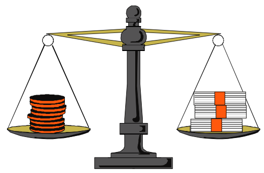
The Monthly Mi$er

A Publication of Stamper Capital & Investments, Inc.

www.risk-adjusted.com

November2000



Just what is risk-adjusted performance? And why is it important?

Risk-Adjusted performance is measuring the return of an investment after a risk-adjustment - having the highest risk-adjusted return means getting the most return for the amount of risk taken. The best known measure of risk-adjusted performance is Morningstar's star-based mutual fund rating system. You have probably seen lots of advertisements telling of ★★★★★ (5 Star) performance of specific mutual funds – essentially touting that a five-star fund's performance is in the top 10% of its competitors on a risk-adjusted basis.

First we must ask: Are there other performance measures?

Yes, the other primary measure of performance is total return, on an absolute basis, meaning with no adjustment for risk. A simple example is contained in the chart below and the graph on the next page. They demonstrate the values of three investments over time and at the end of ten successive years. The No-Risk investment earns a constant 10% return each year, and the Low and High Risk investments bounce around depending on market conditions. Notice that all three investments are worth the same amount at the end of the ten-year period. The difference is in the variability of the returns – you might be able to see this concept more easily in the graph on the following page. The Low-Risk investment return varies between positive and negative in a less volatile way than the High-Risk investment. The High-Risk investment return often drops, going negative, and then recovers higher, back and forth but ultimately ends up the same as the other two at the end of year ten.

Investment Value at the End of Each Year

	Now	One	Two	Three	Four	Five	Six	Seven	Eight	Nine	Ten
No-Risk	$100	110	121	133	146	161	177	195	214	235	$259
Low-Risk	$100	122	130	119	165	145	160	180	225	220	$259
High-Risk	$100	72	150	170	118	110	230	210	175	195	$259

Some examples of these types of investments are:

No-Risk Investment:	1 Year U.S. Treasury Bill
Low-Risk Investment:	10 Year Corporate Bond, Rate A
High-Risk Investment:	Portfolio of DOT.COM stocks

Using "absolute total return" and measuring over the entire ten-year period, the investments rank evenly in attractiveness with all three earning 10% compounded annual rates of return over the ten-year holding period. However, because of the wide variety in the total returns between the periods, the No-Risk investment is clearly the most attractive and the High-Risk investment the least attractive. Think of it this way: if you were going to ultimately get the same return, wouldn't you want the most stable and predictable return? **Importantly, it is the variability of return and the accompanying uncertainty that is addressed by the risk adjustment in risk-adjusted performance.**

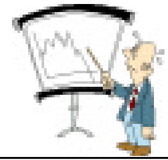
(continued on the top of next page.....)

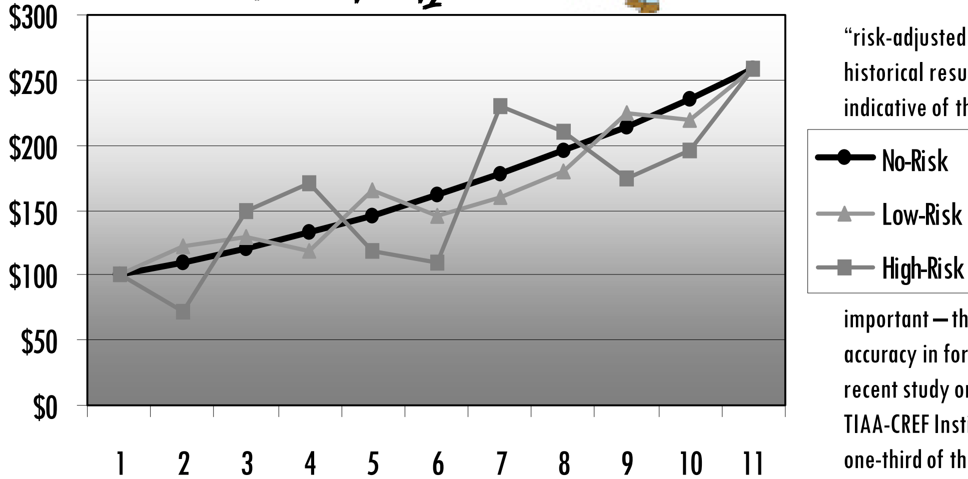
Inside Columns: Where the Value Is
Buy of the Month
How it Stacked Up!

Stamper Capital & Investments, Inc.
1011 Forty-First Ave., Suite A Santa Cruz, CA 95062
www.risk-adjusted.com 831.465.7330

Front Page Article Continued...

Investment Volatility





In order to determine risk-adjusted returns, investment professionals use statistical and mathematical models to determine returns after risks are equalized. But, we can think of it conceptually too: If the Low-Risk investment returns are levered up by using the investment as collateral on a loan, which is used to purchase more of the same investment (essentially margin credit), until the variability is the same as the High-Risk investment's and the return of the investment is expected to be greater than the cost of borrowing. Thus, if the Low-Risk investment were levered up until its variability of returns equaled those of the High-Risk investment, its compounded annual total return could potentially be 18% (depending upon the cost of borrowing), so on a risk-adjusted basis, the Low-Risk investment is dramatically more attractive than the High-Risk investment in our example.

Short Comings of Performance Measurement as an Indication of Future Performance – Both "absolute total return" and "risk-adjusted performance" are calculated on historical results which are not necessarily indicative of the future. The consistency and discipline of the investment approach and the length of the time period over which the returns are calculated is important – the longer the better for more accuracy in forecasting. For example, a recent study on Morningstar ratings by the TIAA-CREF Institute confirmed that only about one-third of the five-star or four-star mutual funds stay in those upper ranks – at some time the rest fell to the three-star level or below. It concluded that "The longer a fund has a high rating, the less likely it is to drop down.

At Stamper Capital we have achieved our top five-star, risk-adjusted performance ratings (over ten-years) by consistently making decisions based on the upside potential and downside protection of each investment relative to credit quality, security characteristics and alternatives in the general markets. We find it intellectually and intuitive, that this method will continue to result in top risk-adjusted performance for our clients.

Buy of the Month

For Our Private Accounts

On November 1, 2000, we made an exceptional purchase of an attractive odd-lot (small piece) at an especially compelling level: we made this purchase at 100.5 (100.5% of par), which equates to a respectable 4.58% tax-free yield to the next call date: 1-01-2001 at 100. If the bond makes it all the way to maturity, and we think it will since the first possible call was passed in 1998, the yield to maturity is a very attractive 7.95%. Importantly, those yields are tax-free. To equate these yields to taxable yields (like a CD or a Stock Market return) we translate them into pre-tax equivalent yields: divide by (1-tax rate). We used the highest federal income tax bracket of 39.6% for our calculations. Adjusting the yields only considering Federal taxes, the pre-tax equivalents are: 7.58% to the current call and 13.15% to maturity. 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 average maturity of the bond when considering the scheduled sinking fund payments is 4-04-14; our purchase is a tax-free 7.94% yield to that average life or a 13.14% pre-tax equivalent.

Concord, CA tax Allocation, Unrefunded Balance 8% due 7-1-18
Rated AAA by S&P and Moody's
Insured by BIG
First Call was 7-1-98, and every six months since then to maturity
Sinking Fund begins 7-1-18

Yield to	Date	Tax-Free	Pre-Tax Equivalent	Treasury	Spread	Duration
Call	1-1-01	4.58%	7.58%	6.47%	111 B.P.	0.2 Years
Maturity	7-1-18	7.95%	13.15%	5.92%	723 B.P.	9.1 Years
Average Life	4-4-14	7.94%	13.14%	5.82%	732 B.P.	7.8 Years

As for credit quality, this bond compares favorably to a U.S. Treasury – it is insured by BIG and is rated AAA by both S&P and Moody's, so it is safe.

The table summarizes these calculations and adds a pre-tax equivalent yield spread to similar maturity U.S. Treasuries – Generally, the wider the spread the better:

From the chart you can see that **we expect this exceptional investment will earn, on a pre-tax equivalent basis, between +1.10% to +7.23% more than a similar risk U.S. Treasury every year, which is outstanding.** The only shortcoming is: because the bond can currently be called, its price will not go up if interest rates in general go down. However, we think this lack of upside potential is more than offset by the superior downside protection from rising interest rates provided by the exceptionally high yields. We believe this position will easily outperform almost all other investments on a risk-adjusted basis unless the market goes straight up.

How It Stacked Up!

Over a year ago, on April 27, 1999 we bought a bond similar to the Buy of The Month, we purchased the bond at 101.726 (101.726% of par), which equated to a slightly positive yield of +0.52% to the first optional call on 6-1-99 at 101. Importantly, the bond we bought was insured by MBIA and is rated AAA. If the bond were to make it all the way to maturity without being called the yield would be 7.15% tax-free. To equate the 7.15% tax-free yield to a taxable yield (like a CD, or a Stock Market return), we translated 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. Adjusting the yields by considering only Federal taxes, the pre-tax equivalent yields are: +0.86% to the first call and 11.84% to maturity. Thus, if the bond got called immediately, we would have earned only a bit; but, for every month the bond was outstanding, we got that large 7.375% tax-free coupon and the yield steps up. In fact, if the bond was outstanding for just three months past our purchase, the tax-free yield (annualized total return) would have been 4.44% or 7.35% pre-tax equivalent – and the bondholder would have outperformed almost all investments on a risk adjusted basis. The table summarizes these calculations at the time of purchase.

Loma Linda, CA Collateralized Mutlifamily Housing 7.375% due 6-1-09
Insured by MBIA and rated AAA by S&P and by Moody's
First optional call was on 6-1-99 at 101, dropping to par
The Bond has three sinkers: 6-1-99, 6-1-04, and 6-1-09

Yield to	Date	Tax-Free	Pre-Tax Equivalent	Treasury	Spread	Duration
First Call	6-01-99	0.52%	0.86%	4.65%	-379 b.p.	0.1 years
Two Mo.	7-01-99	3.16%	5.23%	5.74%	-51 b.p.	0.1 year
Three Mo.	8-01-99	4.44%	7.35%	5.75%	+163 b.p.	0.2 years
SO-FAR	**10-27-00**	**6.32%**	**10.46%**	**6.40%**	**+406 b.p.**	**1.4 years**
Maturity	6-01-09	7.15%	11.84%	5.22%	+662 b.p.	6.9 years

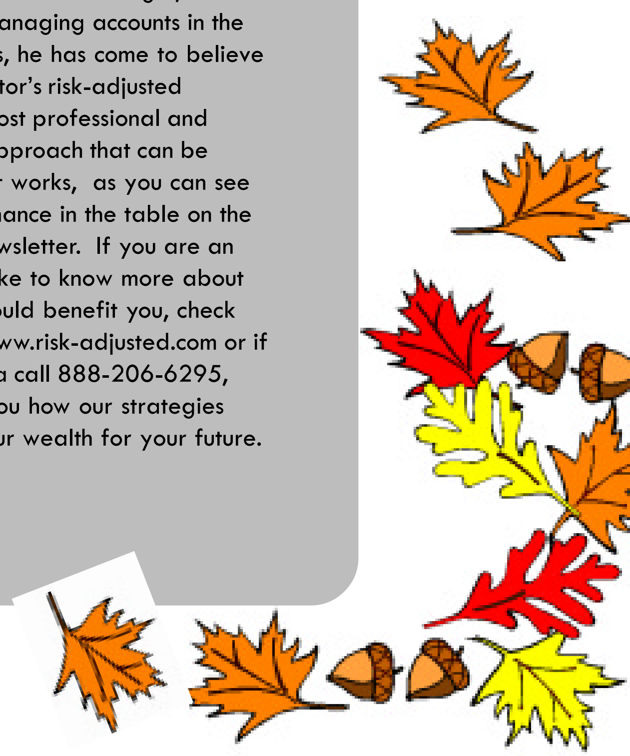
Importantly, this position is still outstanding – our annualized tax-free total return over our current 19 month holding period is a tax-free 6.32% (using the conservative current valuation of 100.26) – that works out to a 10.46% pre-tax equivalent or about +4.06% more than nineteen month U.S. Treasuries at the time of our purchase. This bonds is a $40,000 position so our out-performance translates into an equivalent additional pre-tax income of $1,840 for one year. If the bond had been called immediately the downside would have been that we under-perform for a month - but the bonds are still outstanding and this position is going to continue outperforming the markets dramatically. By the way, the average annual return of the stock market over a long period of time is about 11%, we have almost matched that at a very small fraction of the risk!

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 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'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. If you are an investor and would like to know more about how our strategies could benefit you, check out our website at: www.risk-adjusted.com or if you'd rather, give us a call 888-206-6295, we'd love to teach you how our strategies could help secure your wealth for your future.



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. More information about Stamper Capital & Investments, Inc. can be found at its website, www.risk-adjusted.com.

Short-Term Municipal Bond Fund Category, Morningstar Rankings

Period As of 10-31-2000	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]	Percentage Ranking	Morningstar Ratings[2] (5 stars possible)
Year-to-Date	**1**	102	3.65%	6.71%	11.11%		n/a
1 Year	**2**	102	3.92%	6.74%	11.16%		n/a
3 Years	**27**	94	3.20%	3.67%	6.08%	Top 20%	☆☆☆☆
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."**

Stamper Capital & Investments, Inc.
1011 41st Ave., Suite A
Santa Cruz, CA 95062

www.risk-adjusted.com

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 five and ten years ending October 31, 2000 out of 1473 and 435 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.** The next 22.5% receive four stars. Our rating for the three-year period is 4 stars out of 1720 funds. Morningstar proprietary ratings reflect historical risk-adjusted performance as of October 31, 2000. The ratings are subject to change every month. Morningstar ratings are calculated from the Funds 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.