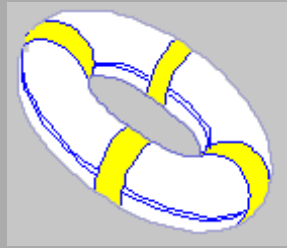


# The Wealth Preserver

A Publication of Stamper Capital & Investments, Inc.  
[www.risk-adjusted.com](http://www.risk-adjusted.com)



April 2001

## WHERE THE VALUE IS

Municipal bonds clearly present a value considerably better than U.S. Treasuries. The chart below, as of 4-12-01 proves it! Importantly, the chart is for generic AAA-rated General Obligation Municipal Bonds.

	U.S. Treasury		Tax-Free Muni's <sup>2</sup>	Tax-Free Muni vs U.S. Treasury	Annual Benefit Tax-Free
	Actual	After Tax <sup>1</sup>	AAA-G.O.'s		
1 Year	4.12%	2.49%	3.27%	78 B.P. <sup>3</sup>	\$7,800
5 Years	4.76%	2.88%	3.82%	95 B.P.	\$9,500
10 Years	5.16%	3.12%	4.40%	128 B.P.	\$12,800
30 Years	5.60%	3.38%	5.12%	173 B.P.	\$17,300

1. Assumes top Federal Tax-Rate fo 39.6% and ignores state taxes.

2. Source: Bloomberg

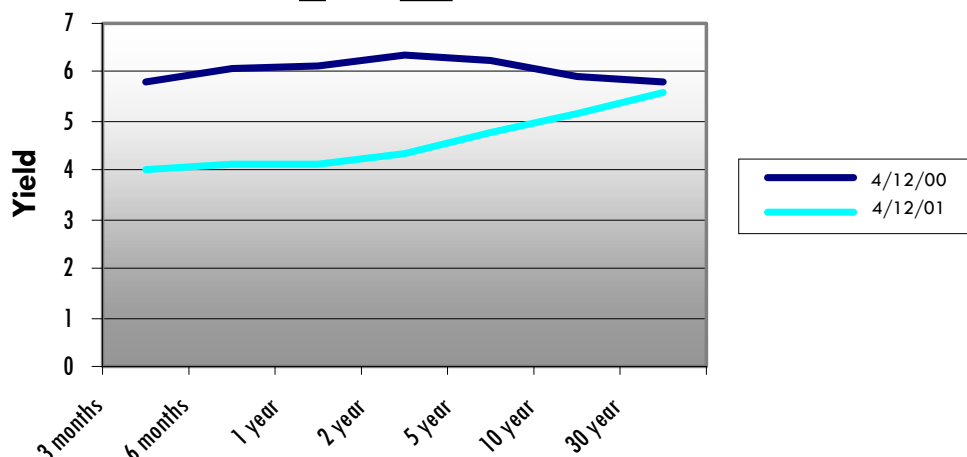
3. B.P.= Basis Points 1Basis Point = .01%

**The special, non-generic municipal bonds that Stamper Capital & Investments purchases for its clients offers considerably more value than the generic yields in the chart above - see "Buy of the Month" and "How it Stacked Up!"**

Also noteworthy is the fact that the yields for short-term U.S. Treasuries and most other generic bonds of high quality have dropped dramatically as the Federal Reserve Bank has lowered short-term interest rates. Look at how the yield curve has changed:

The graph shows that short-term interest rates have come down 1.82 percentage points over the past year, from 5.82% to 4.0%.

### HISTORICAL U.S. TREASURY YIELD CURVE



The key to smart investing right now is finding safe investments that offer reasonable long-term returns. While generic municipal bonds are much more attractive than U.S. Treasuries, the special municipals that we have been purchasing and continue to purchase for our high net

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# Buy of the Month

For Our Private Accounts

## Equity-Sized Returns at a Fraction of the Risk!

On March 28, 2001 we made a \$50,000 par purchase that we expect will achieve equity-sized returns at a fraction of the risk of stocks. The bond has a high credit rating of Aaa/AAA and is guaranteed by the underlying municipal authority's sales tax revenues, its credit risk is minimal because it is insured by both FGIC and MBIA. The interest rate risk is also low as it is a "cushion bond" whose dollar price will hold up even with a rise in interest rates (see below).

We made our purchase at \$102.5 or tax-free 3.907% yield to the first stated call on 7-1-01 and a tax-free 6.22% to its intermediate maturity. Importantly, these rates translate into Federal pre-tax equivalents of 6.47% and 10.30%, respectively (see table below). The yields are considerably better than U.S. Treasuries, which are yielding a maximum of 5.29% for fifteen year paper!

Los Angeles County, CA Transportation Sales Tax Revenue  
 Yield 6.50% due 7-1-15  
 Rated Aaa by Moody's and AAA by S&P  
 FGIC and AMBAC insured  
 First Call: 7-1-01 at 102, dropping to 100 on 7-1-03, 15.8%  
 of the bond has already been called on 7-1-01@102  
 Sinking Fund: One payment on 7-1-14

**Low interest rate risk** - The position also has much lower interest rate risk than a fifteen year treasury. The bond will hold up very well if interest rates rise. If the bond was non-callable, it would yield about 4.74% to maturity for a dollar price of 118 points. Thus, the bond market in general could fall 15.50 points (118 less the purchase

			Fed & CA Pre-Tax Equivalent	Federal Pre-Tax Equivalent	Treasury	Spread	Duration
Yield to	Date	Tax-Free					
Next Call	7-1-01	3.91%	7.65%	6.47%	4.42%	205 b.p.	0.2 years
Maturity	7-1-15	6.22%	12.17%	10.30%	5.29%	501 b.p.	9.0 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%.

Importantly, these bonds are California state tax-free. Our client lives in California so his pre-tax equivalent yields considering Federal and CA State taxes are 7.65% to the less than one year call, 12.17% to the intermediate maturity.

price of 102.5) before this bond's price would drop much.

**Low call risk** - We believe that a substantial portion of this bond will not be called on the first call date. We have reached this conclusion because 15.80% of the issue has already been pre-refunded to that date – the question is, "why did they not prerefund the entire position?" We do not know the answer, but, based on

Purchase Summary in Dollars						
(Annualized dollar returns on \$50,000 investment)						
Yield to	Date	Fed & CA Pre-Tax Equivalent	Treasury	Pre-Tax Out performance of U.S. Treasuries	Investment Life	Pre-Tax Outperformance Of U.S. Trsy's
Next Call	7-1-01	\$3,825	\$2,210	\$1,615	6 months	<b>\$807.50</b>
Maturity	7-1-15	\$6,085	\$2,645	\$3,440	15 years	<b>\$51,600.00</b>

our experience, in situations like this, calls are dramatically less likely, and either way, the bond performs exceptionally well.

**More yield** - From the above table, you can see that this investment should easily outperform U.S. treasuries (while having minimal additional credit risk). In yield terms the out performance should be 2.05 percentage points to 5.01 percentage points on a pre-tax equivalent basis adjusted for Federal taxes.

**More dollars** - In dollar terms (pre-tax equivalent, annualized), the out performance should be between \$1,615 and \$3,440 more than if invested in U.S. Treasuries. **Over the life of the investment, it will outperform U.S. Treasuries by \$807.50 for six months, up to \$51,600 over fifteen years! – with less interest rate risk!**



# How it Stacked Up!



On March 24, 2000 we made an attractive \$55,000 purchase that had the potential to achieve equity-size returns without the risk. The purchase, even on a worst cast basis, easily outperformed market alternatives.

We made our purchase at a tax-free 4.77% yield to the next call at 102 on 8-1-00 and a tax-free 7.05% to its intermediate maturity. These rates translate into Federal pre-tax equivalents of 7.90% and 11.67%, respectively (see table). These yields were considerably better than U.S. Treasuries at that time; our purchase yield was 1.72 percentage points more than U.S. Treasuries due 8-1-00 and 5.17 percentage points more than U.S. Treasuries due 8-1-06.

Mahoning Cnty, Ohio Sanitation System 7.5% due 2-1-09  
 Rated Aaa by Moody's and AAA by S&P  
 Insured by BIG  
 Calls: 2-01-00 at 102, continuously thereafter,  
 dropping to 101 on 2-01-01 and to 100 on 8-01-01  
 Sinking Fund: 1st payment on 2-01-01 at par, annually thereafter

			Federal Pre-Tax				
Yield to	Date	Level	Tax-Free	Equivalent	Treasury	Spread	Duration
Next Call	8-1-00	102	4.77%	7.90%	6.18%	172 b.p.	0.3 years
First Sinker	2-1-01	100	4.00%	6.62%	6.41%	21 b.p.	0.8 years
<b>Actual</b>	<b>2-1-01</b>	<b>101</b>	<b>5.14%</b>	<b>8.50%</b>	<b>6.41%</b>	<b>209 b.p</b>	<b>0.8 years</b>
Maturity	8-1-06	100	7.05%	11.67%	6.50%	517 b.p.	7.1 years

called on 2-1-01 at 101 for a tax-free 5.14% return, 8.50% pre-tax equivalent; beating a similar interest rate risk U.S. Treasury by 2.09 percentage points. A small portion of the investment or \$5,000 par was sunk on 2-1-01 at par but it still achieved a tax-free 4% yield, 6.62% pre-tax equivalent and outperformed similar risk U.S. Treasuries by 21 basis points. Importantly, this easy out-performance of U.S. treasuries was achieved with almost

This investment performed better than the worse case scenario but did not reach the best case scenario of maturity. Most of the investment or \$50,000 par was

identical credit risk and interest rate risk, and the investment had the potential to return the stock market's average annual return over long periods of time of 10-11%!

## 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.

**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.

**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

## 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 will help secure your wealth for your future, or check out our website at [www.risk-adjusted.com](http://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](http://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 3-30-01	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 <sup>1</sup>	Morningstar Ratings <sup>2</sup> (5 stars possible)	Percentage Ranking
1 Year	6	102	6.70%	8.13%	13.46%	★★★★★	Top 10%
3 Years	56	91	3.98%	3.93%	6.51%	★★★★★	Top 10%
5 Years	2	76	4.29%	5.28%	8.74%	★★★★★	Top 10%
10 Years**	1	18	5.10%	5.92%	9.80%	★★★★★	Top 10%
Overall						★★★★★	Top 10%

\*E.H.I.M.B.F. = Evergreen High Income Municipal Bond Fund, subdivided 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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## Preserving Your Wealth While Getting You Potential Double Digit Returns!

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<sup>1</sup> 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.  
<sup>2</sup> Morningstar gives its highest rating of five stars overall and for the three, five and ten years ending March 31, 2001 out of 1692, 1452 and 438 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 March 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.