

“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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### **REUTERS**

#### ***Interview - Bond Fund Manager Finds Gold in PG&E***

By Chris Sanders | 04-11-01

NEW YORK, April 11, 2001 (Reuters) - Dealing in junk bonds can be a very lucrative affair, even with the bonds of troubled Pacific Gas & Electric Co. or the ill-fated debt of a Pennsylvania hospital group spin-off, according to bond fund manager Clark Stamper.

In an interview with Reuters earlier this week, Stamper of Boston-based Evergreen Funds, said his investments in those beleaguered bonds have turned into gold. His \$420 million Evergreen High Income Municipal Bond Fund's (VMPAX) total return was 1.70 percent in the first quarter of 2001. However, the average tax-exempt high-yield fund returned 2.02 percent in the same period, according to Lipper.

One of Stamper's best trades began in December when he bought \$5 million tax-exempt bonds at 81 from the Pacific Gas & Electric utility, which has filed for bankruptcy protection under Chapter 11 and is a unit of PG&E Corporation.

At first he faltered, selling \$1 million bonds at 80 1/2.

Then a large institutional investor sold a \$10 million holding at 75 - but the bonds slowly crept back up to the 86-90 range as high net worth investors dabbled in the weakening credit.

During that period, Stamper sold off his holdings in \$500,000 and \$1 million increments in the 86-87 range.

He said the different institutional and individual valuations of the bonds can be seen if the corporate and municipal market prices are compared.

Pacific G&E's corporate bonds are priced firmly in the 70's because it is almost completely an institutional marketplace. But high net worth individuals, at the behest of their brokers, have driven prices in the municipal sector up as high as 90 right before the bankruptcy filing on April 6. But the filing drove prices down to 83, maintaining the extra artificial value on the municipal bonds.

The bonds of West Penn Allegheny Health System, PA, an entity that acquired the solvent half of the financially troubled Allegheny Health, Education and Research Foundation (AHERF), have also been a boon to Stamper's fund.

He bought the original deal in July 2000, including bonds priced at a 9.70 percent yield in 2030, and added to his holdings after the 30-year bonds dropped through 10 percent when they were freed-to-trade in the secondary market.

Since then, the bonds have retraced their losses and are trading better than the 9.70 percent new issue price.

"Healthcare is pretty good because it got hammered so badly," Stamper said, predicting continuing improvements because "legislation looks favorable and the demographics (of the US's aging population) look real good."

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At the same time, he tries to keep away from any bonds that are unsecured by mortgages or leases.

Stamper's most recent gamble involves the tax-exempt debt of wallboard manufacturer USG Corp.

USG is in the midst of an asbestos litigation saga that last week forced chemical manufacturer W.R. Grace & Co. into bankruptcy.

He bought some of the unsecured bonds at the 10 percent yield level and they are now trading around a 9.30 percent, Stamper said.

"They are not secured, but were very cheap," Stamper said, adding that recently billionaire investor Warren Buffett bought 15 percent of the company.

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