

Building Wealth Wisely®

3rd Quarter 2009

IMS Capital Management Quarterly Newsletter

September 30, 2009

Tell It Like It Is

This is no time to be subtle or soft spoken. We are not going to tip toe around a message that needs to be delivered loud and clear: It's time to be fully committed to stocks. Everyone has a maximum percentage they are willing to have in stocks; for some people it may be 100%, for others it may only be 50%. But whatever your maximum is, you should have it in stocks now.

Earlier this year, in our 1st quarter newsletter, we urged our clients to hang in there and even consider putting new money to work in stocks when things looked bleak. At that time, the stock market, as measured by the S&P 500 Index, was down 11.01% year-to-date. The market went on to have a very strong quarter of positive returns. We repeated the message in our 2nd quarter newsletter, and the market continued to rally, advancing more than 15% during the next 3 months.

The stock market gained 34.02% in the 6 month period from 3/30/09 – 9/30/09. For the 7 month period from its March 9, 2009 low to October 9, 2009, it rose 60.51%. If history is any indication, the market is far from done.

Don't be fooled by the naysayers who missed this recent huge up move and now would have you believe this market rally is a bear trap, a fake with no legs, ahead of itself, and due for a significant correction. Those were the same people warning you to stay away from stocks last March just before the market went up dramatically.

They were wrong then and they are wrong now. Markets run in cycles and this is not the portion of the cycle you want to miss. The stock market dropped 55.25% from its high on 10/9/07 to its low on 3/9/09.

The sidelines are no place to be after the market has just finished one of its worst 18-month periods in history.

Typical bull markets last 3 to 5 years on average and rise 100% to 150%. By those standards, this bull market may have a long way to go. As always, past performance can provide no guarantee of future results.

The surge that began in the spring, gained steam over the summer particularly in the stocks which suffered the most in 2008 and early 2009. Investment grade bonds and Treasuries, as measured by the Barclays Capital Aggregate Bond Index, which were top performers in 2007 and 2008, rose only 5.73% YTD through the end of the 3rd quarter while high yield bonds, as measured by the Merrill Lynch High Yield Master II Index, were up 48.54%, over the same period.

We have been taking this opportunity to add high quality stocks to our portfolios. The recent bear market has given us an opportunity to buy high quality companies that, as value managers, are normally too expensive to meet our screens. For example, in the IMS Capital Value Fund, we've added Paychex (1.81% of the portfolio as of 10/29/09), Federated Investors (1.89%), Jack in the Box (1.57%), First American (2.5%), Scott's Miracle-Gro (1.7%), Smucker (2.08%) and L-3 Communications (1.7%) to name a few. Quality companies (those with high returns on equity, low debt to capitalization, strong free cash flow and durable dividends tend to flourish in periods of stable economic growth while also offering a history of dependable earnings and income which investors seek when the economy begins to decelerate. Over full market cycles high quality stocks can not only outperform, but tend to do so with less volatility. While we always believe there is merit in owning high quality companies, now is a particularly opportune time to be focusing on them. This market is providing us the opportunity to make quality investments at relatively inexpensive valuations.

continued

Performance Summary as of 9/30/09	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. Mutual funds are subject to market risk, including potential loss of principal. 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. Fore-side Distribution Services, LP.
	Qtr.	1-Yr	3-Yr	5-Yr	10-Yr			
IMS Capital Value Fund ¹	16.07%	-11.26%	-18.65%	6.55%	7.03%	7.80%	1.67%	
IMS Strategic Allocation ²	10.03%	-8.41%	-7.91%	-1.20%	n/a	10.76%	2.58%	
IMS Strategic Income Fund ²	19.69%	-7.99%	-22.82%	-3.61%	n/a	13.79%	1.90%	

**As of 9/1/2009. Fund inception dates: 1- 8/5/96, 2 - 11/5/02. These returns show past performance, and are no guarantee of future results. Current and monthly returns may be lower or higher than that above and are available 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.*

We are seeking to capitalize on the quality theme by continually looking for companies that exemplify this strength through durable and growing dividends. Why? These stocks tend to perform better than non-dividend paying stocks over most time periods, and do so with less volatility. In fact, for the period 1993 through 2007, stocks that generated a dividend yield of 3% to 6% produced a higher total return and lower volatility (as measured by standard deviation) than non-dividend paying stocks.** Furthermore, companies that pay steady or rising dividends may be signaling confidence regarding future earnings as well as management's view of their overall financial strength. Tax efficiency can also be gained, since qualified dividend income is taxed at long-term capital gains rates which are lower than ordinary income rates.

In addition to the infusion of high quality, dividend paying companies into the IMS Capital Value Fund, the IMS Strategic Income Fund and our separately managed accounts, we have launched a new mutual fund, as of September 1st, solely devoted to this strategy, the IMS Dividend Growth Fund (symbol: IMSAX).

Introducing the IMS Dividend Growth Fund

In this fund, we seek financially strong companies with a history of dividend payment and dividend growth. The fund looks for opportunities across the board, selecting from growth and value, as well as large cap, mid cap, small cap and international stocks.

The views expressed here are as of September 30, 2009. 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 market strategist; Joe Ledgerwood, CFA, is co-manager of the IMS Capital Value Fund; Cameron Martin and Reid Weaver are co-managers of the IMS Dividend Growth 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.

We feel strongly about the benefits this strategy offers because it focuses on what we consider to be one of the "sweet spots" of investing. To discuss the inclusion of this strategy in your portfolio, please feel free to stop by, email or call us.

As always, we appreciate your business, we thank you for the confidence and trust you have placed with us. It is a privilege to be your investment partner.

Sincerely,



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* Source: Baird Wealth Management

** Source: Miller-Howard Investments, Inc., based on the 1000 largest stocks in the Zack's database.

If you would like additional information on how we conduct business, we can provide you with a copy of our Form ADV part II, which is on file with the SEC. Statistical and analytical data: Bloomberg Professional, Thomson Financial & Morgan Stanley Smith Barney

The general market views and opinions expressed here reflect the opinions of IMS Capital Management and are not intended to predict or forecast the performance of any securities market, index or fund mentioned.

IMS Family of No-Load Funds

IMS Capital Value

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

IMS Dividend Growth

An all cap, global portfolio of financially strong companies with a history increasing dividends.

IMS Strategic Income

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