The Wealth Preserver

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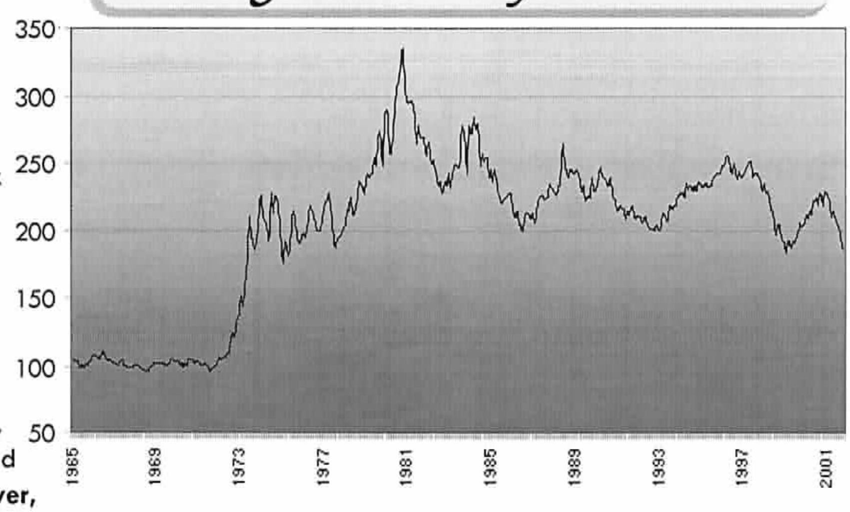
-Deflation -
The Unspoken Watch Word of the New Decade

Executive Summary We believe "deflation" is a concept most investors in the United States are going to become familiar with, unfortunately. We say unfortunately because nationwide deflation will have very negative consequences for many, if not most, investments. Read below to see why we believe deflation, not seen since the 1930's, is highly likely to surface again and put a real dent in asset values.

"Deflation" – the one word you probably have not heard from the investment community. Yet, difficult as it is to believe, we in the United States have actually been having deflation since November 1980! A quick glance at the Commodity Research Board (CRB) Futures Price Index (see graph) verifies that fact. The index consists of the prices of seventeen commodities including: oil, natural gas, gold, soybeans, cattle, sugar, and coffee. **However, while that Index has been dropping since November of 1980, prices of paper financial assets like stock share prices, along with incomes, were rising so that a widespread, overriding deflation has not generally been felt – so far!** Unfortunately, the tide has already started to change-prices of financial assets began topping in 1998; the Dow Jones Industrial Average probably peaked during January 2000 and the NASDAQ peaked in March 2000. Importantly, over $5 trillion of investment value has already been wiped out by the decline in the NASDQ.

Average Commodity Price Levels



Japan - While financial assets in the U.S. had been going up steadily since the early 1980's, Japan saw its financial assets drop dramatically from a U.S. Year-2000 style top, but starting back in December 1989. **The 225-Stock Nikkei Index has dropped approximately 72% from that twelve-year-ago top.** Some of you might remember that in the 1980's most thought Japan was going to buy up the entire world. While Japan was in a recession during most of the 12-year period since their peak, its strength in trading around the globe (principally with the U.S.) helped keep it out of general "deflation" – until now.

Our Recent Past – The U.S. Government (National Bureau of Economic Research) just announced that the **U.S. has officially been in a recession since March 2001 (five months before September 11th).** Now, today, many forecasters are predicting that we will be emerging from this recession sometime next year. Their forecast is interesting because almost no financial commentators

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About Stamper Capital & Investments, Inc.

Stamper Capital & Investments, Inc. specializes in fixed-income portfolio management strategies and implementation tailored to each client's specifications. In order to help our clients meet their long-term investment goals while maintaining their chosen lifestyle, we focus on maximizing risk-adjusted performance, that is, we seek to obtain the most return per amount of risk our clients choose to take. The majority of our fixed income portfolios are invested in municipal bonds, but we also offer strategies for taxable municipal bonds, corporate bonds, mortgage-backed securities, high yield corporate (junk) bonds and convertible bonds, you could say we like bonds! In addition to private account management, Stamper Capital & Investments, Inc. manages The Evergreen High Income Municipal Bond Fund. In the 16 years our Portfolio Manager, Clark Stamper, has been managing accounts in the fixed income markets, he has come to believe that maximizing investor risk-adjusted performance is the most professional and prudent investment approach that can be implemented – and it works, as you can see from our top performance in the table on the back page of this newsletter. Call us today at 888-206-6295 for your free consultation to learn how municipal bonds can dramatically decrease your overall portfolio risk. We'd love to teach you how our strategies will help secure your wealth for your future, or check out our website at www.risk-adjusted.com.

forecast our current recession (before it officially started) nor did they state that we were in a recession even after it began, and now they are forecasting a quick end to the recession. (For the record, as far as forecasts go, few forecasters predicted the top of the stock markets either.)

Where We Are Now – Recent weakness in the economy was dramatically highlighted by the **record one-month decline** (1.6% for October 2001) in the Producer Price Index (which measures the average change in prices received by domestic producers of commodities in all stages of processing). More Importantly, the Consumer Price Index (CPI) saw its **first monthly drop since 1986.** Our view is that deflation is upon us and unfortunately, **depression, not just recession is a real possibility.**

Going Forward - We wish that we had an optimistic opinion on the future; however, that is not the case. With over $5 trillion in equity losses from the crash in the NASDAQ, unemployment rising to its highest level in six years and both commercial and residential real estate vacancies increasing rather dramatically on both coasts, led by the Silicon Valley, we believe that the deflation will continue. **Only this time it will be felt in sectors other than commodity prices – prices of financial assets and real estate will be dropping.**

It may turn out that the new paradigm of the communications revolution (the Internet) has increased this process of deflation by increasing efficiency, lowering the profit margins of businesses and forcing a reshuffling of financial asset prices and, even more unfortunately, employees. Of course, in the long run, this will increase the world's standard of living; however, the process of working through a lowering of prices and salaries and liquidating bad investments made during the high-tech boom of the late 1990's will most likely take several years at the shortest.

Why Not Just A Recession? – Normal business cycles end in recession not depression. **However, the recent up-cycle was anything but normal.** The incredibly high valuation levels achieved in not just the NASDAQ but in the S&P 500 and the Dow Jones Industrial Average were ludicrous based on any type of normal valuation levels. We pointed out in our January 2001 article, "Money Magazine Predicts Dow Jones Plunge [by] 4,527 to 9,145 points," that then current multiples of dividends at 86x were 3.4 times average multiples of 25x and 6.9 times market-bottom multiples of 12.5x. Historically, investment mania's similar to this one (with more people than ever before considering themselves "competent investors") are

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Happy Holidays

-From Stamper Capital & Investments, Inc.

Real Estate ~ Overvalued?

Real Estate - Real estate, for those of you who specialize in it, peaked in 1979, bottomed in the early 1980's, peaked again on the East Coast in 1987, the West Coast in 1989, bottomed again around 1991, went sideways for about six years and took off dramatically, in some locations, in the late 1990's, skyrocketing with the financial markets to what will most likely turn out to be a major top in April 2000, just after the NASDAQ peaked. **However, the net rise in Real Estate from its top in 1979 to the most recent 2000 top, in my estimation, was negligible – most investors would have been better off in U.S. Treasury Bills over that 21-year period.** More importantly, both residential and commercial vacancy rates recently have risen very rapidly and average rents have already begun dropping.

Upside Potential/Downside Protection Analysis - Let me explain how we view real estate using our usual Upside Potential/Downside Protection Analysis Techniques. Recently, in the local paper, average rent on a four-bedroom house was listed as $2,400 per month. Annualized and capitalized at 10% that level equates to a value of $ 288,000. However, the average valuation of four bedroom houses according to the article was $460,000. Thus, based on a cash flow basis, the level at which you could sell the average house is 1.6x (460/288) what it is actually worth based on current cash flow generation. Now, if rents were expected to rise, the case might be made that current valuations are reasonable; however, with unemployment rising, incomes could very likely drop (especially here, over the hill from Silicon Valley). Of course, real estate is very regional and subject to local supply and demand factors. Also, real estate is a consumption item – you need a place to live. Still, the result of our analysis is that the upside is minimal and the downside is large and thus, to be avoided. This is a similar case to what we have been making for stocks - derived from their very lofty valuation levels based on earnings and cash flow.

liquidated with very negative consequences. **Thus, our down-cycle is most likely to be anything but a normal recession.**

Investment Implications – In fact, it may turn out that commodity prices (which have been dropping since November 1980) will bottom shortly and will start up just as those assets, principally paper backed, which rose since 1982, begin to drop. If that is the case, stock shares will continue their downward trend from the 2000 peak and real estate, which many hold out to be the most secure investment currently, will see values drop, possibly dramatically. On the other hand, we expect that hard commodities will put in a twenty-one year bottom next year and begin a multi-year rise.

The Bottom Line – We think it is highly likely that the recession will turn into depression and that deflation of financial assets will continue for some time. Accordingly, we prefer assets whose value is forced to reality (like AAA-rated bonds paying coupons and with a fairly short maturity) as opposed to those assets whose value could easily change, i.e. stock shares of companies. In addition, we are avoiding assets whose valuations are not supported by current cash flow generation or slam-dunk cash flow generation improvement prospects, i.e. real estate (see real estate section above).

Our Fund Performance

Stamper Capital & Investments, Inc. has managed the Evergreen High Income Municipal Bond Fund since June 1990. The $600 million fund has been repeatedly recognized by Morningstar as a top-performer among its class, with the highest ratings in the current overall, three, five and ten-year periods. Stamper Capital & Investments, Inc. is a Registered Investment Adviser that specializes in the municipal bond market and is dedicated to helping investors earn the maximum return per the amount of risk taken. **Check out our website at www.risk-adjusted.com to find out more about how our strategies can reduce your overall portfolio risk, while maintaining equity-sized returns!**

Short-Term Municipal Bond Fund Category, Morningstar Rankings

Period As of 11-30-01	E.H.I.M.B.F.* Rank	Number of Competitors	Category Avg. Total Return	E.H.I.M.B.F. Tax-Free Total Returns	Pre-Tax Equivalent Total Return	Morningstar Ratings[2] (5 stars possible)	Percentage Ranking
1 Year	**23**	113	6.00%	6.83%	11.12%		
3 Years	**41**	103	3.82%	4.03%	6.56%	★★★★★	Top 10%
5 Years	**8**	87	4.22%	4.85%	7.90%	★★★★★	Top 10%
10 Years**	**5**	20	5.06%	5.44%	8.86%	★★★★	Top 22.5%
Overall	-	-	-	-	-	★★★★★	Top 10%

*E.H.I.M.B.F. = Evergreen High Income Municipal Bond Fund, subadvised by Stamper Capital & Investments, Inc.
** Results from the B shares. A share estimate: 5.44%+80 basis points = 6.24% or 10.16% pre-tax equivalent.

The above chart summarizes the performance of our mutual fund client. We also offer Private Account Management with different strategies and greater opportunities to earn higher yields. **To give you an idea of the types of strategies available and the potentials offered through our Private Account Management, be sure to check out our website at www.risk-adjusted.com.**

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Preserving Your Wealth While Getting You Potential Double Digit Returns!

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1. The pre-tax equivalent total returns are figured based on the highest Federal income tax bracket of 38.6%, no state taxes were included in the calculation.

2. Morningstar gives its highest ratings of five and four stars overall and for the three, five and ten years ending November 30,2001 out of 1635, 1438 and 476 municipal bond funds, respectively to the $615 million mutual fund we have managed for over ten years. **The top 10% of the funds in an investment class receive 5 stars, the next 22.5% receive 4 stars.**
Morningstar proprietary ratings reflect historical risk-adjusted performance as of November 30, 2001. The ratings are subject to change every month. Morningstar ratings are calculated from the Fund's 3-, 5-, and 10-year average annual returns in excess of 90-day Treasury bill returns with appropriate fee and tax adjustments, and a risk factor that reflects fund performance below 90-day T-bill returns. Past performance cannot guarantee future results.