

CITY OF SANIBEL TREASURY

INVESTMENT PERFORMANCE
PERIOD ENDING
MARCH 31, 2012

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:
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City of Sanibel Treasury

BCA Market Perspective ©

The U. S. Government Bond Yield Curve April 2012

Investors are impatient with high quality low yielding money market and fixed-income options, but no real change is expected soon. Due to the Federal Reserve's near zero interest-rate policy, designed to stimulate the economy, the government bond yield curve will not be allowed to change with market forces and thereby become normalized in the foreseeable future.

The Federal Reserve's dual role is to create an economic environment that fosters full employment and secondarily to manage inflationary expectations. But during the past 36 months, the Fed has faced a third challenge –rebuilding international confidence of U.S. banks. To do this, large regional and national banks were forced to accept massive capital infusions from the Fed. This standby capital was in essence a backstop to hold back a post 2008 global economic collapse. So far, this policy has worked, but at a cost to bond investors who no longer expect positive real rates of return.

Currently, the Fed manages the government bond yield curve. It purchases government securities, thereby holding prices at higher levels, causing lower yields. Its inaction would allow the yield curve to rise. The result would be good and bad. First, rising rates would attract foreign capital – which in turn drives up the U.S. dollar. This would bring import costs down, namely oil and manufactured goods and inflationary expectations would diminish with the strong dollar. Bond prices would fall, meaning higher yields with a fixed coupon. Consumers would benefit from lower household costs and retirees would be comforted with higher fixed-income yields.

As long as the U.S. Government maintains a high debt load, the resultant rise in its borrowing costs will be staggering. Therefore, the challenge is to wait long enough for a strong economy that generates higher tax receipts that would in theory offset higher borrowing costs. Given the trajectory of the U.S. economic recovery, as measured by a slow +2.5% GDP growth rate and slow private sector job growth, it is too early to call when the Fed will allow policy rates to seek normal or market determined levels.



**City of Sanibel Treasury
Total Fund
Compliance Checklist
March 31, 2012**

	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, 2012**

Portfolio	Principal Cost Value*	Yield to Maturity on Amortized Cost (Gross of Fees)	Projected Annual Income
Operating (0-1 Yr)	\$6,322,049.03	0.9%	\$56,898
Reserves (0-2 Yr)	\$7,630,079.67	1.1%	\$83,931
Surplus (3-5 Yr)	\$5,225,570.15	1.8%	\$94,060
Restricted (10-15 Yr)	\$1,930,185.46	4.3%	\$82,998
Total	\$21,107,884.31	1.5%	\$317,888
Less Projected Custody and Investment Management Fees @ 0.175% of Market Value			(\$37,431)
Projected Net Relationship Annual Income			\$280,457

*Principal Cost Value is calculated by taking the Total Portfolio Cost Value from the custodial statement and subtracting accrued income.

Source: Integrity Fixed Income Management



City of Sanibel Treasury
Total Fund
Investment Summary
March 31, 2012

- For the quarter, the combined accounts earned \$74K (+0.3% net) or 1.2% (annualized).
 - For the trailing one-year period, the combined accounts earned \$642K (+2.9% net). As expected, this achievement was significantly better than bank money market accounts (averaging +0.1%).
 - Yield to maturity gross of fees:
 - Operating +0.9%
 - Reserve +1.1%
 - Surplus +1.8%
 - Restricted +4.3%
- Projected net annual income: \$280,457.

Compliance:

Two of the corporate bonds were over the 2% limit per the IPS but not by much. JPMorgan: 2.2% and Phillip Morris: 2.1%. Both bonds have short maturities and high coupon premiums. Since each bond is close to maturity, BCA recommends no action.



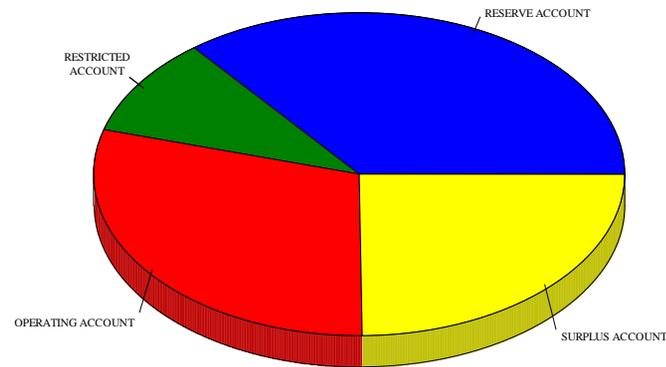
**City of Sanibel Treasury
Total Fund
Gross Opportunity Gains & Loss Report
March 31, 2011 Through March 31, 2012**

	<u>Quarter To Date</u>	<u>Fiscal Ytd</u>	<u>One Year</u>
BEGINNING MKT VALUE	21,312,063	21,183,180	20,743,870
NET CONTRIBUTIONS	0	0	0
INVESTMENT EARNINGS	73,766	202,649	641,959
ENDING MKT VALUE	21,385,829	21,385,829	21,385,829
GROSS TIME WEIGHTED RETURN	0.35	0.96	3.09



City of Sanibel Treasury Total Fund Asset Allocation

TOTAL MARKET VALUE
AS OF MARCH 31, 2012
\$ 21,385,829



	VALUE	PERCENT
■ RESERVE ACCOUNT	7,631,402	35.68
■ OPERATING ACCOUNT	6,339,648	29.64
■ SURPLUS ACCOUNT	5,306,107	24.81
■ RESTRICTED ACCOUNT	2,108,673	9.87



City of Sanibel Treasury
Total Fund
March 31, 2012
Gross of Fees

Name	Market Values	QTR ROR	FYTD ROR	1 Year ROR
TOTAL FUND				
Operating Account	6,339,648	0.2%	0.4%	0.8%
ML 0-3M TBil		0.0%	0.0%	0.0%
Reserve Account	7,631,402	0.3%	0.5%	1.3%
ML US Treas 0-1 Yr		0.0%	0.1%	0.2%
Surplus Account	5,306,107	1.0%	2.0%	4.6%
ML US Treas 3-5 Yr		-0.4%	0.4%	5.8%
Restricted Account	2,108,673	-0.7%	1.5%	14.1%
ML US Treas 10-15 Yr		-2.6%	-1.0%	15.6%
TOTAL:	21,385,829	0.3%	1.0%	3.1%



**City of Sanibel Treasury
Operating Account
Performance Profile
Through March 31, 2012**

	ENDED	RETURN
BEST QUARTER	6/2011	0.25
WORST QUARTER	9/2011	0.10
BEST 4 QUARTERS	3/2012	0.80
WORST 4 QUARTERS	3/2012	0.80

TOTAL # OF PERIODS: 12
 # OF POSITIVE PERIODS: 12
 # OF NEGATIVE PERIODS: 0

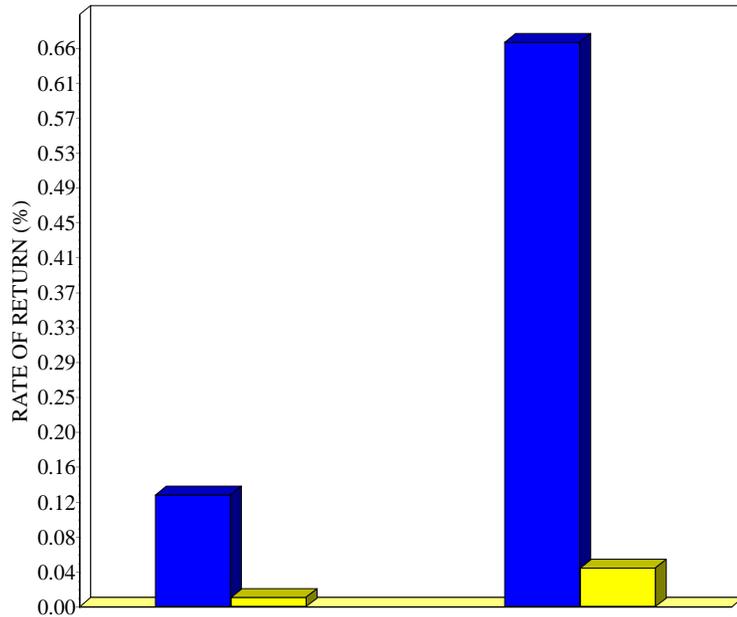
	QUARTER TO DATE	FISCAL YTD	ONE YEAR
OPERATING ACCOUNT	0.25	0.45	0.80
ML 0-3M TBIL	0.01	0.01	0.04
EXCESS	0.24	0.43	0.77
RISKLESS INDEX	0.01	0.01	0.07
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	0.80	0.13	5.90	0.80	2.63	7.97	6.11

The risk benchmark for this analysis is the ML 0-3M TBil.

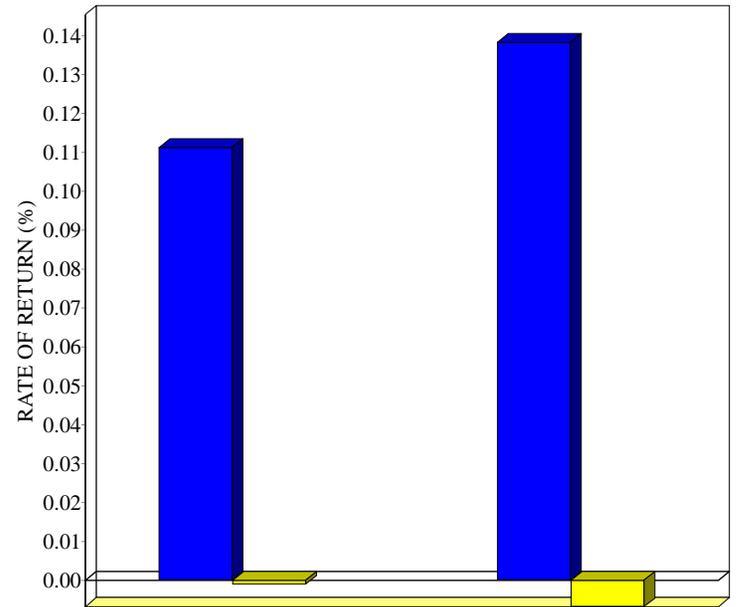
**City of Sanibel Treasury
Operating Account
Performance in Rising and Declining Markets
March 31, 2011 Through March 31, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.13	0.66
ML 0-3M TBIL	0.01	0.05
DIFFERENCE	0.12	0.62
RATIO	11.95	14.39
UP PERIODS	2	10

DOWN MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.11	0.14
ML 0-3M TBIL	0.00	-0.01
DIFFERENCE	0.11	0.15
RATIO	-113.98	-20.22
DOWN PERIODS	1	2

**City of Sanibel Treasury
Reserve Account
Performance Profile
Through March 31, 2012**

	ENDED	RETURN
BEST QUARTER	6/2011	0.43
WORST QUARTER	3/2012	0.26
BEST 4 QUARTERS	3/2012	1.30
WORST 4 QUARTERS	3/2012	1.30

TOTAL # OF PERIODS: 12
 # OF POSITIVE PERIODS: 11
 # OF NEGATIVE PERIODS: 1

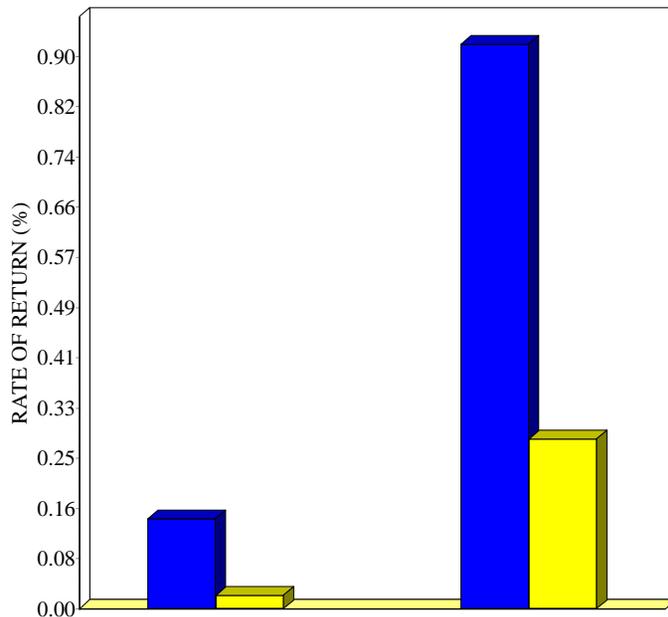
	QUARTER TO DATE	FISCAL YTD	ONE YEAR
RESERVE ACCOUNT	0.26	0.54	1.30
ML US TREAS 0-1 YR	0.01	0.07	0.23
EXCESS	0.25	0.47	1.07
RISKLESS INDEX	0.01	0.01	0.07
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	1.30	0.23	5.28	1.22	0.02	0.01	4.27

The risk benchmark for this analysis is the ML US Treas 0-1 Yr.

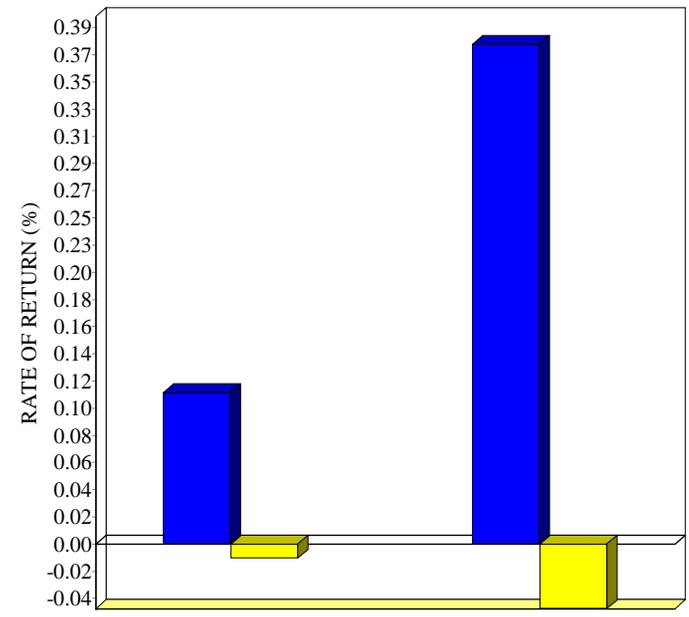
**City of Sanibel Treasury
Reserve Account
Performance in Rising and Declining Markets
March 31, 2011 Through March 31, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.15	0.92
ML US TREAS 0-1 YR	0.02	0.28
DIFFERENCE	0.12	0.64
RATIO	6.66	3.32
UP PERIODS	2	9

DOWN MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.11	0.38
ML US TREAS 0-1 YR	-0.01	-0.05
DIFFERENCE	0.12	0.43
RATIO	-10.35	-7.68
DOWN PERIODS	1	3

**City of Sanibel Treasury
Surplus Account
Performance Profile
Through March 31, 2012**

	ENDED	RETURN
BEST QUARTER	6/2011	1.34
WORST QUARTER	12/2011	0.94
BEST 4 QUARTERS	3/2012	4.58
WORST 4 QUARTERS	3/2012	4.58

TOTAL # OF PERIODS: 12
 # OF POSITIVE PERIODS: 11
 # OF NEGATIVE PERIODS: 1

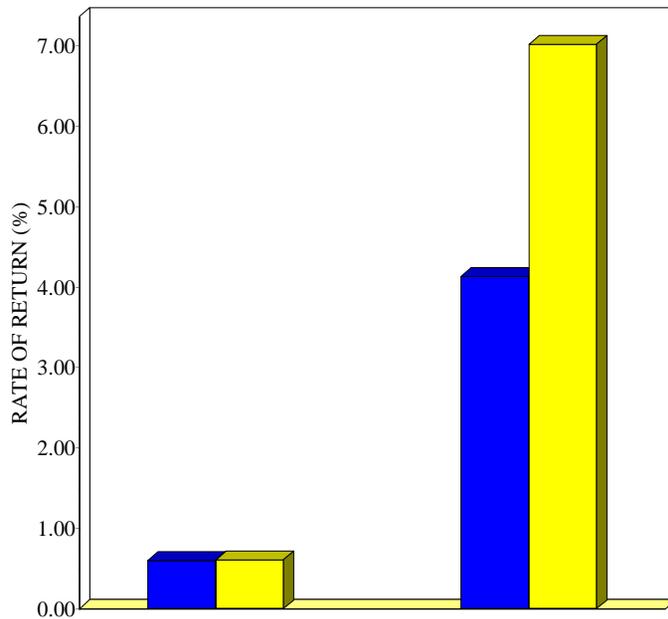
	QUARTER TO DATE	FISCAL YTD	ONE YEAR
SURPLUS ACCOUNT	1.02	1.97	4.58
ML US TREAS 3-5 YR	-0.35	0.39	5.85
EXCESS	1.38	1.58	-1.26
RISKLESS INDEX	0.01	0.01	0.07
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	4.58	0.92	4.91	2.70	0.31	64.11	-0.71

The risk benchmark for this analysis is the ML US Treas 3-5 Yr.

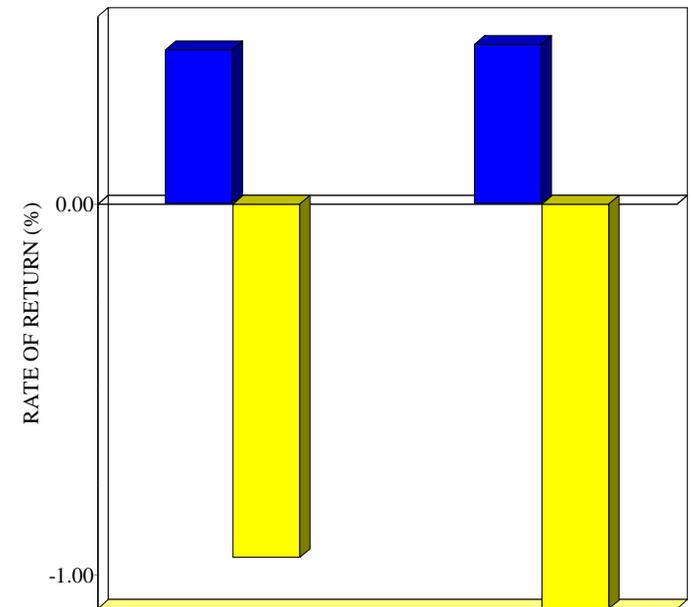
**City of Sanibel Treasury
Surplus Account
Performance in Rising and Declining Markets
March 31, 2011 Through March 31, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.61	4.13
ML US TREAS 3-5 YR	0.61	7.01
DIFFERENCE	0.00	-2.88
RATIO	1.00	0.59
UP PERIODS	1	9

DOWN MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.42	0.43
ML US TREAS 3-5 YR	-0.95	-1.09
DIFFERENCE	1.37	1.52
RATIO	-0.44	-0.39
DOWN PERIODS	2	3

**City of Sanibel Treasury
Restricted Account
Performance Profile
Through March 31, 2012**

	ENDED	RETURN
BEST QUARTER	9/2011	8.03
WORST QUARTER	3/2012	-0.72
BEST 4 QUARTERS	3/2012	14.12
WORST 4 QUARTERS	3/2012	14.12

TOTAL # OF PERIODS: 12
 # OF POSITIVE PERIODS: 8
 # OF NEGATIVE PERIODS: 4

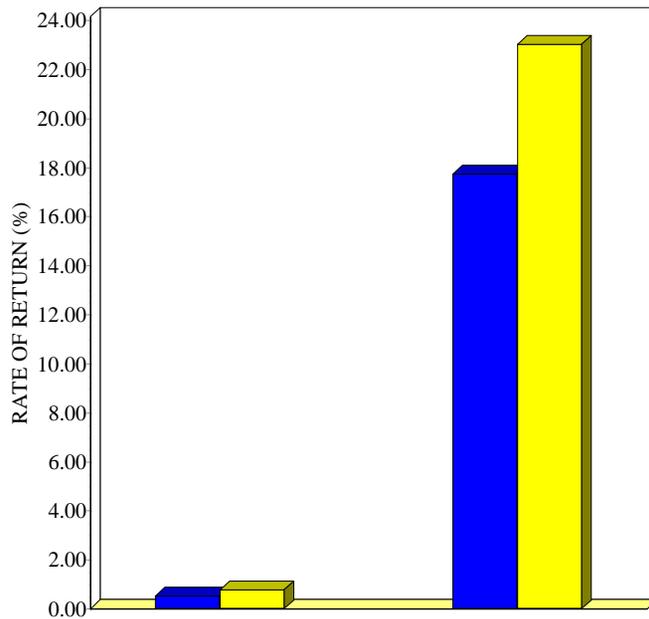
	QUARTER TO DATE	FISCAL YTD	ONE YEAR
RESTRICTED ACCOUNT	-0.72	1.48	14.12
ML US TREAS 10-15 YR	-2.55	-0.98	15.64
EXCESS	1.83	2.47	-1.52
RISKLESS INDEX	0.01	0.01	0.07
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	14.12	5.48	2.56	4.08	0.62	83.27	-0.42

The risk benchmark for this analysis is the ML US Treas 10-15 Yr.

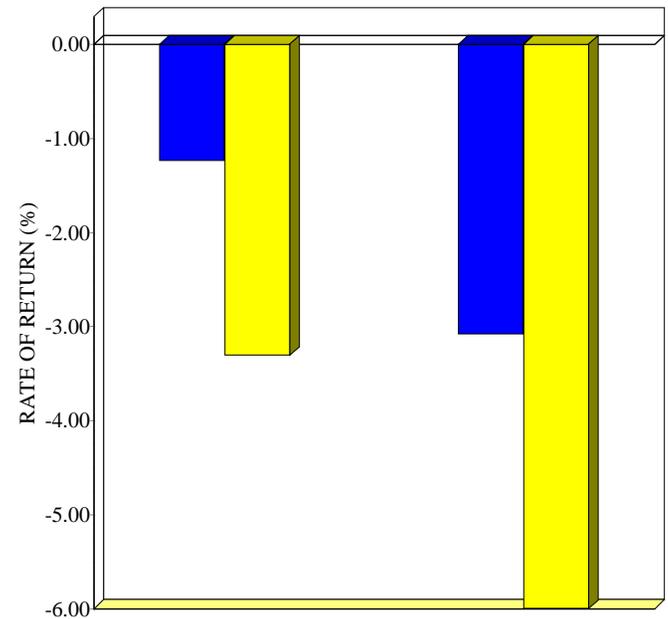
**City of Sanibel Treasury
Restricted Account
Performance in Rising and Declining Markets
March 31, 2011 Through March 31, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.52	17.75
ML US TREAS 10-15 YR	0.78	23.02
DIFFERENCE	-0.26	-5.27
RATIO	0.67	0.77
UP PERIODS	1	8

DOWN MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	-1.24	-3.08
ML US TREAS 10-15 YR	-3.31	-6.00
DIFFERENCE	2.07	2.92
RATIO	0.37	0.51
DOWN PERIODS	2	4

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

-BALANCED UNIVERSES - BNY Mellon Public Funds, Endowments & Foundations, Corporate peer groups, and PSN peer groups.

-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.

