

Building Wealth Wisely®

1st Quarter 2009

IMS Capital Management Quarterly Newsletter

March 31, 2009

A Light at the end of the Tunnel

The stock market has been in a downward cycle for eighteen months now. The late 1960's was the last time we had six consecutive quarters of negative market returns. The quarter just ended was the worst percentage decline since 1939. Most investors were able to take the first twelve months of this decline in stride, but as the economy slipped into recession last fall, the weak hands started to get shaken out. Some couldn't take anymore and sold, after the market low on November 20, 2008. Bad idea. The market promptly rebounded over 20% by the end of December. Others panicked out near the recent March 9, 2009 low. Again, not a wise move. The market promptly snapped back with a 20% gain by the end of the month. March was the best month for stocks in six and a half years. April is off to a strong start.

Selling near a market low is tempting, and might even feel good for a few days, however, the pain and humiliation of missing the market rally soon sets in. People rationalize their selling by saying they can't afford to lose anymore, when in reality, what they can't afford – is to miss the rebound that will restore their account value.

People have a way of fooling themselves by saying they will get back in once the market turns around, the problem is, I have never seen anyone actually do it. They end up not getting back in or missing most of the rebound, because markets move FAST, and people are still scared and skeptical in the beginning of a recovery. The market has climbed 30% since March 9th, that's what I mean by fast. Panicking out of the market near a low, effectively converts a short-term, temporary fluctuation, into a permanent loss – because it eliminates the opportunity for recovery.

During the last six months, the market has been in a bottoming process. During this process, which nor-

mally takes six months to a year, the market is basically done going down, and it bounces up and down along the bottom for a while in a trading range, testing and re-testing various lows to find a support level. During the last 2 ½ year bear market, March 2000 – October 2002, the market put in three significant lows before it finally started a multi-year climb that lasted five years and produced gains of over 100%. So far, this market has put in two significant lows, one on November 20, 2008 and one on March 9, 2009. Time will tell, we will not know until six months after the fact, where the bottom was. We thought it might have been in November of last year, we were wrong, it ended up rallying and then going lower on March 9, 2009. Now it is back up again, and we won't know for several more quarters whether March 9th was the bottom or not.

What we do know is that things are starting to get better. March was the best month since October 2002, with the NASDAQ gaining 11%. I repeat, March was the best month for stocks in 6 ½ years. That is very encouraging. The stock market is a barometer of future economic activity, and right now, it is telling us to expect better times ahead. Even the economy is starting to show some signs of life. President Obama said, after a recent meeting with his economic advisors, that "We're starting to see glimmers of hope across the economy" and we at IMS have seen positive signs in the housing, financial and tech sectors as well.

Regardless, the stock market tends to rebound well ahead of the actual economy, so the time to buy is now, before the good news, before the market goes up. The NASDAQ has climbed 20% from the March 9th low, and we believe it is riskier to be out of the market than in. Once the market turns for good, the bull market could be impressive. The average bull market since 1942, has gained 149% and has lasted 4 ½ years.

continued

Performance Summary as of 3/31/09	Average Annualized Total Returns					Since Inception	Gross Expense Ratio*	A fund's investment objectives, risks, charges and ongoing expenses must be considered carefully before investing. The prospectus contains this and other important information about the Funds. Obtain a prospectus at www.imscapital.com or by calling (800) 408-8014. Read it carefully before investing.
	Qtr.	1-Yr	3-Yr	5-Yr	10-Yr			
IMS Capital Value Fund ¹	-12.53%	-38.60%	-15.47%	-5.42%	3.82%	7.03%	1.52%	
IMS Strategic Allocation ¹	-8.03%	-34.93%	-13.72%	-6.64%	n/a	-0.52%	2.19%	
IMS Strategic Income Fund ²	-8.02%	-39.57%	-14.83%	-6.75%	n/a	-1.23%	1.61%	

*As of 8/31/2008. Fund inception dates: 1- 8/5/96, 2 - 11/5/02. The returns above represent past performance, and are no guarantee of future results. Current and monthly performance may be lower or higher than that above and is available by calling 1-800-408-8014 or at www.imscapital.com. Investment return and principal value will fluctuate so that your shares, when redeemed, may be worth more or less than original cost. Figures include changes in principal value, reinvested dividends and capital gain distributions. Foreside Distribution Services, LP.

The most important things to consider regarding your investments are three basic questions. First, do you have your long-term investments (the money you won't need to touch for five years) invested for growth? Do you have the rest invested for capital preservation? Second, do you have your allocation right? If we are near historical lows in terms of the economy and historical prices for stocks and bonds, then your long-term growth money should be mostly in stocks, and if we are closer to historical highs then you should have at least half your long-term growth money invested in high quality bonds and dividend-paying, defensive stocks like utilities, consumer staples (toiletries, food, beverage and tobacco) that tend to hold up well in economic downturns. Finally, do you have a skilled advisor to help you make these determinations? How do you know?

The last question is the hardest to answer, as it is so subjective. Your gut instinct will tell you a lot, however, it never hurts to consider some cold hard facts about your advisor. In our case, IMS Capital Management, we've been doing this for over two decades and we have a very deep bench. Our 15 employees hold numerous degrees and credentials including: 2 MBA's (Master of Business Administration), a CFP (Certified Financial Planner), a CPA (Certified Public Accountant), 2 CFA's (Chartered Financial Analyst), and a CMT (Chartered Market Technician), our 7-person investment team averages over 15 years of experience. The track record of our flagship fund, the IMS Capital Value Fund spans over 12 years and since inception has beaten the

market handily. The market as measured by S & P 500 index, returned a cumulative return 49.74% over the 12+ year period from August of 1996 to March of 2009. The IMS Capital Value Fund returned 103%, or more than double the market's return. Last year, in 2008, the Fund beat the S & P 500 index by more than 4% and finished in the top quartile of its Morningstar category. When you consider that 80% of all managers tend to underperform the S&P 500 index every year, our track record suggests that we know this business well, are skilled and have achieved a high level of competency.

Therefore, if you buy the argument that you have hired a competent advisor, then all you have left to do now is to focus on getting the questions above answered correctly: How much of your money is truly long-term? and, do you have your allocation right? If you can get those right, you should perform significantly better than the vast majority of investors out there. And more importantly, you will have a much better chance of staying put and calm during the various market cycles. We are here to help you prosper in the good times, hold up better than most during the bad times, and maintain some peace and composure through it all.

That is our job, we enjoy it. Please do not hesitate to call us and discuss your investments. We appreciate your business and look forward to better times ahead.

Carl W. Marker,
Founder & Portfolio Manager
IMS Capital Management

The views expressed by the Portfolio Manager are as of the quarter-end specified. This information is subject to change without notice as market conditions change, and is not intended to predict the performance of any individual security, market sector, or IMS Fund.

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ADV Offering

Our Form ADV is updated periodically and available to you on request. The form provides information about our firm, our staff and our business practices.

ABOUT IMS

IMS Capital Management is a registered investment advisor providing fee-only investment counsel and portfolio management for individuals and institutions. Founded in 1988, the firm has three office locations and 15 employees.

IMS manages no load mutual funds and individual investment portfolios, and also crafts custom investment plans using asset allocation and diversification techniques to help clients achieve their investment goals.

Carl W. Marker is the firm's founder and CEO, and is co-manager of each IMS Fund. Art Nunes, Principal and CMT, is co-manager of the IMS Strategic Allocation Fund; Joe Ledgerwood, CFA, is co-manager of the IMS Capital Value Fund; Don Shute, CFA, is co-manager of the IMS Strategic Income Fund and Steve Wendell, CPA, is manager of the IMS Focus 30 Strategy. The Funds have a \$5,000 minimum, and the separate account strategies have investment minimums ranging from \$1 to \$15 million, but are negotiable. For more information about the IMS Funds or separate account strategies, please contact us.

IMS Family of No-Load Funds

IMS Capital Value

Undervalued, seasoned mid cap stocks with positive momentum diversified across strategically chosen, opportunistic sectors.

IMS Strategic Allocation

Active asset allocation across stocks, bonds, real estate and cash primarily using index funds.

IMS Strategic Income

A diverse selection of income producing securities designed to provide reliable monthly income.



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