

“Our Clients’ Past Successes are Not Necessarily Indicative of Future Successes.”

## **Stamper Capital & Investments, Inc.**

“Focusing on Upside Potential with Downside Protection Since 1995.”

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### **THE BOND BUYER**

#### ***Channeling New Money to High Yield Debt Kept Fund Aloft***

By Daniel Kruger | 01-30-1997

For the \$160 million Davis Tax-Free Income fund, an emphasis on housing and industrial development revenue bonds produced strong performance, according to manager Clark Stamper, president of Stamper Capital & Investments, Inc.

Performance "consisted of owning a lot of the right bonds, a lot of big-coupon bonds, and having very, very good timing on the fringe," he said. "It's not like I hit a lot of big home runs, it's like I hit a whole bunch of doubles."

The 6.36% total return of the fund's \$45 million of A shares was fourth-highest in Lipper's high-yield group. The fund's 5.94% yield, however, was two basis points behind the peer group average.

Stamper has also drawn on his knowledge of other markets to boost the fund's return.

For example, he said, he relies on his experience running mortgaged-backed funds when buying municipal housing bonds.

"I found that the calls in the generic, taxable Ginnie Mae and Freddie Mac market are much more severe than they are in the muni market," Stamper said, referring to the General National Mortgage Association and Federal Home Loan Mortgage Corp.

In November, he bought double-A rated Michigan State Housing Development Authority bonds due in 2019 in the secondary market. The bonds carried a 7.75% coupon, and yield 7.18% to an 2002 call and 7.50% to maturity.

The bond has some call risk, Stamper acknowledged. But he contrasted the bond with an A-rated, new issue general obligation due in 2002 yielding about 4.25%.

Likewise, Stamper's experience managing a taxable junk-bond fund has helped him assess industrial development revenue bonds, he said.

For example, deals like a non-rated Pine Bluff, Ark., issue for Coltec Industries come to market only about once a month, Stamper said. He bought hose bonds due in 2009 and carrying 6.50% coupons at a 6.90% yield. But Coltec's corporate debt is rated double-B, he noted.

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Stamper sold many of the IDRs he bought during the year at significant price gains. But the fund's core, comprising 60% to 70% of its holdings, is there to stay.

"I probably would never sell because I know I couldn't get them back," he said. "Each bond has a special quirk to it - the call or it has a put or the way the sinker works."

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