The Monthly Mi$er

A Publication of Stamper Capital & Investments, Inc.

www.risk-adjusted.com

December 2000

Do you want to earn equity sized-returns at a fraction of the risk?

What do we mean by "equity (stocks) sized-returns?"
The average annual return of the stock market over long periods of time is between 10%-11%. Yes, that is all. Despite how dramatically the Dow Jones Industrial Average has gone up over the past ten years. That dramatic increase has only brought the index's long-term, annual return up from around 10% to about 11%. And, it will likely correct back to the 10% average over the next couple of years. The other broad indices like the S&P 500 similarly return approximately 10% over long periods of time. And, when the market's returns exceed that growth rate, they have always corrected back to that average or lower.

What do we mean by "at a fraction of the risk?"
Well, we have just experienced a dramatic example of market risk in the NASDAQ index. It has dropped over 40% from its market top at the end of March 2000 to the beginning of December 2000. Similar drops in the stock market in the not too distant past were in 1973-1974 and who could forget the 1987 crash. Another terrific example is that of the Japanese stock market, which peaked in late 1989 and is down 51% since then. If you had purchased the well known Nikkei average of the top 225 Japanese companies at the top in 1989 and "held for the long term," now, eleven years later, you would be down 51%!!! That is another dramatic example of risk - **So to us, "a fraction of the risk" is an investment with superior and measurable downside protection** - an investment with much less downside risk than equities in general.

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The two principal types of risk for stocks and bonds and for other assets like real estate are: credit or business risk, and interest rate risk. For example, if interest rates rise, prices of stocks, real estate and bonds, in general, drop. If credit quality or business prospects get worse, the values of stocks, real estate and bonds also drop. Thus, more specifically, an investment "at a fraction of the risk of equities" would be high quality with little risk of credit deterioration and would have little interest rate risk.

Is there an investment with"a fraction of the risk" of equities that still earns the average equity return over long periods of time of around 10%? Our answer is yes, if you are in a high tax-bracket.

If you are in the highest tax bracket, certain AAA-rated, municipal bonds fit the bill. Considering just Federal Taxes, a municipal bond yielding 6.04% has a pre-tax equivalent yield of 10% (6.04%/(1-.396). If you live in California and pay the highest rate of 9.3%, a municipal bond yielding only 5.11% has a pre-tax equivalent of 10% (5.11%/(1-.396-.093). We mitigate interest rate risk by purchasing bonds that have relatively short maturities and large coupons. Every month we purchase high quality, low interest rate risk municipal bonds at 10% pre-tax equivalent yield levels and better. **Our BUY OF THE MONTH and HOW IT STACKED UP columns document purchases that earn equity returns at a fraction of the risk.**

Inside Columns: Where the Value Is
Buy of the Month
How it Stacked Up!

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Where the Value is:

The Bottom Line: The chart below shows that tax-free municipal bonds are a bargain for investors who are in a high tax-bracket. The chart compares a $1 million investment in a variety of U.S. Treasuries and Municipal Bonds. Taking into account federal tax, a one year municipal bond account would yield $4,400 more annually than a U.S. Treasury; using 30 year maturities the annual benefit would be $18,000! This example uses generic municipal bonds with the highest credit rating: AAA, making the credit risk factor comparable to that of a U.S. Treasury. The bottom line for investors in a high tax-bracket is that currently municipal bonds make sense and will easily outperform U.S. Treasuries on an after-tax basis.

	U.S. Treasury		Tax-Free Muni's[2]	Tax-Free Muni vs	Annual Benefit
	Actual	After Tax[1]	AAA-G.O.'s	U.S. Treasury	Tax-Free
1 Year	6.20%	3.75%	4.19%	44 B.P.[3]	**$4,400**
5 Years	5.81%	3.51%	4.39%	88 B.P.	**$8,800**
10 Years	5.85%	3.54%	4.64%	110 B.P.	**$11,000**
30 Years	5.87%	3.55%	5.35%	180 B.P.	**$18,000**

1. Assumes top Federal Tax-Rate fo 39.6% and ignores state taxes.
2. Source: Bloomberg
3. B.P.= Basis Points 1Basis Point = .01%

Equity Size Returns At Your Command!

Do you ever think about the risks taken when investing in the stock market? Investors have little control over the type or amount of risk they take when investing in a company.

risk

Municipal bond characteristics offer different types and levels of risks investors can choose to be a part of, so you are in control of the risks you take on in your investment portfolio.

Stamper Capital specializes in Municipal bond strategies tailored to our client's needs. We educate our clients about the types and levels of risk so they can make smart, well informed decisions about their long-term investment needs.

experience

Stamper Capital has over 16 years experience in different and changing bond markets and offer its expertise and experience at a fraction of the cost of a load mutual fund, starting at a 75 basis point asset management fee.

You have worked long and hard to build a solid portfolio, chances are you will never be able to acquire the amount of money you have saved again in your lifetime, so why risk your hard-earned life savings in the stock market? Call Stamper Capital TODAY to start getting your equity-sized returns at a fraction of the risk! 888-206-6295

rewards

Buy of the Month

For Our Private Accounts

Equity Returns at a Fraction of the Risk!

On December 4th, 2000, we made an exceptional purchase of 65 bonds (65,000 par value) at a compelling level:
+0.76 % to +4.01% more than similar risk U.S. Treasuries (on a pre-tax equivalent basis):

California Fairs Financing Authority 6.625% due 7-1-05
Rated AAA by S&P and by Moody's
Insured by FSA
First Call: 7-1-01 and every six months after to maturity
Sinking Fund begins 7-1-02

Yield to	Date	Tax-Free	Pre-Tax Equivalent	Treasury	Spread	Duration
Call	7-1-01	4.17%	6.90%	6.14%	+76 b.p	0.5years
Maturity	7-1-05	5.79%	9.58%	5.58%	400 b.p.	3.8years
Averg. Life	1-29-04	5.46%	9.04%	5.61%	343 b.p.	3.1years

We made this purchase at 103.312 (103.312% of par), which equates to a respectable 4.17% tax-free yield to the first call date: 7-01-2001 at 100. This level is essentially equal to generic one year municipal bonds; however, if the bond is not called, its yield steps up nicely. If the bond makes it all the way to maturity, the yield is 5.79%, which is attractive given the fairly short 7-1-05 maturity. Importantly, those yields are tax-free. To equate these yields to taxable yields (like a Money Market return), we translate them into pre-tax equivalent yields: dividing by (1-tax rate), using the highest federal income tax bracket of 39.6%. Adjusting the yields by considering only Federal taxes, the pre-tax equivalents are: 6.90% to the first call, 9.58% maturity. As for credit quality, this bond compares favorably to a U.S. Treasury – it is insured by FSA and has the highest rating of AAA from both S&P and Moody's. Because the bond has a sinking fund, we also need to calculate the yield to the Bond's average life based on scheduled sinking fund payments. The table below summarizes these calculations and adds a pre-tax equivalent yield spread to similar interest rate U.S. Treasuries. You can see that **we expect this investment will earn, on a pre-tax equivalent basis, between +0.76% to 4.00% more than a similar risk U.S. Treasury every year!** The pre-tax equivalent yields considering only Federal taxes are a respectable 6.90% for less than one year and 9.04% to the average life. Our client lives in California and this bond is California-state-tax-free. **The pre-tax equivalent yields considering the highest California state tax rate of 9.3% are an exceptional 8.16% to the call, 11.33% to the short maturity, and 10.68% to the average – essentially the average return of the stock market over long periods of time – and with SUBSTANTIALLY LESS RISK.**

How It Stacked Up!

Earning Equity Returns at a Fraction of the Risk!

On April 18, 2000 we bought $80,000 par of the following bond:

Sacramento, CA Redevelopment Agency 6.75% due 11-1-05
Insured by MBIA and rated AAA by S&P and by Moody's
First optional call was on 11-01-00 at 102, callable ever six months thereafter
The Bond has three sinkers: 11-01-03, 11-01-04, and 11-01-05

Yield to	Date	Tax-Free	Fed. & CA Pre-Tax Equivalent	Federal Pre-Tax Equivalent	Treasury	Spread	Duration
First Call	**11-1-00**	**5.12%**	**10.04%**	**8.49%**	**6.13%**	**236 b.p.**	**0.5yrs**
Second Call	05-1-01	5.85%	11.45%	9.52%	6.31%	322 b.p.	0.9 yrs
Maturity	11-1-05	6.15%	12.03%	10.18%	6.31%	387 b.p.	4.4 yrs

This purchase is a good example of earning equity sized returns at a fraction of the risk – 10% or more with low credit risk and low interest rate risk. We purchased the bond at 102.767 (102.767% of par), which equated to an attractive yield of +5.13% tax-free to the then first optional call on 11-01-00 at 102. Because the coupon was relatively low, we thought that the bond had a good possibility of passing that first call. If the bond were to make it all the way to maturity without being called the yield would be 6.15% tax-free. To equate the tax-free yields to a taxable yield (like a CD or Money Market return), we translate it into a "pre-tax equivalent yield" by dividing it by (1-tax rate). We used the highest federal tax of 39.6% for our calculations.

This situation is ideal – we essentially knew the risks and returns when we made the purchase – the table shows various possible outcomes at the time of purchase. **Even if the bond were called on the first call we would easily outperform the market on a risk-adjusted basis.** In fact, the bond was called on the first call date. Accordingly, our pre-tax equivalent total return considering only Federal taxes was 8.49%. However, these bonds are California State tax-free and our client lives in California, so **our client's pre-tax equivalent total return considering both State and Federal taxes is 10.04%, essentially the average annual return of the stock market over long periods of time – achieved at a fraction of the risk!**

Happy Holidays From Stamper Capital !

About Stamper Capital & Investments, Inc.

Institutional & High Net Worth Private Account Portfolio Management

Stamper Capital & Investments, Inc. specializes in fixed-income portfolio management strategies and implementation tailored to each of our client's specifications. In order to help our client's meet their long-term investment goals while maintaining their chosen life-style, 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's 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 could help secure your wealth for your future. Or check out our website at www.risk-adjusted.com.

Our Fund Performance

Stamper Capital & Investments, Inc. has managed the Evergreen High Income Municipal Bond Fund since June 1990. The fund has been repeatedly recognized by Morningstar as a top-performer among its class, with the highest ratings in the current overall, five and ten-year periods and the highest total return for the current year-to-date period. 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 size returns!**

Short-Term Municipal Bond Fund Category, Morningstar Rankings

Period As of 11-30-2000	E.H.I.M.B.F.* Rank	Number of Competitors	Category Average Total Return	E.H.I.M.B.F. Tax-Free Total Returns	Pre-Tax Equivalent Total Return[1]	Morningstar Ratings[2] (5 stars possible)	Percentage Ranking
Year-to-Date	**1**	102	3.65%	6.71%	11.11%		
1 Year	**2**	102	3.92%	6.74%	11.16%		
3 Years	**27**	94	3.20%	3.67%	6.08%	★★★★★	Top 10%
5 Years	**2**	74	3.82%	4.90%	8.11%	★★★★★	Top 10%
10 Years	**1**	15	5.78%	5.78%	9.57%	★★★★★	Top 10%
Overall						★★★★★	Top 10%

*E.H.I.M.B.F. = Evergreen High Income Municipal Bond Fund, subadvised by Stamper Capital & Investments, Inc.

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 the sections "Buy of the Month" & "How it Stacked Up."**

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1. The pre-tax equivalent total returns are figured based on the highest Federal income tax bracket of 39.6%, no state taxes were included in the calculation.

2. Morningstar gives its highest rating of five stars overall and for the three, five and ten years ending November 30, 2000 out of 1476, 1717 and 439 municipal bond funds, respectively to the $360million mutual fund we have managed for over ten years. **The top 10% of the funds in an investment class receive 5 stars.** Morningstar proprietary ratings reflect historical risk-adjusted performance as of November 30, 2000. 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.