The Monthly Mi$er

A Publication of Stamper Capital & Investments, Inc.

www.risk-adjusted.com

January 2001

MONEY Magazine Predicts Dow Jones Plunge 4,527 to 9,145 Points!

MONEY Magazine in its January 2001 issue published an excellent article, "A Matter of Expectations" by Jason Zweig. It is very informative with many useful statistics. Probably for political reasons, the article fails to draw the final conclusions from its own data. ***In our article, we use only MONEY's statistics, do the simple division and multiplication and give you the stunning bottom line.*** *We think you would be wise to check it out for yourself and see if you think they could be "on the money" – we do - keep reading.*

First things first, the article does an excellent job in pointing out what the average annual return of the stock market over long periods of time actually is:

11.2% since 1926, Ibbotson Association
9% annually since 1802, Jeremy Siegel at the Wharton School

So the long-term average is between 9% and 11%, not the 20% or so that the general public has been expecting recently (or until recently). Now comes the juicy part. Look at our table of MONEY's statistics below. Over the long-term U.S. stocks have sold for an average price of 25 times their dividend income and 15 times their net profits. But now stocks are considerably higher at 86 times dividend income and 26 times earnings. Thus, stocks are 3.4x higher than average, based on the current dividend income and 1.7x higher than average based on current net profits. **We did the simple math and from a Dow Jones Industrial Average (DJIA) level of 10,700, based on MONEY's average multiples, the DJIA should be at 3,110 based on dividends and 6,173 based on earnings, precipitating drops of 4,527 to 7,590 points, respectively.** WOW, and that is based on current dividends and income, which, of course, would be lower in a recession!

It gets even worse. The article also points out that the price earnings levels at the bottom of a market cycle, like 1973-1974 when the market lost roughly 40% of its value, are "half their long-term averages." **Thus, if the DJIA were to fall to a market bottom from 10,700, based on MONEY magazine's numbers, it would fall all the way down to 1,555 based on dividend income and down to 3,086 based on earnings, or drop by 9,145 to 7,614 points respectively.** Unbelievable but quite possible and MONEY would not have published these statistics if it were not a possibility.

DJIA Past, Present & Future?

Current Multiples	Average Multiples	*MONEY* Magazine Projected DJIA* Drop to Average Multiple
86x Dividends	25x Dividends	Down- 7,590 points to 3,110
26x Net Profit	15x Net Profit	Down- 4,527 points to 6,173
Current Multiples	**Multiples at '73-'74 Bottom**	***MONEY* Magazine Projected DJIA* Drop to Market Bottom**
86x Dividends	12.5x Dividends	Down - 9,145 points to 1,555
26x Net Profits	7.5x Net Profit	Down - 7,614 points to 3,086

*= Dow Jones Industrial Average

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The article goes on to make a couple of other important points. First, while the average annual return of the stock market over long periods of time is between 9% and 11%, only in a few years were those averages actually achieved. **In fact, most of the time "the returns were all over the place, from a 43.3% loss in 1931 and a 26.5% drop in 1974 to a 52.6% gain in 1954 and a 54% surge in 1933."** It goes on to state, "Its not surprising for short-term results to differ from what you expect for the long run; in fact, its normal. So brace yourself for surprises [!!!]" - especially from current levels. Another key point and accompanying statistic that might surprise you: **"….bonds could beat stocks for surprisingly long periods, as they did for the 20 years that ended in 1948 and again for the 17 years that ended in 1982."**

Our point, based on the above; if you can earn anything near the long-term average annual equity return of between 9% and 11% with substantially less risk (or volatility), it's a slam dunk decision, especially when stocks are at such lofty levels. **After all, do you really want the value of your investment account shooting up and down dramatically out of your control? If it's in stocks, hopefully its not down 50% or more when you retire–with stocks timing does turn out to be every thing!** We believe long-term investments are ultimately for retirement purposes, and not necessarily the get rich quick scheme many equity investors have become accustomed to. If you want to earn equity size returns with dramatically less risk, call Stamper Capital & Investments, Inc. today.

Stock Market Volatility

Annual Return	Time Period	Source
-43.3%	year 1931	Money Magazine
-26.5%	year 1974	Money Magazine
52.6%	year 1954	Money Magazine
54.0%	year 1933	Money Magazine

Buy of the Month

For Our Private Accounts

Equity-Sized Returns at a Fraction of the Risk!

On December 12th, 2000, we made an exceptional purchase of 90 bonds (90,000 par value) at a compelling level: **+0.72 % to +8.37%!!! more than similar risk U.S. Treasuries (on a pre-tax equivalent basis).**

Lucas County, Ohio Riverside Hosp. 9.5% due 8-1-04
Rated AAA by S&P and by Moody's
Escrowed to Maturity in U.S. Government Securities
Non-callable
Sinking Fund began 8-1-86, next sinker 2-1-01

Yield to	Date	Tax-Free	Pre-Tax Equivalent	Treasury	Spread	Duration
First Sinker	2-01-01	- 2.15%	-3.55%	6.09%	-964 b.p.	0.1 years
2nd Sinker	8-01-01	6.86%	11.35%	6.00%	535 b.p.	0.6 years
Absolute Worst Case		**4.06%**	**6.72%**	**6.00%**	**72 b.p.**	**0.5 years**
Average Life	**7-5-02**	**8.38%**	**13.87%**	**5.50%**	**837 b.p.**	**1.4 years**

Our purchase of 90,000 is 25% of the outstanding bonds. On 2-1-01 there is a sinking fund call at 100 for 30,000 bonds. Our purchase yield to that date is –2.147%; however, the yield steps up rather dramatically to the successive sinkers. The second sinker on 8-1-01 is for 60,000. Our purchase yield to that sinker is +6.86%, tax-free. **Our absolute worst case return if the maximum amount of our bonds are used for the first two sinking fund calls is 4.06% tax-free.** The 6.86% return on the remaining 60,000 bonds would more than offset the loss on the 30,000 bonds.

To equate the tax-free yields to taxable yields (like a CD or Stock Market return), we translate them into pre-tax equivalent yields: dividing by (1-tax rate), using the highest federal income tax bracket of 39.6% for our calculations. Adjusting the 4.06% by considering only Federal taxes, the pre-tax equivalent is 6.72% or +0.72% (72 basis points) more than comparable U.S. Treasuries.

Importantly, we expect to receive better than the worst possible treatment by the sinking fund calls. The other 75% of the issue that is outstanding will almost certainly absorb some of the sinking fund calls. Assuming equal treatment, our yield steps up rather dramatically to an 8.38% tax-free yield to the 7-5-02 average life, which translates into 13.87% pre-tax equivalent, that's 8.37% (837 basis points) more than what comparable U.S. Treasuries yield. As for credit quality, this bond is escrowed to maturity in U.S. Governments, thus having essentially the highest credit quality available. Accordingly, it has the highest rating of AAA from both S&P and Moody's.

You can see this investment will earn, on a pre-tax equivalent basis, between +0.72% to +8.37% more than a similar risk U.S. Treasuries. In fact, if our position is treated better than average with respect to the sinking calls, the yield could be even higher. **We expect our total return to be somewhere between 6.86% and 8.38% tax free yields; 11.35% and 13.87% pre-tax equivalents (considering Federal Taxes at the highest bracket), respectively. Thus, our clients should earn substantially more than the 10% average annual return of the stock market with dramatically less risk.**

How It Stacked Up!

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

On March 11, 1998 we bought $90,000 par of the following bond:

Santa Clara County, CA First Mortgage Terman Apartments 0% due 4-1-03
Insured by MBIA and rated AAA by S&P and by Moody's
First optional call was on 4-1-1996 at 52.156 (callable every six months from that date at increasingly higher levels)
No sinking fund

Yield to	Date	Tax-Free	Fed & CA Pre-Tax Equivalent	Federal Pre-Tax Equivalent	Treasury	U.S. Spread	Duration
First Call	10-1-98	2.90%	5.68%	4.80%	5.23%	- 43 b.p.	0.5years
2nd Call	4-1-99	5.92%	11.59%	9.80%	5.36%	+444 b.p.	1.0 years
So Far	12-31-00	7.37%	**14.42%**	**12.20%**	5.53%	+667 b.p.	2.4 years
Maturity	4-1-03	8.63%	16.89%	14.30%	5.58%	+872 b.p.	4.8 years

We purchased this bond at 65.3 (65.3% of par) on 3-11-1998 for a tax-free 2.90% yield to the then next call on 10-1-98 at 66.325. If the bond were to be outstanding all the way to maturity, the yield (and total return) would be tax-free 8.63%. To equate the tax-free yields to a taxable yield (like a CD or Stock Market return), we translate them 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: 4.80% to the first call and 14.295% to maturity. Even though the bond is a zero coupon, **the high relative yields and short maturity give the bond low interest rate risk.**

Importantly, this bond is insured by MBIA and is rated AAA. Thus, **the bond's credit risk is similar to U.S. Treasuries** and the pre-tax equivalent yields are considerably more attractive - look at the table. This situation is ideal – we essentially knew the risks and returns when we made the purchase – the table shows various possible outcomes at the time of purchase. You can see that so far (as of 12-31-00) our client has earned 7.37% tax-free, 12.20% pre-tax equivalent considering only Federal Taxes. However, these bonds are California State tax-free and our client lives in California, so **our client's pre-tax equivalent total return, so far, considering both State and Federal taxes is 14.42%. Thus, our client has dramatically outperformed long term average equity returns while taking on 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 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 $380 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 12-29-2000	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]	Morningstar Ratings[2] (5 stars possible)	Percentage Ranking
Year-to-Date	**2**	100	5.23%	8.88%	14.70%		
1 Year	**2**	100	5.30%	8.88%	14.70%		
3 Years	**32**	92	3.40%	3.82%	6.32%	★★★★★	Top 10%
5 Years	**1**	74	3.91%	5.02%	8.31%	★★★★★	Top 10%
10 Years	**1**	16	4.97%	5.81%	9.62%	★★★★★	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 December 31, 2000 out of 1722, 1479 and 443 municipal bond funds, respectively to the $370 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 December 31, 2000. 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.