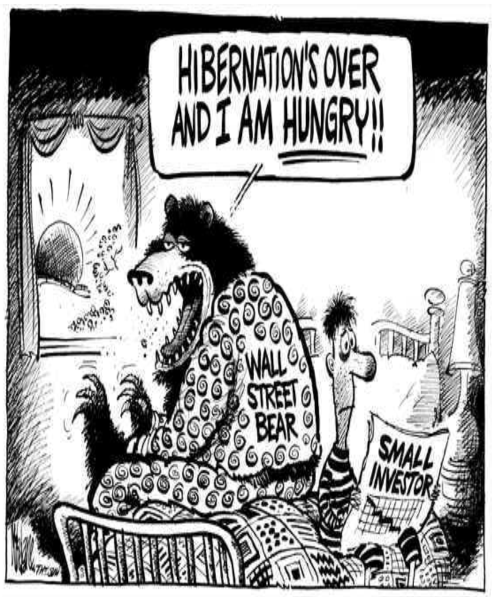
MarketView
Fourth Quarter 2015

GS INVESTMENTS



The Bear Is Awake And Hungry...Or So We're Told

The "bear" is awake and hungry, or so we're told. Given that he (the bear), in metaphorical terms, hadn't sufficiently eaten much in the last 6 1/2 years, a good meal (a 10%+ decline) was in the cards and, many believe, long overdue. After reaching its most recent high on July 20th, the Standard and Poor's 500 Index (S&P 500) retreated over 12% (through August 25th). The bear was certain to continue its destructive behavior, feasting on investors everywhere.

Concerns about slowing global growth, specifically China, and an inevitable move(s) by the Federal Reserve Board (the Fed), have been at the forefront of investor's minds, creating a negative psychology within the market.

The sell-off prompted numerous calls from clients concerned about their portfolios. The most frequent questions were, 'what is causing the decline?' and 'what, perhaps, should be done in response?'

As we see it, this has been a fairly normal, albeit volatile, market correction, something that we will likely see again as we move forward.

Despite the negativity and the fear that the "bear" is at hand however, we believe that the risk of a global recession is fairly remote. U.S. GDP growth for the second quarter of 2015 was recently revised from 2.2% to 3.7%. Consensus estimates now suggest 3% growth for the 4th quarter of 2015 and the first quarter of 2016, hardly recession-like numbers. Additionally, the European economy has shown initial signs of a recovery with GDP increasing from .8% in 2014 to 1.5% for 2015.

A recent piece by Argus Research points out that the U.S. financial markets have been able to absorb up to three percentage points of interest rate hikes by the Fed before the economy weakened substantially. It is hard for us to imagine a scenario in which rates are raised this dramatically over a reasonably short period of time.

GS Investments, Inc.
Largest Stock Holdings
9/30/2015

Securities	Pct.
Wells Fargo and Company	2.15%
Walt Disney Company	2.14%
PepsiCo Incorporated	2.04%
Apple Incorporated	2.03%
VISA Incorporated	1.94%
Berkshire Hathaway Class B	1.83%
Home Depot Incorporated	1.74%
Microsoft Corporation	1.73%
Boeing Company	1.71%
Honeywell International	1.64%

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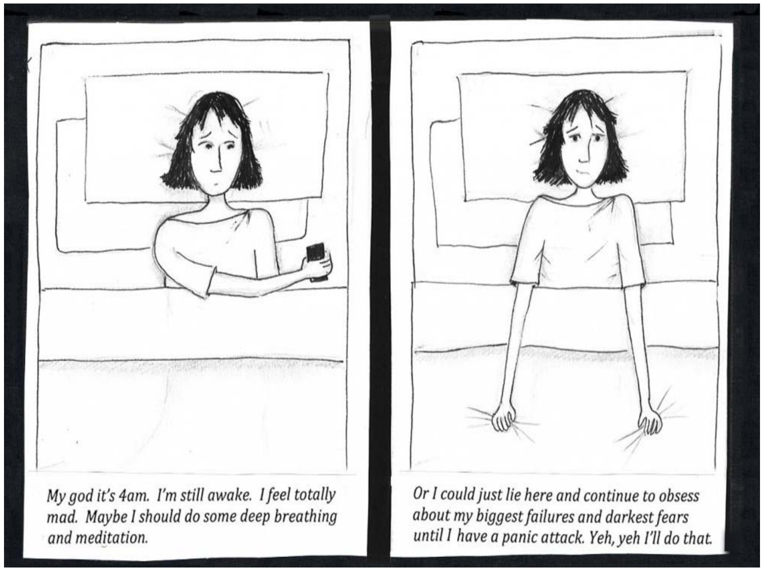

Finally, much has been made of the slowing Chinese economy over the past few months. It should be pointed out that, while trade with China is important, it only represents .9% of U.S. GDP. Roughly translated, a dramatic slowing in the Chinese economy doesn't equate to a global recession nor does it mean that the U.S. economy will deteriorate significantly. Argus, in the same research piece mentioned earlier, suggested that China's economy may actually strengthen next year due to sharp reductions in commodity and energy prices. Time will tell.

...but, Panic is Not a Strategy

Because of this, we think that it's important to remind all of our clients that "panic" is not an investment strategy. It is merely a short-term reaction to the emotions of investing, something that rarely benefits investors over time.

So, what are we "doing" now? As we write, we are in the midst of rebalancing client accounts, keeping in mind the diversification and asset allocation parameters for each relationship. This recent market decline has given us the opportunity to re-examine and rebalance client portfolios. It has also given us the chance to buy some stocks that we may have missed or deemed too expensive in the past. Rebalancing, as a discipline, prompts us to trim from asset classes and individual stocks that have become over-weight relative to the size of the individual account/relationship. It also prompts us to add to stocks and asset classes that have, in some cases, dropped significantly in both value and price. In short, volatility presents opportunity.

We reiterate that this particularly volatile period of time in the financial markets, like most others, is best served by a disciplined approach to investment management, one that emphasizes diversification, asset allocation, and adherence to client objectives. Panic has never been an effective strategy, certainly not one we intend to deploy at GS Investments.

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Market Valuation Metrics

The Standard and Poor's 500 Index (S&P 500) has advanced sharply since the market lows of March 9, 2009. As we approach the 7th year of the bull market, many pundits have talked of the market's overvaluation, citing the need for a correction (more than the 10%-20% that we're currently experiencing). While they may be right, we thought it might be interesting to look at two market valuation metrics, one that is well-known and one that is often overlooked. The standard market valuation metric is the price-to-earnings (P/E) ratio, usually applied to the S&P 500. Using this measurement, the market looked fully valued earlier this year. How does it look today? The calculations are as follows:

P/E Ratios

	2014	2015	2016
S&P 500 Earnings	$103.84	$120.25(E) *	$129(E) *
S&P500 Current Valuation (9/30/15)	1,920	1,920	1,920
Current P/E multiple	**18.49x**	**15.97x**	**14.88x**
Avg Historical *Forward* P/E Multiple		15.7x	
Avg Historical *Trailing* P/E Multiple		16.6x	

What interests us more is what we see in the lesser-known metric, the earnings yield "gap." We like this measurement better as it factors in the impact of low, short-term interest rates. Specifically, this ratio compares the yield of the S&P 500 to the 10-year treasury. A positive gap indicates that the market is undervalued. A negative gap indicates that the market is overvalued. Given the calculations shown below, the market looks to be significantly undervalued.

S&P 500 Earnings Yield and Gap

	2014	2015	2016
S&P 500 Earnings	$103.84	$120.25(E) *	$129(E) *
S&P500 Current Valuation (9/30/15)	1,920	1,920	1,920
S&P 500 Earnings Yield	5.41%	6.26%(E)	6.72(E)
10-Year Treasury Note Yield	2.12%	2.3%(E)	2.5%(E)
Current Earnings Yield Gap	**3.29%**	**3.96%**	**4.22%**
20-year Avg Earnings Yield Gap	1.20% *	1.20% *	1.20% *
Deviation from Average	**2.09%**	**2.76%(E)**	**3.02%(E)**

* Vito Racanelli, "The Bull Still Rules," Barron's, September 5, 2015.

Notable

"Put not your trust in money, but put your money in trust."
Oliver Wendell Holmes

"If I'd only followed CNBC's advice, I'd have a million dollars today. Provided I'd started with a hundred million dollars."
Jon Stewart

"Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas."
Paul Samuelson

"A business that makes nothing but money is a poor business."
Henry Ford

"After all, the chief business of the American people is business. They are profoundly concerned with producing, buying, selling, investing and prospering in the world."
Calvin Coolidge

"I'd like to live as a poor man with lots of money."
Pablo Picasso

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Quarterly Index Rebalancing

In addition to the general unrest in the financial markets, index funds recently completed their required quarterly rebalancing. This has provided additional selling pressure for some of the biggest names of the Standard and Poor's 500, specifically, Apple, Berkshire Hathaway, Facebook and Google.

"It's not just a raise in my allowance, it's also a boost for consumer confidence!"

"Our greatest compliment is your referral."

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GSI Tenets

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 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). Glenn is a graduate of the University of Minnesota.

John Steinke MBA offers a broad financial services background with 20 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 15 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 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.

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.