



IMS Capital Management, Inc.

www.imscapital.com

IMS Equity Income Portfolio

A core equity dividend strategy



Portland • Eugene • Seattle

1-800-408-8014



IMS Capital Management – Firm Overview

- Founded in 1988, 21 years in business
- Northwest-based, offices in Portland, Oregon, Eugene, Oregon and Seattle, Washington
- Staff of 15 professionals, 7 investment team members
- Independently-owned and operated boutique investment manager
- Professional credentials:
 - CFA® (Chartered Financial Analyst) charter members – 3
 - Certified Market Technician
 - Master of Business Administration – 2
 - Certified Public Accountant
 - Master of Science



Experienced Investment Team

CAMERON K. MARTIN – 12 years industry experience

Cameron Martin is a portfolio manager at IMS Capital Management. Prior to joining IMS in 2008, Mr. Martin worked at Smith Barney where he managed discretionary portfolios since 1999 and served as a Financial Advisor since 1996. With 12 years experience in the financial services industry, Mr. Martin graduated from the University of Oregon in 1993.

STEPHEN WENDELL, CPA – 26 years industry experience

Mr. Wendell is a portfolio manager and former president and founder of Juniper Capital, a Eugene-based RIA with \$65 million in assets. With 26 years investment management experience, Mr. Wendell has served as a senior financial executive and director of several Oregon-based companies in the public and private sector, including Bohemia, Inc., International Kings Table, Inc., Obie Media, and Umpqua Feather Merchants. Currently, Mr. Wendell serves on the Board of Directors of Agate Resources Inc., a Eugene-based company developing technology-driven solutions for healthcare management. Mr. Wendell received a Bachelor of Science degree in Business Administration from Portland State University and a Master of Business Administration in Finance and Accounting from the University of Oregon.

REID WEAVER – 7 years industry experience

Reid Weaver is a research analyst and trader with seven years industry experience. A Level III CFA candidate, Mr. Weaver has a Bachelor of Science degree from the University of Oregon.

CARL W. MARKER – 21 years industry experience

Carl W. Marker, 46, is the founder and president of IMS Capital Management. Mr. Marker received a Bachelor of Science degree from the University of Oregon and has been associated with the IMS family of no-load mutual funds as portfolio manager since inception. He is a member of the Portland Society of Financial Analysts and is frequently interviewed by national television and print media.



Experienced Investment Team

ARTHUR G. NUNES, CMT – 26 years industry experience

Mr. Nunes is market strategist, portfolio manager and principal of IMS Capital Management. He co-manages the IMS Strategic Allocation Fund and performs research and technical analysis for the other IMS strategies. He earned a Bachelor of Science degree from Ohio State University. Prior to joining IMS, Mr. Nunes worked for RBC Dain Rauscher and Salomon Smith Barney.

JOSEPH M. LEDGERWOOD, CFA – 7 years industry experience

Joseph M. Ledgerwood is a portfolio manager and senior research analyst specializing in equities. Prior to joining IMS, Mr. Ledgerwood gained financial services and investment experience working at a bank and full service brokerage firm. Mr. Ledgerwood graduated from the University of Portland, where he earned a Bachelor of Business Administration degree in Finance. He is member of the Portland Society of Financial Analysts.

DON A. SHUTE, CFA – 19 years industry experience

Don Shute is a portfolio manager and senior research analyst specializing in fixed income. He previously worked for Bear Stearns Asset Management, GT Capital Management, and Wells Fargo Asset Management performing all aspects of fixed income analysis and portfolio management. His experience includes quantitative risk analysis and modeling, credit analysis, and international markets. A member of the Portland Society of Financial Analysts, Mr. Shute has a Bachelor of Arts degree from the University of Illinois and a Master of Science degree from Utah State University.



Investment Philosophy

*We believe that investing in **financially strong** companies with a **history of dividend payment** and **dividend growth** will result in above-average results over time, with reduced volatility. We attempt to capitalize on the compounding effect of dividends, while seeking a more risk-managed and consistent return profile. Studies have shown that **dividend income is a significant component of total return** over many time horizons, and the longer the horizon the more dominant the impact.*



IMS Equity Income Strategy – Distinguishing Features

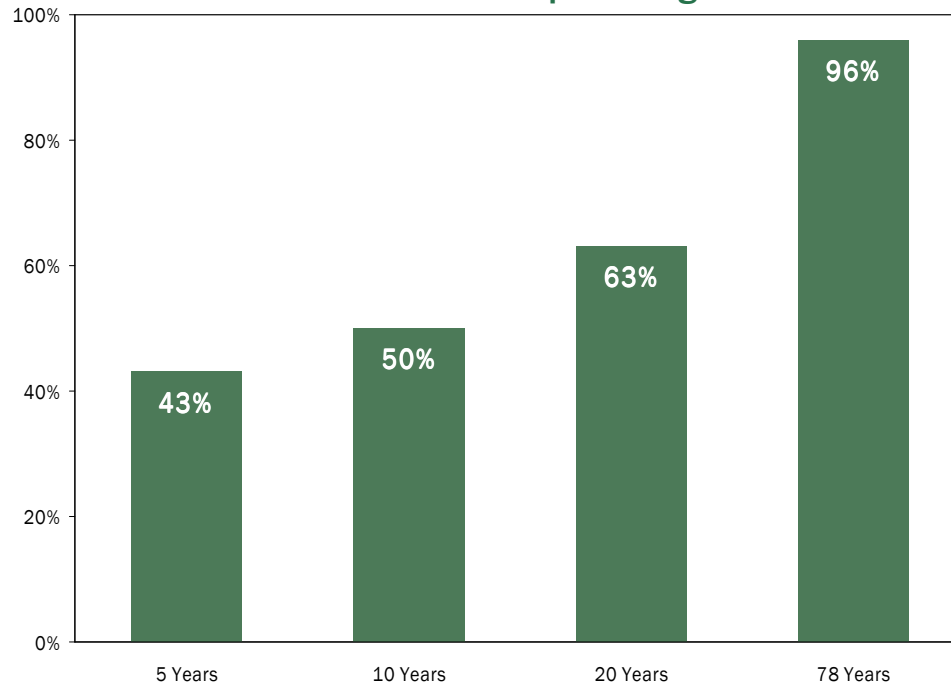
- Identify companies we believe will provide dividend yields and dividend growth rates exceeding the average of the S&P 500 Index.
- Seek lower volatility and greater price stability by concentrating on stocks with durable and rising dividends.
- Large Cap Core style: Though predominantly large cap, the strategy has the flexibility to own mid and small cap companies, gain foreign exposure through ADR's, and contain both value and growth stocks.
- Utilize a flexible, multi-disciplinary investment process with an emphasis on fundamental, bottom up security analysis.



Investment Objective

We attempt to capitalize on the compounding effect of dividends, while seeking a more risk-managed and consistent return profile.

Contribution of Dividend Compounding to Total Return



Note: Rolling return windows from 1926-2003. Rolling returns are annualized returns for a series of overlapping, smaller time periods within a single, larger time period.

Source: Brandes Institute, January 2004. Data for U.S. Equity as measured by the S&P 500.

Risk & Returns

1993 - 2007	Total Return	Standard Deviation
3% to 6% Yielding Stocks	12.67%	13.74%
All Dividend Paying Stocks	12.24%	12.95%
0% to 3% Yielding Stocks	11.90%	13.03%
Total Universe	11.23%	14.56%
6% or More Yielding Stocks	11.02%	16.82%
S&P 500	9.86%	13.58%
Non-Dividend Paying Stocks	8.71%	24.63%

Note: Total Universe includes 1000 largest stocks in Zacks database rebalanced quarterly, 1993-2007.

Source: Miller -Howard Investments, Inc. Returns and volatility are annualized three month holding period data.

Standard Deviation is a measure of the variability of returns. A low standard deviation indicates that the data points tend to be very close to the same value (the mean), while a higher reading indicates that the data is spread out over a large range of values.



Why We Favor Dividends

- Provide tangible evidence of a company's financial resources
- Imply 'certification' of a company's previously reported earnings, and offer a glimpse into management's view of the future
- Qualified dividend income offers tax advantages
- Aging baby boomers increasingly seeking income may support stock prices of dividend-paying companies.
- Dividends help dampen price volatility, and provide a way to compensate investors for waiting out declines.
- Over the past 100 years, dividends have represented nearly 50% of the S&P 500's annualized return of 9.47% and have represented the S&P's sole source of return over the last 5 and 10 year periods. (For the periods ending 10-31-2008; Source: Citi Smith Barney)
- For rolling periods from 1926-2003, reinvested dividends' average contribution to total return was 43% over 5-year periods, 50% for 10 years, 63% for 20 years and an amazing 96.2% for the entire 78-year time frame. (Source: The Brandes Institute)



Why Others Favor Dividends

“Why do investors persist in accepting the projections of managers about the future without taking in some real return from the accomplishments of the past?”

Lowell Miller, Miller-Howard Investments

“...Dividends have been an overwhelming source of stockholder returns throughout time, and firms that have higher dividend yields have given better returns to investors.”

Jeremy Siegel, ‘The Future for Investors’

“Dividends are good because they remind the CEO four times a year that it’s not his company.”

Michael Goldstein, Finance Professor at Babson College



Stock Selection Overview

Companies with a history of returning profits to shareholders through dividends.



Screen for fundamental factors such as rate of dividend growth, current dividend yield and dividend payout ratio as well as free cash flow generation, ROE and gearing ratio (debt to total capital).



Look for valuation “discrepancies” that present opportunity, evaluate characteristics that differ from the company’s own history, its peer group and the market as a whole.



Resulting portfolio of approximately 30 securities.



Idea Generation

Sources of new ideas:

- Independent and buy side research
- Sell side research
- Proprietary screening
- Regulatory filings
- Periodicals and research publications
- Discussions with company management, conference calls and investor relations



Stock Evaluation Criteria

- Look for companies that have a history of returning profits to shareholders through dividend payment and growth, with special attention paid to analyzing the ability to maintain and grow future payouts.
- Emphasize fundamental factors such as return on equity, debt to capital (gearing ratio) and cash flows coupled with rate of dividend growth, current yield and payout ratio.
- Analyze a company for its dividend culture. Does management recognize who owns the company and the responsibility it has to its investors?
- Look for valuation discrepancies by identifying fundamental characteristics that differ from the company's own history, its peer group and the market as a whole that may present an opportunity.
- Review technical analysis characteristics: analyze price movement and identify support and resistance levels.



Portfolio Construction and Risk Controls

- Broadly diversified portfolio of approximately 30 securities.
- 3.3% standard position size, representing multiple economic sectors.
- Positions are allowed to grow to 5% and, under special circumstances, 10%, at which point the position is trimmed or sold.
- Sector weightings at purchase will not exceed 30% of the portfolio.
- The portfolio strives to maintain a composite dividend yield in excess of the S&P 500; therefore, portfolio construction is monitored to meet this target.



Sell Discipline: Stocks are evaluated for sale under the following circumstances:

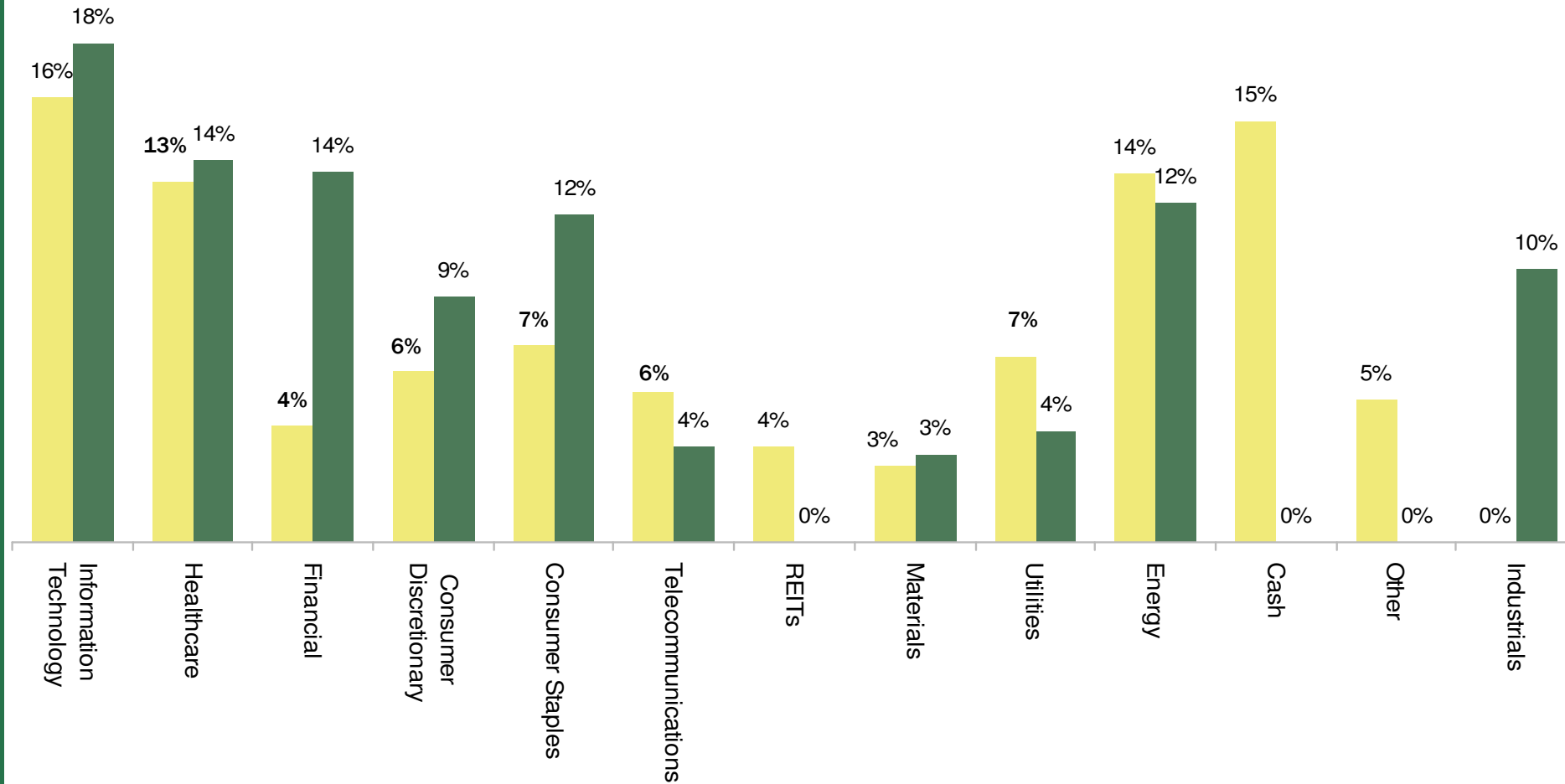
WHY WE SELL

- Dividend payouts are cut.
- Dividend payout ratios put dividend rate in jeopardy.
- Make room for a new idea reflecting a better risk/reward relationship, or a company with a more compelling corporate dividend policy.
- Original thesis proves incorrect and/or company strays from their stated mission.
- If the stock appreciates to 10% of the portfolio, it is trimmed or liquidated.



Sector Weightings

as of June 30, 2009



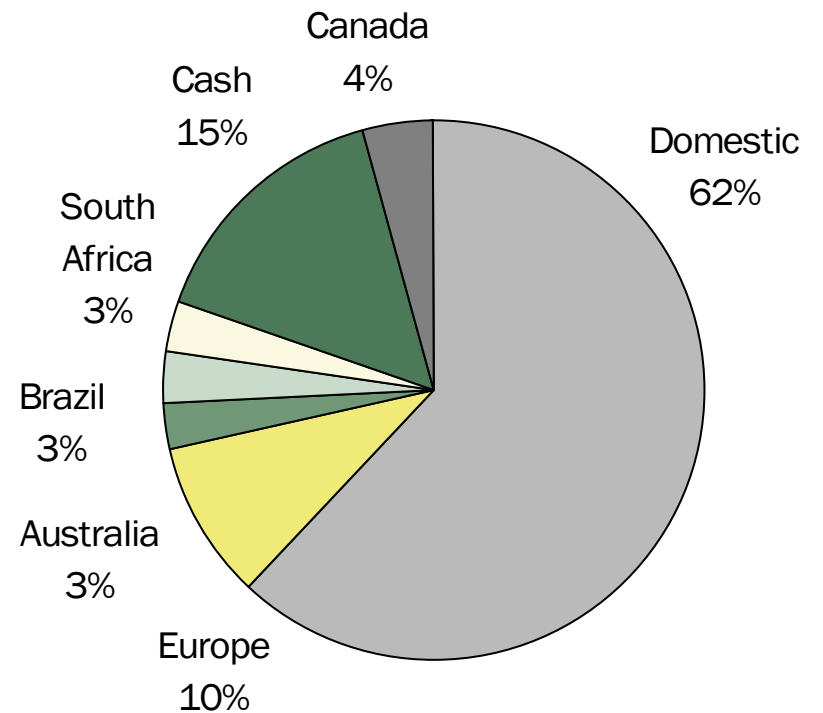
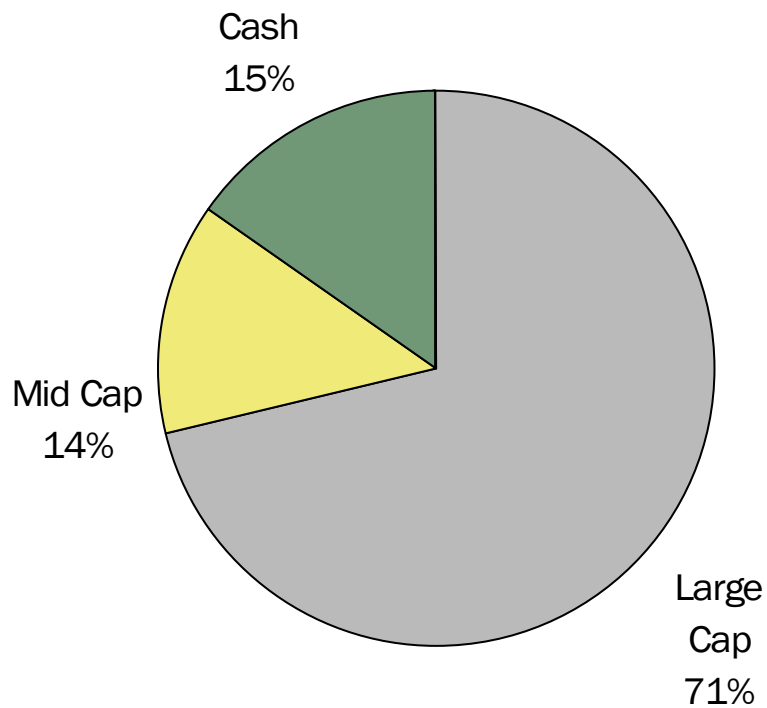
■ IMS Equity Income
Portfolio holdings are subject to change at any time.
Other = Closed End Funds

■ S&P 500



Diversification by market cap, international exposure

as of June 30, 2009



Portfolio holdings are subject to change at any time.



Portfolio Characteristics

As of June 30, 2009

PORTFOLIO CHARACTERISTICS	IMS EQUITY INCOME PORTFOLIO	STANDARD & POOR'S 500 INDEX
Number of Issues	25	500
Weighted Average Market Cap	\$80.45 bil.	\$75.21 bil.
Trailing Price/Earnings Ratio (P/E)	11.93x	13.64x
Weighted Average Yield	3.9%	2.8%
Weighted Average Equity Yield	4.5%	2.8%
Average 5-yr Dividend Growth	18.6%	8.0%
Standard Deviation	8.7%	10.7%



Top Ten Holdings

as of June 30, 2009

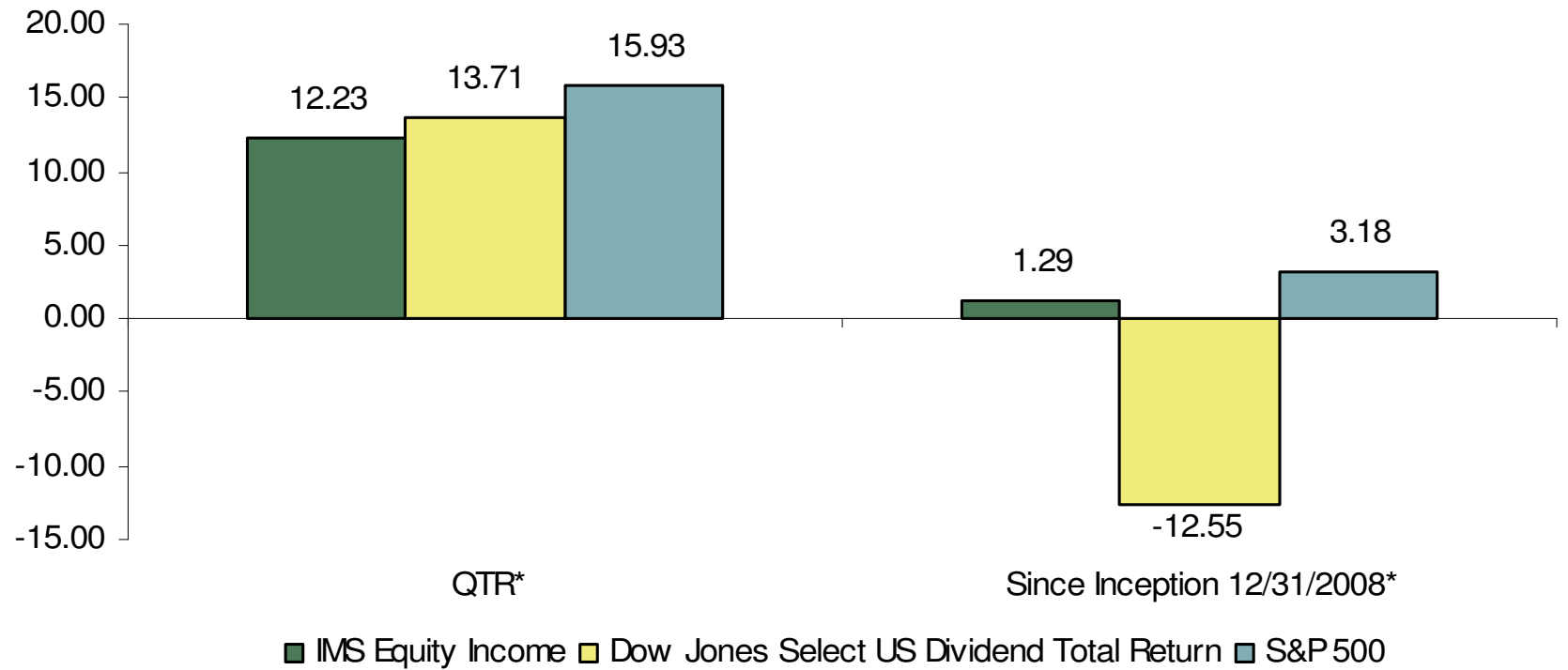
STOCK	PERCENTAGE OF PORTFOLIO
NFJ Dividend & Int Prem Str.	5.2%
Johnson & Johnson	4.9%
Bank of Nova Scotia	4.3%
Texas Instruments	4.2%
Marathon Oil Corp.	3.9%
Wal Mart Stores Inc.	3.9%
IntegrYS Energy	3.8%
Nokia Corp.	3.8%
Annaly Mgt.	3.5%
Verizon Communications, Inc.	3.5%

Portfolio holdings are subject to change at any time.



Total Returns

as of June 30, 2009



* Not annualized. Past performance above does not guarantee future results. Refer to page 20 for important performance disclosure information.



Why IMS Capital Management?

- 21 years in business
- Highly focused and skilled investment team, experienced in both up and down markets
- Independently owned and operated investment boutique
- Highly entrepreneurial culture
- Commitment to constantly improving investment process
- Recognized in major publications and national media such as *Barron's*, *Forbes*, *The Washington Post*, *The Wall Street Journal*, *New York Times*, *Business Week*, *USA Today*, *Smart Money* and *CNBC*.

Mission: Deliver exceptional client service, outstanding investment counsel and superior investment returns.



Important disclosure

IMS 2009 Equity Income Composite

Year	Gross Composite Return	Net Composite Return	Benchmark Return (S&P 500)	Accounts at Year-end*	Dispersion (%)	Total Composite Assets (\$ mil)	Composite Assets as a Percentage of Firm Assets (%)	Total Firm Assets (\$ mil)
2Q 2009	N/A	10.73%	15.93%	15	NA	4.4	1.8	240

IMS Capital Management has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Notes:

1. For the purpose of complying with the GIPS standards, the firm is defined as IMS Capital Management (“IMS” or the “Firm”), an independent investment advisor registered under the Investment Advisers Act of 1940, that manages mutual funds, retail portfolios, wrap accounts and institutional portfolios. A complete list and description of the firm’s composites, as well as additional information regarding policies for calculating and reporting returns, are available upon request.

2. The Equity Income Composite includes all fully discretionary, fee-paying portfolios that primarily invest in approximately 30 stocks that seek a collective yield higher than the S&P 500. A focus is given to companies with stable and growing dividends, low debt to capital, high relative return on equity and significant cash flow production, among other financial metrics. Portfolios that participate in the composite can be separately managed or pooled fund vehicles. Portfolios that participate in the composite must have assets equal to or exceeding \$200,000. The Equity Income Composite was created in April 2009.



Important disclosure, cont.

3. The benchmark for the IMS Equity Income Composite is the S&P 500 Index. The benchmark returns are provided to represent the investment environment during the time periods shown. For comparison purposes, the index is fully invested, which includes the reinvestment of dividends and capital gains. The returns for the index do not include any transaction costs, management fees or other costs.
4. Returns are presented in US Dollars.
5. All returns are presented net of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings. Net returns reflect the deduction of model management fees of 3.00%. The management fee schedule currently in effect for non wrap accounts in this composite is as follows: 1.50% on the first \$500,000, 1.20% on the next \$500,000, 1.00% on the next \$5,000,000, 0.75% on the next \$20 million, 0.60% on the next \$25 million and 0.50% on the next \$50+ million.
6. Dispersion is calculated using the equal-weighted standard deviation of annual returns of all portfolios that were included in the composite for the entire year. For periods with five or fewer portfolios included for the entire year, “N/A” is noted as the dispersion is not considered meaningful.