

CITY OF SANIBEL TREASURY

INVESTMENT PERFORMANCE

PERIOD ENDING

MARCH 31, 2011

NOTE: For a free copy of Part II (mailed w/ 5 bus. days from request receipt) of Burgess Chambers and Associates, Inc.'s most recent Form ADV which details pertinent business procedures, please contact:
601 North New York Avenue, Suite 200, Winter Park, Florida 32789, 407-644-0111, info@burgesschambers.com



City of Sanibel Treasury

BCA Market Perspective ©

April 2011

Looking For A Safe Harbor

During the past 30 years, balanced portfolios have been comprised of various asset classes with the intent of achieving an expected return. Bonds have universally served as the low volatility asset class that countered the volatility of stocks. Bonds, until recently, were the primary income source and considered the safe harbor for balanced portfolios. The low interest rate Fed policy of the past three years has made bonds potentially more volatile. As bond coupons have declined, the risk associated with interest rate change (duration), has steadily risen.

Traditional alternatives to bonds:

- Cash certainly remains the safest choice, but the absence of any yield makes it very expensive.
- Certificates of deposit offer higher yields than cash, but have limited FDIC insurance and liquidity.
- Stable-value products (annuities) offer bond-like yields, but are encumbered by limited liquidity.
- Deep value equity income products provide attractive yields, but have downside risk that is similar to the S&P 500 index.
- Private mortgage pools offer attractive income, but limited liquidity.
- Small Business Administration loans have implied U. S. government Agency backing, but yields are less attractive.
- Municipal bonds provide low volatility and attractive yields in today's market.
- Private real estate pooled trusts offer attractive yields and capital appreciation, but face occasional liquidity restrictions.

Non-traditional alternatives to bonds:

Hedge funds have evolved during the past 10 years as a possible solution to the volatility associated with traditional balanced stock/bond portfolios. Many of these strategies address the goal of an absolute return program with low volatility that has little correlation to the broad stock and bond markets. While these approaches are attractive in concept, the use of leverage during 2008-2009 has brought to light the high level of risk associated with some of these strategies thought by many to be low risk. A closer review reveals a broad range of hedge fund strategies that may include: distressed debt, equity/debt arbitrage, long/short, currencies, commodities, private equity, private loans, sale of company assets, and special situations.

BCA will continue to seek out and review bond alternatives, along with a broad range of solutions designed to achieve absolute return goals.



**City of Sanibel Treasury
Total Fund
Compliance Checklist
March 31, 2011**

	YES	NO
All investments of the fund are authorized within the Investment Policy Statement dated	✓	
Prime commercial paper of a US corporation, finance company or banking institution is rated at least P-1 by Moody's or at least A-1 by S&P and is stated to mature in not more than 270 days.	✓	
Bonds or other debt securities issued or guaranteed by a corporation organized under the laws of the US or the District of Columbia have an investment grade rating of A or better by S&P or Moody's.	✓	
Operating Account:		
Investments are limited to demand deposits, mm funds and other short term securities of the highest quality.	✓	
Reserves Account:		
Investments are limited to securities with maturities not exceeding 24 months.	✓	
The average maturity does not exceed one year.	✓	
No more than 10% is invested in corporate bonds with a minimum rating of A by S&P	✓	
No more than 2% is invested with any one issuer.	✓	
Surplus Account:		
Investments maximum maturities do not exceeding 5 years.	✓	
The average maturity does not exceed 3 years.	✓	
No more than 15% is invested in corporate bonds with a minimum rating of A by S&P.	✓	
No more than 2% is invested with any one user.	✓	
Restricted Account:		
No more than 15% is invested in corporate bonds with a minimum rating of A by S&P or Moody's.	✓	
No more than 2% is invested with any one user.	✓	



**City of Sanibel Treasury
Total Fund
Asset Maturity Ranges and Projected Income
March 31, 2011**

Portfolio	Principal Cost Value	Yield to Maturity on Amortized Cost (Gross of Fees)	Projected Annual Income
Operating (0-1 Yr)	\$6,284,495.04	0.9%	\$56,560.46
Reserves (0-2 Yr)	\$7,549,732.58	1.1%	\$83,047.58
Surplus (3-5 Yr)	\$5,057,385.33	1.7%	\$85,975.55
Restricted (10-15 Yr)	\$1,841,583.92	4.3%	\$79,188.11
Total	\$20,733,196.87	1.5%	\$304,771.70
Less Projected Investment Mgmt Fees @ 0.175% of Market Value			(\$36,290.58)
Projected Net Relationship Annual Income			\$268,481.12

Source: Integrity Fixed Income Management



City of Sanibel Treasury
Total Fund
Investment Summary
March 31, 2011

- For the quarter, the combined accounts earned \$51K (+0.2% net). This represents the combined returns of four separate investment program accounts and yields to maturity, which include: Operating, Reserve, Surplus, and Restricted. The yields to maturity for these four programs, respectively, are as follows: +0.9%, +1.1%, +1.7%, and +4.3%.
- Projected annual income is \$268K.
- BCA has discussed the increasing risk of U. S. Government bonds. Low bond coupons and the associated increased duration, requires a careful appraisal of risk and measured steps to manage this uncertainty. While the media streams fears of inflation, the Fed remains cautious with a posture to manage deflation. Current Fed policy suggests that short-term rates may remain near zero for the next several years, in spite of rising food and energy costs. Recent remarks by S&P of a possible U. S. Government debt down-grade from AAA, potentially increases interest rates.



**City of Sanibel Treasury
Total Fund
Investment Performance
March 31, 2011**

Dollars

	<u>Quarter</u>	<u>FYTD</u>
Beginning Market Value	20,684,321	20,787,080
Ending Market Value	20,743,870	20,743,870
Investment Gain (gross)	+59,549	-43,210
Investment Gain (net)	+50,500	-61,353
Investment Return, Net	+0.2%	-0.3%

Note: Net return includes management fees

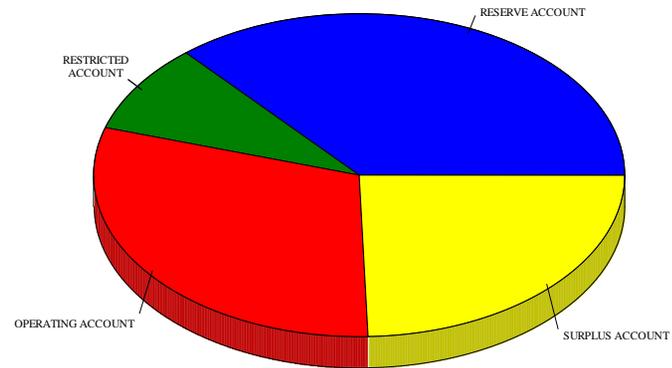


City of Sanibel Treasury

Total Fund

Asset Allocation

TOTAL MARKET VALUE
AS OF MARCH 31, 2011
\$ 20,743,870



	VALUE	PERCENT
■ RESERVE ACCOUNT	7,533,442	36.32
■ OPERATING ACCOUNT	6,289,056	30.32
■ SURPLUS ACCOUNT	5,073,598	24.46
■ RESTRICTED ACCOUNT	1,847,775	8.90



City of Sanibel Treasury
Total Fund
March 31, 2011
Gross of Fees

Name	Market Values	Quarter ROR	FYTD ROR
TOTAL FUND			
Operating Account <i>ML 0-3M TBil</i>	6,289,056	0.2% 0.0%	0.4% 0.1%
Reserve Account <i>ML US Treas 0-1 Yr</i>	7,533,442	0.3% 0.1%	0.4% 0.2%
Surplus Account <i>ML US Treas 3-5 Yr</i>	5,073,598	0.4% 0.0%	-0.3% -1.5%
Restricted Account <i>ML US Treas 10-15 Yr</i>	1,847,775	0.2% 0.0%	-4.4% -5.4%
TOTAL:	20,743,870	0.3%	-0.2%



City of Sanibel Treasury Glossary of Terms

- ACCRUED INTEREST- Bond interest earned since the last interest payment, but not yet received.
- ALPHA- A linear regressive constant that measures the manager's expected return independent of Beta.
- ASSET ALLOCATION- The optimal division of portfolio asset classes in order to achieve an expected investment objective.
- BETA- A measure of portfolio sensitivity (volatility) in relation to the market, based upon past experience.
- BOND DURATION- A measure of portfolio sensitivity to interest rate risk.
- COMMINGLED FUND- An investment fund which is similar to a mutual fund in that investors are permitted to purchase and redeem units that represent ownership in a pool of securities.
- CORE- A type of investment strategy that has approximately an equal weighting in both growth and value stocks in order to achieve a return that is comparable to the broad market performance (i.e., the S&P 500).
- CORRELATION COEFFICIENT- A statistical measure of how two assets move together. The measure is bounded by +1 and -1; +1 means that the two assets move together positively, while a measure of -1 means that the assets are perfectly negatively correlated.
- INDEXES- Indexes are used as "independent representations of markets" (e.g., S&P 500 and LBGC).
- INFORMATION RATIO- Annualized excess return above the benchmark relative to the annualized tracking error.
- GROWTH MANAGER- A growth manager generally invests in companies that have either experienced above-average growth rates and/or are expected to experience above-average growth rates in the future. Growth portfolios tend to have high price/earnings ratios and generally pay little to no dividends.
- LARGE CAP- Generally, the term refers to a company that has a market capitalization that exceeds \$5 billion.
- MANAGER UNIVERSE- A collection of quarterly investment returns from various investment management firms that may be subdivided by style (e.g. growth, value, core).
- MID CAP- Generally, the term refers to a company that has a market capitalization between \$1 and \$5 billion.
- NCREIF - A quarterly time series composite total rate of return measure of investment performance of a large pool of individual commercial real estate properties acquired in the private market for investment purposes only.
- NCREIF ODCE - Open End Diversified Core Equity index which consists of historical and current returns from 26 open-end commingled funds pursuing core strategy. This index is capitalization weighted, time weighted and gross of fees.



City of Sanibel Treasury Glossary of Terms

-PSN BALANCED AGGRESSIVE UNIVERSE - Includes all domestic balanced products whose equity allocation objective is greater than or equal to 65%.

-PSN BALANCED MODERATE UNIVERSE - Includes all domestic balanced products whose equity allocation objective is between 55% and 64%.

-PSN BALANCED CONSERVATIVE UNIVERSE - Includes all domestic balanced products whose equity allocation objective is equal or less than 54%.

-RATE OF RETURN- The percentage change in the value of an investment in a portfolio over a specified time period.

-RISK MEASURES- Measures of the investment risk level, including beta, credit, duration, standard deviation, and others that are based on current and historical data.

-R-SQUARED- Measures how closely portfolio returns and those of the market are correlated, or how much variation in the portfolio returns may be explained by the market. An R2 of 40 means that 40% of the variation in a fund's price changes could be attributed to changes in the market index over the time period.

-SHARPE RATIO- The ratio of the rate of return earned above the risk-free rate to the standard deviation of the portfolio. It measures the number of units of return per unit of risk.

-STANDARD DEVIATION- Measure of the variability (dispersion) of historical returns around the mean. It measures how much exposure to volatility was experienced by the implementation of an investment strategy.

-SYSTEMATIC RISK- Measured by beta, it is the risk that cannot be diversified away (market risk).

- TIME WEIGHTED (TW) RETURN - A measure of the investments versus the investor. When there are no flows the TW & DOLLAR weighted (DW) return are the same and vice versa. CFA Institute recommends using the TW return. AIMR reasons that the investment mgr can not control when an investor has flows & thus should not be measured by that. BCA uses TW method.

-TRACKING ERROR- A measure of how closely a manager's performance tracks an index; it is the annualized standard deviation of the differences between the quarterly returns for the manager and the benchmark.

-TREYNOR RATIO- A measure of reward per unit of risk. (excess return divided by beta)

-UP-MARKET CAPTURE RATIO- Ratio that illustrates how a manager performed relative to the market during rising market periods; the higher the ratio, the better the manager performed (i.e., a ratio of 110 implies the manager performed 10% better than the market).

-VALUE MANAGER- A value manager generally invests in companies that have low price-to-earnings and price-to-book ratios and/or above-average dividend yields.



City of Sanibel Treasury Disclosure

Advisory services are offered through or by Burgess Chambers and Associates, Inc., a registered SEC investment advisor.

Performance Reporting:

1.Changes in portfolio valuations due to capital gains or losses, dividends, interest or other income are included in the calculation of returns. All calculations are made in accordance with generally accepted industry standards.

2.Transaction costs, such as commissions, are included in the purchase cost or deducted from the proceeds or sale of a security. Differences in transaction costs may affect comparisons.

3.Individual client returns may vary due to a variety of factors, including differences in investment objectives and timing of investment decisions.

4.BCA does not have discretion or decision making authority over any investments. All decisions regarding investment manager selection and retention, asset allocation, and other investment policies were made by the client. While BCA provides recommendations and choices regarding suitable investments, not all clients take these recommendations or select from the choices offered.

5.Portfolio returns are generally shown before the deduction of investment advisory fees.

6.Performance reports are generated from information supplied by the client, custodian, and/or investment managers. BCA relies upon the accuracy of this data when preparing reports.

7.The market indexes do not include transaction costs, and an investment in a product similar to the index would have lower performance dependent upon costs, fees, dividend reinvestments, and timing. Benchmarks and indexes are for comparison purposes only, and there is no assurance or guarantee that such performance will be achieved.

8.Performance information prepared by third party sources may differ from that shown by BCA. These differences may be due to different methods of analysis, different time periods being evaluated, different pricing sources for securities, treatment of accrued income, treatment of cash, and different accounting procedures.

9.Certain valuations, such as alternative assets, ETF, and mutual funds, are prepared based on information from third party sources, the accuracy of such information cannot be guaranteed by BCA. Such data may include estimates and maybe be subject to revision.

10.BCA has not reviewed the risks of individual security holdings.

The firm's ADV, Part II, is available upon request.

