September 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 September 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 third quarter was a loss of 6.18%, 33 basis points (bps) behind the 5.85% loss recorded by the policy benchmark. For the one year ending September 30, 2015, the loss of 2.76% was 53 bps ahead of the 3.29% loss recorded by the policy benchmark. Our annualized net of fee performance for the three-year period was a gain of 5.03% and 6.69% for the five-year period ending September 30, 2015.

The total market value of trust assets at September 30, 2015 was $558 million. The CRHBT's asset allocation was: Domestic Equities 25.9%, International Equities 19.1%, Global Equities 4.1%, Fixed Income 21.1%, Inflation Linked Bonds 10.6%, Commodities 4.5%, REITS 8.1%, MLPs 0.8%, Hedge Funds 3.0%, Private Real Assets 1.0%, Private Equity 1.8%, and 0.1% Cash.

Capital Markets and Economic Conditions

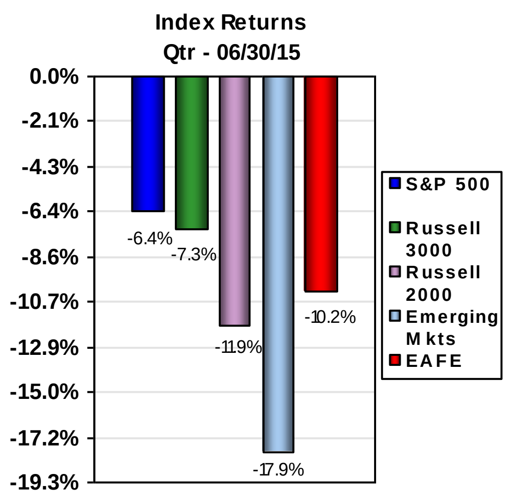
Economic data showed that GDP increased at a 1.5% annual rate in the third quarter, a decline of approximately 140 bps from the economy's second quarter expansion. The slowing rate of domestic economic growth during the most recent quarter is attributed to U.S. businesses continuing to work through gluts of capacity and excess inventory. However, strong domestic fundamentals appear to still be intact (especially on the demand side), which are helping to offset supply concerns to fuel continued modest economic growth and expansion. Inexpensive fuel costs also continue to provide a tailwind for the consumer discretionary sector. Consumer spending, which accounts for approximately two-thirds of U.S.

economic activity, rose 3.2% during the quarter. In addition to robust consumer activity, residential investment data was also healthy – a further sign that the housing market is positively contributing to the economic recovery. The economy added over 500,000 jobs during the third quarter and saw the unemployment rate fall to 5.1%. A strong U.S. dollar continued to put pressure on exports; however, trade's impact on GDP was relatively neutral due to a corresponding and offsetting slowdown in imports. Inflation also remained tame, as Core CPI posted a modest 1.3% growth rate during the quarter due in large part to persistent price pressure from the commodities sector

Major Initiatives/Changes

During the quarter, the following commitments were made: $5 million to Clearlake Capital IV, LP, a special situations private equity fund, $3 million to Clearlake Opportunities Fund, LP, a private debt fund, and $2 million to Juniper Capital II, LP, a private energy real assets fund. In addition, the Board also approved Highclere International Investors, LLP to manage an international small cap mandate and Cornerstone Real Estate Advisors, LLC to manage global REITS.

Public Equity Markets: U.S. stocks closed the quarter down sharply on fresh concerns around global economic growth. A strong U.S. dollar continued to put pressure on earnings of multi-national firms, who have been increasingly looking to take advantage of low interest rates in the capital markets to lever up their balance sheets in an effort to manufacture earnings growth non-organically. Large cap stocks generally outperformed small cap stocks, while growth lagged value. Nine of the ten sectors (with the exception being Utilities) of the S&P 500 Index recorded losses. Energy and Materials fell 18.5% and 17.2%, respectively. Our combined domestic equity performance was a loss of 8.25%, underperforming the 7.25% loss recorded by the Russell 3000 benchmark.

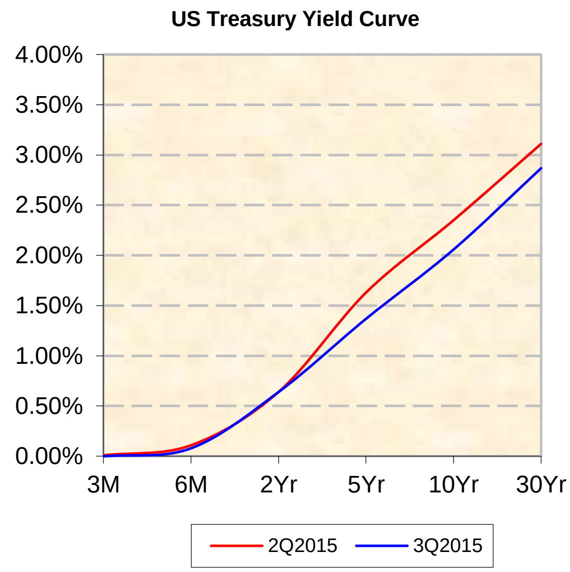


The European Central Bank (ECB) continued to provide liquidity in the form of Quantitative Easing (QE) in an effort to shore up a Eurozone economy which has seen recent little growth. Almost all emerging market countries saw precipitous equity market declines during the quarter, especially in commodity price sensitive regions such as Russia and Brazil. During the quarter, developed markets, as measured by the MSCI EAFE Index, were down 10.23, and Emerging Markets fell 17.90%. Our combined international equity performance was a loss of 9.89% for the quarter, outperforming the 12.17% loss recorded by the MSCI ACWI ex-US Index. Global equities recorded a loss of 12.28%, underperforming the 9.45% loss of the MSCI ACWI benchmark.

Private Equity: Buyout funds raised approximately $81 billion through the first three quarters of 2015, which is roughly on pace with the full-year 2013 and 2014 fundraising totals of $107 billion and $114 billion, respectively. However, investment activity in the buyout space has somewhat slowed, as the $31 billion invested during the first three quarters represents a 23% drop from the same last year period. Pricing multiples have continued to expand from their peak of 9.3x in 2014 to 9.9x presently, while leverage multiples have dropped slightly from their peak in 2014. Venture capital activity has increased during the year, as the $45 billion invested YTD through September 2015 has nearly matched the $48 billion total investment made during all of 2014. Exit activity (primarily through IPOs and M&A transactions) in U.S. buyout and venture markets slowed a bit through the first three quarters of the year after a very active 2014. Our current allocation to private equity is 1.75%, with a market value of $9.8 million. Due to the young age of the portfolio, performance data is not relevant.

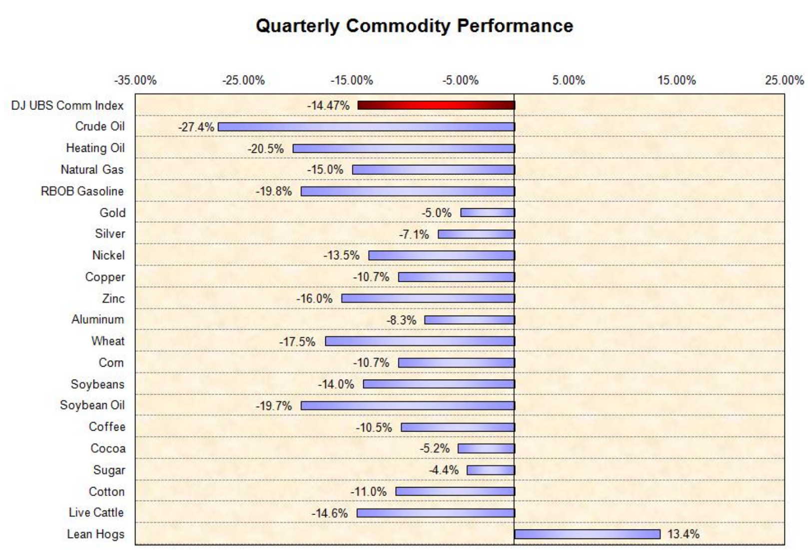
Hedge Funds: Hedge funds, as measured by the HFRI Composite Index, lost 4.07% in the third quarter. Global Macro was one of the best performing opportunistic strategies, but still lost 0.66%, measured by the HFRI Global Macro Index. Hedge fund strategies with relatively high equity beta underperformed, as Event Driven strategies as measured by the HFRI Event-Driven Index were down 5.47% primarily due to downside volatility in the global equity markets. The opportunistic portfolio lost 2.42% in the third quarter, outperforming the HFRI Fund of Funds Index by 112 basis points.

Fixed Income: U.S. Treasury yields fell across the intermediate and long end of the yield curve during the quarter, as the Fed decided to further delay raising short-term interest rates. While the U.S. economy has expanded at a moderate pace and may be supportive of a rate rise, the Fed ultimately decided that global market conditions were not condusive to a tighter domestic monetary policy. Extreme volatility in the global equity markets further increased investor appeitiate for fixed income securities and led to additional compression in the yield curve. The yield on the 30 year bond declined 24 bps during the quarter, and ended the period at 2.87%. The yield curve flattened (shown in the chart to the right) as the spread between 2-year and 10-year Treasuries, the main gauge of the yield curve, tightened by 28 bps to 142 bps. For the quarter, the 2-year Treasury yield ended at 0.64%, unchanged from the prior period, while the 10-year Treasury yield moved down by 28 bps to 2.06%. For the quarter, the Merrill High Yield Index declined by 4.88%, the Barclays Aggregate was up 1.23%, and the Barclays Long Govt/Credit Index rose 2.18% due to the aforementioned long end of the yield curve flattening. The fixed income performance for the quarter was a loss of 0.88%, underperforming the custom benchmark's loss of 0.68%. The Treasury Inflation-linked bonds (TIPS) declined 1.19% for the quarter, slightly below the 1.15% 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 6% quarter over quarter although these levels were 3% above Q3'14. The last twelve months (from Q4'14 to Q3'15) resulted in the highest transaction levels in the U.S. real estate market since 2007. In addition to increased volumes, capitalization rates for commercial real estate continued to decline to below 7% in Q3'15 from a peak of over 8% in early 2010. In the energy markets, U.S. oil prices decreased by over 20% during Q3'15 from approximately $57 to $45/barrel as market participants continue to be concerned about the oversupplied nature of the global oil markets. Due to the young age of the portfolio, performance data is not relevant.

Public Real Assets: The Bloomberg Commodity Index declined 14.5%, its largest quarterly decline since Q4 2008. The weakness was spread across all four major sectors and was driven by concerns that the Chinese economy is slowing and that many commodities continue to see supply growth. Within the energy sector, crude oil prices declined 27% on fears that supply continues to grow within the US while OPEC pumps near record levels. Weakness across the industrial metals sector resulted from rising production capacity and concern over slowing Chinese demand as a key Chinese Purchasing Manager's index (PMI) fell to a six-year low. The agriculture and livestock sector declined as estimated crop yields for corn and soybeans were higher than expected after a rainy and wet start to the North American summer growing season in June. Lean Hogs was the sole commodity within the index to advance due to increased exports. Continued US dollar strength and US economic stability weighed on precious metal prices, yet they were the strongest commodity sector on a relative basis. During the quarter, our commodities portfolio declined 14.40%, in-line with the benchmark.



Global listed real estate securities as measured by the FTSE EPRA/NAREIT Developed Index declined 1.63% for the quarter as valuations for publicly traded real estate companies lagged the appreciation in direct real estate. Consequently, the majority of public REITs are trading below their Net Asset Value (NAV) and this value gap has not gone unnoticed by private equity investors. The trend of REIT privatizations by major institutional investors continued during the quarter with notable REITs going private including Strategic Hotels and Quintain Estates, a UK residential developer.

Master Limited Partnerships, as measured by the Alerian MLP Total Return Index, declined 22.1% during the quarter due to the decline in oil price and a number of technical factors. There is a high degree of uncertainty regarding near-term US hydrocarbon production and subsequently the demand for midstream assets (i.e. pipelines, storage terminals). Further, several market participants have become net sellers due to margin call and tax-loss selling. For the quarter, our MLP portfolio declined 27.66%, underperforming the benchmark by 556 bps.

Outlook

The Federal Reserve's long awaited first interest rate hike was further delayed in the third quarter as fresh concerns regarding slowing global growth (most notably in China and Europe) drove the Fed to keep the key-rate unchanged. While always one of the many variables under consideration, the Fed seemed to "formally" introduce the necessity of stability in foreign markets as a prominent driver in their domestic monetary policy decision making process. Unfortunately for investors, little clarity was provided on when a seminal shift in U.S. monetary policy may occur. Investors are now eyeing December as a likely time that the Fed will decide to finally lift rates off their 0% base.

A slowdown in economic growth across the world also caused periods of extreme volatility in the global equity markets during the quarter - especially for emerging market countries where mass investor de-risking was prevalent. Marco pressures in emerging markets will likely continue in the short-term due to a myriad of factors, most notably including a strong U.S. dollar, plunging commodity prices, and slower economic growth in China. The recovery in Europe continues to be slow in the face of the European Central Bank (ECB) pledging to continue with their quantitative easing (QE) program; however, long-term investors are finding pockets of opportunity due to the relative valuation attractiveness of the regions' equity markets.

Overall, it is likely that a pace of modest domestic economic growth will continue into the latter part of the calendar year, and further into the early stages of 2016 as the labor market continues to improve - albeit with wage growth that is closely tracking low levels of core inflation. An improved labor market coupled with depressed oil prices will likely continue to be a tailwind for consumer spending moving forward. Even if the Fed does act to increase short-term rates in the near future, the expectation is for long-term interest rates to remain low for a prolong period of time – providing further support for a housing market recovery which finally seems to be firmly be taking hold.

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 September 30, 2015 are shown below:

1 Year					
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	-2.76	8.18	-0.36	-0.46	-0.34
CRHBT Benchmark	-3.29	7.96	-0.35	-0.45	-0.41

3 Year					
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	5.03	7.01	0.68	0.83	0.72
CRHBT Benchmark	4.75	6.89	0.70	0.87	0.69

5 Year					
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	6.69	9.90	0.64	0.78	0.68
CRHBT Benchmark	6.51	9.72	0.66	0.80	0.67

Participating Agency Allocation

	6/30/2015		6/30/2015 - 9/30/2015			9/30/2015	
Agency	Balance $	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance $	Balance %
Montgomery County Govt	$272,676,577	45.94%	$1,332,860	($279,996)	($16,729,561)	$256,999,880	46.03%
MontCo Revenue Authority	$1,932,109	0.33%	$44,925	($1,997)	($119,305)	$1,855,733	0.33%
Strathmore Hall Foundation	$868,742	0.15%	$24,825	($899)	($53,743)	$838,924	0.15%
Credit Union	$795,755	0.13%	$20,525	($823)	($49,180)	$766,276	0.14%
Dept of Assessments & Tax	$10,892	0.00%	$0	($11)	($667)	$10,214	0.00%
District Court of Maryland	$0	0.00%	$0	$0	$0	$0	0.00%
HOC	$9,978,323	1.68%	$285,100	($10,330)	($617,287)	$9,635,806	1.73%
WSTC	$69,330	0.01%	$1,975	($72)	($4,289)	$66,944	0.01%
Village of Friendship Heights	$240,114	0.04%	$6,275	($248)	($14,842)	$231,299	0.04%
Montg. Cty. Public Schools	$265,757,671	44.77%	$0	($272,429)	($16,277,108)	$249,208,133	44.64%
Montgomery College	$41,228,725	6.95%	$0	($42,264)	($2,525,174)	$38,661,287	6.93%
Total	**$593,558,238**	**100.00%**	**$1,716,485**	**($609,069)**	**($36,391,156)**	**$558,274,498**	**100.00%**