

# Building Wealth Wisely®

4th Quarter 2009

IMS Capital Management Quarterly Newsletter

December 31, 2009

## Impressive Rebound

Last year at this time, the economy was tanking and stocks, as measured by the S & P 500 index, were in a free fall. Yet, after bottoming in March, stocks went on to notch their second best year in a decade, posting full year gains of more than 25%. Those who lost their nerve and got out near the lows last March, missed the 67% gain over the next nine months. We urged investors all year, to remain committed to stocks, in order to insure participation in any significant rally. We warned that it was too risky to be out of the market for any length of time, and that was good advice.

Now that we have clearly transitioned from a bear to a bull market, and now that the market averages are once again charging ahead, the question becomes – how long does the typical bull market last? The average bull market since 1942 has lasted 4 ½ years and has gained an average of 149%. We are currently about 9 months into this bull market cycle. If history is any indication of what we should expect, this market probably has several good years ahead. For example, it would need to rise nearly 50% from here, just to match the average bull market percentage gain since 1942.

While there are certainly no guarantees, we believe the market could easily exceed past averages for both length and percentage gain, simply because the recent bear market was record-setting in terms of its percentage loss.

Our focus this quarter is on the IMS Strategic Income Fund. The Fund returned +32.45% in 2009 and compared very favorably to the competition. The Fund has a paid a dividend every month since its November 2002 inception. The current yield, as of 12/31/2009 was 9.21%. The majority of the Fund is invested in bonds, however, it also owns dividend-paying common stocks, preferred stocks and REIT's.

If you primarily own stocks, this Fund will add diversification to your portfolio, produce additional income and help reduce volatility. If you are retired, seeking to reduce risk or are simply not comfortable with an all-stock portfolio, adding this fund is worth considering.

I manage the fund with the help of our fixed income analyst, Don Shute, CFA. Don brings over 15 years of bond experience to the table. Prior to joining IMS in 2006, he worked in New York and in Hong Kong managing bond portfolios and analyzing fixed income investments for companies such as Bear Stearns and GT Global.

Our goal with this strategy is to provide a reliable stream of monthly income which, on average, exceeds that of CDs, money market accounts or investment grade bond funds. We also seek to have less exposure to rising interest rates than a typical bond fund by investing in shorter term bonds and other income-producing securities such as dividend-paying stocks, preferred stocks and REITs. As with any investment strategy, there are no guarantees.

This strategy is primarily available through our no-load mutual fund, the IMS Strategic Income Fund (\$5,000 minimum). While we can offer a similar strategy in the form of a separately managed account, the minimum is significantly higher, due to the nature of bonds we invest in, and the difficulty of mirroring the Fund in a smaller, private account.

## Other IMS news and announcements:

After 7 productive years, Susan Steele Ledgerwood and Joseph Ledgerwood, are no longer with IMS. They recently became proud new parents and they will both be greatly missed. We hired Sandra Elverud, in October, to take over Sue's responsibilities. Sandra spent

*continued*

Performance Summary as of 12/31/09	Average Annualized Total Returns					Since	Gross Expense	
	Qtr.	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Ratio*	
IMS Capital Value Fund <sup>1</sup>	4.77%	21.07%	-6.80%	0.05%	5.91%	8.02%	1.81%	<i>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 <a href="http://www.imscapital.com">www.imscapital.com</a> or by calling (800) 408-8014. Read it carefully before investing. Fore-side Distribution Services, LP.</i>
IMS Dividend Growth Fund <sup>2</sup>	6.04%	21.28%	-7.26%	-2.83%	n/a	2.27%	2.58%	
IMS Strategic Income Fund <sup>2</sup>	7.91%	32.45%	-7.12%	-1.07%	n/a	2.91%	1.94%	

*\*As of 12/31/2009. Fund inception dates: 1 - 8/5/96, 2 - 11/5/02. FINRA requires disclosures stating one year performance occurred in unusual market conditions for the entire market. 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](http://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.*

the last 7 years at another investment firm and has hit the ground running at IMS, bringing a wealth of experience, a positive "can do" attitude and a wonderful attention to detail.

She is involved in just about every aspect of client service, operations, account paperwork, deposits/withdrawals and questions regarding statements, account values, confirms, etc. She can also help arrange an appointment with me, or any other of our 9 licensed investment professionals. Please feel free to call or stop by and introduce yourself. Sandra looks forward to meeting and working with each of you. Her e-mail address is [Sandra@imscapital.com](mailto:Sandra@imscapital.com).

Mats Nordgren, took over Joe's trading responsibilities. Mats had 10 years of trading experience before joining IMS in 2007. Don Shute, CFA and Reid Weaver, CFA-L3 candidate, took over Joe's research responsibilities. Don and Reid have over 22 years of combined research experience and have each been with IMS for nearly four years.

On September 1, 2009, we opened the IMS Dividend Growth Fund. We would welcome the opportunity to sit down with you and explain the Fund's approach and all the benefits it has to offer. In a sentence, it is a globally diverse, all-cap portfolio of financially strong companies offering compelling value and a history of increasing dividends.

Finally, we have decided to strengthen our relationship with TD Ameritrade, mainly because they have put together a package of discounts and incentives to save our

clients money on trading costs, margin rates and fees, compared to using Fidelity or Schwab. For our clients that choose to switch to TD Ameritrade, they will deposit \$200 per IRA, and \$200 for one taxable account per household, they will cover any termination fees, provide lower margin interest rates, charge no annual fees on IRA's and best of all, only charge \$7 per trade! Many of our clients have already switched over to TD Ameritrade because of the benefits offered. Please give us a call if you would like to discuss the process.

This is the time of year for portfolio reviews. Please call our office and schedule a time to come in and review your accounts. This gives us a chance to discuss the markets, answer your questions and insure that we are using the best combination of our five core investment strategies to meet your objectives. We greatly appreciate your business and look forward to helping you build wealth wisely.



Carl W. Marker, Founder & Chief Investment Officer

*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, & 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.*

*The views expressed here are as of December 31, 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.*

**Contact (800) 408-8014**

**Portland**  
8995 SE Otty Road  
Portland, Oregon 97086  
(503) 788-4200  
[sandra@imscapital.com](mailto:sandra@imscapital.com)

**Seattle**  
25 Central Way, Ste 200  
Kirkland, WA 98033  
(425) 739-4700  
[rita@imscapital.com](mailto:rita@imscapital.com)

**Eugene**  
450 Country Club Road, Ste 325  
Eugene, Oregon 97401  
(541) 683-5800  
[reid@imscapital.com](mailto:reid@imscapital.com)

**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 14 employees in Portland, Seattle and Eugene.

IMS crafts custom investment portfolios for each client using diversification and asset allocation techniques designed to help clients achieve their unique financial goals.

Carl W. Marker is the firm's president, founder and chief investment officer. Art Nunes, CMT is a principal, a portfolio manager and the chief market strategist. Mr. Marker manages the IMS Capital Value Fund and the IMS Strategic Income Fund. The IMS Dividend Growth Fund is managed by Carl Marker, Cameron Martin and Reid Weaver, CFA-L3 candidate.

The Funds have a \$5,000 minimum, and separate accounts have a \$500,000 minimum.

For more information about the IMS Funds, establishing a separate account or making an appointment to see one of our financial advisors, please contact the office nearest you.

**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 Income**

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

**IMS Dividend Growth**

A globally diverse, all-cap portfolio of high quality companies offering compelling value, financial strength and a history of increasing dividends.



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*Registered Investment Advisors since 1988*