

Town of Jupiter Police Officers' Pension Fund

INVESTMENT PERFORMANCE EVALUATION

For the Quarter Ended September 30, 2006

Presented on November 27, 2006

NOTE: For a free copy of Part II of Burgess Chambers and Associates, Inc.'s most recent Form ADV which details pertinent business procedures, please write or call: 601 North New York Avenue, Suite 200, Winter Park, Florida 32789, 407-644-0111. Part II will be mailed within five (5) business days upon receipt of the request.

TOWN OF JUPITER POLICE OFFICERS' PENSION FUND

BCA Third Quarter 2006 Market Review ©

Why REITS Have Surprised the Experts

By Burgess B. Chambers

Real Estate Investment Trusts (REITS) have achieved extraordinary returns during the past five years. The low interest rate experience that began in 2002 made this asset class more attractive than bonds. This environment subsidized capital spending which inflated the cost of building replacement.

During the five-year period, ended September 30, 2006 the REIT index earned 21.8% per year. In contrast, the S&P 500 stock and broad-market bond indices earned 6.9% and 4.3%, respectively. REITS earned three times the return of the S&P 500 and bettered bond performance by a factor of five.

BCA began introducing REITS to its clients in the fall of 2002, following a decline in bond interest rates not seen in 40 years. With bond yields well below 4.0%, REITS offered higher yields and the prospect for appreciation with an improving economy. REIT income rises with improving rental incomes from commercial properties. What experts did not anticipate was the high cost of labor and materials resulting from a worldwide building boom. Existing income producing property valuations expanded along with rising replacement costs. In 2005, commercial construction costs increased more than 40%. During the past several years, REITS have been acquired by private investors, pushing up values even further.

Going forward, the investment returns of this asset class will normalize (revert to the mean) as capital flows slow in response to better opportunities elsewhere. Rental incomes should continue improving as leases roll-over and demand for space remains stable. REITS should experience annual returns closer to eight percent during the next five years. This is a significant reduction in expected returns, as compared to the previous five years.



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended September 30, 2006

Investment Summary

- ❑ For the fiscal year, the total Fund earned 6.6% net. The main detractors from performance in relation to the blended benchmark were PCM and the under-weight in the REIT (5.8% vs. 10.0%). PCM earned 4.6% for the year, compared to 6.6% for the S&P 400 mid-cap index.
- ❑ The total Fund has averaged 8.2% and 8.5% per year for the past two and three-year periods, respectively.
- ❑ The main detractors from performance in relation to the blended benchmark were PCM and the under-weight in the REIT (5.8% vs. 10.0%). PCM earned 4.6% for the year, compared to 6.6% for the S&P 400 mid-cap index.
- ❑ The two best performing programs for the year were the REIT (+26.9%) and International (+18.8%).
- ❑ The Russell 1000 Growth index account (established in funded in Sept 2005) earned 5.8%. The account earned an additional 3.4% in the month of October, 2006.
- ❑ PCM ceased managing its account on October 24. The PCM account earned a strong 6.7% for 3Q06 and another 3.8% during October, making for a strong finish.
- ❑ Sawgrass' bond portfolio earned 4.2% for the year and ranked in the top 19th percentile.

Synopsis:

With the replacement of PCM, using two managers (Westwood and WPG), the investment program has further diversified itself from sector and business model risks.



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended September 30, 2006

Investment Performance

October 1, 2005 – September 30, 2006

Dollars

	<u>Quarter</u>	<u>Fiscal Year</u>
1) Beginning Market Value	19,221,573	18,533,713
2) Ending Market Value	21,724,569	21,724,569
3) Net Contributions	+1,552,130	+1,802,981
4) Investment Gain/(Loss)	+950,867	+1,387,870
5) Investment Return, Net	+4.7%	+6.6%

Fiscal Year: October 1st to September 30th.



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended September 30, 2006

Compliance Checklist

	<u>Yes</u>	<u>No</u>
1. The annualized three-year total Fund performance beat the return for the hybrid Benchmark Objective.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2. The annualized three-year total Fund performance ranked in the top 40th percentile of the PSN Balanced Moderate Universe.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3. The annualized three-year total Fund performance achieved the 8.0% actuarial assumption rate.	<input checked="" type="checkbox"/>	<input type="checkbox"/>
4. The annualized three-year PCM performance beat the return of the Russell 3000 Index.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. Total equity securities, including international, may not exceed 60% of the Fund's assets at cost value. (52.7%)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
6. No more than 10% of the Fund's equity assets (at cost value) were invested in foreign securities. (9.1%)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. The annualized three-year fixed income performance beat the return of the fixed income benchmark (LBIA).	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8. The annualized three-year fixed income performance ranked in the top 40th percentile of the PSN Intermediate Fixed Income Universe.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
9. No more than 10% of the fixed income portfolio (at cost) was invested in the securities of any single corporate issuer.	<input checked="" type="checkbox"/>	<input type="checkbox"/>



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended September 30, 2006

Total Fund Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Balanced Universe Ranking ①	15th	50th	50th	56th	64th
TOTAL FUND, <i>Net</i>	4.7	6.6	8.2	8.5	5.7
Benchmark Objective ②	4.7	11.0	12.2	11.8	8.5
<i>Value Added</i>	0.0	-4.4	-4.0	-3.3	-2.8
Actuarial Assumption Rate (8.0%)	2.1	8.5	8.5	8.5	8.5
Standard Benchmark ▲	4.9	7.9	8.2	8.8	6.5
<i>Value Added vs. Total Fund</i>	-0.2	-1.3	0.0	-0.3	-0.8

① PSN Balanced Moderate Universe

② Current Benchmark: 50% R3000, 10% EAFE, 10% REIT, and 30% LBIA.

Effective October 1, 2003, the Benchmark Objective is 50% Russell 3000, 40% Lehman Brother Intermediate Aggregate, and 10% Wilshire REIT. From April 1, 2003 until September 30, 2003, the Benchmark Objective was 60% Russell 3000 and 40% Lehman Brother Intermediate Aggregate. From January 1, 2001 to March 31, 2003, the Benchmark Objective was 60% S&P 500 and 40% ML Domestic Master. Prior to January 1, 2001, it was 50% S&P 500 and 50% ML Corp. & Govt. Master.

▲ Standard Benchmark: 60% S&P 500 and 40% LBAB.

Total Fund Performance
(With New Investment Managers)

	3Q06	2Q06	1Q06	4Q05	3Q05	2Q05	1Q05	4Q04	3Q04	2Q04
TOTAL FUND, <i>net</i>	4.7	-2.8	4.0	0.8	1.2	2.2	-1.9	8.1	0.7	-0.7
Benchmark Objective ②	4.7	-1.0	5.1	1.9	3.3	3.3	-2.0	8.5	0.7	-0.4
<i>Value Added</i>	0.0	-1.8	-1.1	-1.1	-2.1	-1.1	+0.1	-0.4	0.0	-0.3



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND

For the Quarter Ended September 30, 2006

Equity Performance (Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Total Domestic Equity ③	6.0	4.8	9.2	11.4	6.8
Domestic Equity Benchmark ①	4.6	10.2	12.4	13.0	7.7
<i>Value Added</i>	+1.4	-5.4	-3.2	-1.6	-0.9
Universe Ranking ④	6th	93rd	91st	92nd	N/A
Private Capital Mgmt. (PCM)	6.7	4.6	9.2	11.4	N/A
Universe Ranking ②	39th	38th	N/A	N/A	N/A
Russell 1000 Growth ETF 9/12/05	3.3	5.8	N/A	N/A	N/A

③ Effective March 28, 2003, Private Capital Management is the domestic equity investment manager; previously, INVESCO was the investment manager.

④ PSN All Cap Value Universe

① Effective April 1, 2003, the equity benchmark is the Russell 3000; previously, it was the S&P500.

② Morningstar Large Growth Universe

	3Q06	2Q06	1Q06	4Q05	3Q05	2Q05	1Q05	4Q04	3Q04	2Q04
Total Domestic Equity	6.0	-5.9	4.8	0.3	1.0	2.4	-2.5	12.9	-0.7	1.2
PCM	6.7	-6.5	4.9	-0.6	1.3	2.4	-2.5	12.9	-0.7	1.2
Russell 1000 Growth	3.3	-3.8	3.6	2.6	-1.4	N/A	N/A	N/A	N/A	N/A



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND

For the Quarter Ended September 30, 2006

Domestic Equity Performance (For the One-Year Periods Ended September 30th)

	2006	2005	2004	2003	2002	2001
Total Domestic Equity	4.8	13.7	16.1	25.6	-20.0	-31.5
Equity Benchmark ①	10.2	14.6	14.3	26.3	-20.5	-26.6
<i>Value Added</i>	<i>-5.4</i>	<i>-0.9</i>	<i>+1.8</i>	<i>-0.7</i>	<i>+0.5</i>	<i>-4.9</i>

Total Domestic Equity Risk Statistics Performance Relative to the Equity Benchmark Index For the Three-Year Trailing Period

	Domestic Equity	Equity Benchmark	Difference
Return (%)	11.4	13.0	-1.6
Standard Deviation (%, +/-)	10.4	9.2	+1.2
Sharpe Ratio	0.8	1.1	-0.3
Up Mkt. Capture Ratio (%)	97.8	100.0	-2.2
Down Mkt. Capture Ratio (%)	150.8	100.0	+50.8
Annualized Alpha (%)	-1.7	0.0	-1.7
Beta	1.0	1.0	0.0
R-Squared (%)	82.0	100.0	-18.0

TOWN OF JUPITER POLICE OFFICERS' PENSION FUND

For the Quarter Ended September 30, 2006

International Equity Performance (Annualized Percent Returns)

	Quarter	1 Year	2 Years
Universe Ranking ❶	86th	37th	53rd
McKee International Equity Fund	2.9	18.8	21.4
MSCI EAFE	4.0	19.6	22.9
<i>Value Added</i>	<i>-1.1</i>	<i>-0.8</i>	<i>-1.5</i>

❶ Morningstar Foreign Large Blend Universe

REIT Performance (Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years
Universe Ranking ❷	33rd	50th	40th	50th
Adelante REIT Fund	8.8	26.9	27.5	26.2
Wilshire REIT	9.1	28.1	28.6	27.5
<i>Value Added</i>	<i>-0.3</i>	<i>-1.2</i>	<i>-1.1</i>	<i>-1.3</i>

❷ Morningstar Specialty-Real Estate Universe



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended September 30, 2006

Performance of Various Equity Strategies

(Percent Returns by Calendar Year)

Composite	3Q06	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	10 Yr. Avg.
Jupiter Police Domestic Equity	6.0	0.8	19.6	28.9	-25.9	-11.1	N/A	N/A	N/A	N/A	N/A	N/A
S&P 500 Index (large cap)	5.7	4.9	10.9	28.7	-22.1	-11.9	-9.1	21.1	28.6	33.4	23.0	9.1
Russell 1000 Growth (large cap)	3.9	5.3	6.3	29.7	-27.9	-20.4	-22.4	33.2	38.7	30.5	23.1	6.7
Russell 1000 Value (large cap)	6.2	7.1	16.5	30.0	-15.5	-5.6	7.0	7.3	15.6	35.2	21.6	11.0
S&P Midcap 400	-1.1	12.6	16.5	35.6	-14.5	-0.6	17.5	14.7	19.1	32.3	19.2	14.4
Russell 2000 Index (small cap)	0.4	4.6	18.3	47.3	-20.5	2.5	-3.0	21.3	-2.5	22.4	16.5	9.3
Russell 2000 Growth (small cap)	-1.8	4.2	14.3	48.5	-30.3	-9.2	-22.4	43.1	1.2	12.9	11.3	4.7
Russell 2000 Value (small cap)	2.6	4.7	22.2	46.0	-11.4	14.0	22.8	-1.5	-6.5	31.8	21.4	13.1
MSCI EAFE	4.0	14.0	20.7	39.2	-15.7	-21.2	-14.0	27.3	20.3	2.1	6.4	6.2

TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended September 30, 2006

Fixed Income Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Universe Ranking ⑤	47th	19th	62nd	78th	76th
Total Fixed Income, <i>net</i> ⑥	3.2	4.2	2.9	2.6	4.2
Benchmark Index ⑦	3.4	3.9	3.0	3.2	4.6
<i>Value Added</i>	<i>-0.2</i>	<i>+0.3</i>	<i>-0.1</i>	<i>-0.6</i>	<i>-0.4</i>
Sawgrass Asset Mgmt., <i>net of fees</i>	3.2	4.2	2.9	2.6	N/A

⑤ PSN Intermediate Fixed Income Universe

⑥ Effective March 28, 2003, Sawgrass Asset Management is the fixed income manager; previously, INVESCO was the manager.

⑦ Effective April 1, 2003 the benchmark is the LBIA index. From January 1, 2001, until April 1, 2003, the benchmark is the ML Domestic Master Index; prior to 1/1/01, the benchmark was the ML Corp. & Govt. Master Index.

	3Q06	2Q06	1Q06	4Q05	3Q05	2Q05	1Q05	4Q04	3Q04	2Q04
Sawgrass	3.2	0.4	-0.1	0.5	-0.3	2.0	-0.6	0.5	2.2	-1.9
Benchmark: LBIA	3.4	0.1	-0.3	0.6	-0.4	2.4	-0.6	0.8	2.7	-2.0
<i>Difference</i>	<i>-0.2</i>	<i>+0.3</i>	<i>+0.2</i>	<i>-0.1</i>	<i>+0.1</i>	<i>-0.4</i>	<i>0.0</i>	<i>-0.3</i>	<i>-0.5</i>	<i>+0.1</i>

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Fixed Income Performance
(For the One-Year Periods Ended September 30th)

	2006	2005	2004	2003	2002	2001
Total Fixed Income, net	4.2	1.6	2.1	4.8	8.4	13.0
Benchmark Index	3.9	2.2	3.4	5.1	8.6	13.3
Value-Added	+0.3	-0.6	-1.3	-0.3	-0.2	-0.3

Fixed Income Risk Statistics
Performance Relative to the Bond Benchmark Index
For the Three-Year Trailing Period

	Total Fixed Income	Fixed Benchmark ⑦	Difference
Return (%)	2.6	3.2	-0.6
Standard Deviation (%,+/-)	2.8	3.2	-0.4
Sharpe Ratio	-0.0	0.2	-0.2
Up Mkt. Capture Ratio (%)	84.2	100.0	-15.8
Down Mkt. Capture Ratio (%)	87.1	100.0	-12.9
Annualized Alpha (%)	-0.5	0.0	-0.5
Beta	0.9	1.0	-0.1
R-Squared (%)	99.0	100.0	-1.0

⑦ Effective April 1, 2003 the benchmark is the Lehman Brothers Intermediate Aggregate index. From January 1, 2001, until April 1, 2003, the benchmark is the ML Domestic Master Index; prior to 1/1/01, the benchmark was the ML Corp. & Govt. Master Index.



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND

For the Quarter Ended September 30, 2006

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, offered by a bank or insurance company, 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.

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).

TRACKING ERROR

A measure of 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.

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

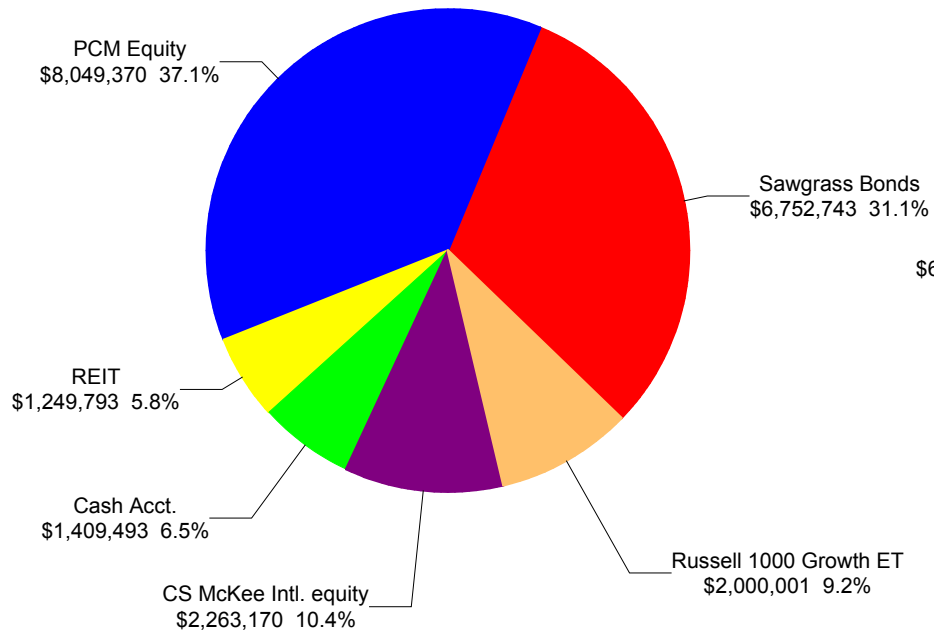
A value manager generally invests in companies that have low price-to-earnings and price-to-book ratios and/or above-average dividend yields.



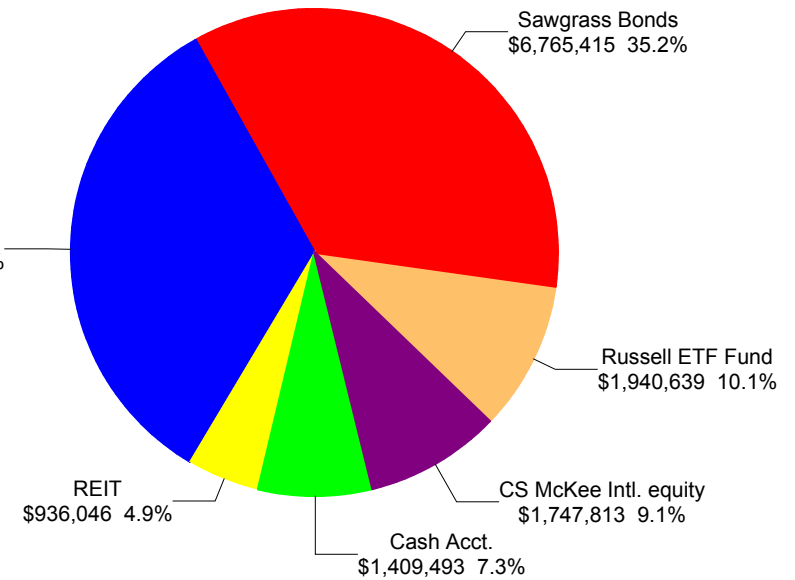
Chart 1

Town of Jupiter Police Officers' Pension Fund

Asset Allocation

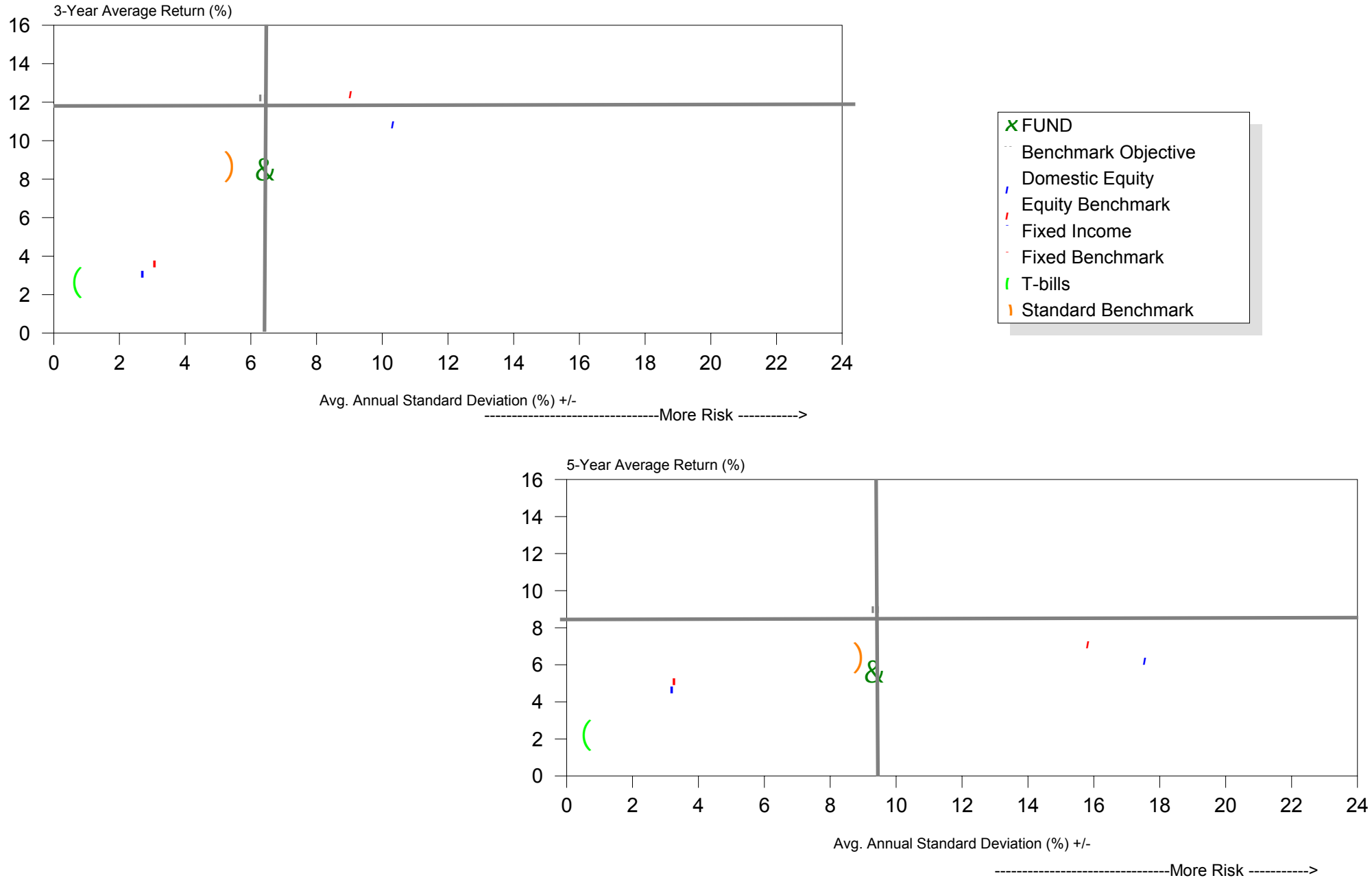


Based on Market Value
\$21,724,569



Based on Cost
\$19,243,512

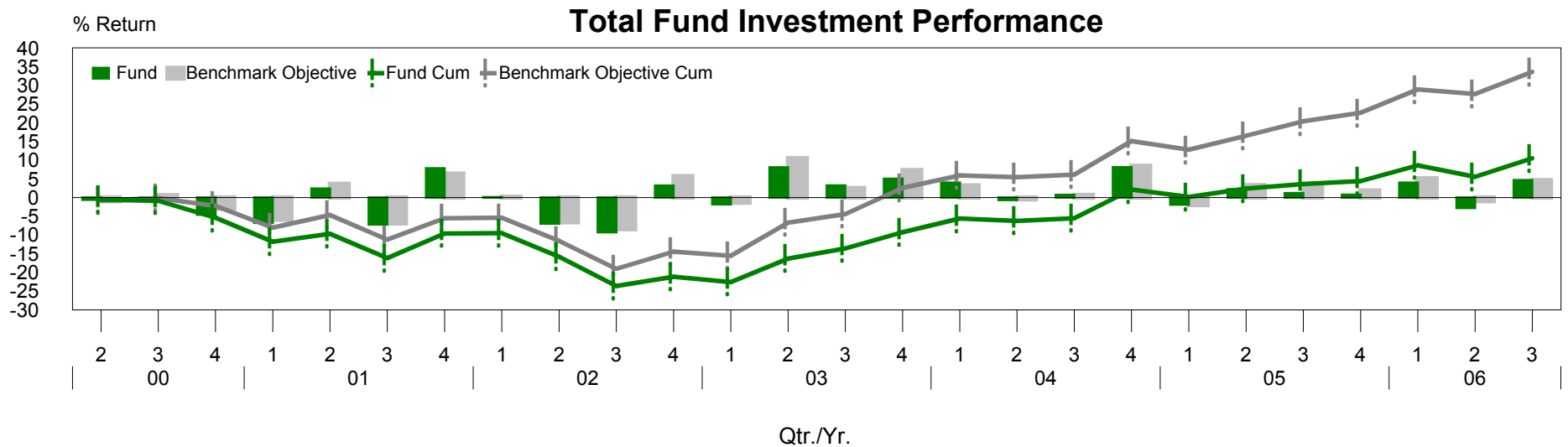
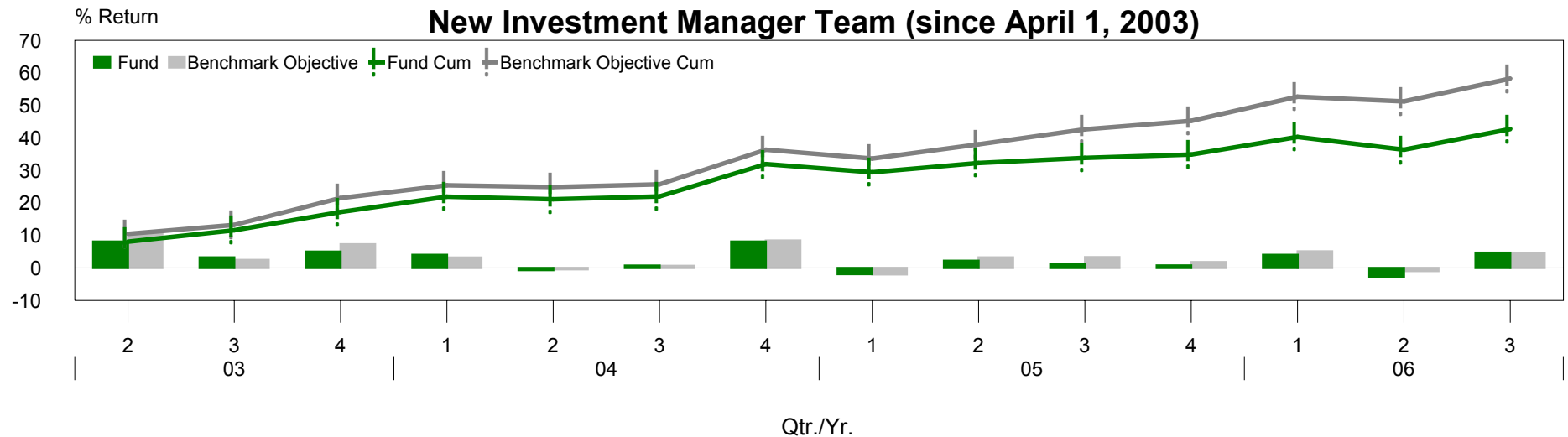
Chart 2 Town of Jupiter Police Officers' Pension Fund Returns vs. Risk



Current Benchmark Objective: Effective April 1, 2004, 50% Russell 3000, 10% EAFE, 10% Wilshire REIT, and 30% LBIA.

Chart 3

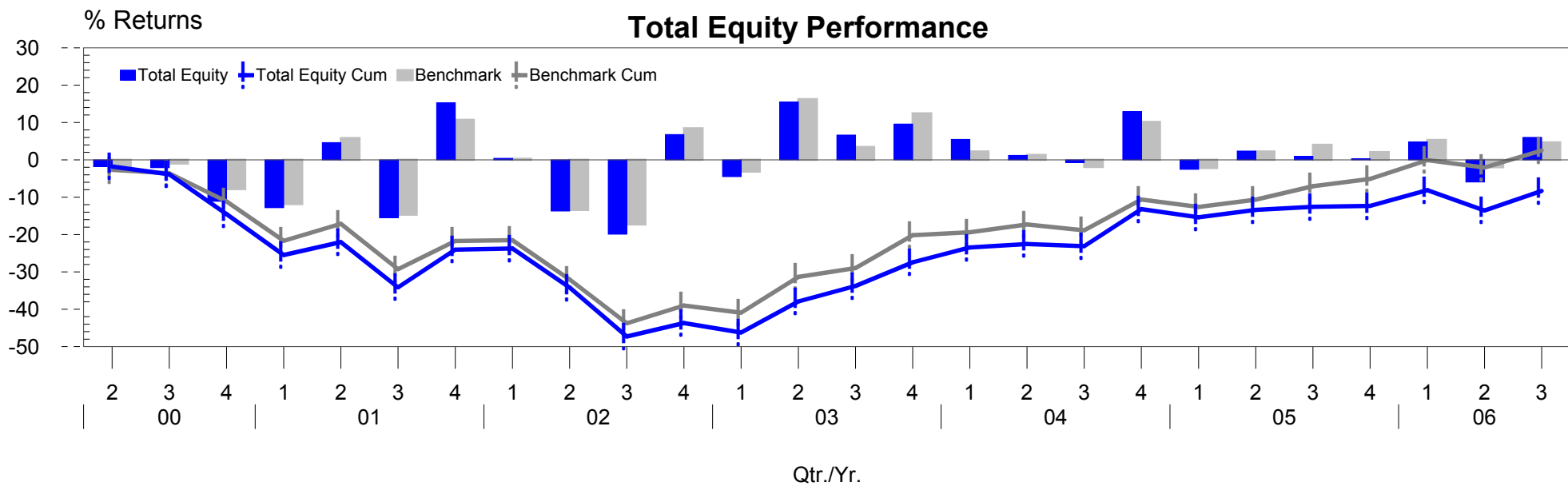
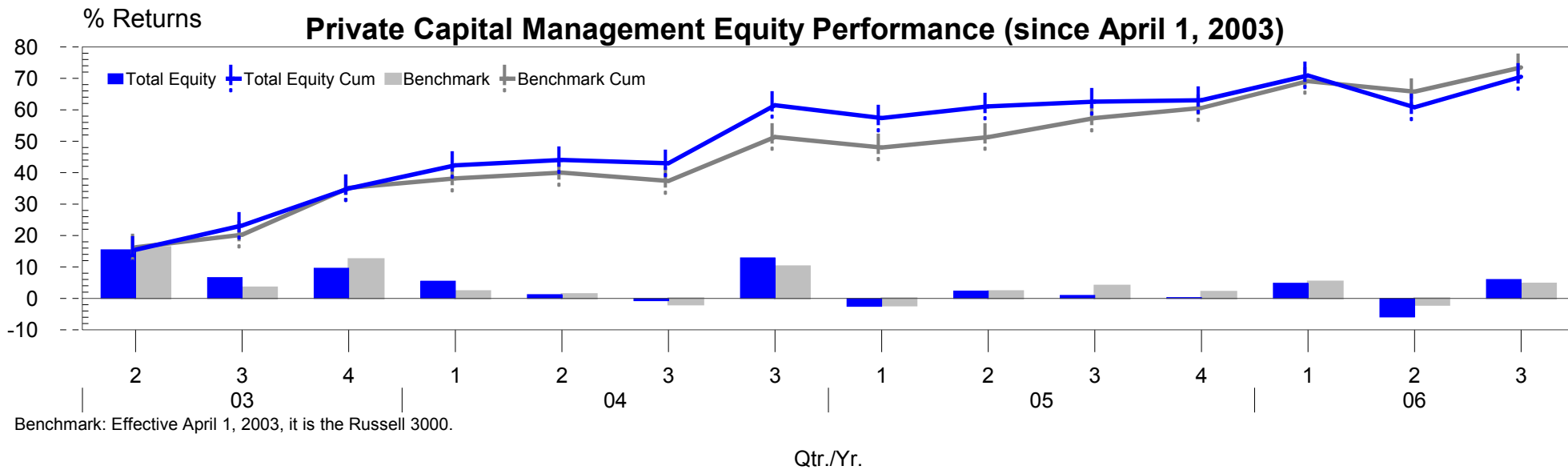
Town of Jupiter Police Officers' Pension Fund



Benchmark Objective: Effective April 1, 2004, 50% Russell 3000, 10% EAFE, 10% Wilshire REIT, and 30% LBIA.
 Effective September 30, 2003, 50% Russell 3000, 10% Wilshire REIT, and 40% LIAB; From April 1, 2003 and September 30, 2003, it was 60% Russell 3000 and 40% LIAB. Prior to April 1, 2003, it was 60% S&P 500/ 40% ML Domestic Master bond index and prior to January 2001, the Benchmark Objective was 50% S&P 500/ 50% ML Corp. & Govt. bond index.
 Effective March 28, 2003, Private Capital Management is the equity investment manager and Sawgrass Asset Management is the fixed income managers, respectively; the previous investment manager was INVESCO.

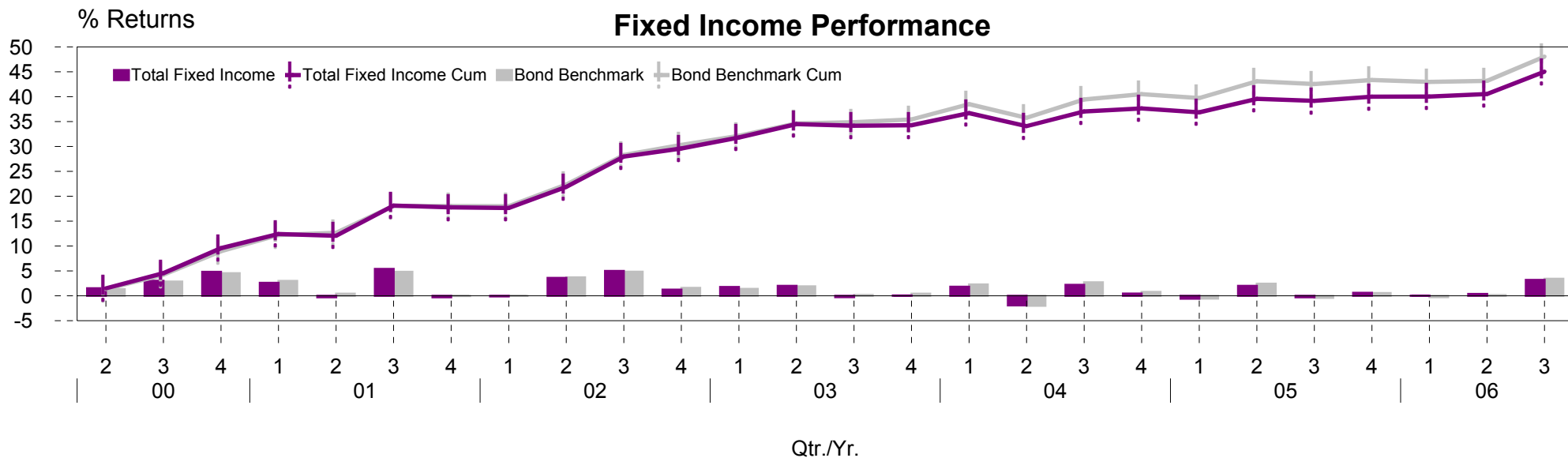
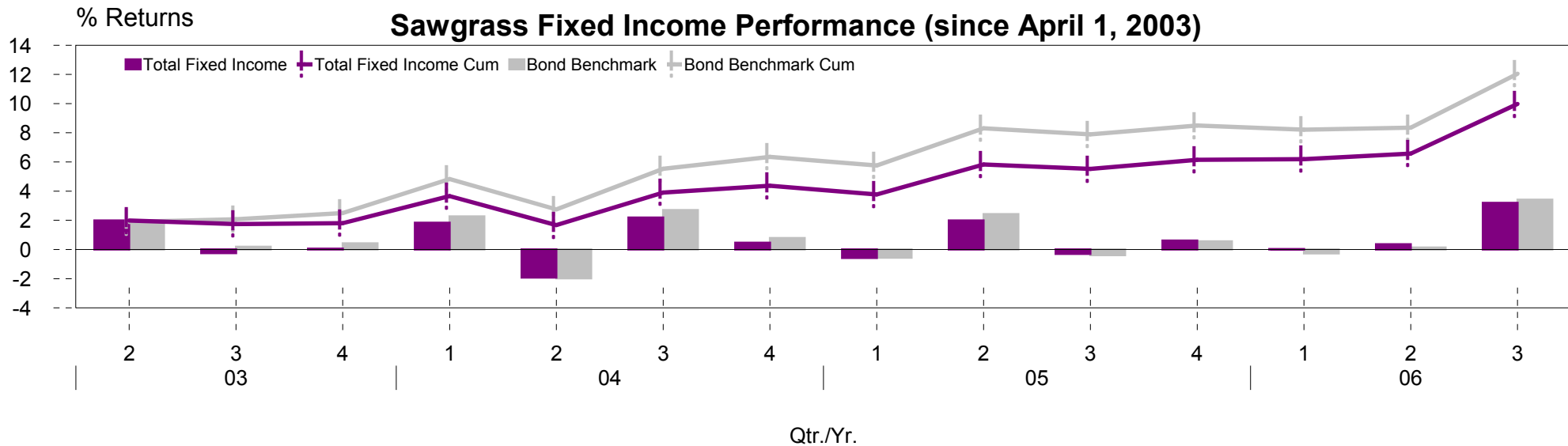
Chart 4

Town of Jupiter Police Officers' Pension Fund



Benchmark: Effective April 1, 2003, it is the Russell 3000; previously it was the S&P 500 index.

Chart 5 Town of Jupiter Police Officers' Pension Fund



NOTE: Effective April 1, 2003, the bond benchmark is the Lehman Brothers Aggregate Intermediate Index.

Effective March 28, 2003, Sawgrass Asset Management is the fixed income manager.

Effective 1Q01, the bond benchmark was the ML Domestic Master bond index; previously, the benchmark was the ML Corp. & Govt. Master bond index.