

CITY OF SANIBEL TREASURY
INVESTMENT PERFORMANCE
PERIOD ENDING
SEPTEMBER 30, 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:
315 East Robinson Street, Orlando, Florida 32801, 407-644-0111, info@burgesschambers.com



City of Sanibel Treasury

BCA Market Perspective © Risk Management of Investment Programs October 2012

The term risk has many meanings - a familiar list includes:

- Not achieving an expected return or income objective
- Unexpected volatility of securities
- Rising interest rates
- Credit default
- Bond duration
- Liquidity
- Uncompensated risk
- Economic uncertainty
- Inflation and deflation
- Earnings variability
- Seemingly diversified asset classes becoming too correlated

In spite of all the time and money spent on examining capital market risk and how to control its many variables, managing risk remains a significant challenge and may include:

- Asset allocation among low correlating asset types
- Limiting exposure by security and industry sector
- Focusing on quality securities and products (lower beta) during periods of high uncertainty
- Tactical asset tilting – risk on and risk off (beta control)
- Macro driven events

BCA has found that over the past 24 years, a portfolio's sensitivity to equity markets (beta) has been the primary factor in determining gains and losses. BCA has found that tactical asset allocation and the combination of low correlating asset classes have been effective risk management approaches.



**City of Sanibel Treasury
Total Fund
Compliance Checklist
September 30, 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
September 30, 2012**

Portfolio	Principal Cost Value	Yield to Maturity on Amortized Cost (Gross of Fees)	Projected Annual Income
Operating (0-1 Yr)	\$2,775,054.70	0.8%	\$22,200
Reserves (0-2 Yr)	\$6,921,995.41	1.1%	\$76,142
Surplus (3-5 Yr)	\$5,172,840.17	1.8%	\$93,111
Restricted (10-15 Yr)	\$1,929,395.24	4.4%	\$84,893
Total	\$16,799,285.52	1.6%	\$276,347
Less Projected Custody and Investment Management Fees @ 0.175% of Market Value			(\$30,000)
Projected Net Relationship Annual Income			\$246,347

*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
September 30, 2012**

- For the quarter, the combined accounts earned \$144K (+0.7%).
 - For the Fiscal year, the investment program earned \$511K (2.5% gross, 2.3% net). Considering the lack of yield among Certificates of Deposits, money market, and bank savings options – the 12-month return was quite attractive.
 - Withdrawals during the quarter, as directed by the City Manager and Finance Director, totaled -\$4,551,200.
 - Operating -\$3,598,250
 - Reserve -\$ 780,500
 - Surplus -\$ 125,650
 - Restricted -\$ 46,800
 - Yield to maturity gross of fees:
 - Operating +0.8%
 - Reserve +1.1%
 - Surplus +1.8%
 - Restricted +4.4%
- Projected net annual income: \$246,347

Compliance:

One corporate bond issue is slightly over the 2% maximum (Hershey Co.) in the Surplus account. Integrity is aware of this and is taking appropriate action.



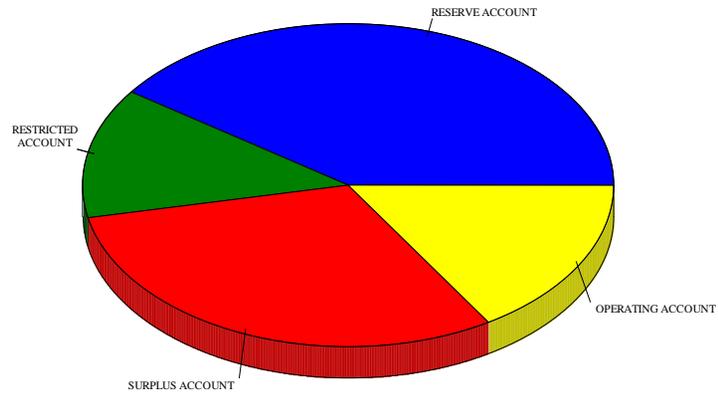
**City of Sanibel Treasury
Total Fund
Gross Opportunity Gains & Loss Report
September 30, 2010 Through September 30, 2012**

	<u>Quarter To Date</u>	<u>One Year</u>	<u>Two Years</u>
BEGINNING MKT VALUE	21,550,435	21,183,180	20,787,080
NET CONTRIBUTIONS	(4,551,200)	(4,551,200)	(4,551,200)
INVESTMENT EARNINGS	143,735	510,991	907,090
ENDING MKT VALUE	17,142,971	17,142,971	17,142,971
GROSS TIME WEIGHTED RETURN	0.74	2.49	2.20



City of Sanibel Treasury Total Fund Asset Allocation

TOTAL MARKET VALUE
AS OF SEPTEMBER 30, 2012
\$ 17,142,971



	VALUE	PERCENT
■ RESERVE ACCOUNT	6,891,873	40.20
■ SURPLUS ACCOUNT	5,253,655	30.65
■ OPERATING ACCOUNT	2,765,443	16.13
■ RESTRICTED ACCOUNT	2,232,000	13.02



City of Sanibel Treasury
Total Fund
September 30, 2012
Gross of Fees

Name	Market Values	QTR ROR	1 Year ROR	2 Year ROR
TOTAL FUND				
Operating Account	2,765,443	0.3%	0.9%	0.8%
ML 0-3M TBil		0.0%	0.1%	0.1%
Reserve Account	6,891,873	0.3%	1.1%	1.1%
ML US Treas 0-1 Yr		0.1%	0.2%	0.2%
Surplus Account	5,253,655	0.7%	3.4%	2.8%
ML US Treas 3-5 Yr		0.8%	2.3%	3.1%
Restricted Account	2,232,000	3.3%	9.7%	8.6%
ML US Treas 10-15 Yr		0.8%	6.2%	8.3%
TOTAL:	17,142,971	0.7%	2.5%	2.2%



**City of Sanibel Treasury
Operating Account
Performance Profile
Through September 30, 2012**

	ENDED	RETURN
BEST QUARTER	9/2012	0.26
WORST QUARTER	9/2011	0.10
BEST 4 QUARTERS	9/2012	0.92
WORST 4 QUARTERS	9/2011	0.72

TOTAL # OF PERIODS: 24
 # OF POSITIVE PERIODS: 24
 # OF NEGATIVE PERIODS: 0

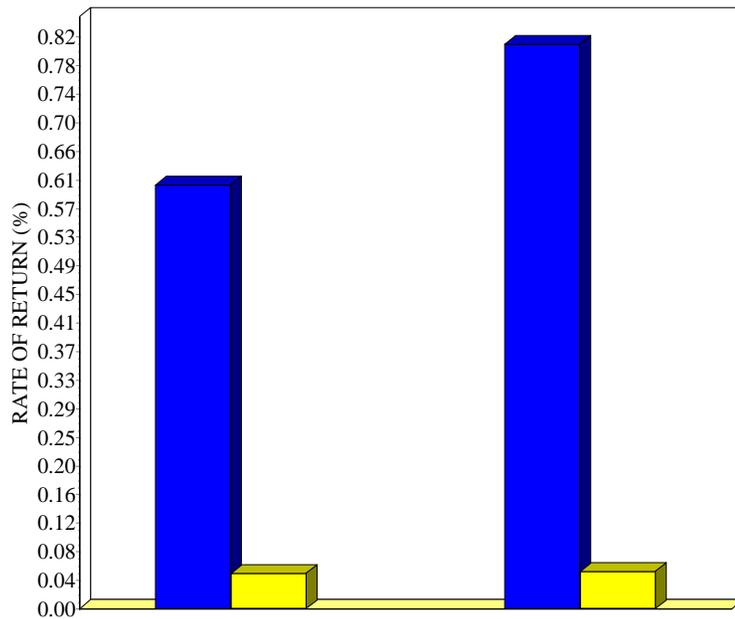
	QUARTER TO DATE	ONE YEAR	TWO YEARS
OPERATING ACCOUNT	0.26	0.92	0.82
ML 0-3M TBIL	0.02	0.05	0.08
EXCESS	0.24	0.87	0.75
RISKLESS INDEX	0.03	0.07	0.11
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	0.92	0.08	10.32	0.85	0.03	0.00	10.55
TWO YEARS	0.82	0.10	6.92	0.74	0.79	0.90	7.07

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

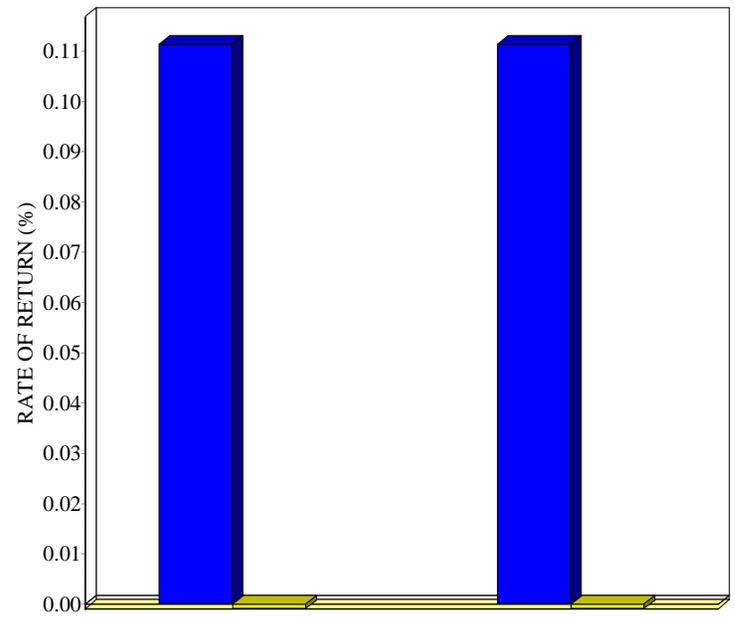
**City of Sanibel Treasury
Operating Account
Performance in Rising and Declining Markets
September 30, 2011 Through September 30, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.61	0.81
ML 0-3M TBIL	0.05	0.05
DIFFERENCE	0.56	0.75
RATIO	11.90	14.97
UP PERIODS	8	11

DOWN MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.11	0.11
ML 0-3M TBIL	0.00	0.00
DIFFERENCE	0.11	0.11
RATIO	-113.98	-113.98
DOWN PERIODS	1	1

**City of Sanibel Treasury
Reserve Account
Performance Profile
Through September 30, 2012**

	ENDED	RETURN
BEST QUARTER	6/2011	0.43
WORST QUARTER	12/2010	0.13
BEST 4 QUARTERS	9/2011	1.20
WORST 4 QUARTERS	9/2012	1.10

TOTAL # OF PERIODS: 24
OF POSITIVE PERIODS: 21
OF NEGATIVE PERIODS: 3

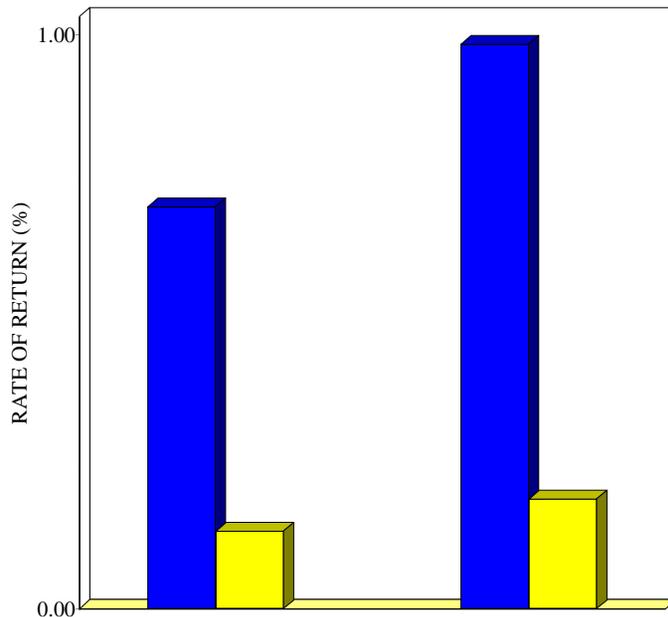
	QUARTER TO DATE	ONE YEAR	TWO YEARS
RESERVE ACCOUNT	0.30	1.10	1.15
ML US TREAS 0-1 YR	0.07	0.18	0.25
EXCESS	0.23	0.92	0.90
RISKLESS INDEX	0.03	0.07	0.11
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	1.10	0.15	6.80	0.83	1.77	25.22	6.34
TWO YEARS	1.15	0.25	4.24	0.93	0.72	3.79	3.66

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

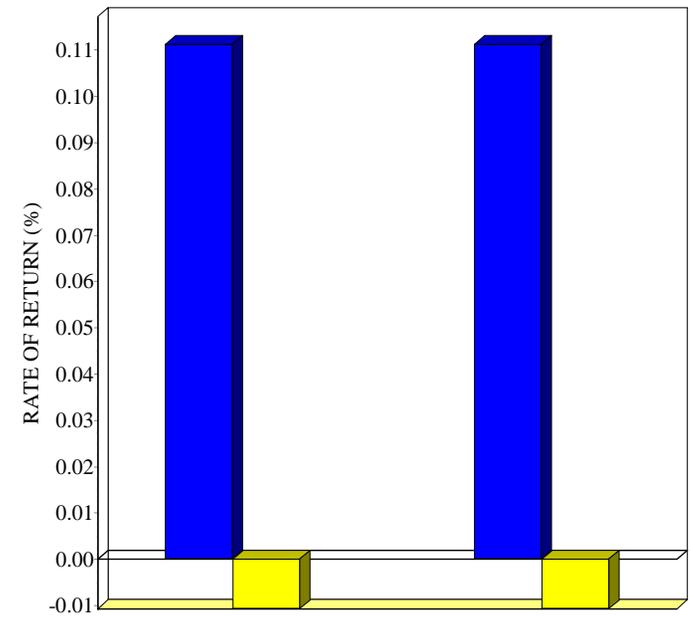
**City of Sanibel Treasury
Reserve Account
Performance in Rising and Declining Markets
September 30, 2011 Through September 30, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	0.70	0.98
ML US TREAS 0-1 YR	0.14	0.19
DIFFERENCE	0.57	0.79
RATIO	5.19	5.14
UP PERIODS	8	11

DOWN MARKET PERFORMANCE



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

**City of Sanibel Treasury
Surplus Account
Performance Profile
Through September 30, 2012**

	ENDED	RETURN
BEST QUARTER	6/2011	1.34
WORST QUARTER	12/2010	-0.67
BEST 4 QUARTERS	9/2012	3.38
WORST 4 QUARTERS	9/2011	2.26

TOTAL # OF PERIODS: 24
OF POSITIVE PERIODS: 20
OF NEGATIVE PERIODS: 4

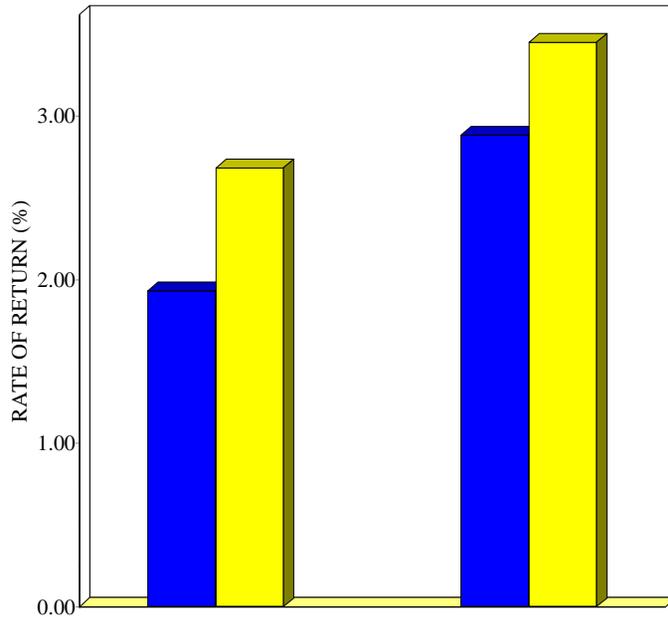
	QUARTER TO DATE	ONE YEAR	TWO YEARS
SURPLUS ACCOUNT	0.72	3.38	2.82
ML US TREAS 3-5 YR	0.76	2.32	3.06
EXCESS	-0.03	1.06	-0.24
RISKLESS INDEX	0.03	0.07	0.11
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	3.38	0.57	5.84	2.69	0.26	39.25	0.89
TWO YEARS	2.82	1.17	2.33	1.43	0.43	78.78	-0.18

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

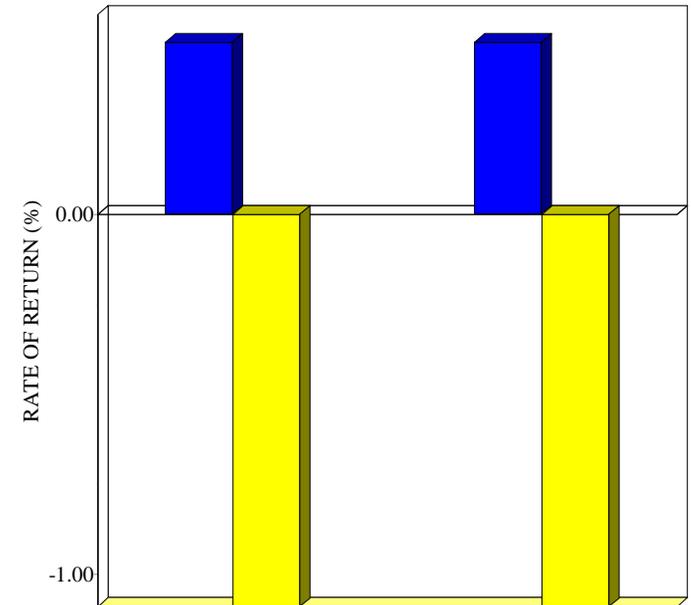
**City of Sanibel Treasury
Surplus Account
Performance in Rising and Declining Markets
September 30, 2011 Through September 30, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
■ TOTAL FUND	1.93	2.89
■ ML US TREAS 3-5 YR	2.68	3.45
DIFFERENCE	-0.75	-0.56
RATIO	0.72	0.84
UP PERIODS	6	9

DOWN MARKET PERFORMANCE



	YTD	ONE YEAR
■ TOTAL FUND	0.48	0.48
■ ML US TREAS 3-5 YR	-1.09	-1.09
DIFFERENCE	1.57	1.57
RATIO	-0.44	-0.44
DOWN PERIODS	3	3

**City of Sanibel Treasury
Restricted Account
Performance Profile
Through September 30, 2012**

	ENDED	RETURN
BEST QUARTER	9/2011	8.03
WORST QUARTER	12/2010	-4.53
BEST 4 QUARTERS	9/2012	9.68
WORST 4 QUARTERS	9/2011	7.55

TOTAL # OF PERIODS: 24
 # OF POSITIVE PERIODS: 15
 # OF NEGATIVE PERIODS: 9

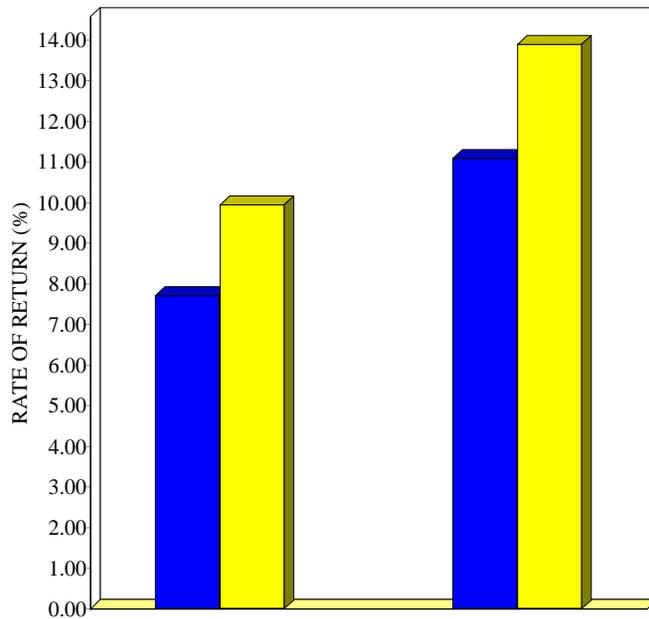
	QUARTER TO DATE	ONE YEAR	TWO YEARS
RESTRICTED ACCOUNT	3.33	9.68	8.61
ML US TREAS 10-15 YR	0.81	6.20	8.31
EXCESS	2.52	3.48	0.30
RISKLESS INDEX	0.03	0.07	0.11
REAL ROR	0.00	0.00	0.00

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	9.68	4.18	2.30	5.51	0.61	93.20	1.12
TWO YEARS	8.61	5.70	1.49	2.67	0.69	86.26	0.03

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

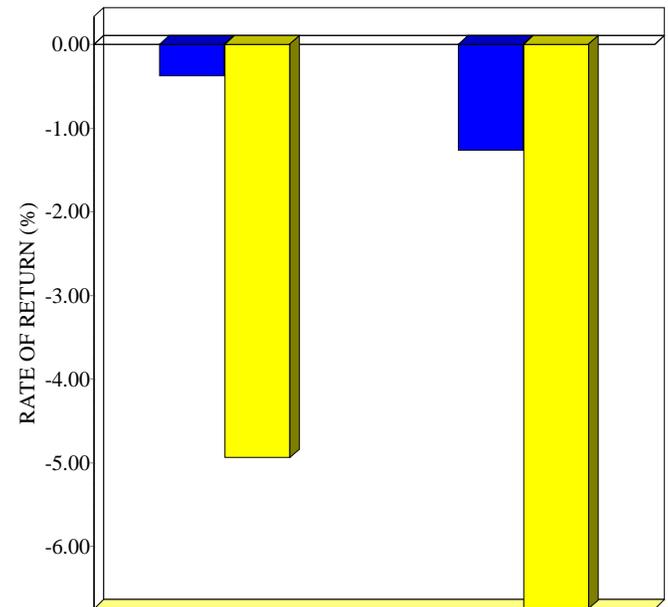
**City of Sanibel Treasury
Restricted Account
Performance in Rising and Declining Markets
September 30, 2011 Through September 30, 2012**

UP MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	7.71	11.09
ML US TREAS 10-15 YR	9.96	13.89
DIFFERENCE	-2.24	-2.80
RATIO	0.77	0.80
UP PERIODS	4	6

DOWN MARKET PERFORMANCE



	YTD	ONE YEAR
TOTAL FUND	-0.38	-1.27
ML US TREAS 10-15 YR	-4.94	-6.75
DIFFERENCE	4.56	5.48
RATIO	0.08	0.19
DOWN PERIODS	5	6

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 expected return independent of Beta.
- ASSET ALLOCATION- The division of portfolio asset classes in order to achieve an expected investment objective.
- BALANCED UNIVERSES - BNY Mellon Public Funds, Endowments & Foundations, Corporate peer groups, and PSN peer groups.
- 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.
- CONVERTIBLE BONDS - Hybrid securities' that offer equity returns during rising equity markets and improved down-market protection.
- CORE- An equal weighting in both growth and value stocks.
- CORRELATION COEFFICIENT- A 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.
- 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.
- INDEXES- Indexes are used as "independent representations of markets" (e.g., S&P 500).
- INFORMATION RATIO- Annualized excess return above the benchmark relative to the annualized tracking error.
- LARGE CAP- Generally, the term refers to a company that has a market capitalization that exceeds \$10 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 \$2 and \$10 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

-NET- Investment return accounts only for manager fees.

-PROTECTING FLORIDA INVESTMENT ACT (PFIA) - SBA publishes a list of prohibited investments (scrutinized companies).

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

-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.

-SMALL CAP- Generally refers to a company with a market capitalization \$300 million to \$2 billion.

-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) returns are the same and vice versa.

-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 AND DOWN-MARKET CAPTURE RATIO- Ratio that illustrates how a manager performed relative to the market during rising and declining market periods.

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

