

SUNRISE POLICE PENSION FUND

PERFORMANCE REVIEW  
SEPTEMBER 2003

## INVESTMENT RETURN

As of September 30th, 2003, the Sunrise Police Pension Fund's assets were valued at \$37,029,700, which represented a \$910,612 increase from the June ending value of \$36,119,088. During the last three months, the account posted \$170,801 in total net contributions in addition to net investment returns of \$739,811. Net investment return was the product of income receipts, which totaled \$275,800 and \$464,011 in net realized and unrealized capital gains.

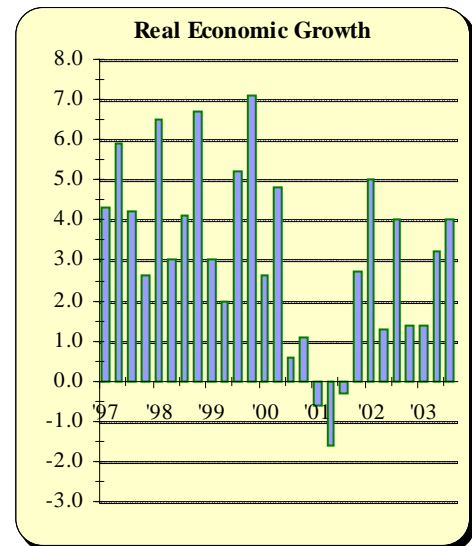
Since March 1998, the portfolio has posted total net withdrawals totaling \$5.8 million and net investment gains of \$7.6 million. If the composite fund had earned a compounded 8.5% over the cumulative period, it would have been worth \$47.9 million or \$10.8 million more than its actual value.

## ECONOMIC ENVIRONMENT

In spite of continuing concerns in the Middle East and the uncertainty about the costs associated with our incursion into Iraq, the U.S. economy continued to make great strides. During the quarter, the GDP escalated at an annual rate of 7.2%, the fastest growth in 19 years. The third quarter of 2003 marked the 8<sup>th</sup> consecutive quarter of economic recovery.

The economy continues to be aided by record low interest rates. The last cut in June of 2003, pushed the Fed funds rate down to 1%. Consumer spending remains strong because of a wave of mortgage refinancing that took place in the first half of the year as homeowners took advantage of rates as low as 4.5% for a 30 year mortgage. Businesses reduced their borrowing costs as well, although there has not been a consequent increase in business investment. The lower costs simply resulted in higher profits (or smaller losses).

There are several reasons that businesses have not increased their spending. Among these are an over-expansion in the late 1990's, which resulted in an overabundance of industrial capacity, globalization which transferred investment overseas, and the Y2K fears which caused a one time massive investment in computer systems, which are still too new to require replacement.



Currently, industrial capacity is at 74.7% up from 74.1% in June. American businesses can expand production by 10%-15% before there is any impact on efficiency. (For reference, the long-term average is 81.3%.) Therefore, any near term economic growth will tend to show up as a productivity gain as more goods and services are produced by the same number of workers in the same plants.

Unemployment continues to hover around 6.1%. In September, 57,000 non-farm jobs were created for the first time in months. While that is a very small number compared to the job losses since 2000, it is at least a small positive sign. Again, overcapacity and globalization are combining to hold down job growth and push up productivity.

The weakness of the U.S. dollar against the euro (around \$1.16/euro) and the yen (111yen/\$) has contributed to a resurgence in U.S. exports and cut in imports. Combined the two resulted in an improvement in the trade deficit. In August the deficit fell sharply to \$39.21 billion. It has now fallen five months in a row. A big part of the August drop was due to a \$3.1 billion decrease in the import of automobiles and auto parts.

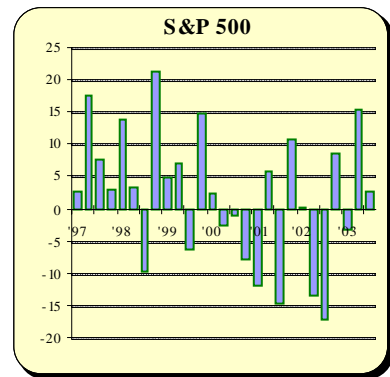
Oil prices climbed during the quarter from \$28/barrel to just under \$30/barrel. Announcement by OPEC to cut production by 3.5% was enough to push prices higher. However, rising inventories in the U.S. kept the OPEC move from driving prices up even more. Iraq began to ship about 1 million barrels of oil a day out of southern oil fields, while sabotage kept the northern fields from delivering a significant amount.

Inflation was up 0.8% in the September quarter, but on a trailing year basis remained very low at 2.3%. Energy cost rises in summer were responsible for most of the 0.8% increase.

## **EQUITY MARKET**

The stock market had its second straight quarter of gains. Although returns were negative for September, strength from the first two months of the quarter carried all the major averages to higher levels for the quarter.

Continuing liquidity from mortgage refinancing and federal tax relief, combined with improved capital spending by corporations buoyed the stock market for the third quarter. The overall market as measured by the Russell 3000 index was up 3.4% for the quarter. Growth outperformed value, regardless of market capitalization. Large cap growth rose 3.9% for the quarter, while large cap value climbed 2.1%. Small cap growth shot up 10.5% and small cap value returned 7.7%. During the third quarter, the Dow Jones Industrials rose from 8985 to 9275, off from the quarter high of 9659.



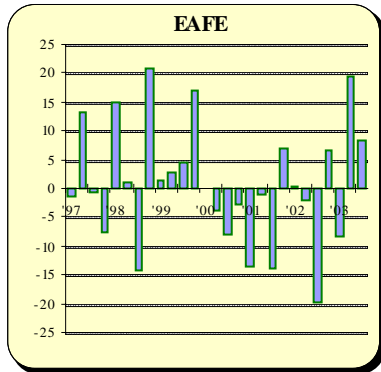
The S&P 500 was up slightly for the quarter (2.7%), but shot up 24.4% for the trailing 12 months. The Computer Technology sector was the best performing sector for the quarter, returning 12.4%. Only two of the eleven sectors fell for the quarter. The Non Durable Consumer Goods and Utilities sectors fell 3.5% and 5.9%, respectively. At quarter end, the average yield of an S&P 500 issue was 1.5%, its average growth rate was 9.1%, and it sold at a price/earnings ratio of 23.3. The p/e ratio remains higher than its historical normal range of 14x to 16x.

## **INTERNATIONAL EQUITIES**

Equity markets abroad were mixed for the quarter, but generally outperformed the U.S. market. In terms of single market returns, Hong Kong (26.1%) and Japan (21.9%) led the developed markets. While as a region, the Far East (21.9%) and the Pacific (18.9%) bounced back from last quarter's trailing performance. The regions benefited from the post SARS rebound and a stronger than expected second quarter GDP number for Japan. Last quarter, gains in international equities were magnified by the continued weakness in the dollar.

The G7 meeting in Dubai, held in September, ended with calls for more flexible currency markets. The Bank of Japan appears to have complied, allowing the yen to climb against the dollar. The yuan however,

remains pegged to the dollar, aiding the export driven Chinese economy in keeping its strong trade imbalance with the U.S.



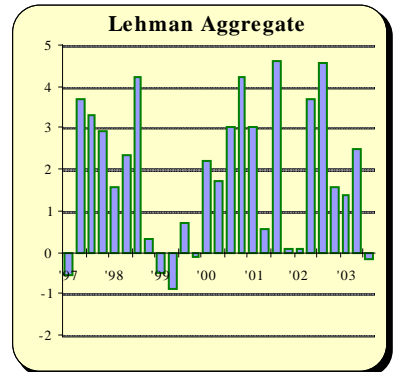
The international equities markets (as represented by the capitalization-weighted EAFE index) rose 8.2% for the quarter and gained 26.5% for the trailing year. On an equal-weighted basis, the EAFE index gained 7.6% for the quarter and powered its way to 35.7% for the trailing year.

Emerging markets posted strong gains for the quarter and the year. The MSCI Emerging Markets Free Index rose 14.2% for the quarter and rocketed 46.0% for year. Regionally, Asia was the strongest for the quarter, returning 15.8% and Latin America (68.9%) for the year. For the quarter, Turkey again produced strong returns, leading with a gain of 28.0%, followed closely by 27.6% return for India.

**BOND MARKET**

During the third quarter of 2003, the yield curve rose and steepened. Treasuries, for the most part, remained at low yields. Short treasury yields rose nearly 0.2%; intermediates and long treasury yields climbed 0.4%. Quality spreads (the difference in yield between a corporate bond and a Treasury bond of the same maturity) changed very little from the prior quarter. Corporates still outperformed on a relative basis to Treasuries, but were also weak on an absolute basis. Lower quality corporates produced better returns than their higher quality counterparts.

The Lehman Brothers Aggregate Bond Index slipped fractionally for the third quarter, losing -0.2%. For the trailing year the index was up 5.4%. Intermediate and long treasuries also declined for the quarter. Intermediate treasuries fell less than 0.1% while long treasuries lost 2.7%. For the trailing year, intermediates gained 3.1% and long treasuries rose 3.7%. The US Government Index as a whole lost 0.8% for the quarter, but gained 3.6% for the trailing year. The Investment Grade Credit Index outperformed governments for the quarter (-0.1%), and for the year (10.5%). High yield corporates (junk bonds) had a positive quarter, returning 2.8%. For the last 12 months, high yield bonds rose 30.0%.



The average maturity of the Lehman Aggregate index moved up from 6.7 years to 7.4 years during the quarter. The interest rate sensitivity (duration) rose 0.4 years from 4.0 years to 4.4 years (on an adjusted basis) and the average yield also gained 0.4% to 4.0%.

Emerging market bonds were up for the quarter, rising 2.1%, as well as for the year, up 36.7%. Nigerian bonds were the best performing emerging market bonds last quarter, returning 12.4%. For the trailing 12 months, Brazilian bonds outperformed all other emerging market bonds, returning 101.0%.

**CASH EQUIVALENTS**

Short-term yields rose marginally, but remained low during the quarter. The "risk-free" Treasury note return was 0.2%, producing a trailing 12-month total return on cash and equivalents of 1.3%.

## **RELATIVE PERFORMANCE**

### **Total Fund**

Last quarter, the total aggregate portfolio returned 2.0%. That performance ranked in the 51st percentile of the Independent Consultant's Cooperative's (ICC) universe of balanced funds. The return for the last twelve months was 15.5%, ranking the portfolio in the 56th percentile. Since March 1998, the fund gained 21.8%, returning 3.7% per annum, which ranked in the 52nd percentile.

### **Equities**

Last quarter, the stocks in the aggregate portfolio returned 3.6%, ranking in the 59th percentile, 1.0% above the S&P 500's 2.6% return. The return for the trailing year was 24.3%, placing this component in the 65th percentile, which was just 0.1% below the index. Since March 1998, the aggregate stocks fell 3.6% (a 0.7% annualized loss) and ranked in the 85th percentile, 0.3% per year behind the S&P 500's 0.4% annualized loss.

### **Bonds**

The aggregate fixed income segment recorded a third quarter return of -0.3% and ranked in the 81st percentile of the fixed income universe. That performance was 0.1% below the Lehman Aggregate bond index's return of -0.2%. The return for the trailing year was 5.5%, which ranked below the median in the 65th percentile. Since March 1998, the bonds earned 48.4% (7.4% per annum) and ranked in the 40th percentile; the annualized return beat the annualized index return (7.3%) by 0.1%.

### **International Equities**

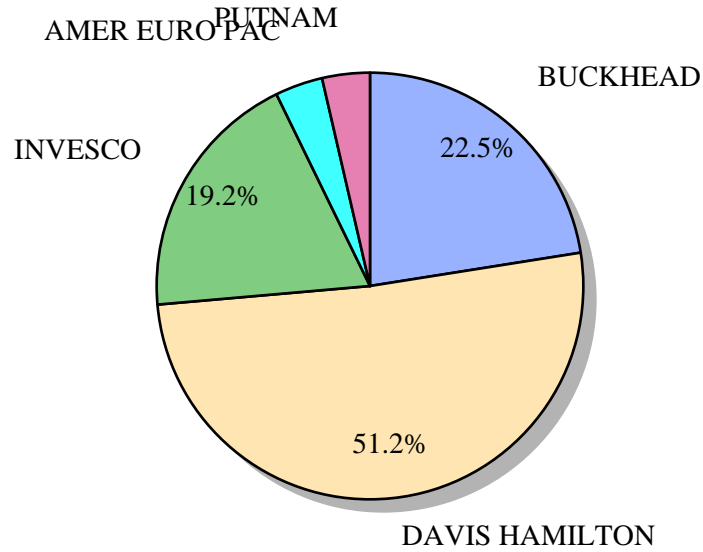
The American Euro Pacific and Putnam accounts together returned 7.4% for the September quarter, ranking in the 55th percentile of the ICC universe of international equity funds, but still trailed the EAFE index (8.2%) by 0.8%. Over the last twelve months, the international equities segment gained 23.4% ranking in the 64th percentile, again falling below the index (26.5%).






INTERNATIONAL EQUITY RANKINGS		
%TILE	QUARTER	YEAR
5	13.51	37.98
25	9.79	29.63
50	7.84	25.46
75	5.88	21.99
95	4.29	16.24

## **ASSET ALLOCATION**

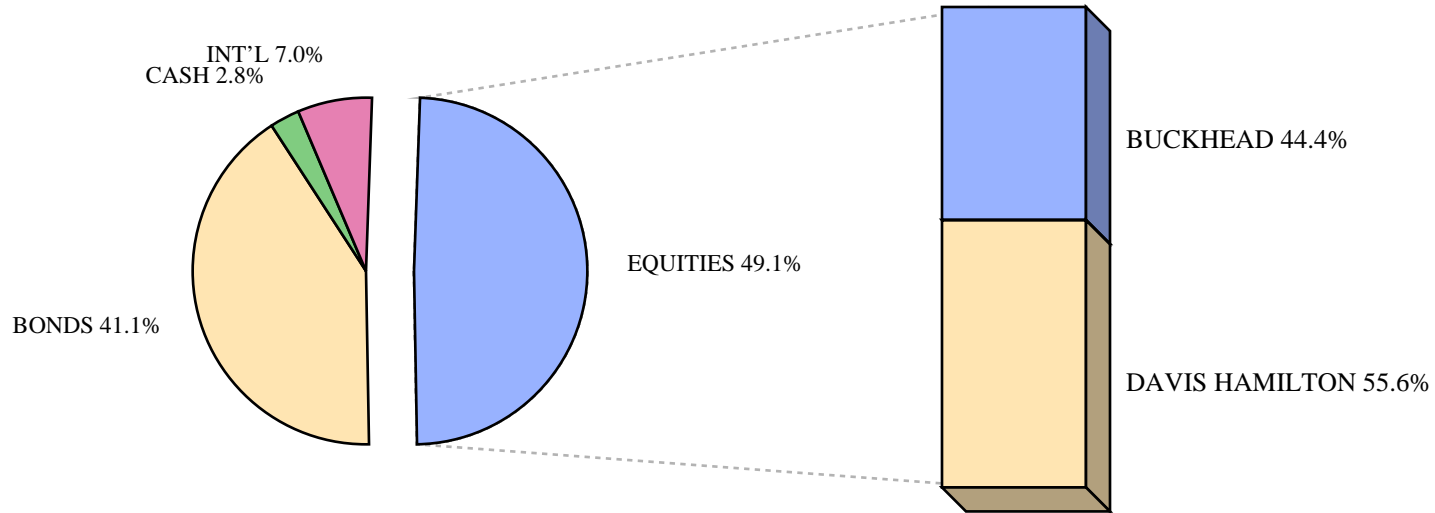
At the end of the third quarter, equities comprised 49.1% of the total portfolio (\$18.2 million), while bonds totaled 41.1% (\$15.2 million). The account's international equity component comprised 7.0% (\$2.6 million), while the remaining 2.8% was comprised of cash & equivalents (\$1.0 million).

**SUNRISE POLICE  
MANAGER ALLOCATIONS  
SEPTEMBER 30TH, 2003**



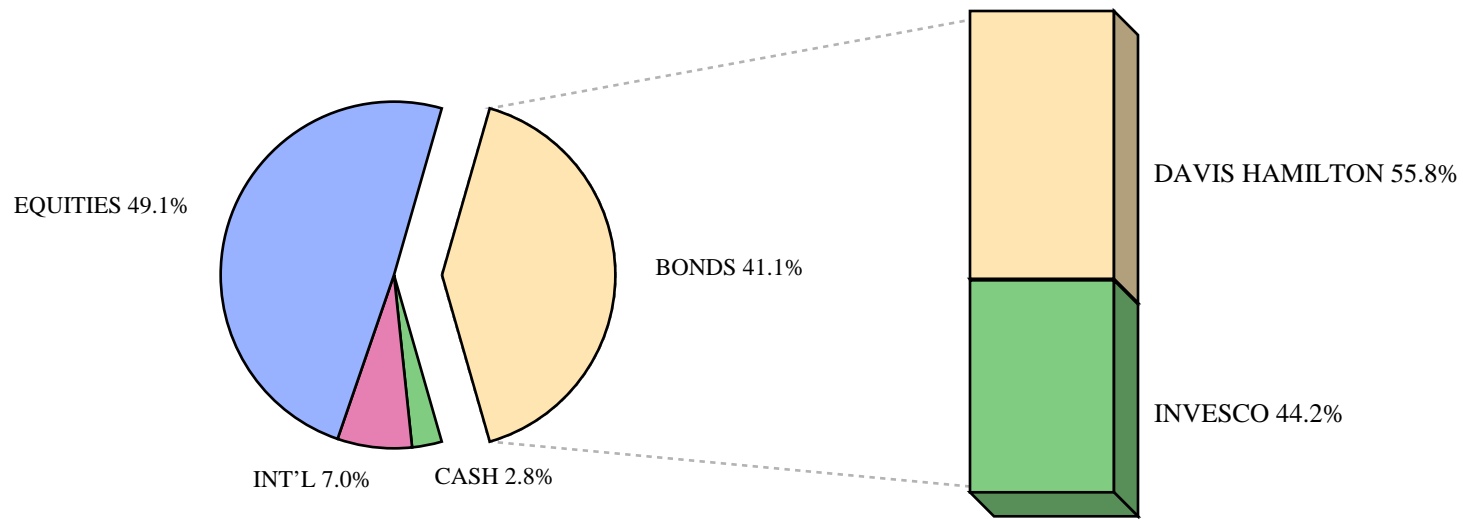
MANAGER	MARKET VALUE	(PERCENT)
 BUCKHEAD	\$ 8,335,988	(22.5%)
 DAVIS HAMILTON	\$ 18,967,330	(51.2%)
 INVESCO	\$ 7,122,846	(19.2%)
 AMER EURO PAC	\$ 1,313,478	(3.5%)
 PUTNAM	\$ 1,290,062	(3.5%)
<b>TOTAL FUND</b>	<b>\$ 37,029,700</b>	<b>(100.0%)</b>

**SUNRISE POLICE  
EQUITY MANAGER PERFORMANCES  
SEPTEMBER 30TH, 2003**



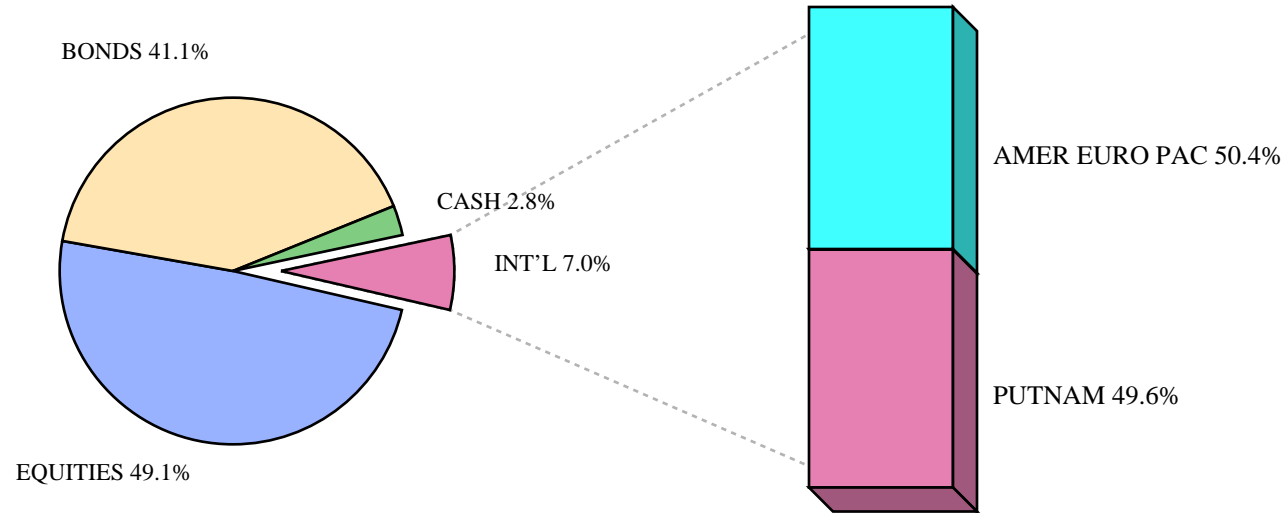
MANAGER	RETURNS & RANKINGS FOR PERIOD ENDING 9/30/03							EQUITY
	QUARTER	2 QTRS	YTD	1 YEAR	3 YEAR	5 YEAR	MARKET VALUE	
BUCKHEAD	4.1 (51)	23.9 (41)	19.5 (39)	--- ---	--- ---	--- ---	\$ 8,061,888	
DAVIS HAMILTON	3.2 (65)	14.8 (94)	12.4 (91)	19.6 (87)	-13.1 (81)	1.4 (76)	\$ 10,114,470	
TOTAL EQUITY	3.6 (59)	18.5 (71)	15.1 (68)	24.3 (65)	-10.0 (65)	0.1 (93)	\$ 18,176,360	
S&P 500	2.6 (81)	18.4 (77)	14.7 (77)	24.4 (63)	-10.1 (68)	1.0 (84)	---	
RUSSELL 1000	3.0 (68)	19.2 (66)	15.7 (64)	25.2 (54)	-10.3 (72)	1.5 (75)	---	
RUSS 1000 GRO	3.9 (54)	18.8 (69)	17.5 (51)	25.9 (49)	-19.1 (94)	-2.5 (99)	---	
RUSS 1000 VAL	2.1 (87)	19.7 (63)	13.9 (84)	24.4 (63)	-2.0 (36)	4.0 (57)	---	
RUSSELL 3000	3.4 (62)	20.2 (60)	16.6 (57)	25.9 (49)	-9.7 (62)	1.9 (71)	---	

**SUNRISE POLICE  
FIXED INCOME MANAGER PERFORMANCES  
SEPTEMBER 30TH, 2003**



MANAGER	RETURNS & RANKINGS FOR PERIOD ENDING 9/30/03						FIXED INCOME
	QUARTER	2 QTRS	YTD	1 YEAR	3 YEAR	5 YEAR	MARKET VALUE
DAVIS HAMILTON	-0.3 (80)	2.5 (60)	4.2 (57)	6.1 (54)	9.3 (40)	6.7 (50)	\$ 8,503,942
INVESCO	-0.5 (87)	2.0 (79)	3.5 (77)	4.6 (79)	9.6 (33)	6.6 (57)	\$ 6,725,788
TOTAL FIXED INCOME	-0.3 (81)	2.4 (67)	3.9 (64)	5.5 (65)	9.4 (36)	6.6 (55)	\$ 15,229,730
LEHMAN AGG	-0.2 (74)	2.3 (70)	3.8 (68)	5.4 (68)	8.9 (54)	6.6 (55)	---
GOV/CREDIT	-0.5 (88)	3.0 (38)	4.7 (46)	6.5 (48)	9.6 (33)	6.7 (50)	---
AGGREGATE A+	-0.2 (74)	1.9 (81)	3.1 (82)	4.4 (81)	8.8 (57)	6.6 (55)	---
GOV/CREDIT A+	-0.7 (91)	2.3 (70)	3.7 (71)	5.0 (74)	9.4 (37)	6.6 (55)	---
INT AGGREGATE	0.2 (42)	2.1 (77)	3.4 (78)	5.0 (74)	8.5 (64)	6.7 (50)	---
INT GOV/CREDIT	0.0 (51)	2.7 (53)	4.2 (57)	6.0 (55)	9.0 (50)	6.4 (63)	---

**SUNRISE POLICE  
INT'L EQUITY MANAGER PERFORMANCES  
SEPTEMBER 30TH, 2003**



8

MANAGER	RETURNS & RANKINGS FOR PERIOD ENDING 9/30/03						INT'L EQUITY	
	QUARTER	2 QTRS	YTD	1 YEAR	3 YEAR	5 YEAR	MARKET VALUE	
AMER EURO PAC	9.3 (39)	28.9 (48)	16.5 (56)	25.6 (50)	-6.6 (49)	--- ---	\$ 1,313,478	
PUTNAM	5.6 (80)	23.0 (89)	12.2 (91)	21.3 (78)	-9.8 (82)	--- ---	\$ 1,290,062	
TOTAL INT'L EQUITY	7.4 (55)	25.9 (67)	14.3 (70)	23.4 (64)	-8.2 (66)	--- ---	\$ 2,603,540	
EAFE	8.2 (46)	29.4 (42)	18.8 (41)	26.5 (44)	-8.4 (69)	0.9 (91)	---	

SUNRISE POLICE

**PERFORMANCE SUMMARY**  
Quarter ended September 30, 2003

RATES OF RETURN	QUARTER	(rank)	Y-T-D	(rank)	12 MOS	(rank)	3/1998 Through 9/2003		
							CUMUL	ANNUAL	(rank)
<b>Total Portfolio</b>	2.0%	(51)	10.3%	(58)	15.5%	(56)	21.8%	3.7%	(52)
SHADOW INDEX	1.7		9.3		14.6		21.1	3.5	
<b>Equities</b>	3.6	(59)	15.1	(68)	24.3	(65)	-3.6	-0.7	(85)
S&P 500	2.6		14.7		24.4		-2.2	-0.4	
RUSSELL 1000	3.0		15.7		25.2		-0.8	-0.2	
RUSS 1000 VAL	2.1		13.9		24.4		8.0	1.4	
RUSS 1000 GRO	3.9		17.5		25.9		-16.1	-3.1	
RUSSELL 2000	9.1		28.6		36.5		9.3	1.6	
RUSS 2000 GRO	10.5		31.8		41.7		-16.1	-3.1	
RUSS 2000 VAL	7.7		25.5		31.7		32.4	5.2	
RUSSELL 3000	3.4		16.6		25.9		-0.5	-0.1	
<b>Bonds</b>	-0.3	(81)	3.9	(64)	5.5	(65)	48.4	7.4	(40)
LEHMAN AGG	-0.2		3.8		5.4		47.0	7.3	
GOV/CREDIT	-0.5		4.7		6.5		48.9	7.5	
INT GOV/CREDIT	0.0		4.2		6.0		45.0	7.0	
<b>Intl Equities</b>	7.4	(55)	14.3	(70)	23.4	(64)	*****	*****	
EAFE	8.2		18.8		26.5		-9.4	-1.8	

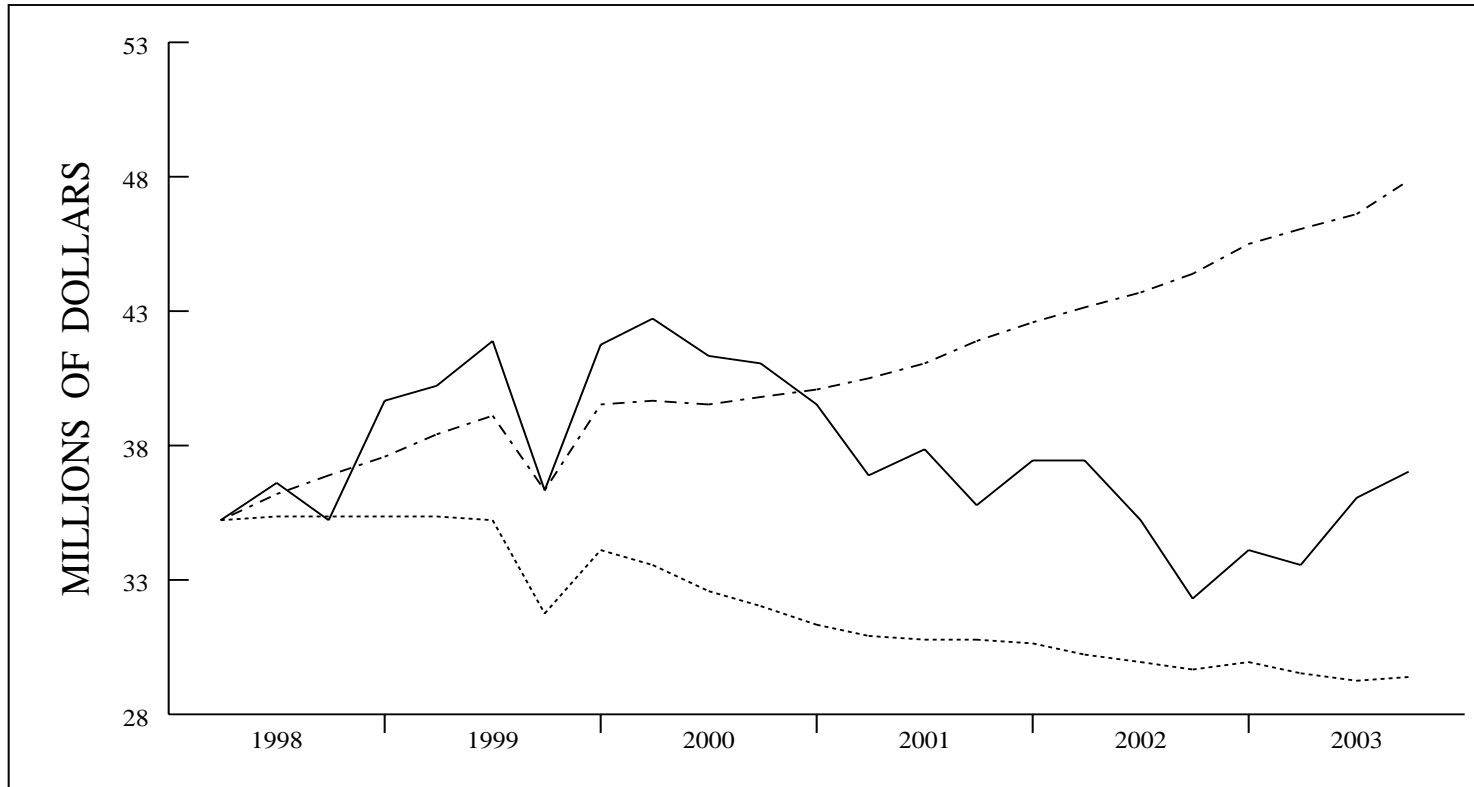
**ASSET ALLOCATION**

Equities	49.1%	\$ 18,176,359.
Bonds	41.1%	15,229,729.
Cash	2.8%	1,020,054.
Real Estate	0.0%	0.
Intl Equities	7.0%	2,603,540.
Small Cap	0.0%	0.
Other	0.0%	0.
<b>Total Portfolio</b>	<b>100.0%</b>	<b>\$ 37,029,700.</b>

**INVESTMENT RETURN**

Market Value 6/03	\$ 36,119,088.
Contribs / Withdrwls	170,801.
Income	275,800.
Capital Gains / Losses	464,011.
Market Value 9/03	\$ 37,029,700.

## INVESTMENT GROWTH

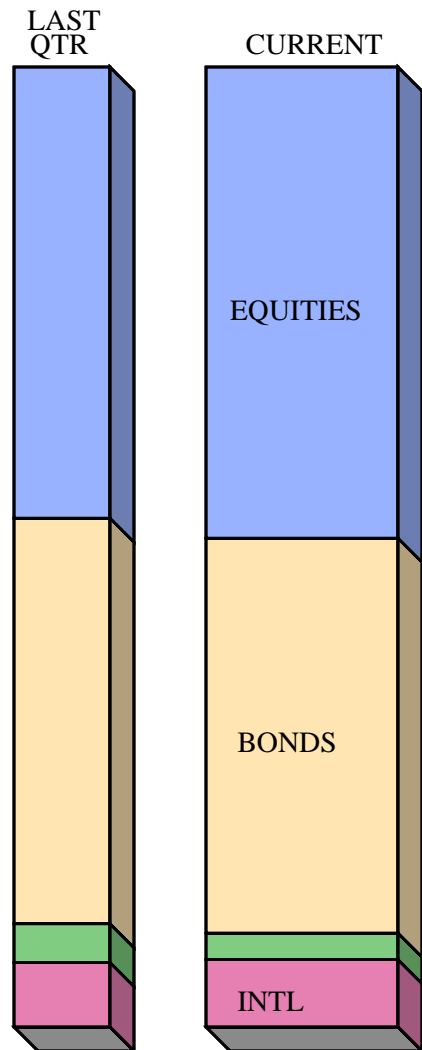


— ACTUAL RETURN  
 - - - 8.5%  
 ..... 0.0%

VALUE ASSUMING  
 8.5% RETURN  
 \$ 47,871,045

	<u>LAST QUARTER</u>	<u>PERIOD 3/98- 9/03</u>
BEGINNING VALUE	\$ 36,119,088	\$ 35,242,704
NET CONTRIBUTIONS	170,801	- 5,797,160
<u>INVESTMENT RETURN</u>	<u>739,811</u>	<u>7,584,156</u>
ENDING VALUE	\$ 37,029,700	\$ 37,029,700
INCOME	275,800	6,693,867
<u>CAPITAL GAINS (LOSSES)</u>	<u>464,011</u>	<u>890,289</u>
INVESTMENT RETURN	739,811	7,584,156

# ASSET ALLOCATION

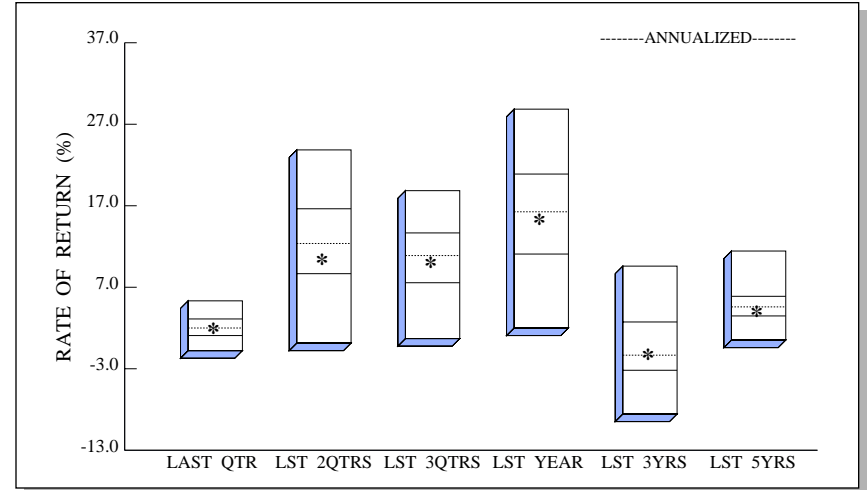
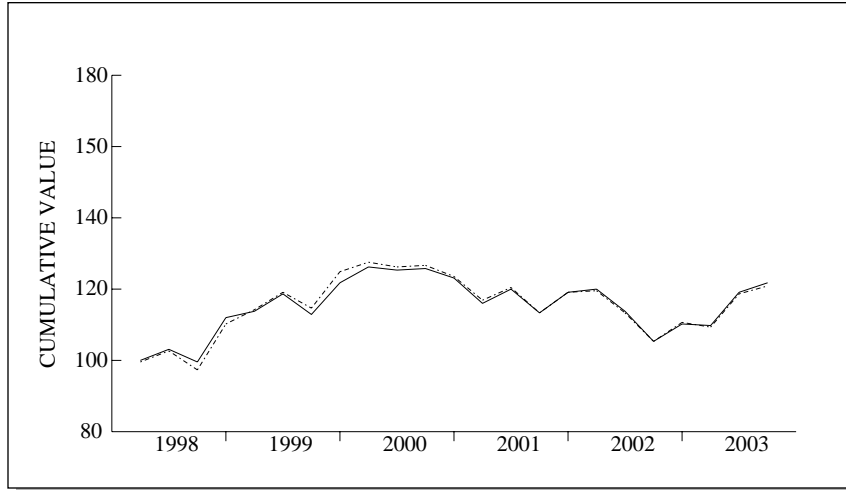


AS OF SEPTEMBER 2003				
	<u>VALUE</u>	<u>PERCENT</u>	<u>TARGET</u>	<u>DIFFERENCE</u> <u>+ / -</u>
EQUITIES	\$ 18, 176, 360.	49.1%	50.0%	-0.9%
BONDS	15, 229, 730.	41.1%	40.0%	1.1%
CASH & EQUIV	1, 020, 054.	2.8%	0.0%	2.8%
INTL EQUITIES	2, 603, 540.	7.0%	10.0%	-3.0%
<u>TOTAL FUND</u>	<u>\$ 37, 029, 700.</u>	<u>100.0%</u>		

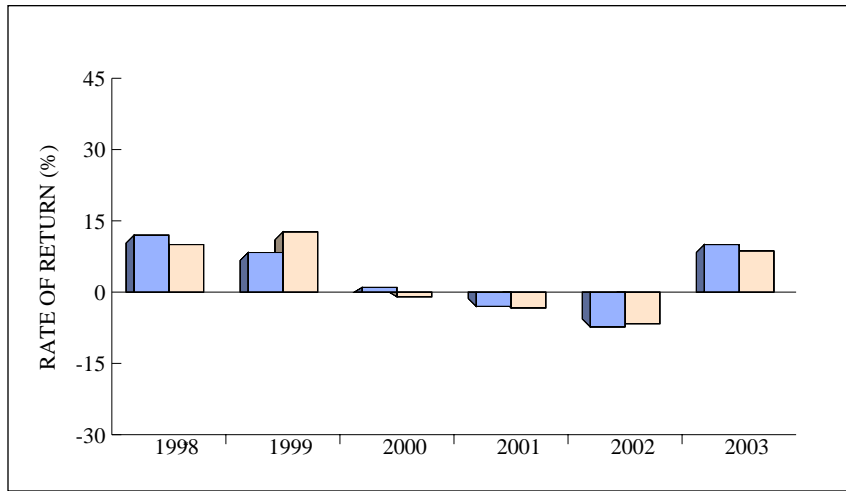
11

# TOTAL RATE OF RETURN

AS OF SEPTEMBER 30TH 2003



■ ——— PORTFOLIO  
■ - - - - SHADOW INDEX



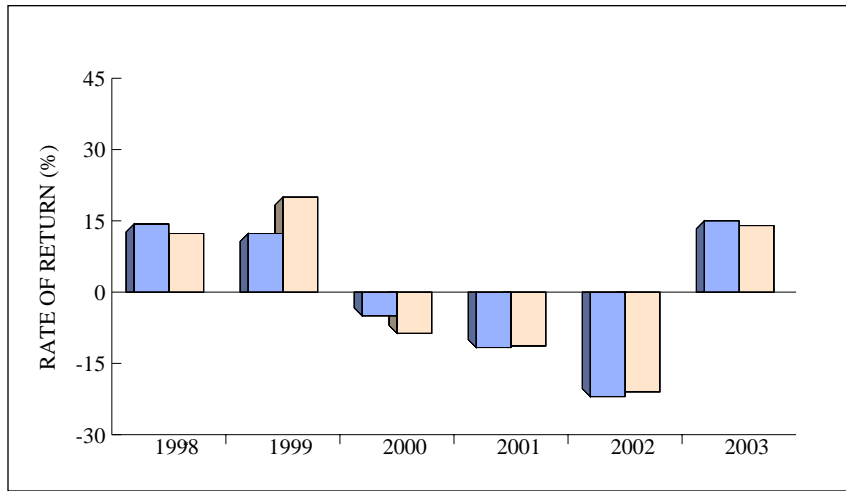
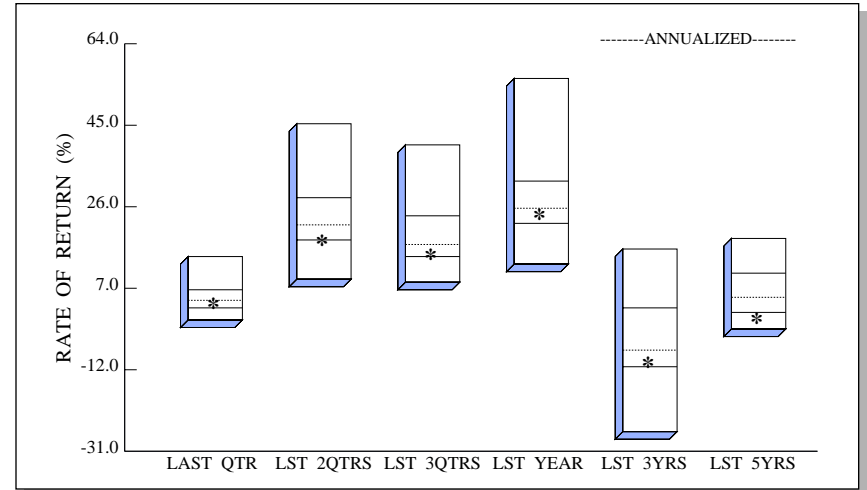
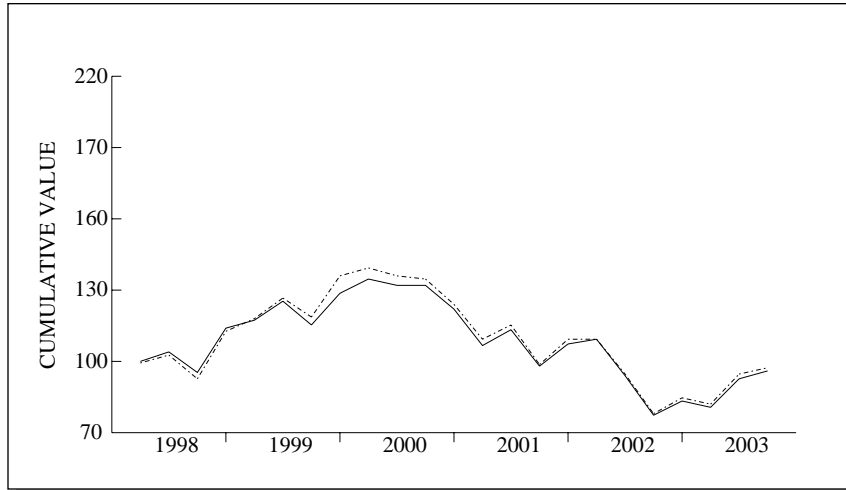
	LAST QTR	LST 2QTRS	LST 3QTRS	LST YEAR	-----ANNUALIZED-----	
					LST 3YRS	LST 5YRS
RETURN	2.0	10.6	10.3	15.5	- 1.1	4.1
(RANK)	51	65	58	56	50	62
HIGHEST	5.5	24.0	19.0	29.0	9.8	11.5
25TH %ILE	3.2	16.8	13.7	21.0	2.8	5.9
MEDIAN	2.1	12.4	10.9	16.4	- 1.2	4.7
75TH %ILE	1.1	8.9	7.7	11.2	- 3.2	3.6
LOWEST	- 0.6	0.3	0.7	2.1	- 8.4	0.7
SHADOW INDEX	1.7	10.7	9.3	14.6	- 1.5	4.4

\* PARTIAL PERIOD

\*\* YEAR TO DATE

# EQUITY RATE OF RETURN

AS OF SEPTEMBER 30TH 2003

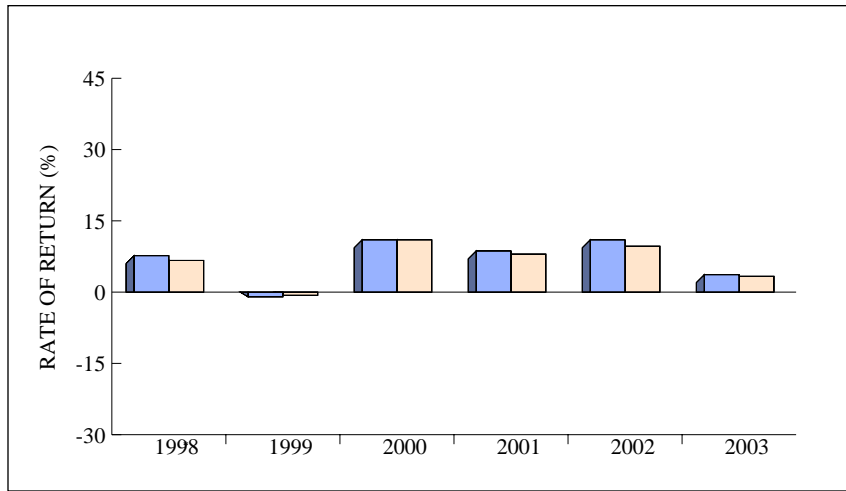
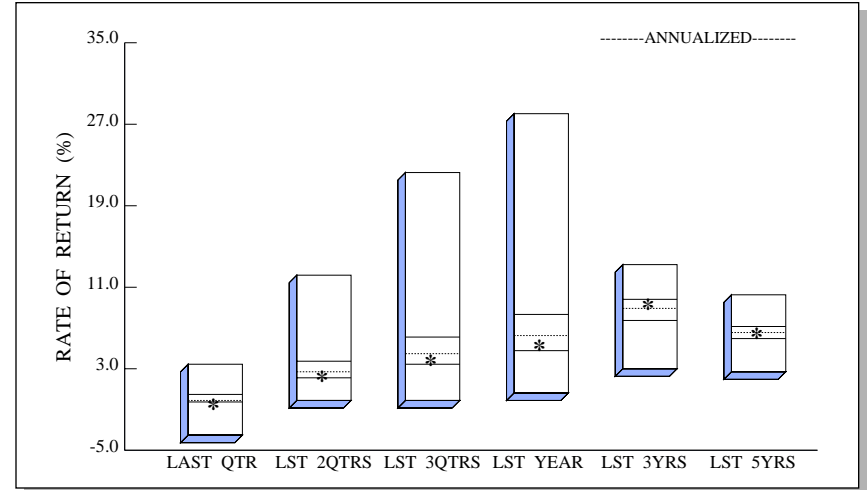
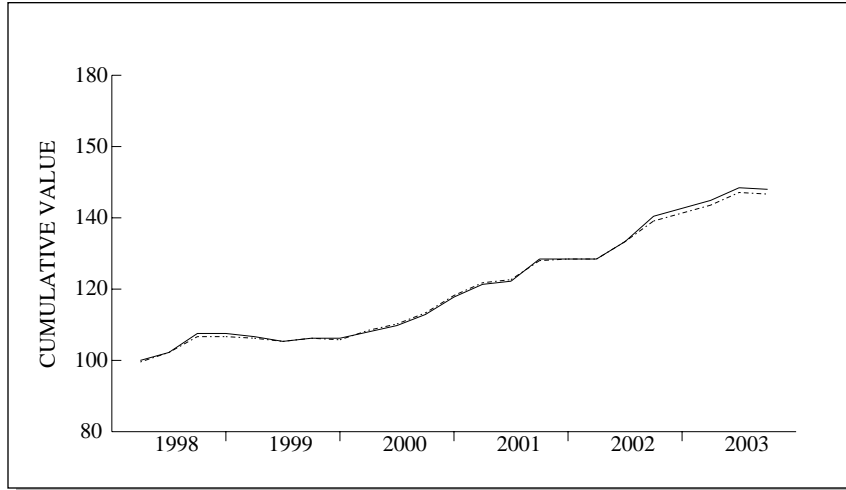


	LAST QTR	LST 2QTRS	LST 3QTRS	LST YEAR	-----ANNUALIZED-----	
					LST 3YRS	LST 5YRS
RETURN	3.6	18.5	15.1	24.3	- 10.0	0.1
(RANK)	59	71	68	65	65	93
HIGHEST	14.5	45.7	40.7	56.1	16.5	18.9
25TH %ILE	6.9	28.4	23.9	32.1	2.5	10.5
MEDIAN	4.2	21.9	17.5	25.7	- 7.1	5.1
75TH %ILE	2.7	18.5	14.7	22.3	- 11.0	1.5
LOWEST	- 0.1	9.4	8.6	12.8	- 26.1	- 2.5
S&P 500	2.6	18.4	14.7	24.4	- 10.1	1.0

\* PARTIAL PERIOD

\*\* YEAR TO DATE

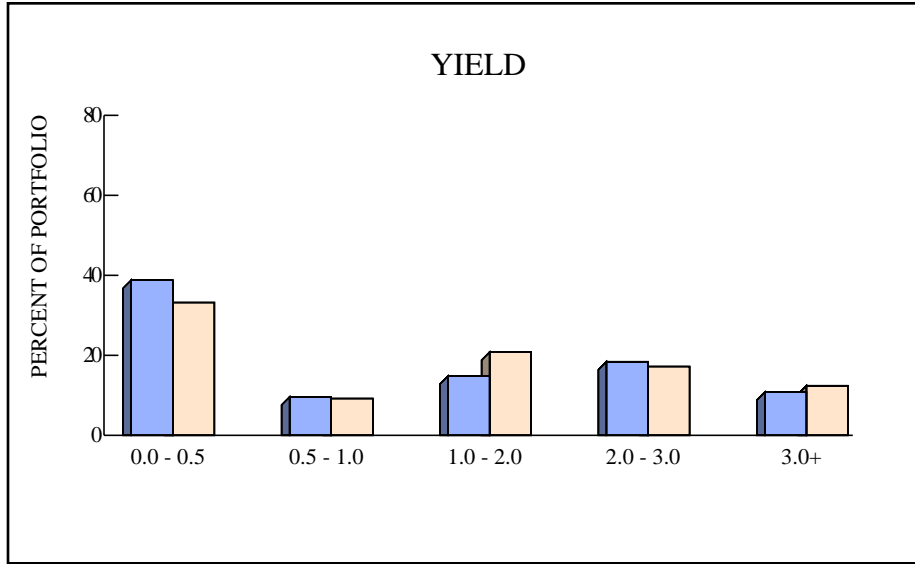
## BOND RATE OF RETURN AS OF SEPTEMBER 30TH 2003



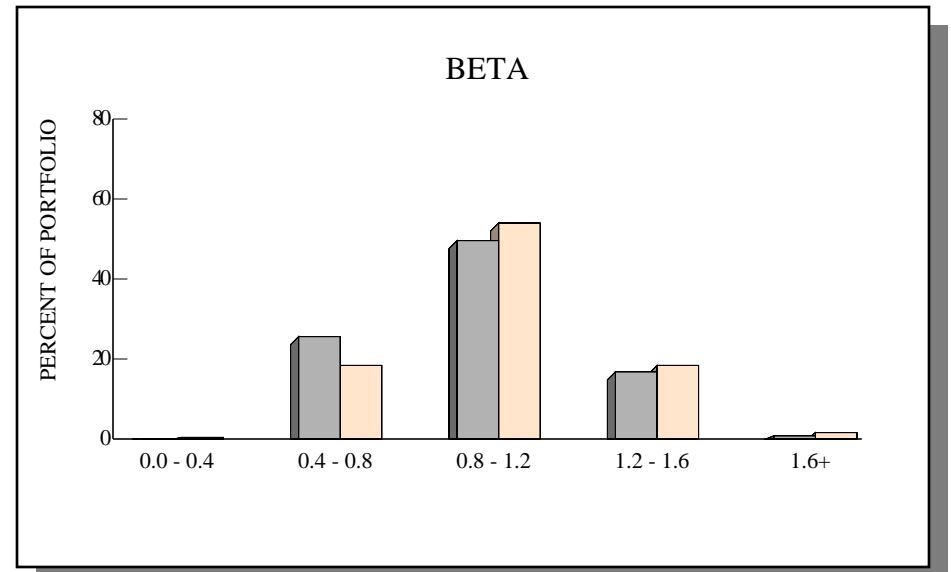
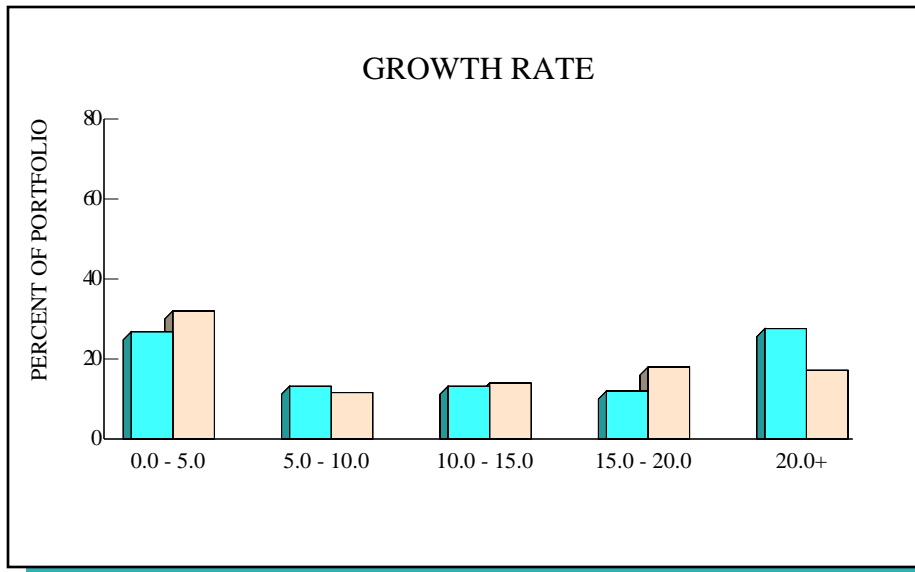
	LAST QTR	LST 2QTRS	LST 3QTRS	LST YEAR	-----ANNUALIZED-----	
					LST 3YRS	LST 5YRS
RETURN	- 0.3	2.4	3.9	5.5	9.4	6.6
(RANK)	81	67	64	65	36	55
HIGHEST	3.5	12.3	22.3	28.0	13.2	10.3
25TH %ILE	0.5	3.9	6.2	8.4	9.9	7.2
MEDIAN	0.0	2.8	4.6	6.3	9.0	6.7
75TH %ILE	- 0.2	2.2	3.5	4.9	7.8	6.0
LOWEST	- 3.4	- 0.1	0.0	0.7	3.1	2.8
LEHMAN AGG	- 0.2	2.3	3.8	5.4	8.9	6.6

\* PARTIAL PERIOD

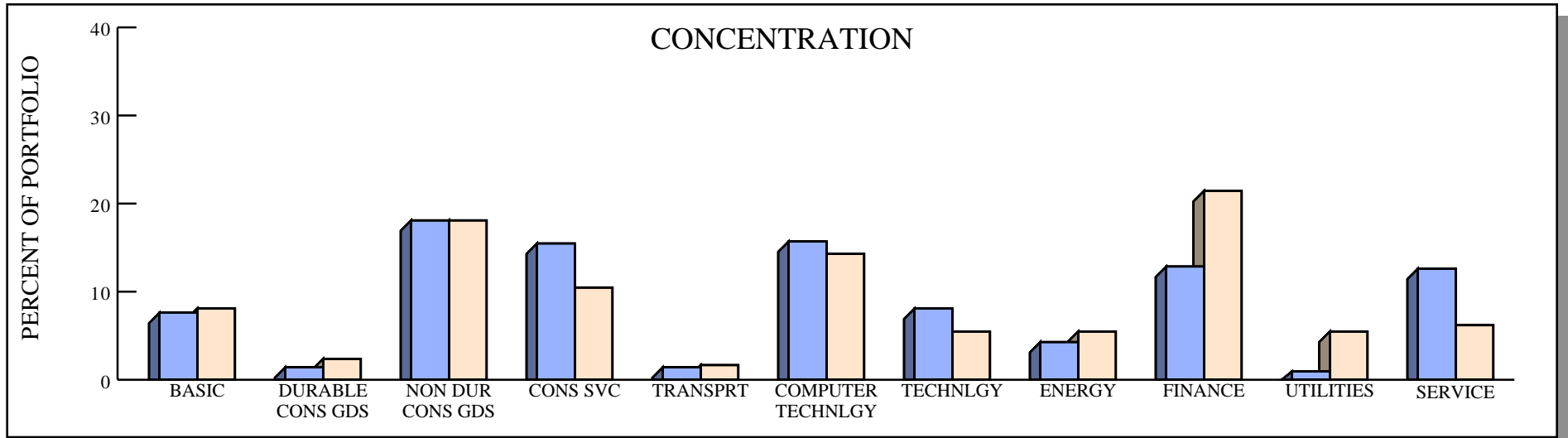
\*\* YEAR TO DATE



	YIELD	GROWTH	P/E	BETA
PORTFOLIO	1.3%	11.9%	26.2	0.98
S&P 500	1.5%	9.1%	23.3	1.00

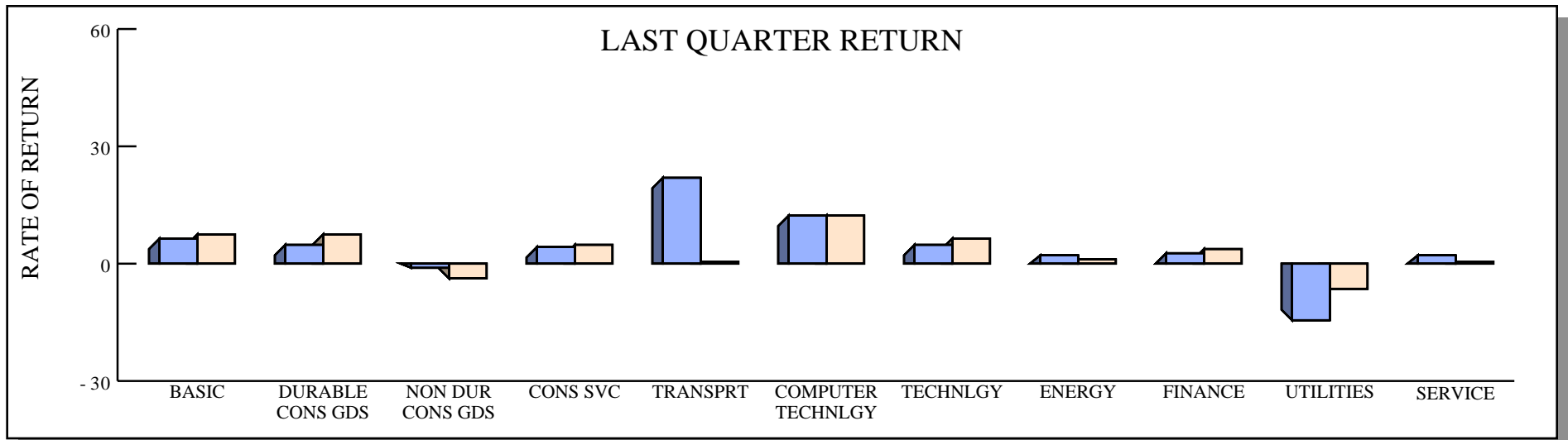


# INDUSTRY ANALYSIS

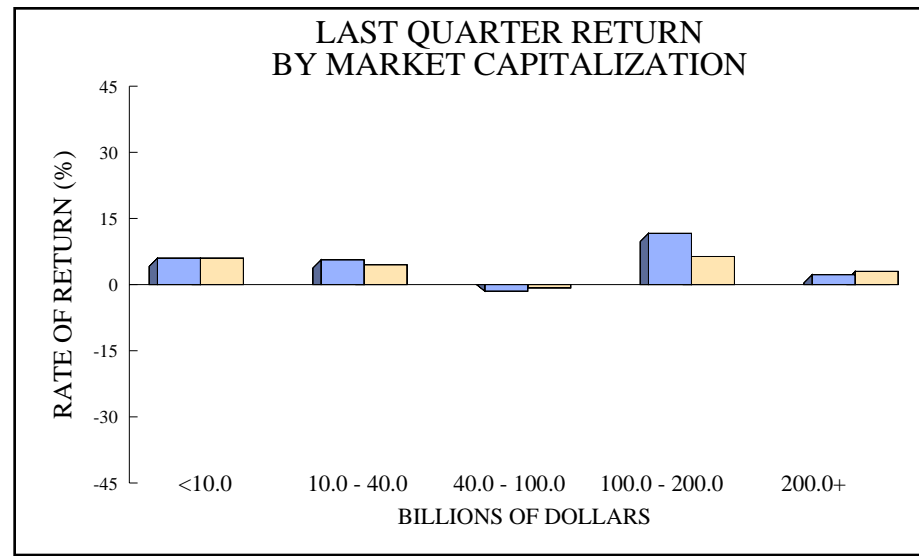
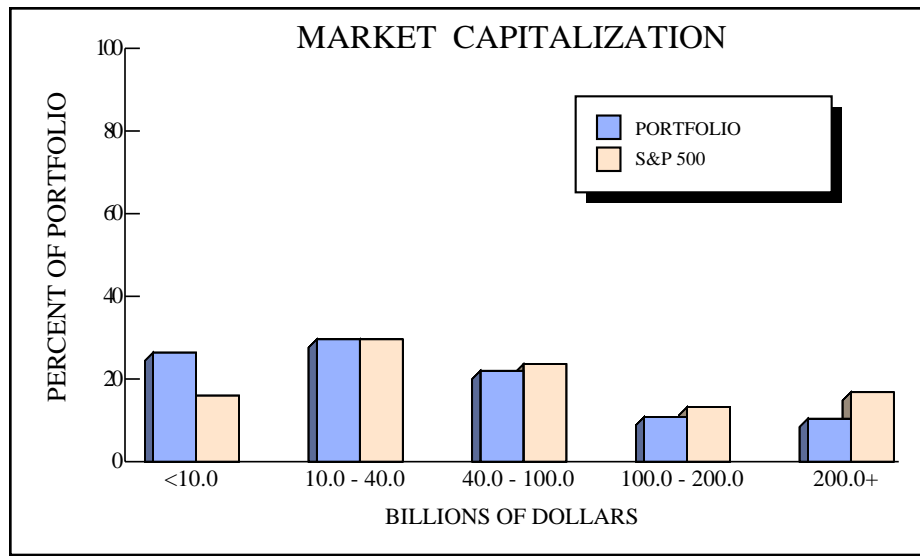


■ PORTFOLIO  
■ S&P 500

SEPTEMBER 30TH, 2003



SUNRISE POLICE

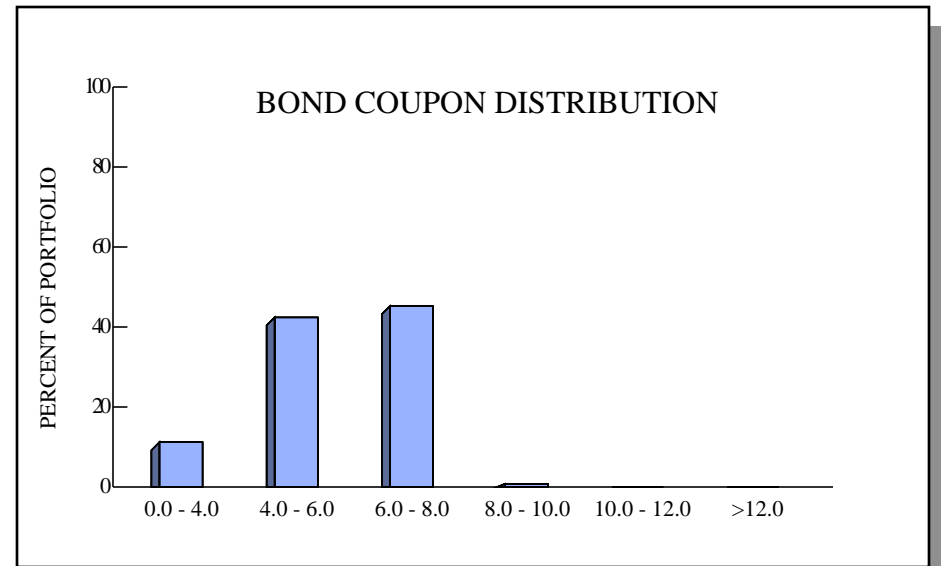
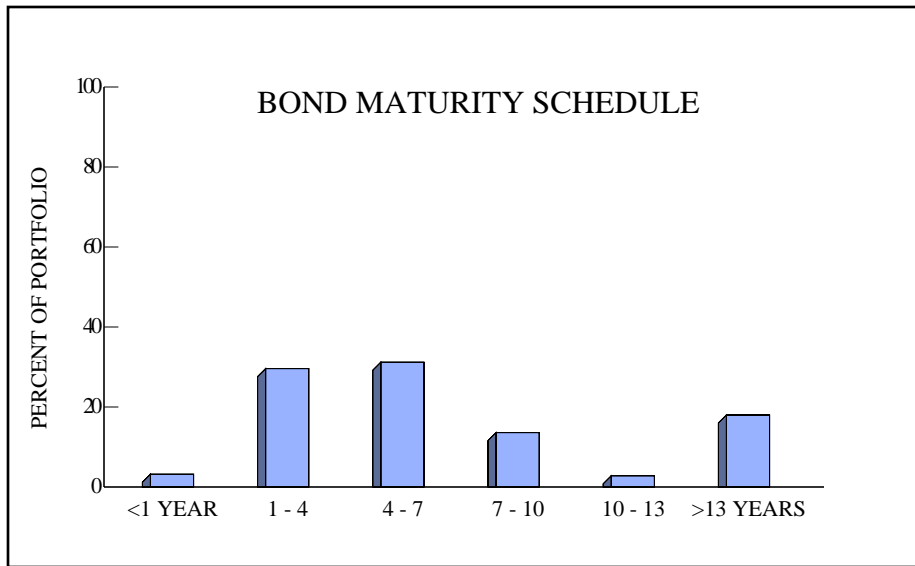


## TOP TEN EQUITY HOLDINGS

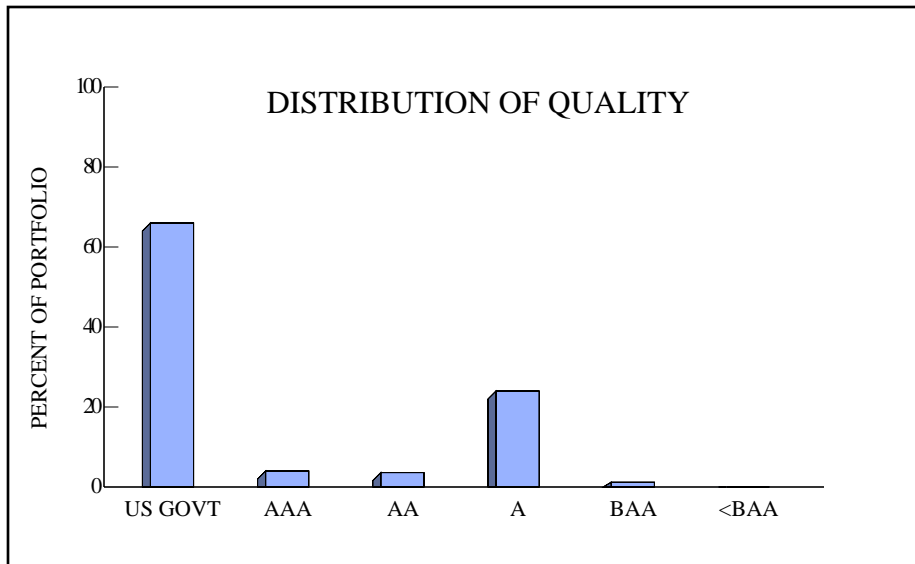
AS OF SEPTEMBER 30TH, 2003

RANK	TICKER	NAME	VALUE	% EQUITY	RETURN	INDUSTRY SECTOR	MARKET CAP
1	INTC	INTEL CORP	\$ 534,026	2.94%	32.3%	Computer Tech	\$ 179.2 B
2	HD	HOME DEPOT INC	424,879	2.34%	-3.6%	Consumer Service	75.4 B
3	MSFT	MICROSOFT CORP	378,080	2.08%	8.5%	Computer Tech	300.7 B
4	XOM	EXXON MOBIL CORP	362,340	1.99%	2.6%	Energy	242.9 B
5	C	CITIGROUP INC	342,827	1.89%	6.8%	Finance	234.4 B
6	PFE	PFIZER INC	340,256	1.87%	-10.6%	NonDur Cons Goods	236.5 B
7	CSCO	CISCO SYSTEMS INC	333,030	1.83%	16.7%	Computer Tech	136.2 B
8	WEN	WENDY'S INTERNATIO	325,099	1.79%	11.7%	Consumer Service	3.7 B
9	USB	US BANCORP	311,870	1.72%	-1.3%	Finance	46.2 B
10	MO	ALTRIA GROUP INC	308,790	1.70%	-2.2%	NonDur Cons Goods	88.9 B

SUNRISE POLICE



81



**SEPTEMBER 30TH, 2003**

	<b>PORTFOLIO</b>	<b>LEHMAN AGG</b>
No. of Securities	148	6571
Effective Duration	5.17	4.41
YTM	4.56	3.95
Average Coupon	5.69	5.90
Average Maturity	10.02	7.43
Average Quality	AAA	USG-AAA
Percent Mortgages	48.69	N/A