

Town of Jupiter Police Officers' Pension Fund

INVESTMENT PERFORMANCE EVALUATION

For the Quarter Ended December 31, 2006

Presented on February 26, 2007

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 Fourth Quarter 2006 Market Review © How Interest Rates Influence the Expected Returns of Large and Small-cap Stocks.

Burgess B. Chambers, MBA

Domestic economic cycles have historically been driven by Fed monetary policy. It is this very mechanism of raising and lowering short-term interest rates that influences the behavior of large and small-cap stocks. Smaller companies experience more volatility and respond more quickly to economic conditions and interest rate change; resulting in these two asset classes expanding and contracting at different times.

The beginning of an economic recovery usually follows a period when the Fed has reduced short-term interest rates. Smaller companies usually respond favorably during the early phase (initial 18 months) of a recovery. The worst performers are large companies with strong balance sheets and stable earnings that receive no benefit from falling interest rates, other than being able to buy companies with cheaper capital. When interest rates are low, companies are better able to finance the acquisition of small to medium sized firms. M&A activity was high in 2006 and is expected to be even higher in 2007.

As the economic recovery matures, the Fed has historically raised short-term interest rates to thwart inflationary expectations. Small companies that have become more leveraged, suffer during periods when capital becomes more expensive. Bankers begin avoiding risk and approve fewer loans. The economy cools down and a recession becomes more likely. Investors rotate into large company stocks in order to avoid risk during uncertain times.

During the Fed easing period from January 2001 to July 2004, small-caps beat large-caps by a wide margin. However, as the Fed raised rates in 2005 and 2006, this relative out-performance narrowed considerably.

The Fed appears to have ended the recent period of raising short-term rates. The yield curve remains inverted, which means that long-term rates are lower than short-term rates. In past cycles, an inverted yield curve has preceded a recession 70% of the time. What is different today is the enormous Chinese and Japanese trade surpluses being invested back into U.S. Treasury securities. This demand for Treasury bonds keeps bond rates down; which acts as a stimulus for the domestic economy. Accordingly, the inverted yield curve may simply illustrate the reality of huge trade deficits being invested into bonds and not an approaching recession.



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended December 31, 2006

Investment Summary

- ❑ For the quarter, the total Fund earned \$1.2 million (+5.6% net) and ranked in the top 13th percentile. The two best performing asset categories were the REIT (+10.1%) and international equity (+10.0%).
- ❑ For the 12-month period, the total Fund earned \$2.5 million (+11.6%) and ranked in the top 27th percentile. The REIT and international equity categories earned strong 12-month returns of +36.6% and +25.3%, respectively.
- ❑ The bond portfolio earned +4.7% for the year, the best bond market return since 2003.
- ❑ The replacement of PCM with Westwood and Robeco was completed in November 2006.

Investment Performance
January 1, 2006 – December 31, 2006
Dollars

	<u>Quarter</u>	<u>One Year</u>
1) Beginning Market Value	21,724,569	18,863,367
2) Ending Market Value	22,350,681	22,350,681
3) Net Contributions	-620,853	+1,036,342
4) Investment Gain/(Loss)	+1,246,965	+2,450,972
5) Investment Return, Net	+5.6%	+11.6%

Fiscal Year: October 1st to September 30th.



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended December 31, 2006

Compliance Checklist

	<u>Yes</u>	<u>No</u>
1. The annualized three-year total Fund performance beat the return for the Benchmark (60/40).	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2. The annualized three-year total Fund performance ranked in the top 40th percentile of the PSN Balanced Moderate Universe.	<input checked="" type="checkbox"/>	<input 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 domestic equity performance beat the return of the domestic equity benchmark.	<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. (58.2%)	<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. (9.2%)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
7. The annualized three-year fixed income performance beat the return of the fixed income benchmark.	<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 December 31, 2006

Total Fund Performance

(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Balanced Universe Ranking ①	13th	27th	68th	30th	67th
TOTAL FUND, <i>Net</i>	5.6	11.6	6.8	8.7	5.2
Benchmark 60/40 ②	4.5	11.2	7.5	7.8	6.1
<i>Value Added</i>	+1.1	+0.4	-0.7	+0.9	-0.9
Actuarial Assumption Rate (8.0%)	2.1	8.5	8.5	8.5	8.5
Strategic Model ▲	5.9	15.3	10.9	11.3	8.3

① PSN Balanced Moderate Universe

② Benchmark: 60% S&P 500 and 40% LBAB..

▲ IPS Target Allocation: 50% R3000, 10% EAFE, 10% REIT, and 30% LBIA.

Effective October 1, 2003, model was 50% Russell 3000, 40% LBIA, and 10% Wilshire REIT. From April 1, 2003 until September 30, 2003, the model was 60% Russell 3000 and 40% LBIA. From January 1, 2001 to March 31, 2003, the model 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



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended December 31, 2006

Equity Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Total Domestic Equity ③	5.7	10.5	5.6	10.1	5.0
Domestic Equity Benchmark ①	7.1	15.7	10.8	11.2	7.0
<i>Value Added</i>	<i>-1.4</i>	<i>-5.2</i>	<i>-5.2</i>	<i>-1.1</i>	<i>-2.0</i>
Universe Ranking ②	31st	26th	N/A	N/A	N/A
Russell 1000 Growth ETF 9/12/05	6.1	9.2	N/A	N/A	N/A
Westwood Large Cap (11/30/06)	N/A	N/A	N/A	N/A	N/A
Robeco Mid Cap (11/08/06)	N/A	N/A	N/A	N/A	N/A

③ Effective March 28, 2003, PCM is the domestic equity investment manager; previously, it was INVESCO. PCM was replaced in November 2006, by Westwood and Robeco.

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

② Morningstar Large Growth Universe

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

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



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
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International Equity Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years
Universe Ranking ❶	58th	44th	84th
McKee International Equity Fund	10.0	25.3	17.7
MSCI EAFE	10.4	26.9	20.3
<i>Value Added</i>	<i>-0.4</i>	<i>-1.6</i>	<i>-2.6</i>

❶ Morningstar Foreign Large Blend Universe

REIT Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years
Universe Ranking ❷	29th	16th	29th	39th
Adelante REIT Fund	10.1	36.6	24.6	26.9
Wilshire REIT	8.9	36.1	24.6	27.4
<i>Value Added</i>	<i>+1.2</i>	<i>+0.5</i>	<i>0.0</i>	<i>-0.5</i>

❷ Morningstar Specialty-Real Estate Universe



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended December 31, 2006

Performance of Various Equity Strategies

(Percent Returns by Calendar Year)

Composite	4Q06	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	10 Yr. Avg.
Jupiter Police Domestic Equity	5.7	10.5	0.8	19.6	28.9	-25.9	-11.1	N/A	N/A	N/A	N/A	N/A
S&P 500 Index (large cap)	6.7	15.8	4.9	10.9	28.7	-22.1	-11.9	-9.1	21.1	28.6	33.4	8.4
Russell 1000 Growth (large cap)	5.9	9.1	5.3	6.3	29.7	-27.9	-20.4	-22.4	33.2	38.7	30.5	5.4
Russell 1000 Value (large cap)	8.0	22.2	7.1	16.5	30.0	-15.5	-5.6	7.0	7.3	15.6	35.2	11.0
S&P Midcap 400	7.0	10.3	12.6	16.5	35.6	-14.5	-0.6	17.5	14.7	19.1	32.3	13.5
Russell 2000 Index (small cap)	8.9	18.4	4.6	18.3	47.3	-20.5	2.5	-3.0	21.3	-2.5	22.4	9.4
Russell 2000 Growth (small cap)	8.8	13.4	4.2	14.3	48.5	-30.3	-9.2	-22.4	43.1	1.2	12.9	4.9
Russell 2000 Value (small cap)	9.0	23.5	4.7	22.2	46.0	-11.4	14.0	22.8	-1.5	-6.5	31.8	13.3
MSCI EAFE	10.4	26.9	14.0	20.7	39.2	-15.7	-21.2	-14.0	27.3	20.3	2.1	8.1

TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
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Fixed Income Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Universe Ranking ⑤	62nd	24th	56th	75th	72nd
Total Fixed Income, <i>net</i> ⑥	1.1	4.7	3.2	3.0	4.5
Benchmark Index ⑦	1.3	4.6	3.3	3.4	4.9
<i>Value Added</i>	<i>-0.2</i>	<i>+0.1</i>	<i>-0.1</i>	<i>-0.4</i>	<i>-0.4</i>

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.

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

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



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND

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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

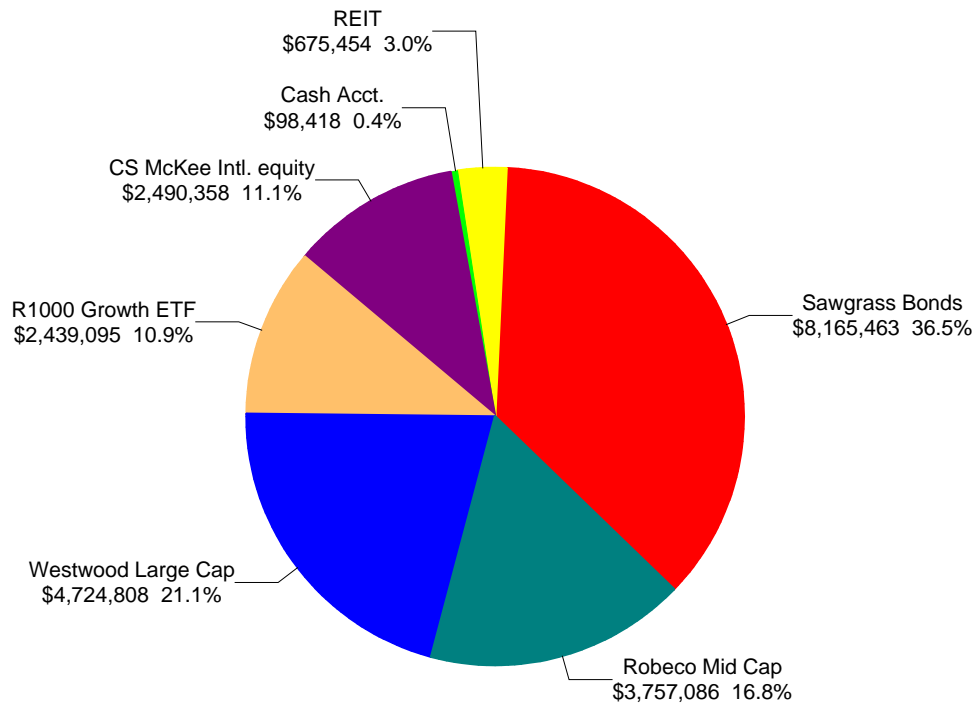
A value manager generally invests in companies that have low price-to-earnings and price-to-book ratios and/or above-average dividend yields.



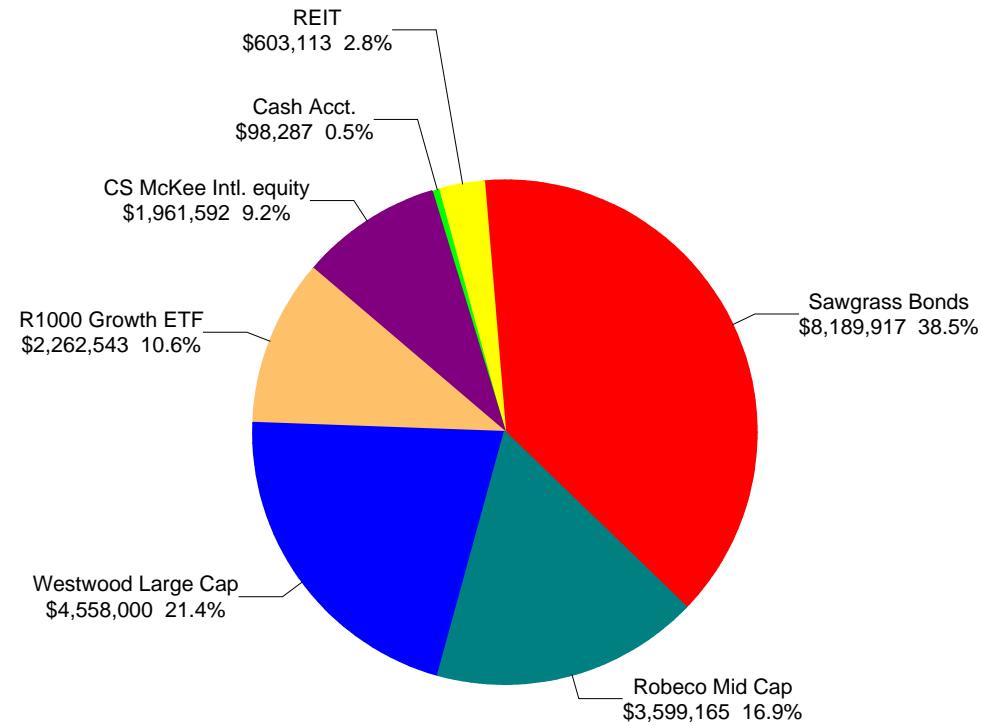
Chart 1

Town of Jupiter Police Officers' Pension Fund

Asset Allocation as of December 31, 2006



Based on Market Value
\$22,350,681



Based on Cost
\$21,272,617

Chart 2

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

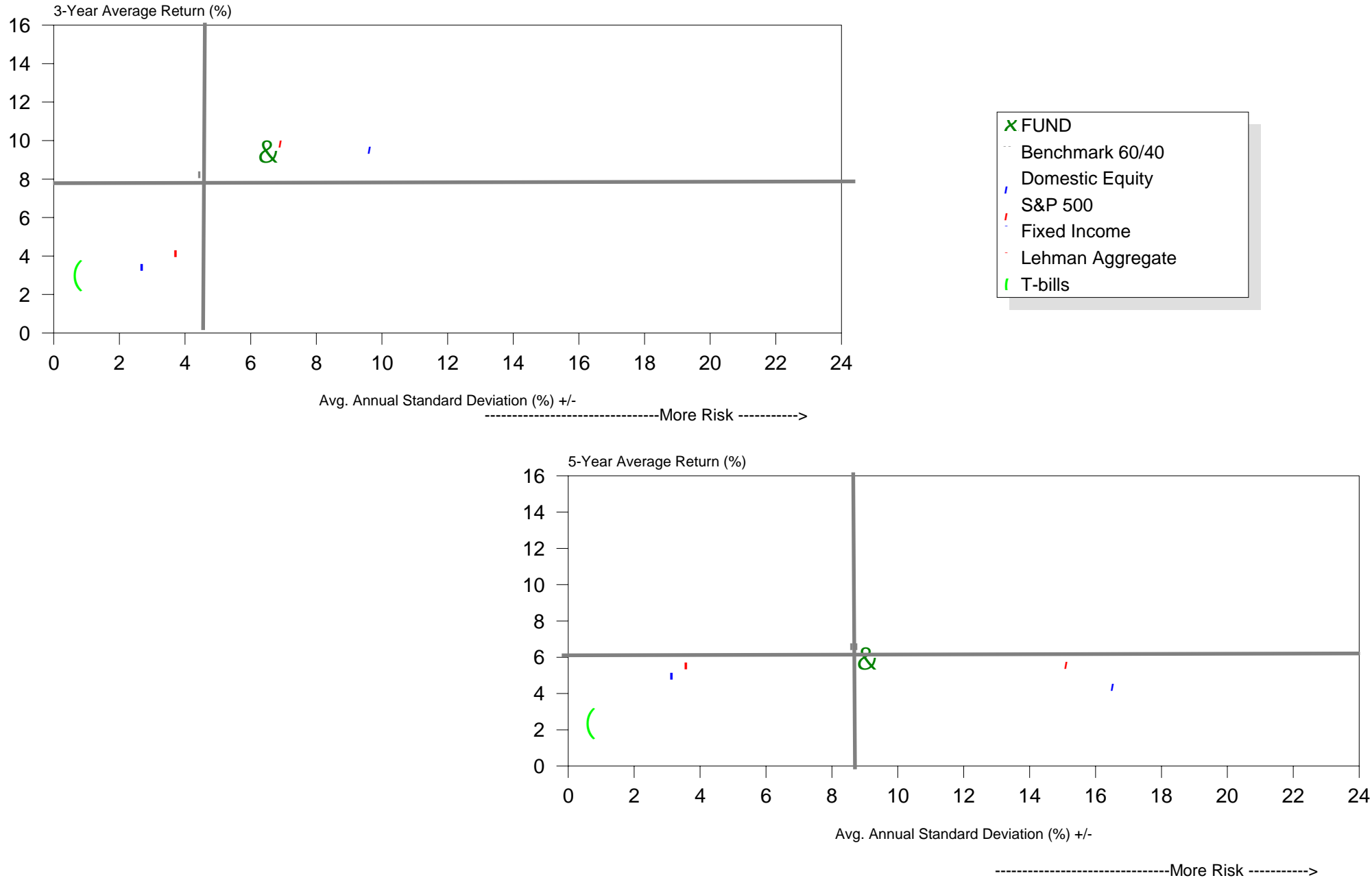
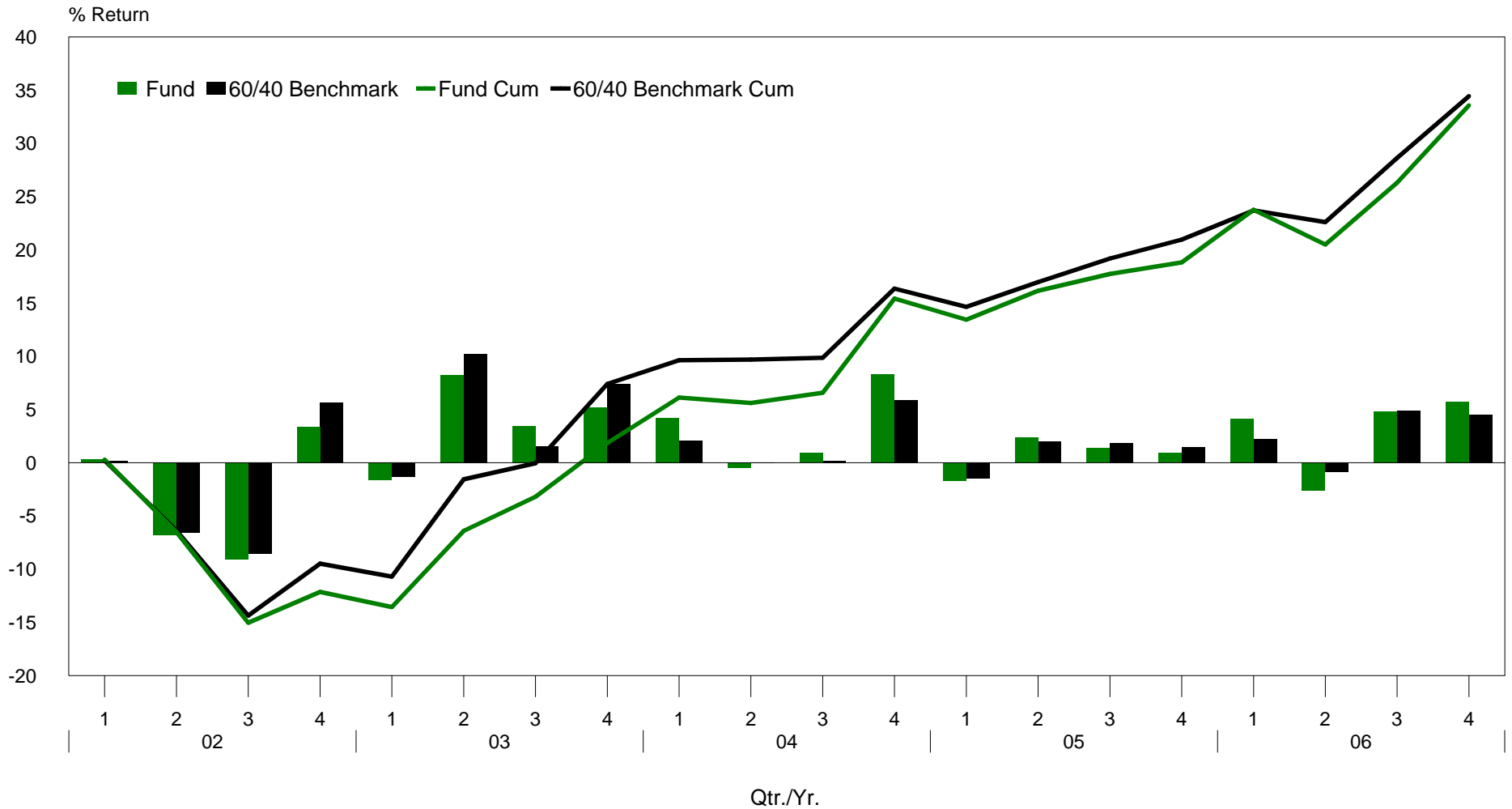


Chart 3

Town of Jupiter Police Officers' Pension Fund

Total Fund Investment Performance



Benchmark 60% S&P 500 + 40% LBAB.

Chart 4

Town of Jupiter Police Officers' Pension Fund

Total Domestic Equity Performance

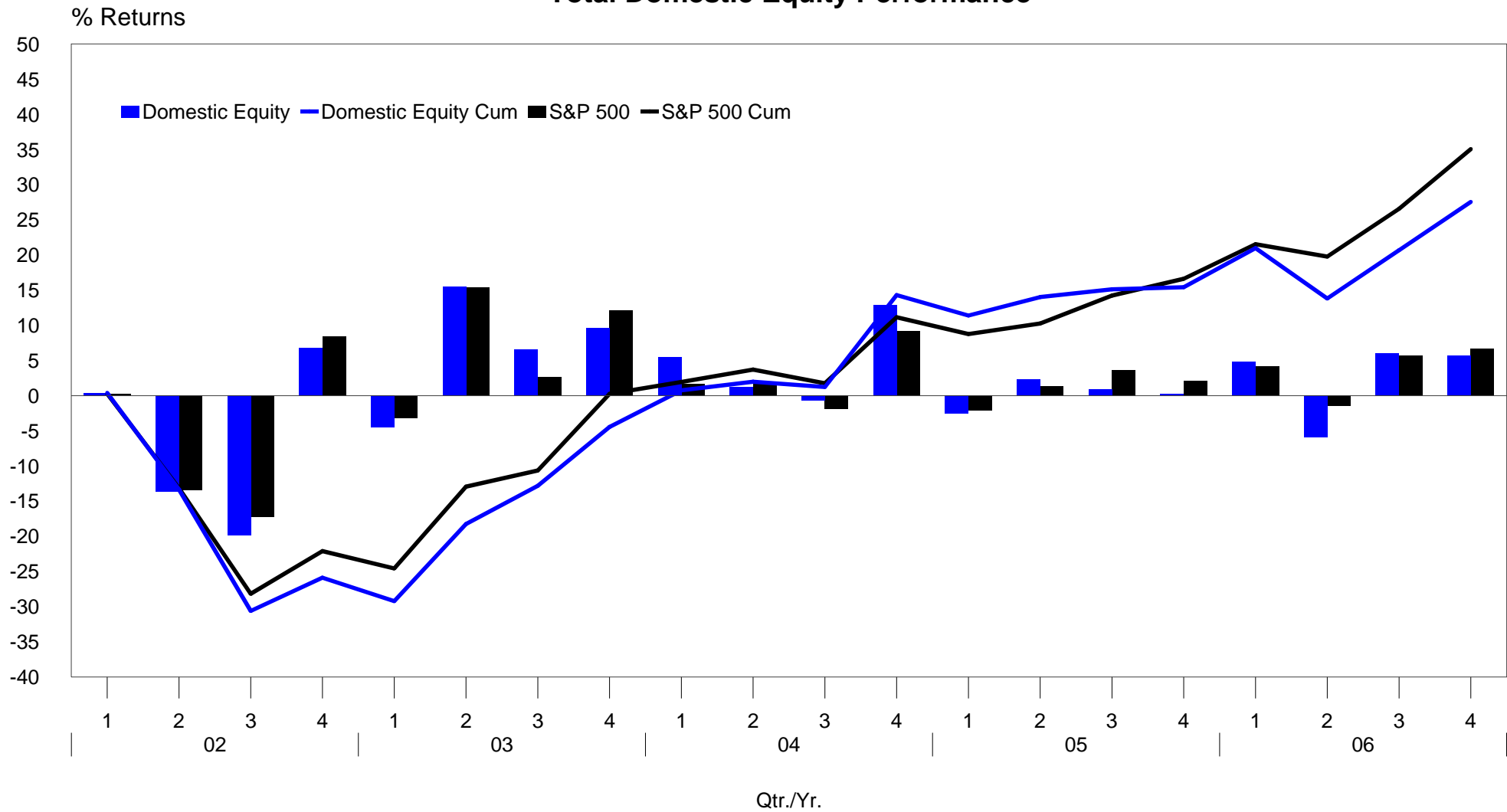


Chart 5

Town of Jupiter Police Officers' Pension Fund

Fixed Income Performance

