June 30, 2015

Shown below is the quarterly report on the status of the Montgomery County Consolidated Retiree Health Benefits Trust ("CRHBT") for the quarter ending June 30, 2015. This quarterly report is designed to assist you in understanding the current status of the CRHBT.

History

The Consolidated Retiree Health Benefits Trust was established in 2008 as a Section 115 Trust to provide funding for retiree health benefits for retirees and their dependents of Montgomery County and other agencies or political subdivisions who elect to participate.

Participating Agencies and Other Trust Participants

Participating agencies include Montgomery County Government, Revenue Authority, Credit Union, Department of Assessment & Tax, Strathmore Hall Foundation, Housing and Opportunity Commission, Washington Suburban Transit Commission, and Village of Friendship Heights. Beginning in June 2012, funding for retiree health benefits for Montgomery County Public Schools ("MCPS") and Montgomery College were also contributed to the CRHBT.

Board of Trustees

The Board of Trustees consists of 19 members: The Montgomery County Directors of Management and Budget, Finance, and Human Resources; the Council Staff Administrator; a Police Bargaining Unit Representative; a Fire & Rescue Bargaining Unit Representative; an Office, Professional, and Technical (OPT) and Service, Labor and Trades (SLT) Bargaining Unit Representative; a Non-Bargaining Unit Representative; a Retired Employees Representative; two persons recommended by the Council who are knowledgeable in pensions, investments, or financial matters; two individuals knowledgeable in pensions, investments, or financial matters appointed by the County Executive; three members nominated by the Montgomery County Board of Education including a designee of the Superintendent, a Bargaining Unit Representative and retiree of MCPS; and 3 members nominated by the Board of Trustees of Montgomery College including a designee of the President, a Bargaining Unit Representative, and a retiree of Montgomery College.

Performance Results

The total net of fee return for the first quarter was a loss of 1.18%, 23 basis points (bps) ahead of the 1.41% loss recorded by the policy benchmark. For the one year ending June 30, 2015, the return of 1.13% was 71 bps ahead of the 0.42% gain recorded by the policy benchmark. Our annualized net of fee performance for the three-year period was a gain of 9.06% and 10.38% for the five-year period ending June 30, 2015.

The total market value of trust assets at June 30, 2015 was $593 million. The CRHBT's asset allocation was: Domestic Equities 26.3%, International Equities 19.7%, Global Equities 4.4%, Fixed Income 20.1%, Inflation Linked Bonds 10.1%, Commodities 4.9%, REITS 7.5%, MLPs 1.0%, Hedge Funds 3.0%, Private Real Assets 0.9%, Private Equity 1.4%, and 0.7% Cash.

Capital Markets and Economic Conditions

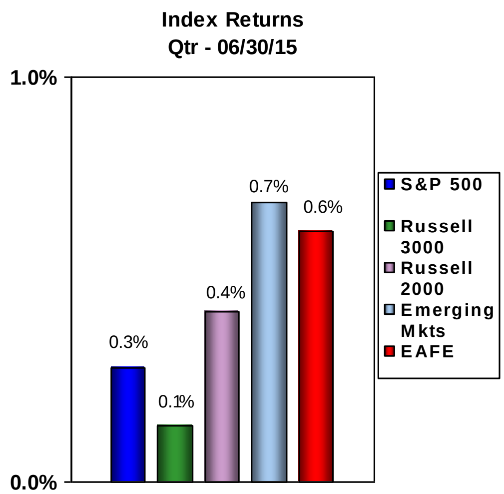
Economic data showed that GDP increased at an annual rate of 2.3 percent in the second quarter, which includes the revised GDP increase of 0.6 percent (versus a decline of 0.2%) for the first quarter which continues to indicate a healthy economic expansion. The second quarter economic growth was boosted by consumer spending which comprise 69 percent of the nation's $16.2 trillion economy. Residential investment was quite strong in the second quarter at an annualized 6.6 percent while personal consumption, boosted by auto spending, rose 2.9 percent. Consumer confidence increased more than forecast in June on strong economic data and a robust labor market which showed employers added the most in five months and hourly earnings increased from a year ago; the largest increase since August 2013.

Weak exports, impacted by the strong dollar, continued to hold back factories especially within the energy equipment sector – a 10 percent appreciation in the dollar is expected to cut GDP by a half percent point. Year-over-year Core CPI was up 1.76 percent.

Major Initiatives/Changes

During the quarter, the Board approved one private real assets fund commitment – $3,000,000 to Resource Land Holdings V and one international private equity commitment – $2,000,000 to Franklin Park's 2015 International Fund.

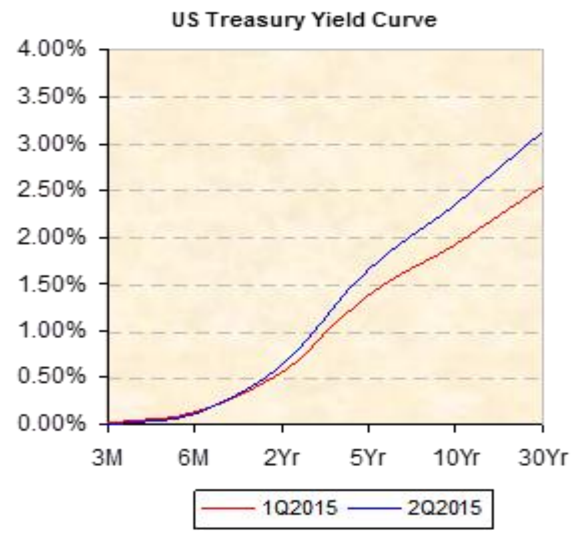
Public Equity Markets: U.S. stocks closed the quarter on a positive note on better-then-expected economic data. The equity markets were led by healthcare companies which rallied on merger activity. Multi-national companies continued to feel the negative effects of a stronger U.S. dollar. Smaller capitalization stocks (as represented by the Russell 2000 Index) outperformed their larger counterparts. Five of the ten sectors of the S&P 500 Index were up with Healthcare reporting the strongest returns and Utilities the weakest, a repeat from the previous quarter. Our combined domestic equity performance was a gain of 1.02%, outperforming the 0.14% gain recorded by the Russell 3000 benchmark.



International markets advanced during the quarter with issues affecting China being more relevant to the prospects for equity market returns than the current events in Greece and the Eurozone. Nevertheless, despite a weak fundamental backdrop, international markets saw positive returns with the central banks easing around the globe. Emerging markets performed in line with their developed counterparts with the focus being on China's growth trajectory and volatile stock market. All BRIC markets, except India, posted strong results. The Japanese markets continued to benefit from the weaker yen, improving trade balance, and accelerating corporate investments. During the quarter, developed markets, as measured by the MSCI EAFE Index, were up 0.62% with the markets of Ireland and Hong Kong contributing the most. Emerging Markets advanced 0.69% led by Hungary and Arab Emirates. Our combined international equity performance was a gain of 1.75% for the quarter, outperforming the 0.53% gain recorded by the MSCI ACWI ex-US Index. Global equities recorded a loss of 1.43%, underperforming the 0.35% return of the MSCI ACWI benchmark.

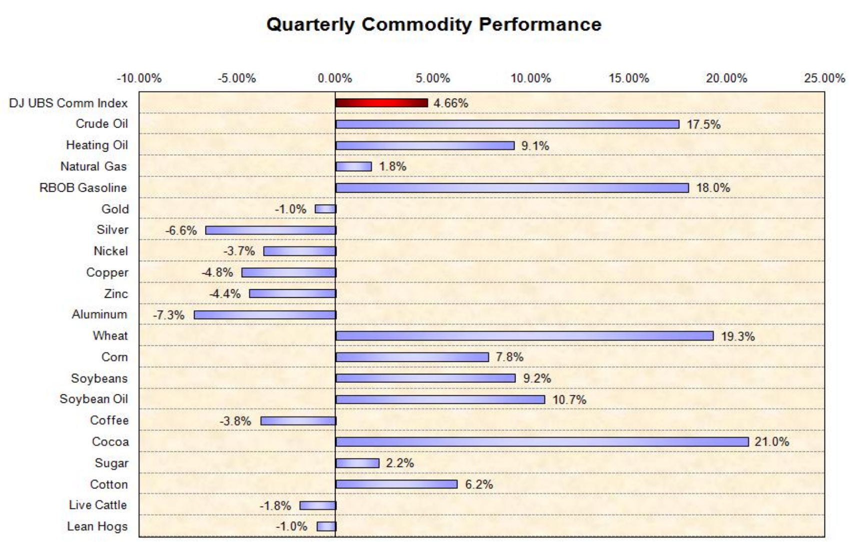
Private Equity: Capital raised by U.S. buyout funds during the second quarter was $36 billion and is on pace to exceed both the $106 billion raised in 2014 and the post-crisis peak of $114 billion in 2013. Venture capital fundraising also increased during the quarter from $7.3 billion in Q1 2015 to $10.7 billion in Q2 2015; at this rate it will surpass the $31 billion raised in 2014, which represents the highest annual total since the global crisis. Exit activity across the U.S. buyout and venture markets slowed after an active 2014. IPO activity during the first half of 2015 was in-line with historical levels, while M&A exits were down 22% compared to the same prior year period. Average purchase prices have grown from their peak of 9.4x in 2014 to 9.7x during the first half of 2015. Leverage multiples are down marginally from 5.8x in 2014 to 5.5x for the first half of 2015. During the quarter, our private equity managers called a combined $910,180 and paid distributions of $156,254. Our current allocation to private equity is 1.35%, with a market value of $8 million. Due to the young age of the portfolio, performance data is not relevant.

Hedge Funds: Hedge funds, as measured by the HFRI Composite Index, gained 0.26% in the second quarter. Global Macro lost 3.22%, measured by the HFRI Global Macro Index, as macro managers lost money in the second quarter from moderate reversals of the bigger moves that macro managers profited from in the first quarter (i.e. long USD, short Euro and long European risk assets). Event Driven strategies as measured by the HFRI Event-Driven Index were up 0.59%, buoyed by attractive opportunities in the credit markets. Relative Value strategies gained 0.74% due in part to strong trading in convertible and volatility trading. The HFRI Fund of Funds Index was up 0.18% for the quarter. The hedge fund portfolio was down 3.55%, net of fees, for the quarter, outperforming the 3.58% decline of the HFRI Macro Index.



Fixed Income: U.S. Treasury yields generally rose across the intermediate and long end of the yield curve during the quarter in anticipation of the long awaited interest rate hike by the Federal Reserve during the second half of 2015. Conversely, U.S. Treasury yields at the very front end of the curve remain range bound at or near all-time lows. The yield on the 30 year bond rose 59 bps during the quarter, and ended the period at 3.12%. In addition to investors positioning for a rise in domestic interest rates, a sell-off in euro region bonds due to uncertainties surrounding the credit crisis in Greece spilled over to U.S. Treasuries and also contributed to the rise in yields. The yield curve steepened (shown in the chart to the right) as the spread between 2-year and 10-year Treasuries, the main gauge of the yield curve, widened by 33 bps to 170 bps. For the quarter, the 2-year Treasury yield ended at 0.65%, up 9 bps, while the 10-year Treasury yield moved up by 43 bps to 2.35%. For the quarter, the Merrill High Yield Index declined by 0.05%, the Barclays Aggregate fell 1.68%, and the Barclays Long Govt/Credit Index experienced a drop of 7.57% due to the aforementioned yield curve steepening. The fixed income performance for the quarter was a loss of of 4.44%, and the blended performance outperformed the custom benchmark's loss of 4.61%. The Treasury Inflation-linked bonds (TIPS) declined 1.11% for the quarter, slightly below the 1.06% loss reported by the benchmark. The TIPS portfolio is passively managed by one manager.

Private Real Assets: Commercial real estate transaction values in the U.S. decreased by 14% quarter over quarter although these levels were 23% above Q2'14. The first half of 2015 resulted in the highest transaction values ($255B) in the U.S. real estate market since early 2007. In addition, the top three markets in the U.S., Manhattan, Los Angeles and Chicago, experienced an increase in year over year transaction values of 60%, 14% and 81% respectively. In the energy markets, U.S. oil prices increased by over 20% during Q2'15 from approximately $48 to $59/barrel. Although, prices have since declined to below $50/barrel as production has not yet moderated despite the decline in rig count. Natural gas prices increased 6% during the quarter although remained below $3/MMBtu. During the quarter, the portfolio saw $0.3 million capital called and $1,400 in distributions. Due to the young age of the portfolio, performance data is not relevant.



Public Real Assets: The Bloomberg Commodity Index climbed 4.7% during the quarter led by increases in the agriculture and energy markets. The continued decline of the U.S. oil rig count (down 60% from peak) potentially stemming the growth of U.S. supplies, and estimates of increased demand given lower prices, supported a price recovery in the Petroleum sub-index. WTI Crude Oil prices recovered 25% from their six-year low of $40 per barrel recorded in March. The Agriculture sector rallied sharply in June as heavy storms posed significant risk to the domestic Wheat crop and threatened final planted acreage for both Soybeans and Corn. Precious Metal prices fell for the quarter on expectations of rising U.S. interest rates. Further, the development of additional mine capacity and a decline in industrial application demand for Silver weighed on prices. Industrial Metal prices declined on rising inventories and concerns of oversupply. China, the world's top consuming nation of Industrial Metals, is reducing their consumption as its economy is slowing down. Lean hog prices declined as hog producers expanded the breeding herd to take advantage of low feed costs. During the quarter, our commodities portfolio increased 4.10%, underperforming the Bloomberg Commodity Index by 56 basis points due to an underweight to the energy sector.

Global listed real estate securities fell during the quarter due to rising long-rates resulting in the FTSE EPRA/NAREIT Developed Index declining 6.90%. UK real estate was the only market to post positive returns for the quarter following a surprise May election win by the Conservative party. However, capital raising activities in Europe ex UK, and a bounce in European interest rates from their post QE lows, weighed on returns for Europe. U.S. REIT sectors that have the most bond-like lease structures (i.e. triple net, health care, shopping centers) led the declines in the U.S.

Master Limited Partnerships, as measured by the Alerian MLP Total Return Index, declined 6.09% during the quarter due to rising U.S. interest rates and concerns that a decline in U.S. drilling activity will reduce the demand for midstream energy assets (i.e. pipelines, storage terminals). For the quarter, our MLP portfolio increased 1.13%, outperforming the benchmark by 704 bps.

Outlook

Inflation rates in almost all developed markets remain low in the aftermath of the financial crisis, with substantial easing from global central banks unable to reverse the downward pressures reflecting a slow demand recovery. In addition to keeping a lid on inflation, muted global demand growth has also pressured commodity prices. While oil prices have recently experienced a sharp reversal from their lows, global supply remains high and demand continues to be revised downwards as numerous uncertainties exist within the Chinese economy, the largest global importer of oil.

Divergence of monetary policies across the world continues to be a headline, as the Federal Reserve is seeking to normalize monetary policy in the United States by beginning to lift short-term interest rates from zero, while the European Central Bank and Bank of Japan are seeking to increase policy level stimulus. The Eurozone remains fragile in the aftermath of the Greece debt crisis; however, accommodative policy through QE should add a tailwind to equity markets and lift financial asset prices. Lower energy prices should further enhance consumer sentiment and manufacturing in the region. It is also likely that this level of continued divergence will add further strength to the U.S. dollar which has generally been in an upward trend over the past year.

The unemployment rate in the U.S. continues to trend downwards; however, wage growth has yet to materially pick up to help boost consumer spending. While consumers have likely seen an increase in discretionary incomes due to the fall in oil prices, U.S. business investment in the energy sector has slowed which will likely become a moderate drag on GDP. Given an uncertain global economic outlook and a challenging commodities pricing environment, the U.S. economy continues to overcome a number of hurdles, and is expected to continue its modest pace of growth for the remainder of the year.

Sources: Bloomberg, Northern Trust, MSCI, S&P, T. Rowe Price, FRM, Wilshire Associates, Bridgewater, JP Morgan, BlackRock, PE Hub, Private Equity Analyst, Pitchbook, Real Capital Analytics, RE Alert, Schroder, Oil & Gas Investor.

Risk Profile

The risk/return statistics for the CRHBT for the 1, 3 and 5 year periods ending June 30, 2015 are shown below:

1 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	1.13	5.06	0.17	0.24	0.22
CRHBT Benchmark	0.42	4.60	0.06	0.09	0.09

3 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	9.06	5.48	1.59	1.95	1.65
CRHBT Benchmark	8.66	5.30	1.55	1.92	1.63

5 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	10.38	10.03	1.00	1.25	1.03
CRHBT Benchmark	10.10	9.98	0.97	1.23	1.01

Participating Agency Allocation

	3/31/2015		03/31/2015-06/30/2015			6/30/2015	
Agency	Balance $	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance $	Balance %
Montgomery County Govt	$249,221,035	48.38%	$26,811,900	($548,144)	($2,808,214)	$272,676,577	45.94%
MontCo Revenue Authority	$1,913,874	0.37%	$42,850	($4,097)	($20,517)	$1,932,109	0.33%
Strathmore Hall Foundation	$855,614	0.17%	$24,225	($1,835)	($9,262)	$868,742	0.15%
Credit Union	$787,248	0.15%	$18,650	($1,686)	($8,457)	$795,755	0.13%
Dept of Assessments & Tax	$11,029	0.00%	$0	($23)	($114)	$10,892	0.00%
District Court of Maryland	$0	0.00%	$0	$0	$0	$0	0.00%
HOC	$9,779,299	1.90%	$326,775	($21,011)	($106,740)	$9,978,323	1.68%
WSTC	$68,315	0.01%	$1,900	($147)	($739)	$69,330	0.01%
Village of Friendship Heights	$237,028	0.05%	$6,150	($508)	($2,556)	$240,114	0.04%
Montg. Cty. Public Schools	$211,845,286	41.12%	$57,004,667	($425,999)	($2,666,283)	$265,757,671	44.77%
Montgomery College	$40,416,747	7.85%	$1,316,000	($75,569)	($428,453)	$41,228,725	6.95%
Total	**$515,135,476**	**100.00%**	**$85,553,117**	**($1,079,019)**	**($6,051,335)**	**$593,558,238**	**100.00%**