bancorporation	1.81%
ExxonMobil Corporation	1.77%
PepsiCo Incorporated	1.74%
Ishares MSCI PAC Ex-Japan Com Index Fund	1.87%

Notable Quotes…

Never make predictions, especially about the future. *Casey Stengel*

When I got home last night, my wife demanded that I take her out to some place expensive…………So I took her to the gas station. *Unknown*

If it weren't for Philo T. Farnsworth, inventor of television, we'd still be eating frozen radio dinners. *Johnny Carson*

When it comes time to vote, there are three kinds of voters in the country. The informed, the uninformed and the misinformed. *Unknown*

(Continued from page 1)

pressures. In a sense, it was like a perfect storm.

The media picked up on the negative issues frightening investors and encouraging significant volatility in the marketplace. It was as if nothing could be done and nothing would be done to stabilize our financial system. But, both the Federal Reserve and the Federal Government stepped in lowering interest rates, liquefying the marketplace and providing tax rebates for individuals in this country.

As we enter the second quarter, we are unsure of just how these actions will play out, for the banking system needs significant repair, our energy needs have yet to be solved and our social problems must be addressed. However, we believe that in the face of crisis, our economy tends to adjust due to counter actions by corporations, our regulators, our government and our people. Unless we have faith in these groups, it is difficult to build a case for future investment.

One action that has been taken is that the Federal Reserve has dropped short-term interest rates to 2¼% from 5¼%. The effect of lower interest rates is not instant; it takes a few months for lower rates to stimulate the economy, but history tells us that eventually this helps the economy. Also, other actions by the Federal Reserve should eventually allow forward momentum. A tax rebate will be helpful, but it may be but a band aid rather than a long-term fix.

Lower rates should help the housing market, but with the inventory of unsold homes and the effect of adjustable rate mortgages, it appears as if an extended work-out period will be necessary. A recent McKinsey report estimates that it may be 2009 until a bottom is reached, and an upward turn is likely. Regions of the country will respond differently with major overbuilt areas suffering the most.

In order to weather this downturn (we believe we are currently in a recession), we have followed a policy of diversification. We have diversified among asset classes in balanced accounts and among sectors within asset classes.

In the fixed income class, we have used government, agency and municipal (taxable and tax-exempt) bonds. Also, we have introduced preferred stocks as a high yielding (7%+) asset. Money market fund returns have dropped as the Federal Reserve lowered interest rates causing a shift to preferreds.

As for common stocks, we also have sector diversification. Our position in financial stocks has been relatively low, but late in the quarter we increased our position in high-yielding bank stocks where we feel the dividend is protected. We don't know when these stocks will be favored again, but dividends should help protect the downside and within 1-2 years, these names could provide good returns. Also, we have increased our

(Continued on page 4)

"Stick-up at the pump."

Did you know?

We thought it might be helpful to explain some of the terms we and the financial newspapers use when referring to the marketplace. Three come to our minds in this report:

Qualified Dividends These are dividends that are taxed at the 15% rate. Those dividends that do not qualify are dividends of REIT's and some preferred stocks. We favor using the latter securities in tax exempt accounts where taxation is not an issue.

Federal Funds are domestic bank deposits that US banks borrow from each other. Since they are a part of our domestic monetary system, the Federal Reserve determines the interest rate at which they are loaned.

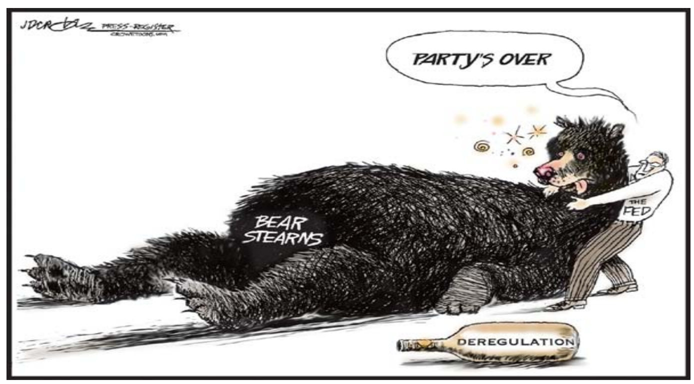
Libor is the London Interbank Offered Rate. This is the interest rate set in London at which British banks borrow from each other. However, LIBOR is not a part of any monetary system. That is, there is no British "Federal Reserve" setting LIBOR rates. Borrowings are in Eurodollars (overseas dollars) and other currencies.

For years, the Federal Funds Rate and Libor tracked close to each other. Then, as securitized mortgage rates became tied to Libor, risks changed and the Libor rate spread increased. Central banks have worked to reduce this spread to permit more fluid borrowing internationally, but for a time the wide spread led to a near crisis in bank lending.

IRA Contribution Limits

Year	Traditional & Roth	Traditional & Roth Catch-Up	Traditional & Roth Total	SEP-IRA
2007	$4,000	$1,000	$5,000	*
2008	$5,000	$1,000	$6,000	*

* SEP-IRA contributions are limited to 25% of one's annual income with a limit of $44,000



Personal Income Tax Comparison—Those Making $125K or Less

Personal Income Taxes Prior Administration	**Personal Income Taxes Current Administration**
Single making 30K - tax $8,400	Single making 30K - tax $4,500
Single making 50K - tax $14,000	Single making 50K - tax $12,500
Single making 75K - tax $23,250	Single making 75K - tax $18,750
Married making 60K - tax $16,800	Married making 60K- tax $9,000
Married making 75K - tax $21,000	Married making 75K - tax $18,750
Married making 125K - tax $38,750	Married making 125K - tax $31,250

Source: The Tax Foundation. U.S. Federal Individual Income Tax Rates History, 1913-2008. January 7, 2008.

(Continued from page 2)

real estate investment trust holdings. These names were battered in 2007, but now appear attractive, especially with their high dividend yields.

These are not easy times for investors. However, many times in the past our markets have suffered. Yet they have recovered and allowed patient investors reasonable returns. We are optimistic that our markets will correct and move forward when there is a return to normalcy.

"How much data
do we need before
we decide it's irrelevant?"

Investments, Inc.
333 South 7th Street, Suite 3060
Minneapolis, Minnesota 55402
Ph (612) 371-0590 Fax (612) 371-9869
www.gsinvestments.com
john@gsinvestments.com glenn@gsinvestments.com

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.