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MORNINGSTAR

Evergreen High Income Municipal Bond Fund Gets Cautious

By Scott Berry | 04-19-01

April 19, 2001 Evergreen High Income Municipal Bond Fund (VMPAX) crushed its average muni short competitors in 2000, but its recent returns are more in line with those of its average peer.

The Fund's stash of zero-coupon bonds helped fuel its returns last year, as zeros got a big lift from falling interest rates. In recent months, however, manager Clark Stamper has turned the Fund's attention to the higher- quality, shorter-term issues favored by most of its muni short rivals. He has also cut the Fund's stake in non-rated issues to 9% from 19% at the end of 2000. Stamper argues that the economy could be headed for a nasty recession, which would damage lower-quality illiquid issues.

The Fund's profile has changed, but Stamper's approach hasn't. He continues to favor callable bonds that he believes have little chance of getting called away. These bonds are typically priced to be called and pay a relatively high yield. This yield advantage is reflected in the Fund's yield, which as usual, ranks near the top of the muni short category.

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Stamper Capital & Investments, Inc. has been the sub-adviser to this Fund since October 1995 and B. Clark Stamper, our President, has been its Portfolio Manager since June 1990.

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Returns - Figures quoted are total returns calculated for the share class and time periods shown. Performance includes the reinvestment of income dividends and capital gains distributions. Performance does not reflect the deduction of taxes that a shareholder

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would pay on a fund distribution or the redemption of fund shares. Please go to Morningstar's and/or Lipper's websites for more information.

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