

**CITY OF SANIBEL TREASURY**

**INVESTMENT PERFORMANCE**  
**PERIOD ENDING**  
**DECEMBER 31, 2013**

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BCA reviews transactions provided by the custodian and uses reasonable care to ensure the accuracy of the data contained herein.  
However, BCA cannot guarantee the accuracy of the custodian's statement.



## City of Sanibel Treasury

### BCA Market Perspective ©

#### It's About Oil

January 2014

The nation's trade deficit again declined for the quarter with exports rising to a record high in November. It is all about crude oil.

Total imports fell to \$229 billion in November from \$233 billion in October – a 1.5% decline due in large part to a sharp drop in crude oil imports. The U.S. produces about 7.4 million barrels of oil per day (bopd) and consumes 18.3 million per day. During the past five years, domestic production is up 44%, and imports have dropped from 55% to 40% of domestic consumption.

The Bakken Shale in North Dakota is the largest oil discovery in U.S. since Prudhoe Bay, Alaska - holding an estimated 7.4 billion barrels of recoverable oil. The region's oil boom produces 900,000 bopd or 8.3% of domestic production and is expected to reach 14% in the next several years.

The U. S. is becoming more energy independent, and with that comes the cost and need for energy infrastructure. Energy companies are set to spend close to \$1 trillion on oil and gas pipelines, storage, processing and transportation upgrades over the next decade. According to a report released by the American Petroleum Institute and HIS Global Insight, these capital projects will support more than 900,000 jobs nationwide.

The surge in U.S. oil production has shed light on a once orphaned asset class, Master Limited Partnerships, which has been gaining popularity among Institutional investors for the following reasons:

- Strong historical performance
- Low correlation to stocks<sup>1</sup> and bonds<sup>2</sup>
- Consistent yield and stable distribution growth
- Inflation hedge
- Infrastructure is in the national interest
- U.S. energy renaissance and the increase of energy exports

In November, Goldman Sachs launched its first ever Closed-End Fund, selecting MLPs as the core asset. Goldman's rationale echoes a thesis of the underlying asset class, which is to benefit from the tremendous expansion of energy infrastructure in the U.S. This new closed-end fund raised more than \$826 million in 2013.

The Alerian MLP index experienced a total return of 27.6%<sup>3</sup> (including a 6% yield) for the year 2013, a year in which fixed income<sup>4</sup> was down 2.0%. During 2013, there were 20 MLP initial public offerings, topping the previous record of 13 IPOs in 2007. Mergers and acquisitions, strength in commodity prices, and solid distribution growth were all tailwinds for the asset class during 2013. If MLPs continue their course in 2014, investors can expect another great year despite an environment of rising interest rates.

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<sup>1</sup> 0.4 correlation against S&P 500; since 1996

<sup>2</sup> 0.0 correlation against Barclays Agg; since 1996

<sup>3</sup> Measured by the Alerian MLP Index

<sup>4</sup> Measured by the Barclays Agg.



**City of Sanibel Treasury  
Total Fund  
Investment Policy Review  
December 31, 2013**

	<b>YES</b>	<b>NO</b>
All investments of the fund are authorized within the current Investment Policy Statement.	✓	
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 exceed 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, 2013**

Portfolio	Principal Cost Value*	Yield to Maturity on Amortized Cost (Gross of Fees)	Projected Annual Income
Operating (0-1 yr)	\$2,570,693.63	0.6%	\$15,424
Reserves (0-2 yr)	\$6,493,839.23	1.0%	\$64,938
Surplus (3-5 yr)	\$5,329,506.80	1.9%	\$101,261
Restricted (10-15 yr)	\$2,058,511.61	4.3%	\$88,516
<b>Total</b>	<b>\$16,452,551.27</b>	<b>1.6%</b>	<b>\$270,139</b>
<b>Less Projected Custody and Investment Management Fees @ 0.175% of Market Value</b>			(\$28,632)
<b>Projected Net Relationship Annual Income</b>			<b>\$241,507</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, 2013**

- For the quarter, the combined accounts earned \$9K or +0.1% gross. This was quite an accomplishment, given the negative bond market environment.
  - For the trailing one-year period, the combined accounts lost \$21,967 (-0.1% gross, -0.3% net). However, for the trailing three-year period, the investment program earned \$806K (averaging: +1.7% gross, +1.3% net per year).
  - Yield to maturity gross of fees:
    - Operating      0.6%
    - Reserve        1.0%
    - Surplus        1.9%
    - Restricted     4.3%
- Projected net annual income: \$241,507



**City of Sanibel Treasury**  
**Total Fund**  
**Gross Opportunity Gains & Loss Report**  
**December 31, 2010 Through December 31, 2013**

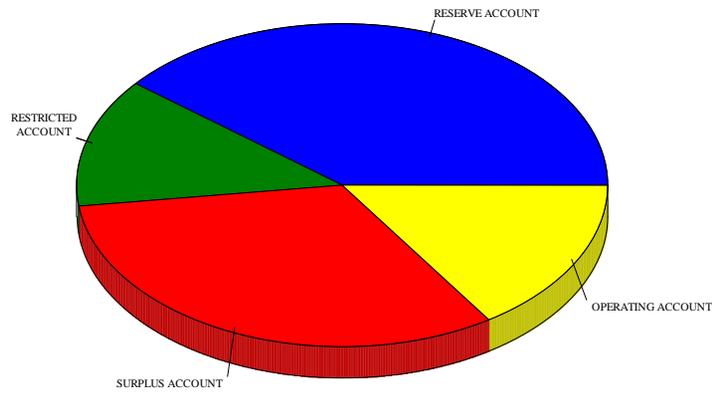
	<u>Quarter To Date</u>	<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>
<b>BEGINNING MKT VALUE</b>	<b>16,344,937</b>	<b>16,382,683</b>	<b>21,312,063</b>	<b>20,684,321</b>
<b>NET CONTRIBUTIONS</b>	<b>0</b>	<b>0</b>	<b>(5,351,200)</b>	<b>(5,351,200)</b>
<b>INVESTMENT EARNINGS</b>	<b>16,050</b>	<b>(21,697)</b>	<b>400,123</b>	<b>1,027,865</b>
<b>ENDING MKT VALUE</b>	<b>16,360,986</b>	<b>16,360,986</b>	<b>16,360,986</b>	<b>16,360,986</b>
<b>GROSS TIME WEIGHTED RETURN</b>	<b>0.10</b>	<b>(0.13)</b>	<b>0.99</b>	<b>1.66</b>

# City of Sanibel Treasury

## Total Fund

### Asset Allocation

TOTAL MARKET VALUE  
AS OF DECEMBER 31, 2013  
\$ 16,360,986



	VALUE	PERCENT
<span style="color: blue;">■</span> RESERVE ACCOUNT	6,409,821	39.18
<span style="color: red;">■</span> SURPLUS ACCOUNT	5,278,013	32.26
<span style="color: yellow;">■</span> OPERATING ACCOUNT	2,563,195	15.67
<span style="color: green;">■</span> RESTRICTED ACCOUNT	2,109,956	12.89

**City of Sanibel Treasury**  
**Total Fund**  
**December 31, 2013**  
**Gross of Fees**

Name	Market Values	QTR ROR	1 Year ROR	2 Year ROR	3 Year ROR
<b>TOTAL FUND</b>					
Operating Account	2,563,195	0.2%	0.7%	0.8%	0.8%
ML 0-3M TBil		0.0%	0.0%	0.1%	0.1%
Reserve Account	6,409,821	0.2%	0.8%	0.9%	1.1%
ML US Treas 0-1 Yr		0.0%	0.2%	0.2%	0.2%
Surplus Account	5,278,013	0.3%	0.7%	1.7%	2.4%
ML US Treas 3-5 Yr		-0.3%	-0.9%	0.3%	2.3%
Restricted Account	2,109,956	-0.8%	-5.8%	0.7%	5.3%
ML US Treas 10-15 Yr		-2.3%	-7.5%	-1.8%	4.6%
<b>TOTAL:</b>	<b>16,360,986</b>	<b>0.1%</b>	<b>-0.1%</b>	<b>1.0%</b>	<b>1.7%</b>



**City of Sanibel Treasury  
Operating Account  
Performance Profile  
Through December 31, 2013**

	ENDED	RETURN
BEST QUARTER	9/2012	0.26
WORST QUARTER	3/2013	0.06
BEST 4 QUARTERS	12/2012	0.95
WORST 4 QUARTERS	12/2013	0.67

TOTAL # OF PERIODS: 36  
 # OF POSITIVE PERIODS: 35  
 # OF NEGATIVE PERIODS: 1

	QUARTER TO DATE	ONE YEAR	TWO YEARS	THREE YEARS
OPERATING ACCOUNT	0.18	0.67	0.81	0.80
ML 0-3M TBIL	0.01	0.05	0.06	0.06
EXCESS	0.17	0.62	0.75	0.74
RISKLESS INDEX	0.02	0.07	0.09	0.10
REAL ROR	0.68	-0.74	-0.75	-1.27

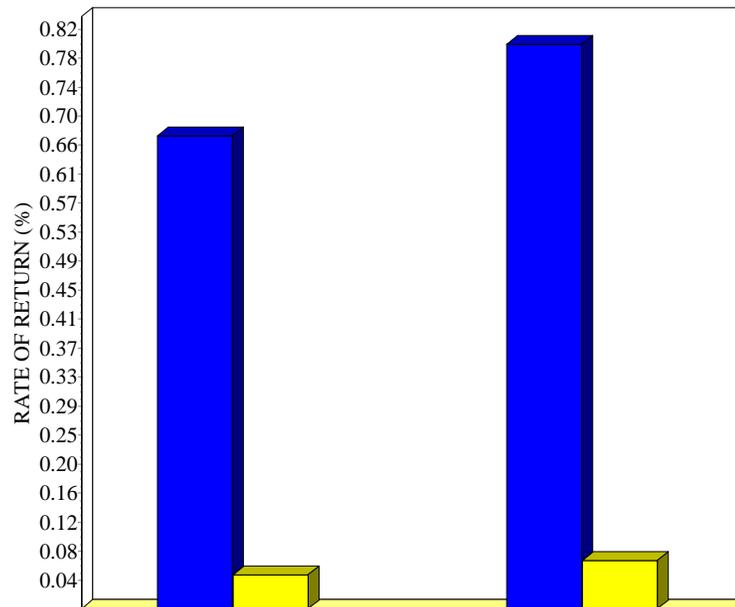
PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	0.67	0.18	3.31	0.60	0.06	0.00	3.47
TWO YEARS	0.81	0.15	4.92	0.71	0.01	0.00	5.17
THREE YEARS	0.80	0.13	5.30	0.74	1.09	1.00	5.61

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



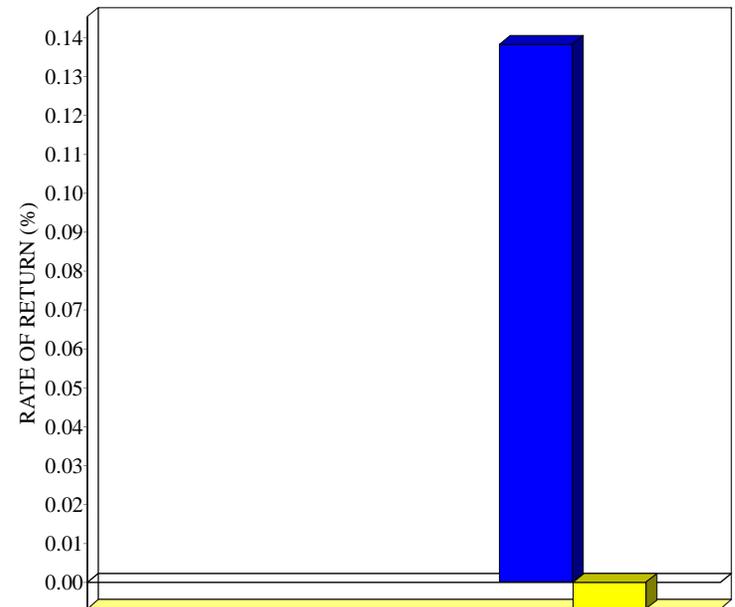
**City of Sanibel Treasury  
Operating Account  
Performance in Rising and Declining Markets  
December 31, 2010 Through December 31, 2013**

UP MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
<span style="color: blue;">■</span> TOTAL FUND	0.67	0.80
<span style="color: yellow;">■</span> ML 0-3M TBIL	0.05	0.07
DIFFERENCE	0.62	0.73
RATIO	13.92	11.58
UP PERIODS	12	34

DOWN MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
<span style="color: blue;">■</span> TOTAL FUND	N/A	0.14
<span style="color: yellow;">■</span> ML 0-3M TBIL	N/A	-0.01
DIFFERENCE	N/A	0.15
RATIO	N/A	-20.22
DOWN PERIODS	0	2

**City of Sanibel Treasury  
Reserve Account  
Performance Profile  
Through December 31, 2013**

	ENDED	RETURN
BEST QUARTER	6/2011	0.43
WORST QUARTER	12/2013	0.19
BEST 4 QUARTERS	12/2011	1.35
WORST 4 QUARTERS	12/2013	0.83

TOTAL # OF PERIODS: 36  
 # OF POSITIVE PERIODS: 35  
 # OF NEGATIVE PERIODS: 1

	QUARTER TO DATE	ONE YEAR	TWO YEARS	THREE YEARS
RESERVE ACCOUNT	0.19	0.83	0.94	1.08
ML US TREAS 0-1 YR	0.01	0.17	0.17	0.22
EXCESS	0.17	0.66	0.77	0.86
RISKLESS INDEX	0.02	0.07	0.09	0.10
REAL ROR	0.69	-0.58	-0.62	-1.00

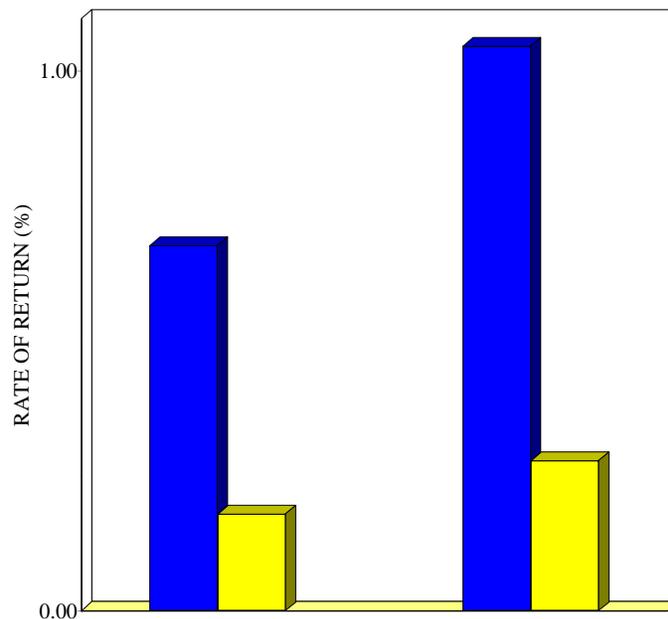
PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	0.83	0.10	7.80	0.75	0.02	0.00	6.56
TWO YEARS	0.94	0.13	6.52	0.77	0.94	7.28	5.90
THREE YEARS	1.08	0.17	5.79	0.93	0.40	1.89	4.90

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



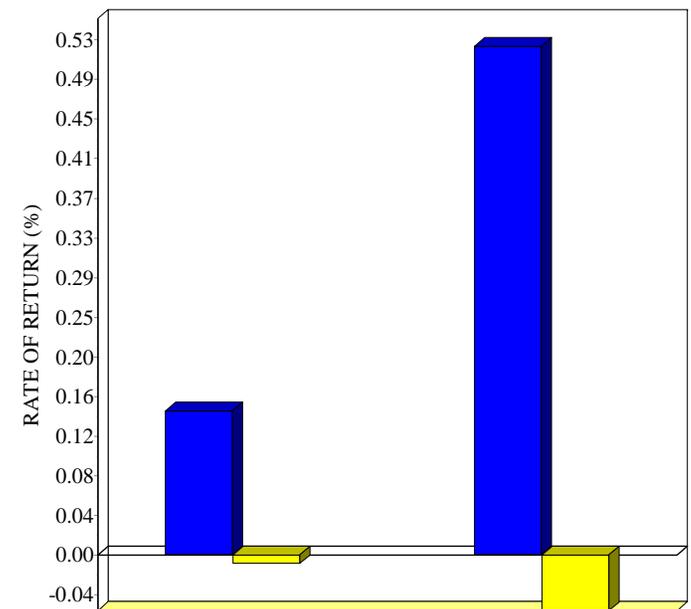
**City of Sanibel Treasury  
Reserve Account  
Performance in Rising and Declining Markets  
December 31, 2010 Through December 31, 2013**

UP MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
<span style="color: blue;">■</span> TOTAL FUND	0.68	1.05
<span style="color: yellow;">■</span> ML US TREAS 0-1 YR	0.18	0.28
DIFFERENCE	0.50	0.77
RATIO	3.77	3.75
UP PERIODS	10	31

DOWN MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
<span style="color: blue;">■</span> TOTAL FUND	0.15	0.53
<span style="color: yellow;">■</span> ML US TREAS 0-1 YR	-0.01	-0.06
DIFFERENCE	0.16	0.58
RATIO	-16.51	-9.06
DOWN PERIODS	2	5

**City of Sanibel Treasury  
Surplus Account  
Performance Profile  
Through December 31, 2013**

	ENDED	RETURN
BEST QUARTER	6/2011	1.34
WORST QUARTER	6/2013	-0.13
BEST 4 QUARTERS	12/2011	3.91
WORST 4 QUARTERS	12/2013	0.73

TOTAL # OF PERIODS: 36  
 # OF POSITIVE PERIODS: 27  
 # OF NEGATIVE PERIODS: 9

	QUARTER TO DATE	ONE YEAR	TWO YEARS	THREE YEARS
SURPLUS ACCOUNT	0.30	0.73	1.68	2.42
ML US TREAS 3-5 YR	-0.35	-0.91	0.32	2.25
EXCESS	0.65	1.64	1.35	0.16
RISKLESS INDEX	0.02	0.07	0.09	0.10
REAL ROR	0.80	-0.68	0.11	0.32

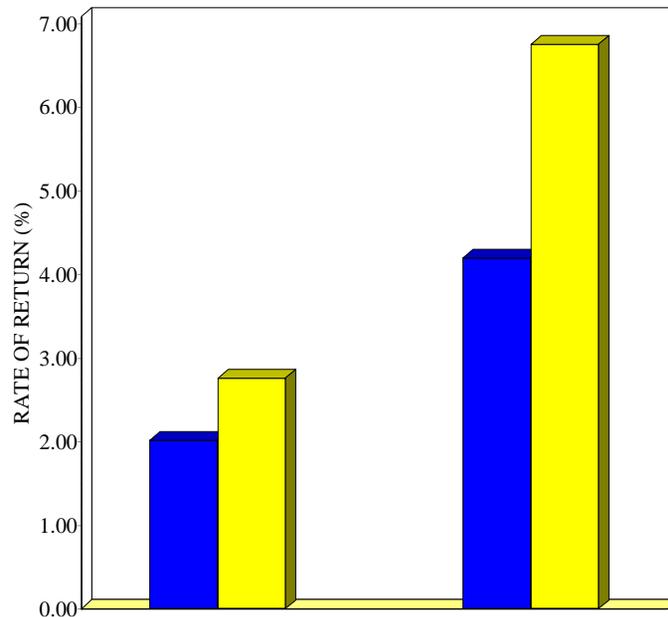
PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	0.73	1.13	0.58	1.12	0.48	78.43	1.34
TWO YEARS	1.68	0.95	1.68	1.47	0.42	68.61	1.11
THREE YEARS	2.42	1.00	2.31	1.43	0.41	75.12	0.10

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



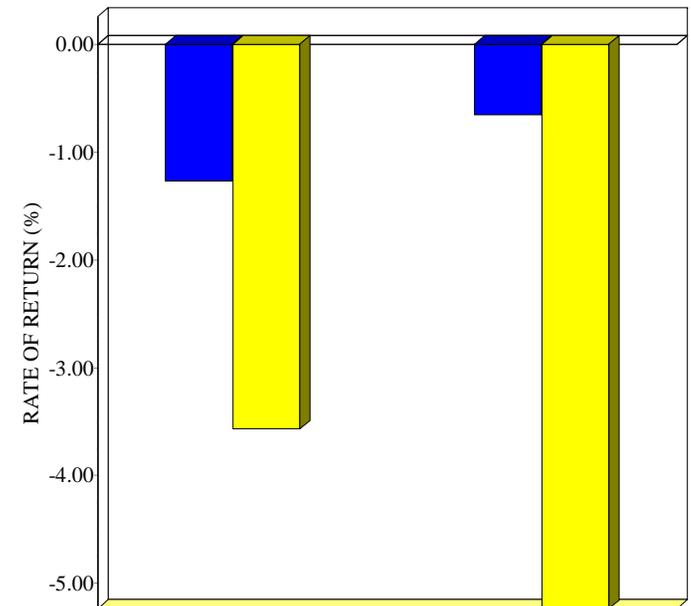
**City of Sanibel Treasury  
Surplus Account  
Performance in Rising and Declining Markets  
December 31, 2010 Through December 31, 2013**

UP MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
TOTAL FUND	2.02	4.20
ML US TREAS 3-5 YR	2.76	6.75
DIFFERENCE	-0.74	-2.55
RATIO	0.73	0.62
UP PERIODS	7	23

DOWN MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
TOTAL FUND	-1.27	-0.66
ML US TREAS 3-5 YR	-3.57	-5.24
DIFFERENCE	2.30	4.58
RATIO	0.36	0.13
DOWN PERIODS	5	13

**City of Sanibel Treasury  
Restricted Account  
Performance Profile  
Through December 31, 2013**

	ENDED	RETURN
BEST QUARTER	9/2011	8.03
WORST QUARTER	6/2013	-4.83
BEST 4 QUARTERS	12/2011	15.15
WORST 4 QUARTERS	12/2013	-5.77

TOTAL # OF PERIODS: 36  
 # OF POSITIVE PERIODS: 22  
 # OF NEGATIVE PERIODS: 14

	QUARTER TO DATE	ONE YEAR	TWO YEARS	THREE YEARS
RESTRICTED ACCOUNT	-0.76	-5.77	0.71	5.31
ML US TREAS 10-15 YR	-2.35	-7.54	-1.76	4.63
EXCESS	1.58	1.76	2.48	0.68
RISKLESS INDEX	0.02	0.07	0.09	0.10
REAL ROR	-0.27	-7.09	-0.85	3.16

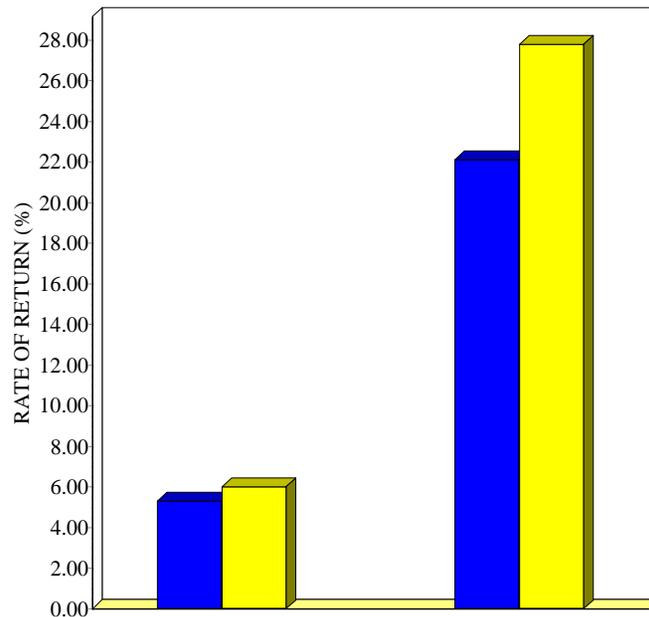
PERIOD	RETURN	STD DEV	SHARPE RATIO	ALPHA	BETA	R-SQUARED	INFO RATIO
ONE YEAR	-5.77	5.30	-1.10	0.04	0.77	77.66	0.63
TWO YEARS	0.71	5.06	0.12	1.96	0.72	82.38	0.87
THREE YEARS	5.31	5.44	0.96	1.95	0.70	83.54	0.16

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



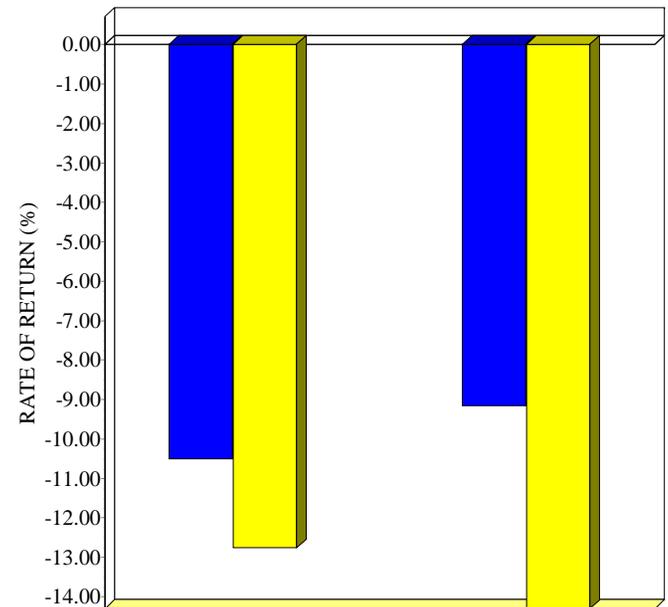
**City of Sanibel Treasury  
Restricted Account  
Performance in Rising and Declining Markets  
December 31, 2010 Through December 31, 2013**

UP MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
TOTAL FUND	5.32	22.11
ML US TREAS 10-15 YR	6.01	27.77
DIFFERENCE	-0.69	-5.66
RATIO	0.89	0.80
UP PERIODS	5	18

DOWN MARKET PERFORMANCE



	ONE YEAR	THREE YEARS
TOTAL FUND	-10.53	-9.18
ML US TREAS 10-15 YR	-12.78	-14.31
DIFFERENCE	2.25	5.14
RATIO	0.82	0.64
DOWN PERIODS	7	18

## 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.

