The Wealth Preserver

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The Recent Terrorist Acts & Our Financial Forecast

(written September 18, 2001)

With great sadness our hearts go out to those whose family, friends, and acquaintances were negatively affected by the recent terrorist acts. All upright citizens of the U.S. and this world view this act as a tragedy. Unfortunately, in addition to emotional heartache and pain, it will also have economic and financial consequences.

Economic Consequences - The easiest way for us to explain our forecast of the consequences of this terrible act is in broad economic terms. Basically, the destruction of property, in addition to the loss of productivity of the people who died, is a financial loss that will be made up from our future resources. In essence, we will be shifting some assets from the future to repair the present.

However, importantly, we at Stamper Capital were have been forecasting a drop in equity prices and a downturn in the economy for some time. In our "January 2000 Market Commentary (on our website: www.risk-adjusted.com)" we pointed out that "at the 11,000 level on the Dow Jones Industrial Average, valuation levels relative to historical norms are…highly speculative" and "owning the market in general at the…lofty valuation levels is questionable." We also said in reference to high yield junk taxable bonds, "this credit crunch and accompanying spread widening may be the first signs of an economy that is dropping into recession. This change in the market will likely increase its volatility."

Our forecast was (and is) based on the topping of the U.S. stock market which began in early 1998 when the advance/decline line (proportion of stocks going up versus stocks going down) peaked, later confirmed by the top in the NASDAQ in early 2000 and the top in the S&P 500 a month later, both dropping from absurd valuation levels (see our January 2001 article "Money Magazine Predicts Dow Jones Plunge [by] 4,527 to 9,145 points" which would bring the Dow Jones Industrial Average all the way down to the neighborhood of 6,173 and 1,555, respectively). In addition, our forecast was based, in part, on the fact that the junk bond taxable market had been collapsing since June 1998 and is now at a level cheaper (on a yield spread basis) than it was at the bottom of the market in 1989/1990 shortly after Drexel Burnham went bankrupt.

So, we were already forecasting a very very serious drop in equity prices and, while this recent tragedy definitely has specific negative financial impacts, in terms of the entire financial picture of the U.S. and the World, its actual financial effect is not that large. For example, while the direct economic cost is probably around $100 billion, almost $5 trillion of investor's paper wealth had already disappeared from the declining equity markets before this event. Accordingly, we contend the economic downtrend is much deeper than what was caused by this terrible crime – however, it certainly exposed the weakness of the economy. The much larger effect is psychological and it confirms THE THE BULL MARKET IS OVER.

Market action on the first day of trading after the World Trade Towers were destroyed (Monday, September 17, 2001) gave additional confirmation to our view on the market. Previous to this day, while we believed the tops were in for the almost all equity indices including the NASDAQ and the S&P 500, we thought that the Dow Jones Industrial Average might actually barely achieve a new high (so far the Dow has dropped dramatically less that the other major equity indices). With the September 17, 2001 drop down below the previous low of 9106 on March 22, 2001, we now believe

Continued at the top of the next page...

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Continued from first page...

that the Dow Jones Industrial Average did top in January 2000 and is in a sustained down trend. However, in a sustained down trend, there will be significant and sharp rallies. The key is to realize the trend is down.

Thus, to us, the message is clear, we are now definitely heading into a prolonged economic contraction that will result in a dramatic drop in the prices of many financial asset classes including stocks (which are still grossly overvalued and will be much lower a few years from now), lower quality bonds, and the shocker to most – real estate which could lose up to two thirds of its value in those regional areas where it had risen dramatically.

Accordingly, our recommendation is to batten down the hatches, cut expenses, raise cash, lower market exposure to any relatively speculative investments that have been trading in an upward trend over the past few years. We also believe that longer term interest rates could rise, resulting in a drop in the prices of long term high quality bonds. The safest values are shorter term HIGH quality bonds or HIGH quality money market accounts. **We believe SAFETY is the watchword for this decade.**

How it Stacked Up!

On January 11, 1996 we made a par purchase of 15,000 Industrial Development Revenue bonds issued in Ohio. The bonds where dated August 1985 and had a large coupon of 10.125%! Importantly, at the time of purchase the bonds where rated A by S&P.

We made our client's purchase at a yield to maturity of 9.285%. Of course at that time it wasn't so unusual to see bonds paying such high coupons. In this particular instance the bonds did not make it to maturity, but got called at the first call, on August 1, 2001. The actual yield to the call worked out to be 8.612%. That's hard to beat when you consider the minimal risk our client took in this purchase.

When we compare this Municipal Bond Yield to Treasury Returns over the same period we begin to see how munis really stack up against other market opportunities with similar risk levels. Over the same period of time our client owned the above bond, US Treasuries yielded 5.481%, that's right, the municipal bond our client owned yielded 3.131% more than the US Treasury over the same period of time. To compare these yields on a pre-tax basis, we add federal taxes back to the municipal, since municipal bonds are tax-free. T**he pre-tax equivalent return for the bond our client owned was 14.03%, 8.55% MORE than the US Treasury return over the same period!**

As you can see in the above example, **our** municipal bonds offer many advantages; low risk levels, high pre-tax equivalent returns and tax-free income!

Franklin County Ohio Indl. Dev. Revenue
10.125% Coupon
8/1/2015 Maturity
First Call 8/1/01
Yield to First Call: 8.612%
Rating: A (by S&P)

Yield To	*Date*	*Tax-Fee*	*Fed Pre-Tax Eq*	*Treasury*	*Spread*	*Duration*
Maturity	8/1/15	9.29%	15.12%	5.48%	964 b.p.	19.6yrs
First Call	8/1/01	8.61%	14.03%	5.96%	807 b.p.	5.6yrs

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 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 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.

Where the Value Is...

It's time, once again to look at where the value is among US Treasuries and AAA rated Municipal Bonds. We have made a chart for you printed below to follow where the value is. As you will see, municipals turn out to **not** be the best value for the shortest period of 2 years. On an after tax basis, the US Treasury's return are 2.94% whereas the Municipal Bond return was 2.68%.

On that note, we'd like to remind our readers that the Municipals we are using for this comparison are rated AAA, that's the highest rating possible and the most equivalent in terms of risk when comparing them to US Treasuries. However, municipal bonds are not cut and dry and often we come across bonds that may have a slightly lower rating but are still considered very safe, either via insurance or security by a first mortgage lien etc.

US Treasuries vs Muni Bonds on a Pre-Tax Basis

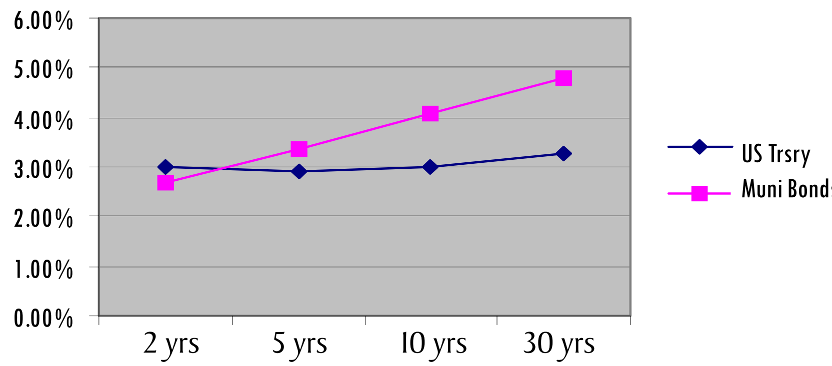
	U.S. Treasury Actual	Tax-Free Muni's[2] AAA-G.O.'s	Pre-TaxEquiv. Muni Bonds	Muni Pre-Tax vs. U.S. Treasury
2 Year	4.86%	2.68%	4.36%	-.30 B.P.
5 Year	4.75%	3.34%	5.44%	42 B.P.
10 Year	4.91%	4.08%	6.64%	106 B.P.
30 Year	5.34%	4.81%	7.83%	153 B.P.

1. Assumes top Federal Tax-Rate fo 38.6% and ignores state taxes.
2. Source: Bloomberg
3. B.P.= Basis Points 1Basis Point = .01%

As you will see from the chart & graph above, the yield difference between the two types of investments only increase as the length of the securities increase. The 5-year AAA rated Municipal Bond pays .42% more than the US Treasury, **over the 5-year period the interest equates to be $21,113 more from the Municipal Bond than the US Treasury.** As you can imagine the difference only increases, **by the thirty-year period the yield spread is 1.53%, working out to be $459,188 more the Municipal Bond would earn over the US Treasury.** That's half the principal, and don't forget, we didn't compound the interest! You could only imagine what a difference that would be!

In conclusion, once again the values offered by Municipal Bonds are simply irresistible compared to US Treasuries. So the next time you're in the market for Municipal Bonds, be sure to call your Muni Bond Specialists, Stamper Capital & Investments, Inc.!

US Treasuries vs AAA-Rated Municipal Bonds



Equity-Sized Returns At Your Command!

risk

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.

Municipal bond characteristics offer different types and levels of risks, so you are in control of the risks you undertake in your investment portfolio.

Stamper Capital specializes in Municipal bond strategies tailored to our clients' 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 offers 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

★★★

Our Fund Performance

Stamper Capital & Investments, Inc. has managed the Evergreen High Income Municipal Bond Fund since June 1990. The $500 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 8-31-01	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	Morningstar Ratings[2] (5 stars possible)	Percentage Ranking
1 Year	**1**	112	6.51%	8.38%	13.64%		
3 Years	**13**	103	4.06%	4.57%	7.44%	★★★★★	Top 10%
5 Years	**3**	88	4.57%	5.53%	9.01%	★★★★	Top 22.5%
10 Years**	**4**	19	5.07%	5.66%	9.22%	★★★★★	Top 10%
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.

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 article "How it Stacked Up."**

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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 August 31, 2001 out of 1660, 1436 and 468 municipal bond funds, respectively to the $590 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 August 31, 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.