

Town of Jupiter Police Officers' Pension Fund

INVESTMENT PERFORMANCE EVALUATION

For the Quarter Ended March 31, 2007

Presented on May 24, 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 First Quarter 2007 Market Review ©

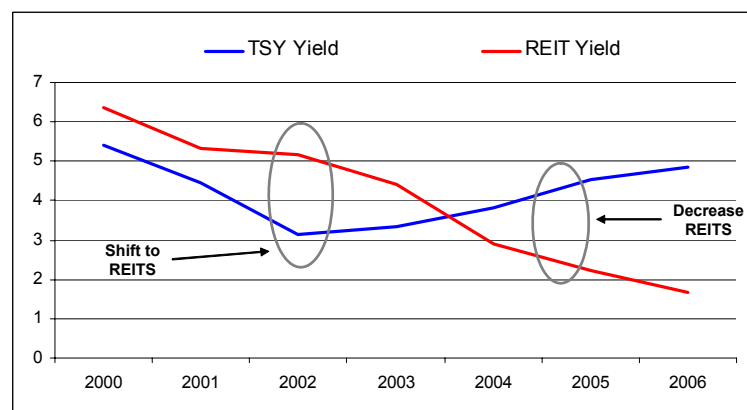
Asset Rebalancing vs. Market Timing

Burgess Chambers and Sidney Taylor

Market timing is an attempt to precisely predict the expected returns of asset classes and sectors. William Sharpe evaluated the potential of market timing in his 1975 publication "Likely Gains From Market Timing." Potential gains from market timing were modeled assuming an investor switches between 100% equity and 100% cash. For example, following a 15% rise in the market value of an asset class, an investor sells the position and raises cash in an attempt to get back in later at a lower price. Sharpe determined that the market timer had to be correct 74% of the time in order to perform better than a passive portfolio of the same risk (volatility).

Asset allocation models are designed to achieve an expected return and risk. The relative valuation of each asset class within the model changes over time, as do the correlations. For example, as domestic bonds became increasingly more expensive relative to stocks during the 2002 period, BCA reduced the bond allocation from 45% to 30% and increased equities to 70%. The equity of choice were the REITS, which paid a 5.0% yield; well above the 3.0% bond yield. Since REITS were much cheaper than bonds and had upside potential, where bonds could only decline in value (which they did), it was logical to recommend this substitution to all clients. Recently, BCA has reduced REIT allocations by one-half, as bond yields are now much higher.

Yield Comparison
REIT vs. Treasuries



Rebalancing asset allocations is a risk management process and not market timing. All asset classes experience cycles. The average of their returns is associated with high, low and negative experience. Each asset class within the model may be ranked in terms of relative valuation. Each asset class will be repositioned in this ranking over time. The lowest will move upwards and the highest will revert back towards the bottom. This rotation never ceases. Portfolio rebalancing is governed by the relative value ranking of each asset class and changing correlations.

TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended March 31, 2007

Investment Summary

- ❑ For the quarter, the total Fund earned \$621,520 (+2.7% net) and ranked in the top 1st percentile. The best three performing asset categories were: Robeco mid-cap (+6.4%), McKee international (+3.9%), and the REIT (+3.6%).
- ❑ For the 12-month period, the total Fund earned nearly \$2 million (+9.3%) and ranked in the top 28th percentile. This was accomplished in spite of the PCM experience in 2006.

Recommendation:

BCA recommends adding no new money to the REIT allocation.

Investment Performance
April 1, 2006 – March 31, 2007

	Dollars		
	<u>Quarter</u>	<u>Fiscal YTD</u>	<u>One Year</u>
1) Beginning Market Value	22,559,723	21,724,569	19,962,308
2) Ending Market Value	23,524,364	23,524,364	23,524,364
3) Net Contributions	+343,121	+180,451	+1,592,388
4) Investment Gain/(Loss)	+621,520	+1,619,344	+1,969,668
5) Investment Return, Net	+2.7%	+7.5%	+9.3%

Fiscal Year: October 1st to September 30th.



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended March 31, 2007

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.	<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 domestic equity benchmark. Manager changes were made in 2006 to address this issue.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
5. Total equity securities (including the REIT), were within the 60% limitation at cost. Actual was 61.9%. Rebalancing back to 60.0% will be accomplished before June 30, 2007.	<input type="checkbox"/>	<input checked="" 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. Sawgrass experienced less market volatility during this period. During past two years, performance has closely tracked the benchmark (+4.3% vs. +4.4%).	<input type="checkbox"/>	<input checked="" type="checkbox"/>
8. The annualized three-year fixed income performance ranked in the top 40th percentile. Lower percentile ranking expected, due to lower risk style and approach.	<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 March 31, 2007

Total Fund Performance

(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Balanced Universe Ranking ①	1st	28th	46th	38th	61st
TOTAL FUND, <i>Net</i>	2.7	9.3	8.8	7.9	5.6
Benchmark 60/40 ②	1.0	9.8	8.8	7.4	6.3
<i>Value Added</i>	+1.7	-0.5	0.0	+0.5	-0.7
Actuarial Assumption Rate (8.0%)	2.1	8.5	8.5	8.5	8.5
BCA Strategic Model ▲	1.9	11.8	13.0	10.8	8.7

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 March 31, 2007

Equity Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Total Domestic Equity ③	3.6	9.2	8.9	9.5	5.6
Domestic Equity Benchmark ①	1.3	11.3	12.8	10.9	7.2
<i>Value Added</i>	+2.3	-2.1	-3.9	-1.4	-1.6
Universe Ranking ②	42nd	22nd	N/A	N/A	N/A
Russell 1000 Growth ETF 9/12/05	1.4	6.8	N/A	N/A	N/A
Universe Ranking ③	11th	N/A	N/A	N/A	N/A
Westwood Large Cap (11/30/06)	2.5	N/A	N/A	N/A	N/A
Universe Ranking ④	13th	N/A	N/A	N/A	N/A
Robeco Mid Cap (11/08/06)	6.4	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 As of April 1, 2003, the benchmark is the R3000; previously, it was the S&P500.

② Morningstar Large Growth Universe

④ PSN Mid Cap Core Universe

③ PSN Large Cap Value 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>	-5.4	-0.9	+1.8	-0.7	+0.5



TOWN OF JUPITER POLICE OFFICERS' PENSION FUND

For the Quarter Ended March 31, 2007

International Equity Performance (Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years
Universe Ranking ❶	29th	30th	88th	29th
McKee International Equity Fund	3.9	18.7	19.6	19.3
MSCI EAFE	4.1	20.7	22.8	22.3
<i>Value Added</i>	-0.2	-2.0	-3.2	-1.0

❶ Morningstar Foreign Large Blend Universe

REIT Performance (Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years
Universe Ranking ❷	36th	19th	14th	30th
Adelante REIT Fund	3.6	23.6	32.0	23.8
Wilshire REIT	3.7	21.9	31.7	24.1
<i>Value Added</i>	-0.1	+1.7	+0.3	-0.3

❷ Morningstar Specialty-Real Estate Universe

TOWN OF JUPITER POLICE OFFICERS' PENSION FUND
For the Quarter Ended March 31, 2007

Performance of Various Equity Strategies

(Percent Returns by Calendar Year)

Composite	1Q07	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997	10 Yr. Avg.
Jupiter Police Domestic Equity	3.6	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)	0.6	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)	1.2	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)	1.2	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	5.8	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)	2.0	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)	2.5	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)	1.5	23.5	4.7	22.2	46.0	-11.4	14.0	22.8	-1.5	-6.5	31.8	13.3
MSCI EAFE	4.1	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
For the Quarter Ended March 31, 2007

Fixed Income Performance
(Annualized Percent Returns)

	Quarter	1 Year	2 Years	3 Years	5 Years
Universe Ranking ⑤	61st	43rd	56th	63rd	68th
Total Fixed Income, <i>net</i> ⑥	1.6	6.3	4.3	2.9	4.8
Benchmark Index ⑦	1.6	6.5	4.4	3.2	5.2
<i>Value Added</i>	<i>0.0</i>	<i>-0.2</i>	<i>-0.1</i>	<i>-0.3</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

For the Quarter Ended March 31, 2007

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

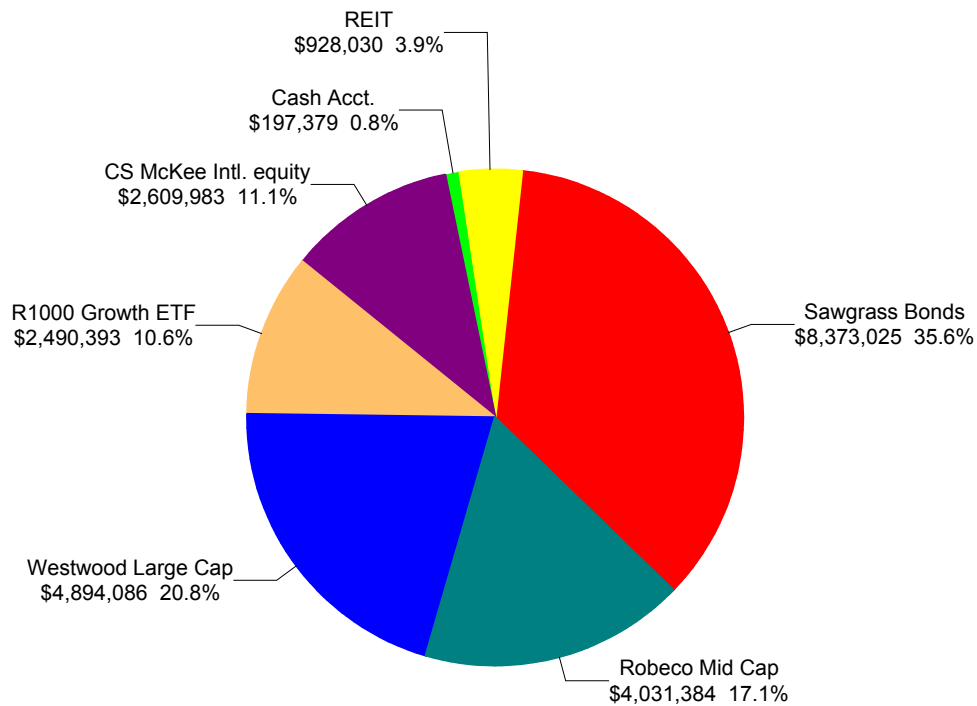
A value manager generally invests in companies that have low price-to-earnings and price-to-book ratios and/or above-average dividend yields.



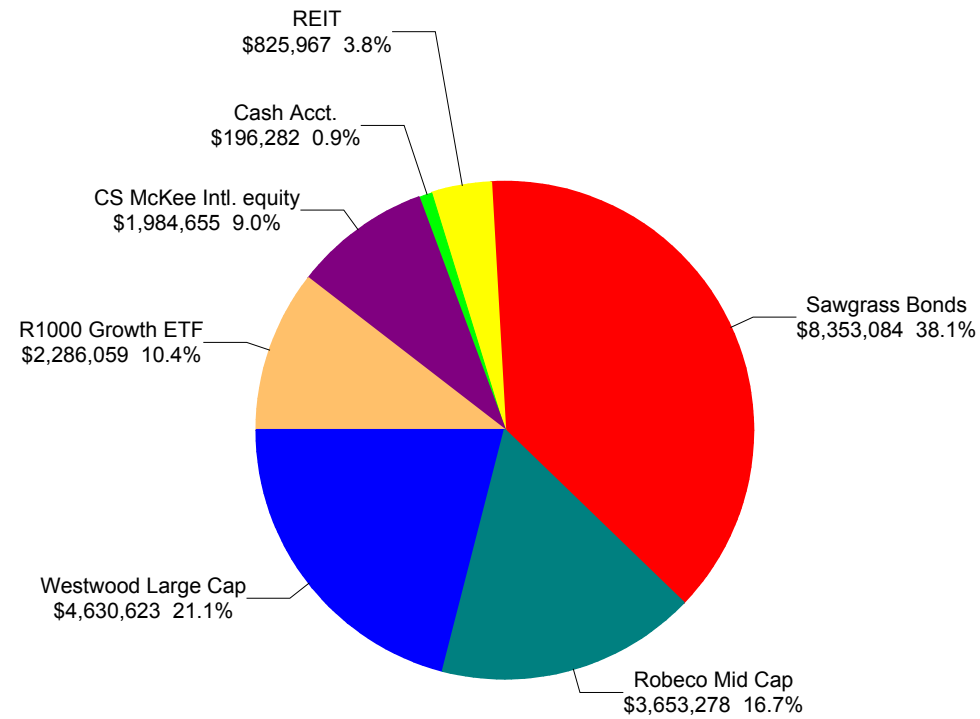
Chart 1

Town of Jupiter Police Officers' Pension Fund

Asset Allocation as of March 31, 2007



Based on Market Value
\$23,524,280



Based on Cost
\$21,929,947

Chart 2

Town of Jupiter Police Officers' Pension Fund

Returns vs. Risk

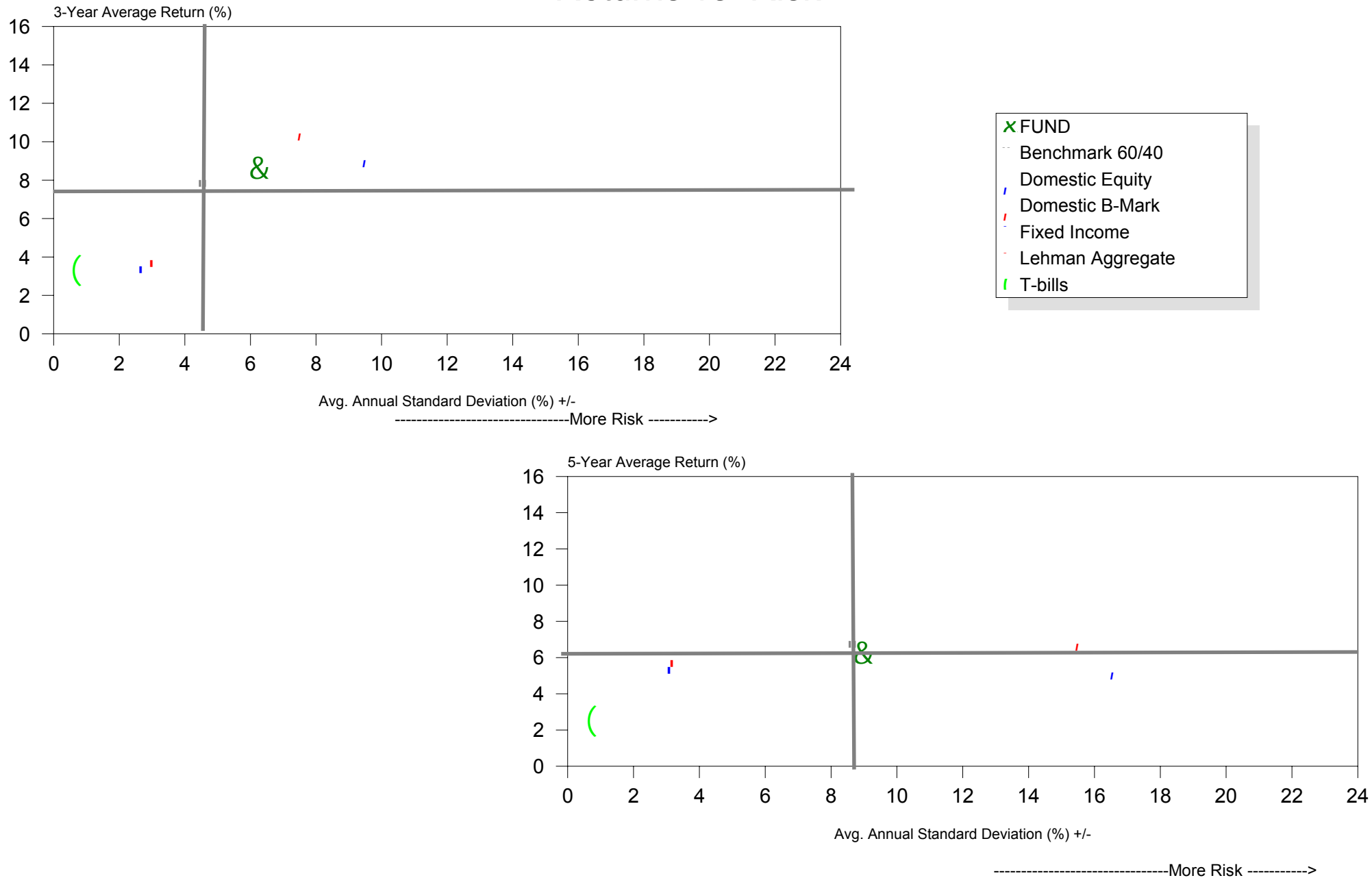
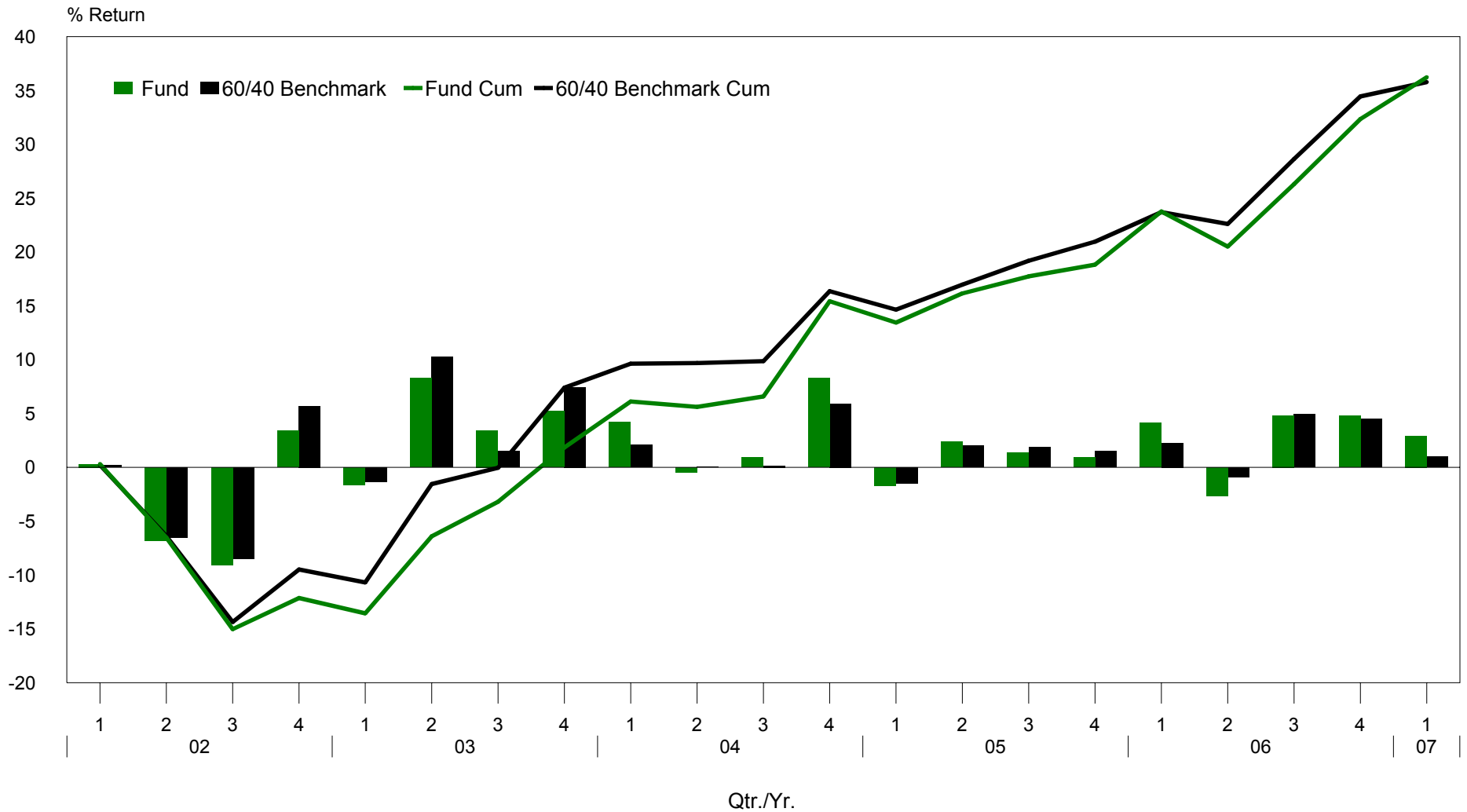


Chart 3

Town of Jupiter Police Officers' Pension Fund

Total Fund Investment Performance

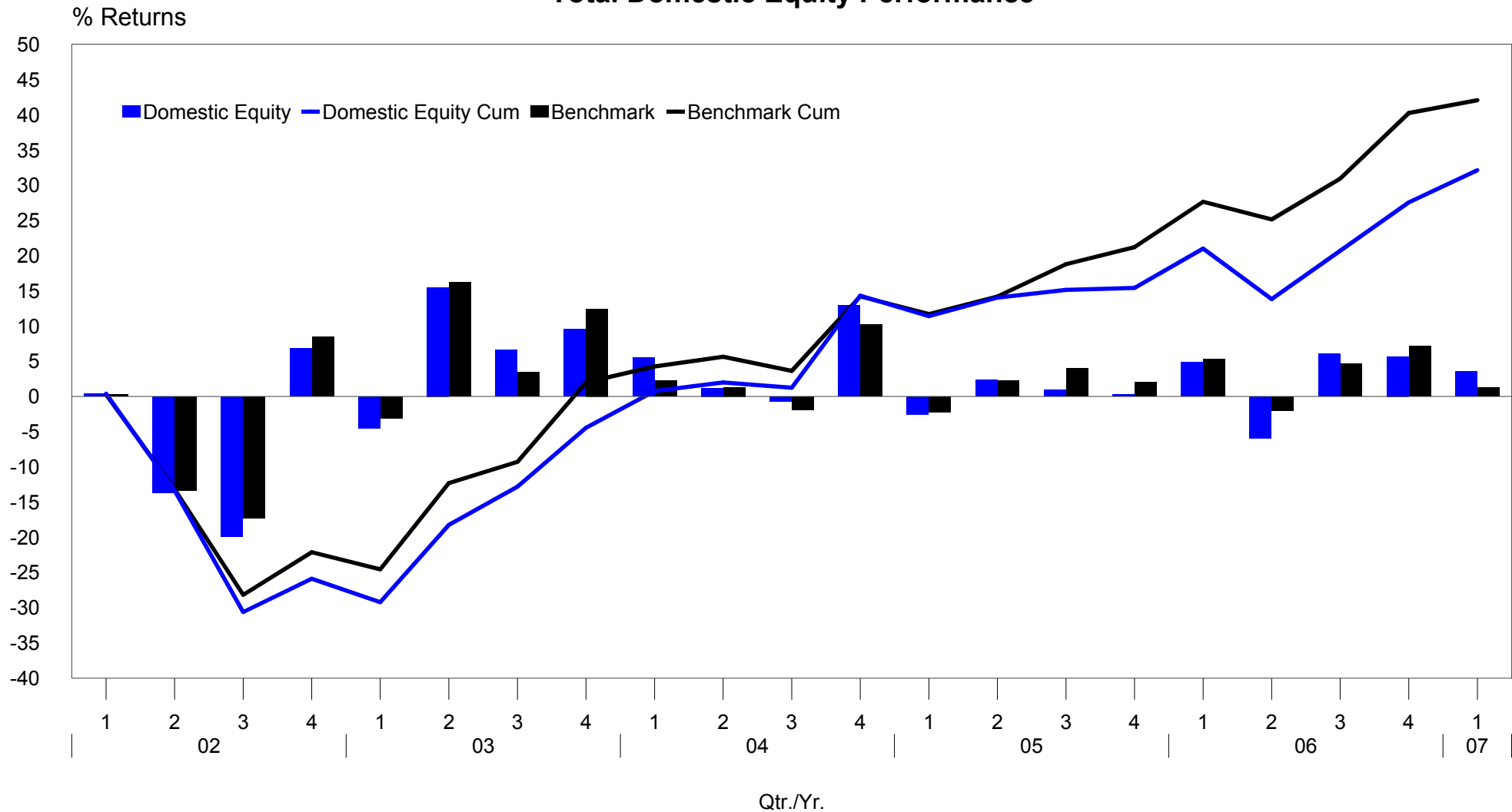


Benchmark 60% S&P 500 + 40% LBAB.

Chart 4

Town of Jupiter Police Officers' Pension Fund

Total Domestic Equity Performance



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

Chart 5

Town of Jupiter Police Officers' Pension Fund

Fixed Income Performance

