GS INVESTMENTS, INC.
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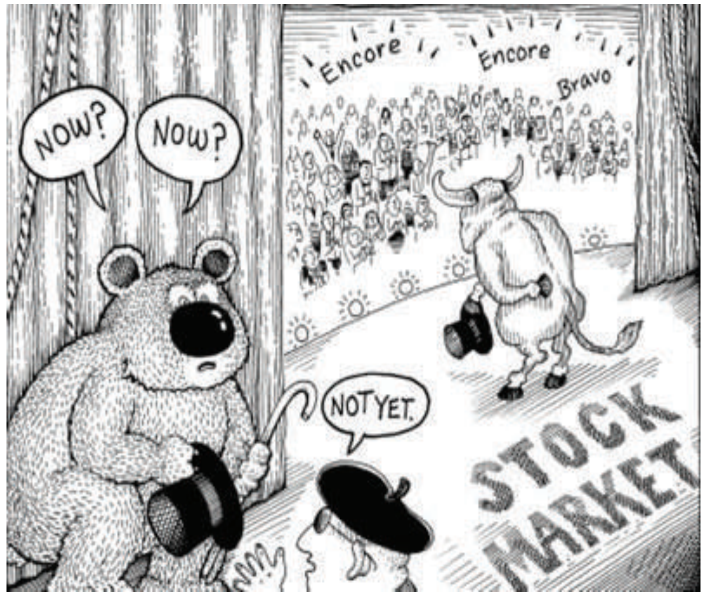
MarketView

Second Quarter 2010

An Ongoing Struggle—Bears v Bulls



What a start we have had to 2010. The S&P 500's year-to-date gain of 5.3% has caught many off-guard, especially in light of its 26.46% return in 2009 (63% since the market lows of March 2009). [1]

Glenn and I have lost count of the number of times we have been asked, "How can this market continue to go up with the problems we face in the economy?" and "Where is the market headed from here?" The succinct answers given to those who ask these questions is that we simply don't know. We, like others in our business, can make cases in favor and against a continued market advance.

The Bear Case—Many in our business (and in the country as a whole) have serious questions regarding the strength and sustainability of the US economy and, more specifically, the US financial markets. The supporting evidence is mounting. Unemployment is running close to 10%. The government is spending money faster than it can print it (gross federal debt is expected to reach 94% of Gross Domestic Product in 2010, up from 69% in 2008). Tax rates seem destined to increase both in the short-term (expiration of the Bush tax cuts) and in the long-term (what will be required to support the country's current spending habits) as well. Finally, interest rates and inflation, although low by historic standards, will likely increase over time as well, leaving a number of US economists convinced that we are headed for a "double-dip" recession.

The Bull Case—Regardless of where we think things may be headed longer-term, the current environment bodes well for investment. Interest rates and inflation remain historically low. Productivity remains high. The consumer, despite 10% unemployment, continues to spend. Equity valuations are not overpriced by historic measures (16 times trailing earnings). Lastly, corporate America, forced to shore up balance sheets and cut expenses over the past few years, is in great position to drop any increase in sales directly to the 'bottom line, rewarding shareholders along the way; a weaker dollar should also help boost profits.

GS Investments, Inc.

Largest Stock Holdings

3/31/2010

Securities	**Pct.**
iShares BRIC Fund	3.26%
iShares Emerging Markets Fund	3.09%
Apple Computer Incorporated	3.04%
Cisco Systems Incorporated	2.06%
Wells Fargo and Company	2.01%
Microsoft Corporation	1.86%
McDonalds Corporation	1.79%
Proctor and Gamble Incorporated	1.74%
Costco Wholesale Corporation	1.72%
Airgas Incorporated	1.71%

1 Source: Standard and Poor's Outlook, March 31, 2010.

Notable Quotes

"What would you attempt to do if you knew you could not fail?"
Robert Schuller

"Hindsight is of little value in the decision-making process. It distorts our memory for events that occurred at the time of the decision so that the actual consequence seems to have been a "foregone conclusion." Thus, it may be difficult to learn from our mistakes.
Diane F. Halpern

""Obstacles are those frightful things you see when you take your eyes off your goal."
Henry Ford

""Broke is brief: poor is permanent."
Andrew Dumais

In the words of Andrew Dumais, "Successful people admit to not knowing everything." Such is the case with GSI. Client accounts experienced successful returns in 2009 and in the first quarter of this year. In spite of the many obstacles faced in those periods, investment results have been very good. Of course, this follows a tough year in 2008, and stocks have a long way to go before reaching the high point achieved in late 2007. The headwinds for the markets have been and will probably continue to be strong. We do not pretend to have all the answers as we look ahead, but we do have some history to use as a guide.

As indicated earlier, interest rates are low by historic standards. Most believe however, that the Federal Reserve's increase in the discount rate (to 1/2% in March, 2010) suggests that a tightening period (raising interest rates) is upon us. If we accept this notion, we can see that the Federal Reserve has had 13 rate tightening periods since 1946. The S&P 500 index has averaged 7.3%/year in the 12 months after the initial tightening. [2]

During these same tightening periods, the S&P 500 increased 69% of the time in both the both 6 and 12 month periods after the initial hike. Information technology and health care provided the best returns during these periods while materials and financials lagged. As many of you know from your experience with us, we are well-positioned in each of these sectors.

The Verdict

As we have said numerous times, we don't pretend to know it all. We do believe, however, in remaining fully invested, utilizing stocks, bonds (and/or bond substitutes) and international securities where appropriate. Market timing has never been something we have supported or attempted to do short of holding the cash from security sales over a relatively short period of time.

ECONOMIC FORECASTS	
↑	**GDP** Averaging 3.25% growth in 2010; strongest in the 2nd half.
↑	**Interest rates** Prime, 3.25% 'till Nov. or so; 10-year T-notes rising to 4.25%.
↑	**Unemployment** Peaking at 10% this spring, but net '10 gain of 1 million jobs.
↓	**Inflation** 2% Dec, '10 pver Dec '09 down from 2.7% last year.
↑	**Crude oil** Creeping to $90/bbl. by early summer.
↑	**Consumer Confidence** Will continue to improve, but still low historically.

1 Kiplinger Letter, Aprily 1, 2010.

With that said, 2010 marks a time of heightened ambiguity and uncertainty in the global financial markets, arguing for a time-tested, disciplined approach to investment management.

We will continue to proceed, albeit cautiously, paying close attention to client goals and objectives and asset allocation parameters.

One of our Tools

Glenn and I have talked to you at length about fundamental analysis in the past. It is the most important 'tool in our toolbox" but not the only one we have. We look to use fundamental analysis to screen for quality companies but use other metrics, including technical analysis, to determine times to buy or to sell.

Specifically, we look to buy when the stock moves above one or all of

2 Source: Standard and Poor's Outlook, March 31, 2010.

operates as a heavy civil construction contractor and a construction materials producer for public and private sector clients in the United St

its simple moving averages (SMA). Correspondingly, we look to sell companies that have fallen below one or all of its moving averages. Typically, the periods we look at are 50, 200 and 360 day moving averages; each period of times tells us something a bit different.

A case in point is Apple Computer. Most would agree that it has, and continues to be a solid company from a fundamental perspective. The question surrounding Apple's stock is its' current valuation (some argue too high) and where or not it has additional, near-term price appreciation potential.

Looking at the chart to the left, one can clearly see that, although Apple has moved from $82 to $234 over the past 12 months, it has never broken below any of its moving averages (50, 200 or 360). To us, this indicates that the stock still could be bought, even as a 'new money' add. In short, the stock looks to have room to grow.

Another interesting example involves one of our holdings that is currently "under review."

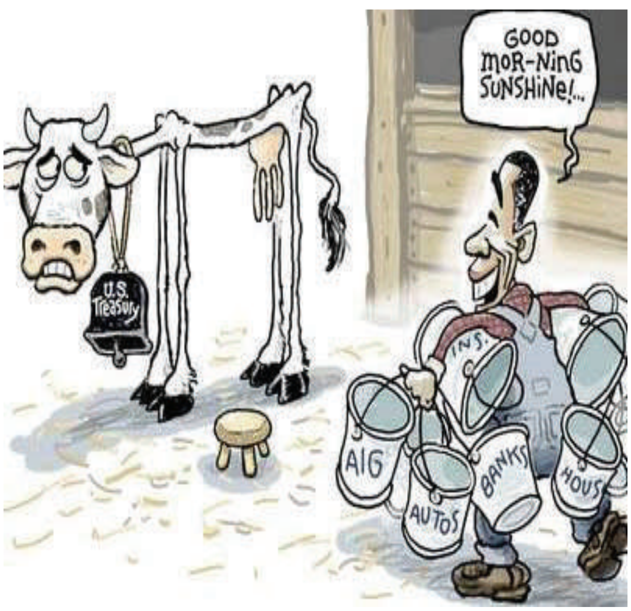
Granite Construction (GVA), shown to the right, operates as a heavy civil construction contractor and a construction materials producer for public and private clients in the United States.

Glenn and I viewed GVA as a company that was well-positioned for the "Obama" stimulus plan, announced roughly 14 months ago. In the beginning of 2009, when we originally bought the stock in client accounts (around $33/share), the company looked to be a buy based on the charts.

Shortly thereafter, the stock broke down, through each of its moving averages, bouncing back through its 50 and 360 day moving averages before again retreating into a selling region until the beginning of 2010. At this point, the stock moved up and lured us to again buy the shares for accounts that previously had no position. The stock again retreated into selling territory in late January and has remained there since. We are currently reviewing our holding here as the company continues to underperform and may be vulnerable. GVA is also a good example of why technical analysis, by itself, is not a perfect science when deciding the timing of stock purchases and sales.

In closing, we appreciate your business and confidence in us. Please remember GS Investments if you make contact with a person or an institution seeking investment management services. Your referral is our greatest compliment.

Glenn and John Steinke



Source: Minneapolis Star and Tribune

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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 16 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.

Sheri Ritchie brings over 20 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.

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.