GS INVESTMENTS, INC.

MarketView

Third Quarter 2008

Notable Quotes…

" Volatility signals fear, and fear leads to bad decisions."
— *Michael Mach*

"Taxes grow without rain."
— *Old Proverb*

"Every financial crisis almost inevitably brings forth some crusading politician who promises to clean up the alleged abuses that were ignored in the bull phases but blamed when the market took its inevitable trip south."
— *Randall Forsyth*

"If at first you do succeed, try not to look astonished."
— *Anonymous*

Economic Forecasts

GDP growth
Slowing to 1% in '08

Interst Rates
Prime rate at 5.25% at year-end,
10-year T-notes yielding 4.25%

Inflation
Holding at 4% in '08

Job Growth
Falling by 200,000 in '08

Crude Oil
Averaging $120/barrel this year

Housing sales
Falling 10% in '08

Retail sales growth
Slowing to 2% this year

Trade deficit
Easing to 4.2% of GDP in '08

Source: Kiplinger

Where's the optimism?

What a trying year 2008 has been.? The S&P 500 officially entered into "bear" territory (down 20% or more).

The DJIA joined the party in early July.

Interest rates remain low, but have done little to spur a liquidity-restrained economy. The financial crisis continues as the move to for those in-

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GS Investments, Inc.
Largest Stock Holdings
6/30/2008

Securities	Pct.
Ishares Trust MSCI EAFE Index Fund	3.67%
Ishares Trust MSCI Emerging Markets Index Fund	2.08%
Apple Computer Incorporated	1.86%
McDonald's Corporation	1.85%
Ishares MSCI PAC Ex-Japan Com Index Fund	1.83%
ExxonMobil Corporation	1.80%
Proctor and Gamble Company	1.65%
PepsiCo Incorporated	1.57%
US Bancorporation	1.57%
Smith International Incorporated	1.55%

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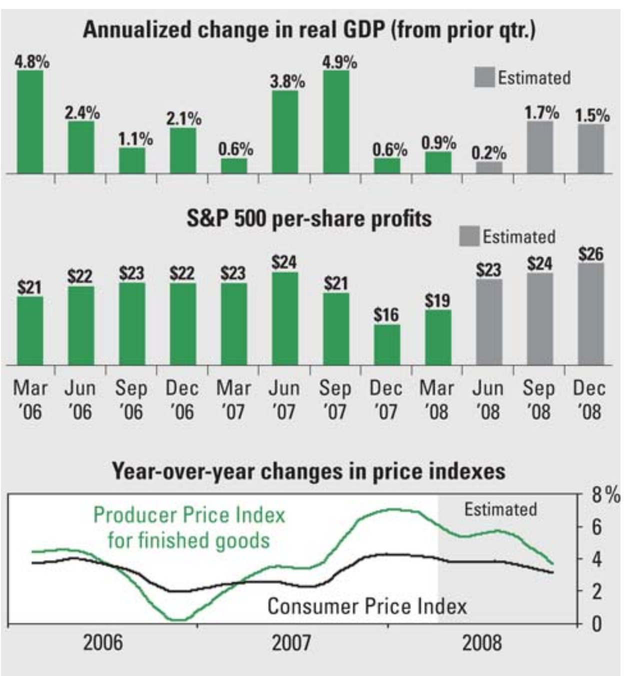
volved in Collateralized Debt Obligations (CDOs), Mortgage-Backed Securities and other instruments of this nature, are being forced to "market to market" securities for which there is no liquid market. A self-fulfilling prophecy or a prudent mandate? Time will tell. In any case, financial companies, including banks, insurance companies, brokerage firms, etc. continue to be thrown out the window in "valueless" fashion; this despite the existence of seemingly safe dividends ranging from 3.5% to 11%. When and where is the proverbial bottom?

What about oil? Plainly obvious is the "pain at the pump" experienced by consumers across the country. The price/barrel of Light Sweet Crude oil has moved from $75/barrel late last year to a high of $143/barrel in late June. Prices at the pump have increased accordingly; this despite relatively flat demand for oil both domestically and abroad over the same period of time. One is left to conclude that the increase in the price of both oil and gas, at least in part, is due to speculation. Is this an issue that needs to be addressed? Perhaps more disclosure and higher margin requirements (limits on the amount of money borrowed), such as those imposed on commercial banks, for those who wish to speculate might help. We think it may, although it, by itself, won't solve our current energy problems.

Outside of oil, natural gas, coal and corn have also witnessed dramatic increases in price. Natural gas and coal are being used to produce electricity and heat and cool our homes. Demand in these areas has been strong. The "ethanol" rage has dramatically increased the demand (and subsequently, the price) for corn in the US. Consumers are feeling the double-edged sword of this "alternative" fuel both in the cars and in their grocery stores.

Other issues include the falling dollar, the expanding trade deficit, slowing employment growth and creeping inflation. It's no wonder that the economy continues to struggle.



Consensus estimates project a moderate acceleration in the economy in the second half of this year, with solid profit growth and declining inflation.

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Blue Chip Economic Indicators, Thomson Financial.

With all of this said, there are positives to be found. Gross Domestic Product (GDP), after having slowed dramatically in 2007 and 2008, is expected to rebound nicely in the second half of 2008 and into 2009. The same is true for profits derived by S&P 500 companies. Additionally, estimates for both the Consumer Price Index (CPI) and the Producers Price Index (PPI) are expected to decline slightly in the second half of 2008 and into 2009. Taken together with what we feel is an "oversold" market and one can make the case for multiple (price-to-earnings multiples) expansion and subsequent price appreciation of common stocks going forward..

Be that as it may, we currently find ourselves in a market filled with fear and uncertainty. Perhaps, as some have suggested, we should simply sell our client positions and "go to cash" to escape further valuation declines in the market, utilizing a market-timing approach with our client assets.

Let me address this by saying that much of what we see today is only plainly evident now that it is upon us. Much of what has transpired was not clearly visible, surely the 20% market correction was not. For those that contend that they "went to cash" last fall (commensurate with the market peak) or have been "properly hedged," subsequently missing all of the carnage that has recently befallen the financial markets is simply not plausible, nor is that type of dramatic approach advisable when considering the investment of long-term funds. Why? Because for every one decision that the "investor" makes, the "trader" must make two; when to sell and when to buy back in. This is extremely difficult to do over time and carries with it a higher tax burden and increased transaction costs. This type of thinking however, does creep into the minds of even the most rational and patient investors in times like these.

Let's examine more closely, this approach, it s pros and its cons.

The idea behind market timing is to buy stock when prices are low, hold onto the investment until the market peaks, and subsequently move the investments into cash until the market hits bottom. From there, the process begins all over again. It sounds simple enough. The problem, though, is that all timing theories are based, at least in part, on second guessing the stock market. Different timing theories consider various "indicators" that may signal that the market is about to advance or decline: margin debt, interest rates, employment data, manufacturing levels, number of advancing stocks versus number of declining stocks, are examples of such indicators. Despite utilizing the most sophisticated methods, hitting the exact highs and lows of the market is next to impossible.

What happens if the timing is off and one doesn't reinvest in the market at the right time? The consequences of not being fully invested when a major market upturn occurs can be disastrous to a given long-term investment plan. Studies of stock market history have shown that not being invested at the "right" times can be costly to an investor. Consider the following hypothetical example based on the return of the S&P 500.

Suppose an individual invested $10,000 in a stock index fund based on the S&P 500 Stock Index as of June 30, 1994. As noted in the chart below, by June 30, 2008, the $10,000 would have grown to $41,501, an average annual total return of 10.07%.

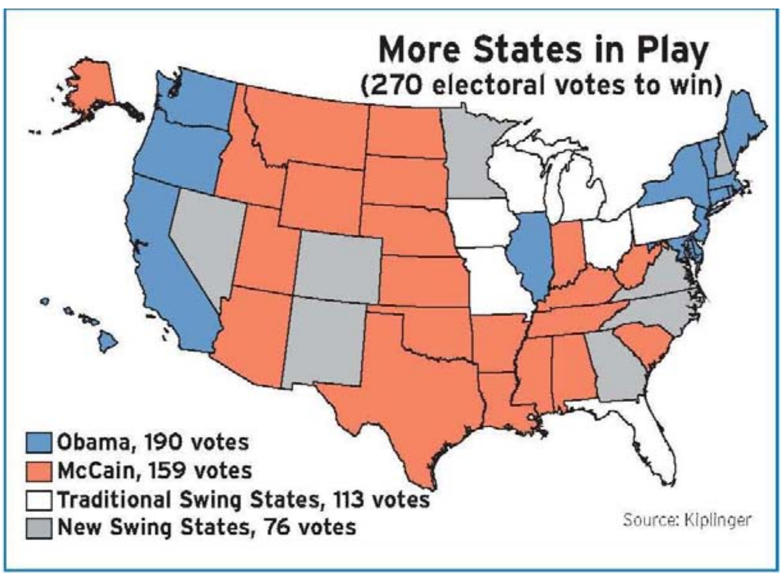
However, suppose that same individual decided to get out of the market periodically during that period of time, and as a result, he/she missed the market's ten best single-day performances. If that were the case, the 10.07% return would have fallen to 5.68%. As well, if this individual missed the market's best 20 days, that 10.07% return would have dropped to 2.32%. Of course, the performance of an unmanaged index is not indicative of the performance of any particular investment. The performance of an index assumes no transaction costs, taxes, management fees or other expenses. It is not possible to invest directly in any index. Past performance cannot guarantee comparable future results.

Period of investment	**Average annual Total return**	**Growth of $10,000**
Fully Invested	10.07%	$41,501
Miss the Best 10 Days	5.68	21,672
Miss the Best 20 Days	2.32	13,786
Miss the Best 30 Days	-2.39	7,127
Miss the Best 40 Days	-4.89	4,956
Miss the Best 60 Days	-8.73	2,783

Market fluctuations can make almost any investor nervous. But trying to "time" the market, over time isn't the answer. Don't let short-term volatility drive long-term investment planning. The best defense against a fluctuating market is a well-diversified portfolio and a disciplined program of periodic investments.

Spreading one's investments numerous asset classes, including stocks, bonds, "alternative" investments and cash that takes into account an individual's time horizon, risk tolerance, need for investment income, and long-term goals can help him/her portfolio produce more consistent returns, regardless of whether the stock market is up or down. When the stock market is not performing well, returns from bond and cash investments can help supplement stock returns. Making regular investments when the market is down as well as when it is on the rise is a strategy known as dollar cost averaging. With dollar cost averaging, One invests a fixed amount monthly or quarterly. When the market is down, his/her money buys more shares. Over the long-term, the average price one pays per share generally may be lower than the average price of the investment during the same period. Investing regular amounts steadily over time may lower the average cost but cannot guarantee a profit or protect from a loss in a declining market. Effectiveness requires continuous investing regardless of fluctuating prices. One should consider his/her ability to continue buying through periods of low prices. Wise investors don't try to second-guess the financial markets. They take a structured, disciplined approach to investing that recognizes that market declines inevitably will occur.

Election update



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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 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.