The Monthly Mi$er

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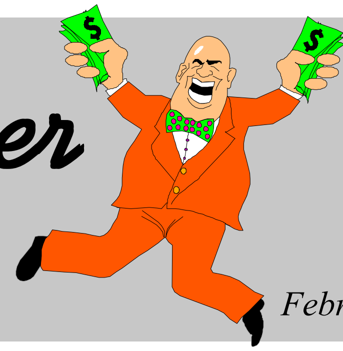


Optimal Portfolio Allocation

The Best Tax-Efficiency and Return per Equal Amount of Risk

Here is an important question for all investors: **What is the optimal portfolio allocation between stocks and bonds and which types of stocks and bonds would it contain?** A twenty-year in depth study routinely published by Richard Harper of John Nuveen Company presents us with the answers. In the following article we have tried to simplify the study for you while continuing to provide the pertinent information.

The table below shows the after-tax returns achieved for various mixes of equities and three fixed income categories over the twenty-year period ending 12-31-99. From the table you can see that you can lower your investment risk quite a bit without giving up that much in after-tax income by raising your proportion of bonds versus stocks . For example, if you were to drop from 100% stocks to 80% stocks and 20% municipal bonds, your after-tax income would drop from 13.88% to 13.16%; however, the risk you were taking would intuitively drop by a greater amount – the return is dropping only 5% and you are lowering your percent of risky stocks into safer bonds by 20%.

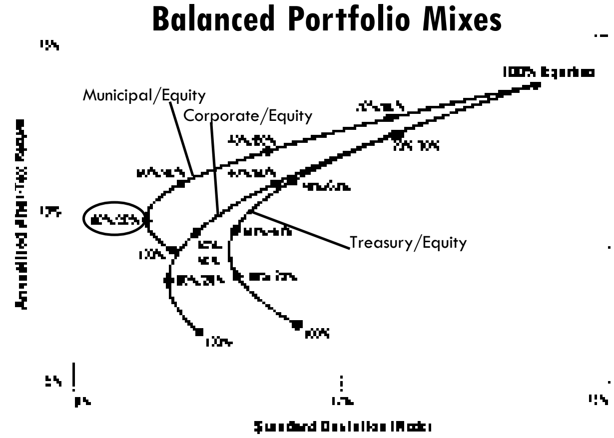
Annualized After-Tax Returns For Various Balanced Portfolios

(Over 20 Years: 1980-1999)

Equity Portion	Municipal Mixes	Corporate Mixes	Treasury Mixes
100%	13.88%	13.88%	13.88%
80	13.16	13.00	12.99
60	12.32	11.96	11.94
40	11.34	10.68	10.65
20	***10.14****	9.03	8.97
0	8.50	6.53	6.43

**80% Muni's/20% Stocks is the optimal – see graph*

Balanced Portfolio Mixes



The graph above incorporates the data in the table above plus a risk measurement. Standard Deviation is the typical way the financial industry measures risk. A higher standard deviation represents more risk and a lower standard deviation represents less risk. In the graph above, the area where the investor gets the most return for the risk is up and to the left – up for maximum return and to the left for the least risk. The graph demonstrates that, based on this twenty-year study, **the optimal portfolio for achieving the highest after-tax return for equal amounts of risk is 80% municipal bonds and 20% equities.**

The graph also shows that the best bond category is municipal bonds (for a high tax bracket investor). Importantly, we would like to emphasize that the study was based on generic long duration municipal bonds. Money managers that can outperform the municipal market in general can increase your risk-adjusted returns even more.

Continued on the top of the next page...

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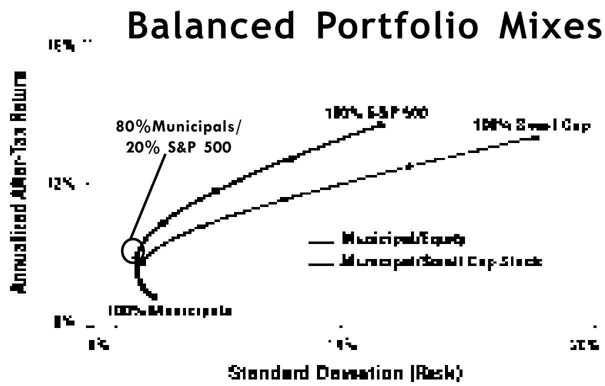
Continued From Page 1...

With respect to stock categories, the following graph is from an earlier study based on data ending 12-31-98. It shows the difference in returns and risks of S&P stock portfolio/muni portfolios and Small Cap portfolio/muni portfolios. You can see that the S&P portfolios had the most favorable risk/return characteristics since they were always above (higher return) and to the left (less risk) of the Small Cap portfolios.

The bottom line, according to this twenty-year study, the best allocation is 20% high capitalization stocks like the S&P 500 and 80% long municipal bonds. Importantly, the study was based on generic portfolios – **managers that consistently outperform their peer group will achieve even higher after-tax, risk-adjusted returns.**



Study Notes:
Major assumptions were:
The investor earned a salary of $100,000, which determined his or her tax bracket.
All investment income generated is reinvested, along with the after-tax proceeds of a 20% turnover rate. At the end of the last period, the portfolios were fully liquidated to recognize the existing tax liability.

Calculations were made using the following generic indices:
Large Co. Stocks - S&P 500 Stocks (from Ibbotson Associates)
Small Cap Stocks - Ibbotson Ass. Small Company Stocks Index
Municipal Bonds - Lehman Brothers Long Municipal Index
Treasury Bonds - Lehman Brothers Long-Term Treasury Index
Corporate Bonds - Lehman Brothers Long-Term Corp. Index

Buy of the Month

For Our Private Accounts

Equity-Sized Returns at a Fraction of the Risk!

On December 5th, 2000, we made a notable purchase of 20 bonds (20,000 par value). **So far, the total return has been a tax-free 3.347% or 5.54% pre-tax equivalent; if the bond makes it to maturity without being called away the total return will be 6.615% tax-free, 10.95% pre-tax equivalent (considering only Federal taxes), 553 basis points more than U.S. Treasuries.**

Fontana California Tax Allocation 7% due 9-1-10
Rated AAA by S&P and Moody's
Insured by MBIA
First Call on 9-1-00 at 102 and continuously thereafter, dropping to 101 on 9-1-01 and down to 100 on 9-1-02
Sinking Fund begins on 9-1-06 and annually thereafter

Yield to	Date	Tax-Free	Fed & State Pre-Tax Equivalent	Federal Pre-Tax Equivalent	Treasury	Spread	Duration
Thirty Day	1-05-01	-2.44%	-4.78	-3.78%	6.15%	-993 b.p.	0.1 years
So Far	**2-22-01**	**3.34%**	**6.55**	**5.54%**	**6.15%**	**-61 b.p.**	**0.2 years**
B.E. Treasury	3-01-01	3.71%	7.27	6.15%	6.15%	0 b.p.	0.4 years
Maturity	9-01-10	6.61%	12.94	10.95%	5.42%	553 b.p.	6.90 years
Average Life	10-19-08	6.55%	12.82	10.84%	5.44%	540 b.p.	6.10 years

We purchased the bond for our client at 102.718 (102.718% of par). The bond passed its first call (at 102) on 9-1-00. Since we made our purchase on 12-8-00, after that first call date (9-1-00), we were willing to take the small amount of risk that the bond would be called in January and we could take a loss. As expected, the bond's performance has already turned positive. The total return so far is a tax-free 3.347%.

To equate tax-free yields to taxable yields (like a CK or Stock Market return), we translate them into pre-tax [redacted]t yields: dividing by (1-tax-rate). We used the highest [redacted]ncome tax bracket of 39.6% for our calculations. Adjustin[redacted]47% return by considering only Federal taxes, the pre-tax [redacted]t is 5.54% or .061% (61 basis points) less than comparable [redacted]uries. The date our client needs to hold onto these bonds [redacted]even to what he could have gotten with U.S. Treasuries is not [redacted]: 3-1-01.

After that, the position easily outperforms US Treasuries and most other opportunities in the municipal bond market. And, our experience tells us that it most likely will.

The bond has a sinking fund, which must be considered to determine the highest return the investment can achieve. The yield to the average life (shortened by bonds sunk prior to maturity at par) is a tax-free 6.55%, 10.84% pre-tax equivalent considering only Federal taxes (at the highest bracket) – 5.53% annually better than what he would have earned in U.S. Treasuries. Even better, these bonds are not subject to California state income taxes and our client lives in California, so his pre-tax equivalent considering both Federal and California state taxes is a very attractive 12.82%!

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The difference between investing and speculating: With investing you understand the amount of risk you are taking and you make it limited. **With this purchase, the risk was defined.** The following table shows the maximum loss on this $20,000 investment could have been $40.67 ($40.67 = $20,000 * 2.44% / 360 days * 30 days). We knew when we made the purchase that it could be called in thirty days and if it was, we would take a –2.44% loss (annualized), which equals-$40.67 actual dollars for the our time period.

As expected, we're already ahead of the game because our client has held the position to at least 2-22-01 and has a minimum return of 3.347% tax-free, 5.54% pre-tax equivalent. As the table below shows, at this point the position is slightly under-performing U.S. Treasuries at an annual rate of $122 but only for 79 days – actual under performance is only $26.78. In ten more days (probably by the time this gets published) we will be at the breakeven holding period versus U.S. Treasuries. You can see by the chart that the return really starts stepping up by 9-1-01, 270 days after our purchase.

O.K., this is the important point – we risked a $40.67 loss over a 30-day time period, for our client to most likely gain a $1,081 annual advantage over U.S. Treasuries (almost double) every year for 7.9 years! And this probable out-performance (almost double) is with dramatically less interest rate risk and similar credit risk. This is truly investing for maximum risk-adjusted performance.

Dollar Returns On This $20,000 Investment In Pre-Tax Dollars [1]

			Federal Pre-Tax Equivalent				*More Than U.S. Treasuries*	
Yield to	Date	Tax-Free	Annual Percent	Actual Dollars	Annualized Dollars	Annualized Dollars	Dollars Annually	Length of Time
Thirty Day	1-05-01	-2.44%	-3.78%	-$40.67[2]	-$488[2]	$1,230	-$1,718	30 days
So Far	2-22-01	3.35	5.54	243.14	$1,108	$1,230	-$ 122	79 days
B.E. Treasury	3-01-01	3.72	6.15	304.08	$1,230	$1,230	- 0 -	89 days
First Call at 101	9-01-01	4.52	7.49	1,123.50	$1,498	$1,234	+$264	270 days
Maturity	9-01-10	6.62	10.95	2,190.00	$2,190	$1,084	+$1,106	9.7 years
Average Life	**10-19-08**	**6.55**	**10.84**	**2,168.00**	**$2,169**	**$1,088**	**+$1,081**	**7.9 years**

1. Assumes $20,000 is invested ($19,470 par at 102.718) to simplify computations.
2. Actual Dollars and Annualized Dollars for 1-05-01 loss is at the tax-free rate, others at pre-tax equivalent.

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 client's 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 offer 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 client's 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 $390 million 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 second 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. **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 size returns!**

Short-Term Municipal Bond Fund Category, Morningstar Rankings

Period As of 2-1-2001	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**	104	6.57%	10.15%	16.81%		
3 Years	**67**	96	3.59%	3.67%	6.08%	★★★★★	Top 10%
5 Years	**3**	76	4.05%	5.06%	8.38%	★★★★★	Top 10%
10 Years	**1**	18	5.14%	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.

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."**

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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 January 31, 2001 out of 1702, 1456 and 442 municipal bond funds, respectively to the $385 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 January 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.