The Monthly Mi$er

A Publication of Stamper Capital & Investments, Inc.
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March 2001

Cushion Bonds

The best combination of reward for the risk!

Cushion Bond Basics – A cushion bond is a big coupon bond that has a short call. If the bond was not callable, it would be trading at a very high dollar price; however, because it can be called away at the call price, it trades much lower. The difference between where it would trade if it were noncallable and where it actually trades (lower because of the possible call) is the "cushion."

An example explains it best – On September 14, 1999 we bought:

Concord, California Redevelopment Agency 8% due 7-1-18
Ratings: Aaa by Moody's and AAA by S&P
Insurance: BIG
Call Schedule: First call on 7-1-98 at 102, every 6 months thereafter
Declining to 100 on 7-1-00
Sinker: First sinker is on 7-1-08

Price bond would trade at if non-callable:	129.300
Price at which bond traded:	102.188
Difference = the "Cushion"	***27.113***

Here is the key - because the bond's next stated call, at the time of purchase, was 1-1-00 at 101, the bond could not trade much higher than the price that it could be taken away at, 101. We made our purchase at a 3.74% yield to the 1-1-01 call. If the bond was not called and made it all the way to maturity, the yield would have been 7.775% and the dollar price would have been 102.188. At the same time, noncallable AAA-rated bonds with an 18-year maturity were yielding 5.48%. Using that yield, if the bond had no stated call, at a 5.48% yield to maturity it would have traded at a 129.3dollar price.

The difference of 27.113 points between 129.3 and 102.188 is the "cushion." Thus, the market in general could fall by around 27 points (tax- free interest rates go up by 2.27% points from 5.48% to 7.75%) before this bond would drop in price. Therefore interest rates could rise dramatically before this bond would drop in price.

The Good Part – If the bond had been called to the short call on 1-1-00, it would have returned 3.74% (annualized) . This level was better than AAA-rated money market instruments, and 3.74% is a 6.19% pre-tax equivalent, if you are in the highest tax bracket of 39.6%.

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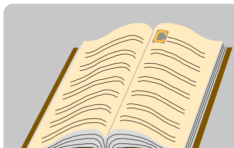

Definition of the Month: Just what exactly is a "call"?

A call is when the issuer of bonds has the option to redeem outstanding bonds before their scheduled maturity, on specific dates and at predetermined levels. The issuer must pay the bondholder a premium if the bonds are called away before the maturity date.

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The Best Part – The bond was not called and is still outstanding. Thus, we earned dramatically more than the market expected for this bond. We bought it as if it were going to be called. It was not called and we are earning that huge 8% tax-free coupon for much longer than the market expected.

Yield to	Date	Tax-Free	Federal Pre-Tax Equivalent	Treasury	Spread	Duration
Next Call	1-1-00	3.74%	6.19%	4.96%	123 b.p.	0.3 years
SO FAR	**7-1-01**	**6.67%**	**11.05%**	**5.69%**	**536 b.p.**	**1.6 years**
Maturity	7-1-18	7.78%	12.87%	6.53%	634 b.p.	9.5 years
Avg. Life	11-23-06	10.09%	16.71%	5.15%	1156 b.p.	4.3 years

The above chart shows the possible yields or returns at the time of purchase. You can see that since the bonds are still outstanding and now cannot be called until 7-1-01 the position will earn a minimum of 6.67% tax-free, 11.05% pre-tax equivalent and 5.36% points more than similar risk U.S. Treasuries.

The Very Best Part – Earning the 11.05% pre-tax equivalent, that is 536 basis points better than similar risk U.S. Treasuries, was achieved with minimal risk. The bond has minimal credit risk as evidenced by its AAA credit rating and has 27 points of cushion to protect it from increase in rising interest rates. Not only does it have minimal credit risk, it has minimal interest rate risk too!

Finally, while the bond has some call risk (it can be called every six months at 100), the return, if it is called, still outperforms similar risk investments with the upside that it will *dramatically* outperform.

This example shows how we use cushion bonds to earn equity-sized returns by taking a fraction of the risk of the stock market.

Buy of the Month

For Our Private Accounts

Equity-Sized Returns at a Fraction of the Risk!

On January 31,2001 we made an exceptional purchase of 55 bonds ($55,000 par value). This position has a bit lower credit quality than most of the other purchases we have highlighted so the yields are even higher and can more easily be compared to equity returns.

Albuquerque, NM Lovelace Medical 10.25% due 3-1-11
Rated A by Moody's, not rated by S&P
No insurance
First Call on 3-1-91 at 102 and continuously thereafter, dropping to 100 on 3-1-95
Sinking Fund began on 3-1-85, annually thereafter

Yield to	Date	Tax-Free	Equivalent	Federal Pre-Tax Treasury	Spread	Duration
Next Call	4-2-01	5.90%	9.77%	5.05%	472 b.p.	0.1 years
Maturity	3-1-11	10.14%	16.79%	5.15%	1164 b.p.	6.0 years
Avg. Life	11-23-06	10.09%	16.71%	5.15%	1156 b.p.	4.3 years

We made our purchase at a tax-free 5.90% yield to the next stated par call on 4-2-01and a tax-free 10.14% to maturity. Importantly, these rates translated into pre-tax equivalents of 10.05% and 16.79%, respectively (see below). Thus, the yields are considerably better than U.S. Treasuries, which are yielding a maximum of 5.40% for thirty years! And, of course, the risk is dramatically lower than the stock market, which historically has delivered long-term average annual returns of only 10% to 11%.

This bond is a first mortgage on a medical facility located in Albuquerque, New Mexico. The bond was originally rated A by Moody's in 1983 and has not been re-rated since then. However, we believe the credit quality is actually higher for a couple of reasons.

First, the sinker has been paying down secured debt since 1983, thus, leaving more security per secured debt. Collateral coverage of our secured debt is currently estimated at 1.4x. In real estate terms that would be a "loan to value ratio" of 71% (1/1.4). Thus, coverage is quite strong.

In addition, the position was originally guaranteed by Lovelace, which was a subsidiary of CIGNA ("CI"-NYSE), the $17 billion insurance company. A few years ago CIGNA absorbed Lovelace and the bonds are now guaranteed by CIGNA. Moody's rated the bond A+and S&P rate CIGNA's senior unsecured debt A3. Our bonds are secured so they would most likely have a somewhat higher credit rating if their rating were updated.

Buy of the Month (continued)...

Purchase Summary in Dollars

(Annualized dollar returns on $55,000 investment)

Yield to	Date	Tax-Free	Federal Pre-Tax Equivalent	Treasury	Pre-Tax Out performance of U.S. Treasuries
Next Call	4-2-01	$3, 245	$5,373	$2,778	$2,595
Maturity	3-1-11	$5,577	$9,235	$2,833	$6,402
Avg. Life	11-23-06	$5,549	$9,190	$2,833	$6,357

From the tables, you can see that this investment should easily outperform U.S. Treasuries (while taking some additional credit risk). In yield terms the outperformance should be 5% points to 11.56% on a pre-tax equivalent basis. In dollar terms (pre-tax, annualized), the out performance should be between $2,595 and $6,357 better than being in U.S. Treasuries. And, of course, the pre-tax returns of 10.05% to 16.71% are equal to or more than the stock market returns over long periods of time, with substantially less risk.

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 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

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 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'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 $410 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 2-28-01	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[1]	Morningstar Ratings[2] (5 stars possible)	Percentage Ranking
1 Year	**2**	102	6.35%	9.55%	15.81%		
3 Years	**39**	95	3.59%	4.00%	6.62%	★★★★★	Top 10%
5 Years	**2**	74	4.06%	5.15%	8.52%	★★★★★	Top 10%
10 Years**	**1**	18	5.15%	5.92%	9.80%	★★★★★	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 "Buy of the Month" section.**

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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 February 28, 2001 out of 1694, 1451 and 439 municipal bond funds, respectively to the $410 million 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 February 28, 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.