

**CITY OF SANIBEL TREASURY**

**INVESTMENT PERFORMANCE**  
**PERIOD ENDING**  
**DECEMBER 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:  
315 East Robinson Street, Orlando, Florida 32801, 407-644-0111, info@burgesschambers.com



## City of Sanibel Treasury

### BCA Market Perspective ©

#### Why the U. S. is Becoming a Global Gas Superpower January 2013

The United States is positioned to become a global gas superpower, due to the development of economically recoverable shale-gas deposits in North America. Advances in horizontal fracturing technology and large capital investments have increased domestic gas production by 20% since 2006. A boom in U.S. exports improves the domestic economy and national security. America's allies in Europe would be less dependent on Russia and Qatar. America's workers and heavy industries benefit, along with improving tax revenues to local, state and Federal governments.

The abundance of low cost natural gas has made America a low cost manufacturer. Gas powers factories and is used to make chemicals for resins, plastics and containers. Power companies are replacing coal and oil fired plants with natural gas. In fact, natural gas not only heats buildings and homes, but will be used to power home-use electric generators to charge electric cars. More infrastructure, such as Master Limited Partnerships (MLPs), will be needed to transport natural gas to coastal area terminals.

Natural gas may be chilled and condensed into liquefied natural gas (LNG) and shipped by tanker around the world. The market price in Europe and Asia is \$14.5 per million British thermal units (BTU), considerably higher than \$2.3 here at home. The process of liquefying natural gas and transportation adds \$4 to \$6 to the landed price.

Europe, Asia, Japan and India all welcome access to U.S. LNG. It diversifies sourcing, thereby keeping prices more stable and predictable. In post-Fukushima Japan, growing LNG imports are needed to offset the reduced reliance on nuclear power.

The first Department of Energy (DOE) permit allowing for the export of natural gas has been granted. The facility under construction in Louisiana will be operational in 4Q 2015. It is ironic that this Sabine River location was the home of LNG imports from Indonesia in the 1980s. Fifteen additional export permits are being reviewed by the DOE, but without a fight. While the DOE favors such permits, American manufactures and consumer advocate groups are concerned that exports will drive up local prices.

Current consensus estimates the U.S. will export six billion cubic feet per day of natural gas by 2020 – equivalent to 16% of current U.S. production or 8% of world production, a rank of third behind Australia and Qatar.

With its power to grant permits and set environmental regulations, the Obama Administration will have the final say whether or not the U.S actually becomes a global gas superpower.



**City of Sanibel Treasury  
Total Fund  
Investment Policy Review  
December 31, 2012**

	<b>YES</b>	<b>NO</b>
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.	✓	
<b>Operating Account:</b>		
Investments are limited to demand deposits, mm funds and other short term securities of the highest quality.	✓	
<b>Reserves Account:</b>		
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.	✓	
<b>Surplus Account:</b>		
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.	✓	
<b>Restricted Account:</b>		
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  
December 31, 2012**

Portfolio	Principal Cost Value	Yield to Maturity on Amortized Cost (Gross of Fees)	Projected Annual Income
Operating (0-1 Yr)	\$2,548,144.04	0.7%	\$17,837
Reserves (0-2 Yr)	\$6,381,870.78	1.1%	\$70,201
Surplus (3-5 Yr)	\$5,184,554.15	1.9%	\$98,507
Restricted (10-15 Yr)	\$1,935,811.01	4.4%	\$85,176
<b>Total</b>	<b>\$16,050,379.98</b>	<b>1.7%</b>	<b>\$271,720</b>
<b>Less Projected Custody and Investment Management Fees @ 0.175% of Market Value</b>			<b>(\$28,670)</b>
<b>Projected Net Relationship Annual Income</b>			<b>\$243,050</b>

\*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  
December 31, 2012**

- For the quarter, the combined accounts earned \$40K (+0.2%).
  - For the trailing one-year period, the investment program earned \$422K (+2.1% gross, +1.9% 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 -\$800,000.
    - Operating       -\$ 225,000
    - Reserve        -\$ 550,000
    - Surplus         -\$ 25,000
  - Yield to maturity gross of fees:
    - Operating       + 0.7%
    - Reserve         + 1.1%
    - Surplus         + 1.9%
    - Restricted      + 4.4%
- Projected net annual income: \$243,050



**City of Sanibel Treasury**  
**Total Fund**  
**Gross Opportunity Gains & Loss Report**  
**December 31, 2010 Through December 31, 2012**

	<u>Quarter To Date</u>	<u>One Year</u>	<u>Two Years</u>
<b>BEGINNING MKT VALUE</b>	<b>17,142,971</b>	<b>21,312,063</b>	<b>20,684,321</b>
<b>NET CONTRIBUTIONS</b>	<b>(800,000)</b>	<b>(5,351,200)</b>	<b>(5,351,200)</b>
<b>INVESTMENT EARNINGS</b>	<b>39,713</b>	<b>421,821</b>	<b>1,049,562</b>
<b>ENDING MKT VALUE</b>	<b>16,382,683</b>	<b>16,382,683</b>	<b>16,382,683</b>
<b>GROSS TIME WEIGHTED RETURN</b>	<b>0.24</b>	<b>2.12</b>	<b>2.58</b>

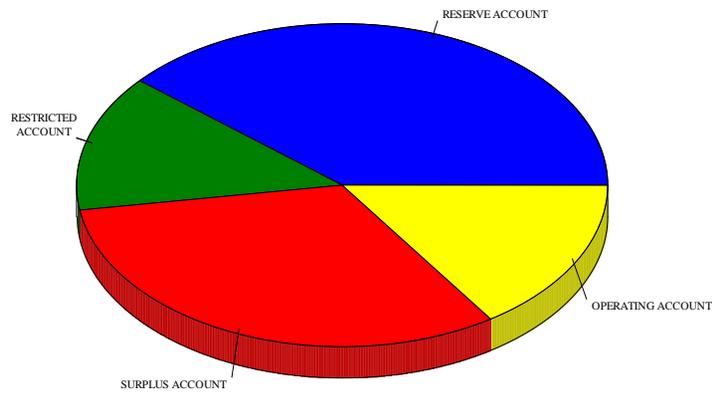


# City of Sanibel Treasury

## Total Fund

### Asset Allocation

TOTAL MARKET VALUE  
AS OF DECEMBER 31, 2012  
\$ 16,382,683



	VALUE	PERCENT
<span style="color: blue;">■</span> RESERVE ACCOUNT	6,357,323	38.81
<span style="color: red;">■</span> SURPLUS ACCOUNT	5,240,020	31.99
<span style="color: yellow;">■</span> OPERATING ACCOUNT	2,546,177	15.54
<span style="color: green;">■</span> RESTRICTED ACCOUNT	2,239,164	13.66



**City of Sanibel Treasury**  
**Total Fund**  
**December 31, 2012**  
**Gross of Fees**

Name	Market Values	QTR ROR	1 Year ROR	2 Year ROR
<b>TOTAL FUND</b>				
Operating Account	2,546,177	0.2%	0.9%	0.9%
ML 0-3M TBil		0.0%	0.1%	0.1%
Reserve Account	6,357,323	0.2%	1.1%	1.2%
ML US Treas 0-1 Yr		0.1%	0.2%	0.2%
Surplus Account	5,240,020	0.2%	2.6%	3.3%
ML US Treas 3-5 Yr		0.0%	1.6%	3.9%
Restricted Account	2,239,164	0.3%	7.6%	11.3%
ML US Treas 10-15 Yr		-0.1%	4.4%	11.3%
<b>TOTAL:</b>	<b>16,382,683</b>	<b>0.2%</b>	<b>2.1%</b>	<b>2.6%</b>



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

	ENDED	RETURN
BEST QUARTER	9/2012	0.26
WORST QUARTER	9/2011	0.10
BEST 4 QUARTERS	12/2012	0.95
WORST 4 QUARTERS	12/2011	0.79

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

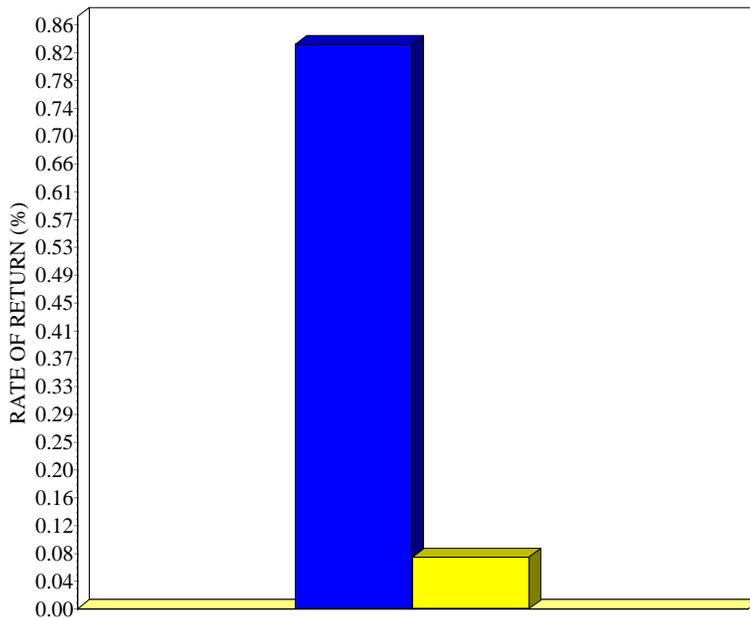
	QUARTER TO DATE	ONE YEAR	TWO YEARS
OPERATING ACCOUNT	0.22	0.95	0.87
ML 0-3M TBIL	0.03	0.08	0.07
EXCESS	0.20	0.87	0.80
RISKLESS INDEX	0.04	0.11	0.11
REAL ROR	1.03	-0.76	-1.53

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	0.95	0.08	10.19	0.89	1.51	2.17	10.38
TWO YEARS	0.87	0.10	7.93	0.83	1.97	6.00	8.37

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

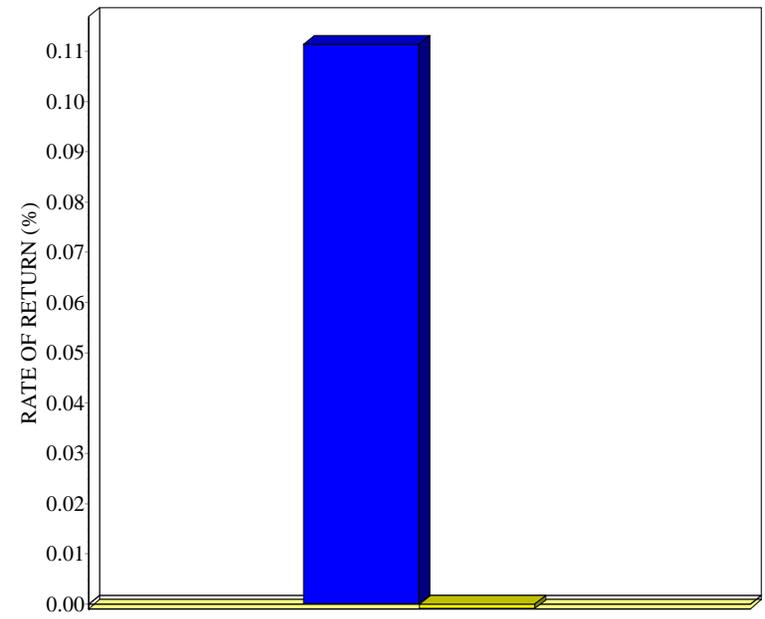
**City of Sanibel Treasury  
Operating Account  
Performance in Rising and Declining Markets  
December 31, 2011 Through December 31, 2012**

UP MARKET PERFORMANCE



	ONE YEAR
TOTAL FUND	0.83
ML 0-3M TBIL	0.08
DIFFERENCE	0.76
RATIO	10.93
UP PERIODS	11

DOWN MARKET PERFORMANCE



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

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

	ENDED	RETURN
BEST QUARTER	6/2011	0.43
WORST QUARTER	12/2012	0.24
BEST 4 QUARTERS	12/2011	1.35
WORST 4 QUARTERS	12/2012	1.06

TOTAL # OF PERIODS: 24  
# OF POSITIVE PERIODS: 23  
# OF NEGATIVE PERIODS: 1

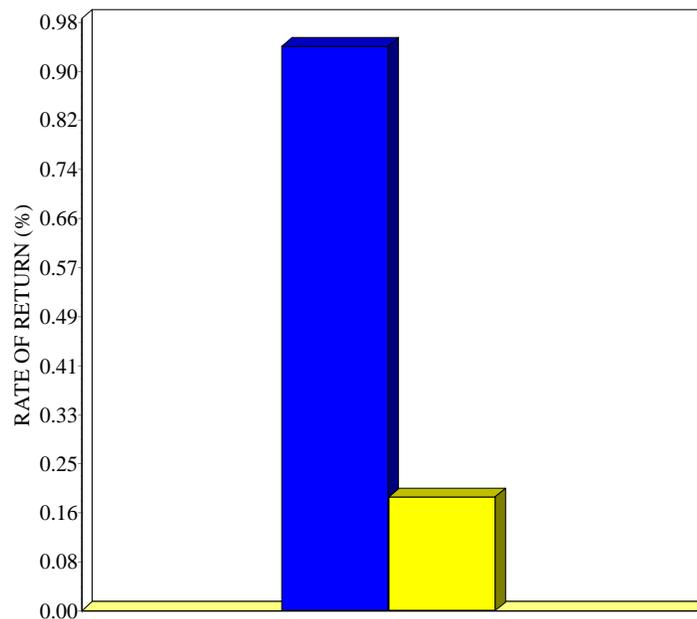
	QUARTER TO DATE	ONE YEAR	TWO YEARS
RESERVE ACCOUNT	0.24	1.06	1.20
ML US TREAS 0-1 YR	0.06	0.18	0.25
EXCESS	0.18	0.88	0.96
RISKLESS INDEX	0.04	0.11	0.11
REAL ROR	1.04	-0.65	-1.21

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	1.06	0.15	6.32	0.82	1.86	21.49	5.95
TWO YEARS	1.20	0.19	5.90	1.04	0.38	1.73	4.88

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

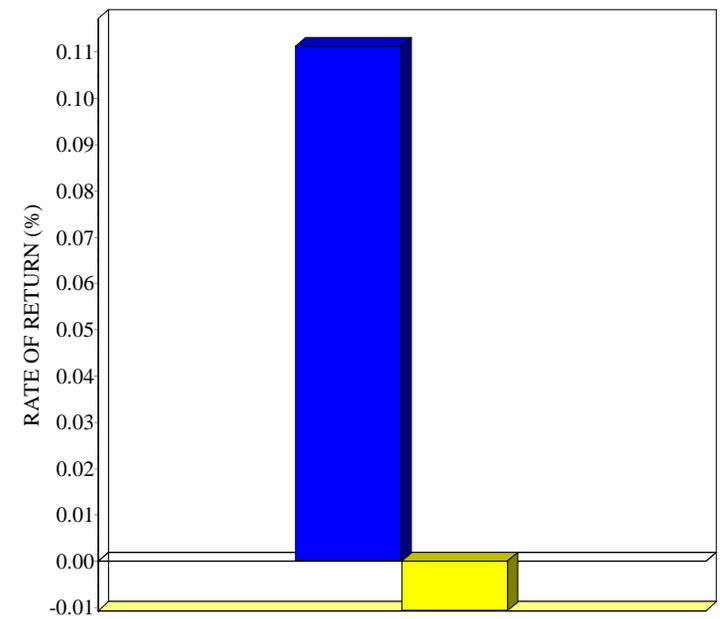
**City of Sanibel Treasury  
Reserve Account  
Performance in Rising and Declining Markets  
December 31, 2011 Through December 31, 2012**

UP MARKET PERFORMANCE



	ONE YEAR
TOTAL FUND	0.94
ML US TREAS 0-1 YR	0.19
DIFFERENCE	0.75
RATIO	4.96
UP PERIODS	11

DOWN MARKET PERFORMANCE



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

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

	ENDED	RETURN
BEST QUARTER	6/2011	1.34
WORST QUARTER	12/2012	0.22
BEST 4 QUARTERS	12/2011	3.91
WORST 4 QUARTERS	12/2012	2.64

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

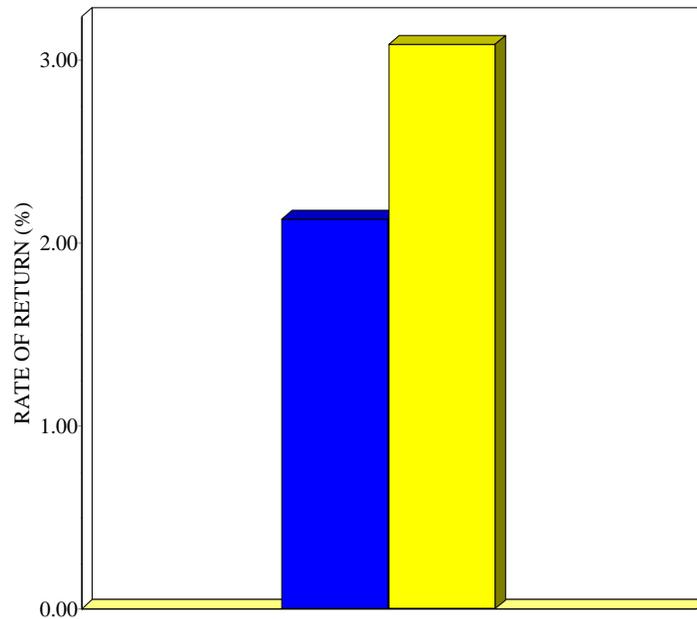
	QUARTER TO DATE	ONE YEAR	TWO YEARS
SURPLUS ACCOUNT	0.22	2.64	3.28
ML US TREAS 3-5 YR	0.01	1.58	3.87
EXCESS	0.21	1.07	-0.60
RISKLESS INDEX	0.04	0.11	0.11
REAL ROR	1.02	0.91	0.82

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	2.64	0.60	4.19	2.09	0.28	46.65	0.88
TWO YEARS	3.28	0.84	3.79	1.83	0.35	70.98	-0.43

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

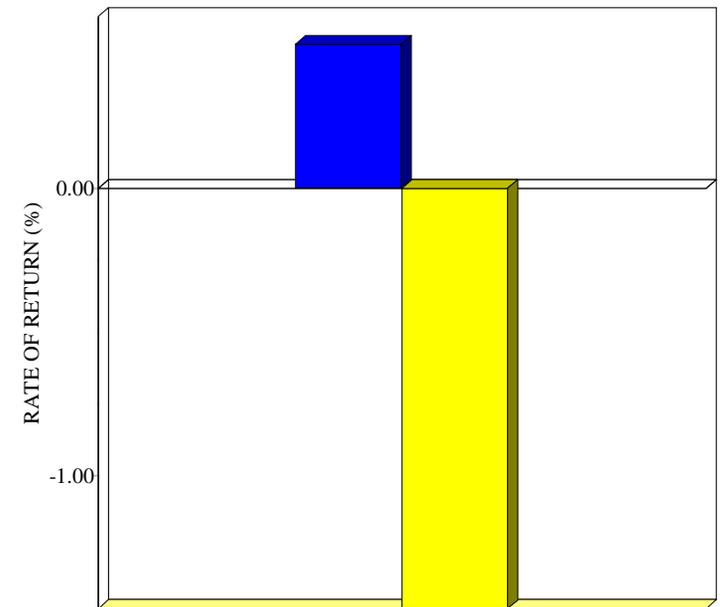
**City of Sanibel Treasury  
Surplus Account  
Performance in Rising and Declining Markets  
December 31, 2011 Through December 31, 2012**

UP MARKET PERFORMANCE



	ONE YEAR
TOTAL FUND	2.13
ML US TREAS 3-5 YR	3.08
DIFFERENCE	-0.95
RATIO	0.69
UP PERIODS	7

DOWN MARKET PERFORMANCE



	ONE YEAR
TOTAL FUND	0.50
ML US TREAS 3-5 YR	-1.46
DIFFERENCE	1.96
RATIO	-0.34
DOWN PERIODS	5

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

	ENDED	RETURN
BEST QUARTER	9/2011	8.03
WORST QUARTER	3/2012	-0.72
BEST 4 QUARTERS	12/2011	15.15
WORST 4 QUARTERS	12/2012	7.64

TOTAL # OF PERIODS: 24  
# OF POSITIVE PERIODS: 17  
# OF NEGATIVE PERIODS: 7

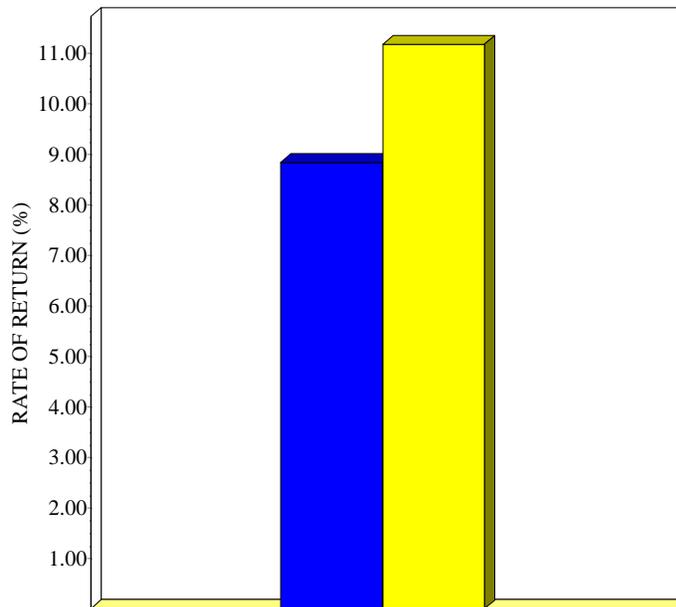
	QUARTER TO DATE	ONE YEAR	TWO YEARS
RESTRICTED ACCOUNT	0.32	7.64	11.33
ML US TREAS 10-15 YR	-0.15	4.37	11.31
EXCESS	0.47	3.28	0.03
RISKLESS INDEX	0.04	0.11	0.11
REAL ROR	1.12	5.81	8.70

PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	7.64	3.99	1.89	4.65	0.62	90.86	1.15
TWO YEARS	11.33	4.76	2.36	3.88	0.63	84.48	-0.05

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

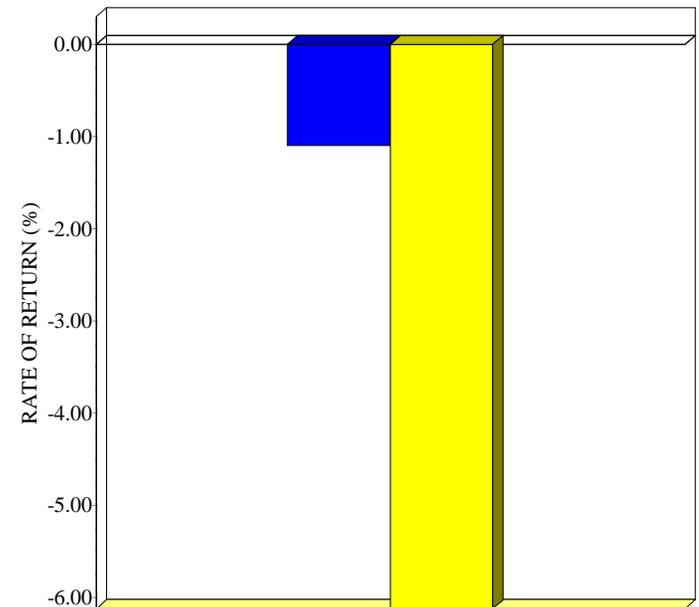
**City of Sanibel Treasury  
Restricted Account  
Performance in Rising and Declining Markets  
December 31, 2011 Through December 31, 2012**

UP MARKET PERFORMANCE



	ONE YEAR
TOTAL FUND	8.84
ML US TREAS 10-15 YR	11.17
DIFFERENCE	-2.33
RATIO	0.79
UP PERIODS	5

DOWN MARKET PERFORMANCE



	ONE YEAR
TOTAL FUND	-1.10
ML US TREAS 10-15 YR	-6.12
DIFFERENCE	5.02
RATIO	0.18
DOWN PERIODS	7

## 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.

