JUNE 30, 2014

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, 2014. 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 achieved by the CRHBT for the second quarter was 4.32%, 6 basis points (bps) behind of the 4.38% return recorded by the policy benchmark. For the fiscal year, the return of 16.60% was 59 bps ahead of the 16.01% return recorded by the policy benchmark. Our annualized net of fee performance for the three-year period was a gain 8.94%, 12.91% for the five-year period and 6.26% since inception, June, 2008.

The total market value of trust assets at June 30, 2014 was $457.7 million. The CRHBT's asset allocation was: Domestic Equities 26.7%, International Equities 19.6%, Global Equities 4.3%, Fixed Income 21.0%, Inflation Linked Bonds 10.0%, Commodities 5.0%, REITS 9.1%, Hedge Funds 3.6%, Private Real Assets 0.2%, and Private Equity 0.3%.

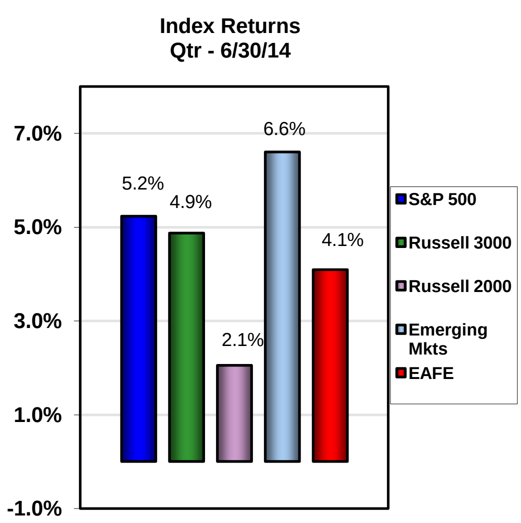
Capital Markets and Economic Conditions

Economic data released during the second quarter showed the economic landscape remained mixed, after the effects of severe weather in the first quarter lingered. The Bureau of Labor Statistics lowered its third estimate of first quarter gross domestic product (GDP) to -2.9%, reflecting a broad-based contraction in many areas of the economy, including consumer spending, exports and business investment. It was the largest decline in GDP in five years. The employment situation continued its trend of modest improvement, with an average of about 200,000 jobs added each month during the quarter. In addition, payroll employment finally exceeded the pre-financial crisis peak, having recovered the 8.7 million jobs lost in the recession. The unemployment rate in May remained unchanged from April at 6.3% as a result of little change in the labor force participation rate. The June PMI registered 55.3 indicating expansion in manufacturing for the 13th consecutive month. The Consumer Price Index (CPI) rose 0.8% for the three months ending in May and 2.1% over the last 12 months. During the quarter the Federal Open Market Committee (FOMC) announced few changes other than making further reductions in its asset purchase program. After somewhat of a pause in the first quarter, the housing sector once again proved to be a bright spot in the economy. Existing-home sales advanced at an annualized rate of 4.9 million units, the highest monthly percentage gain since August 2011. However, the pace of sales remains below the 5 million unit rate established in 2013.

Major Initiatives/Changes

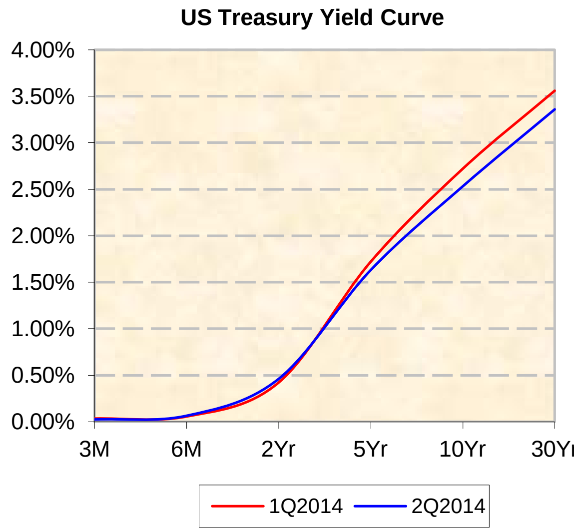
During the quarter, the Board approved a revised asset allocation resulting in the additions of Private Debt, Master Limited Partnerships, and Hedge Funds to the portfolio. In addition, the Board hired two active managers within the domestic equity allocation. There were no changes to the investment staff during the quarter. Marissa Grant, the Montgomery County Schools Superintendent Representative, was confirmed by the County Council.

Public Equity Markets: U.S. stocks advanced despite macroeconomic concerns such as the escalating violence in the Ukraine and Iraq, slowing growth and credit concerns in China, and mixed U.S. economic data. Larger capitalization stocks (as represented by the S&P 500 Index) outperformed their smaller counterparts. All ten sectors of the S&P 500 Index were up with Energy and Utilities the best performers. The domestic equity performance was a gain of 4.45%, underperforming the 4.87% gain recorded by the Russell 3000 benchmark. The domestic equity allocation consists of one passive and four active managers.



International markets posted strong returns in the second quarter, with emerging markets outperforming developed markets overall. European stocks posted gains as economic growth appears to be gradually improving. The European Central Bank (ECB) announced further stimulus measures in an attempt to revive growth and spark inflation. Asian markets generated positive returns as risk aversion declined. During the quarter, developed markets, as measured by the MSCI EAFE Index, returned 4.09% with the markets of Norway, Hong Kong, and the UK recording the strongest performance while Ireland was the largest detractor. Emerging Markets returned 6.60% with Turkey, India, Russia and Taiwan all posting double digit returns. The international equity performance was a gain of 3.79% for the quarter, underperforming the 4.72% gain recorded by the custom benchmark. The international equity allocation, as of June 30th, consisted of two active developed international managers and one active emerging markets manager.

Global equities recorded a gain of 5.25%, outperforming the 5.04% return of the MSCI ACWI benchmark and consisted of one active manager.



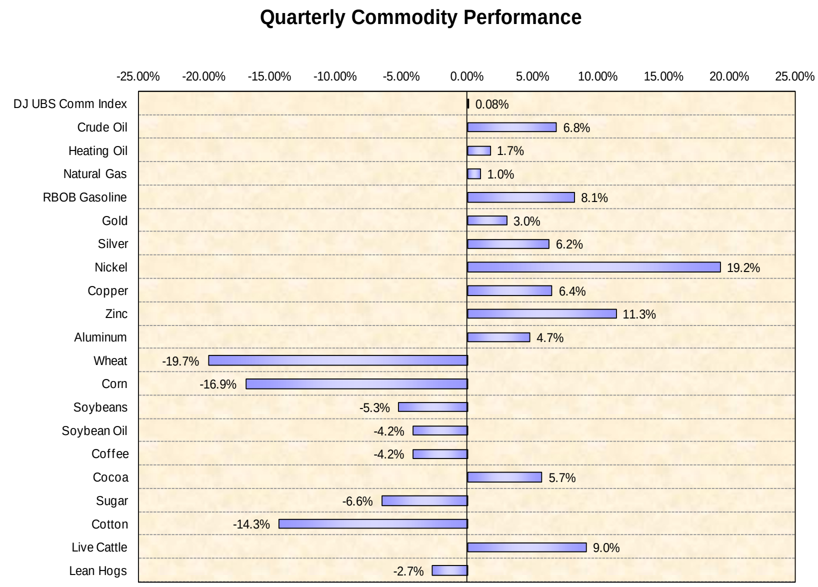
Fixed Income: U.S. Treasury yields finished lower in the second quarter. Themes of a weaker U.S. growth picture and geopolitical concerns in the Ukraine carried forward from the previous quarter and had the effect of keeping Treasuries in demand. In addition, the unrest in Iraq was added to the mix. In terms of the growth picture, the final 1Q14 GDP number fell to -2.9% from the already lower revised -1.0%. 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, narrowed by 23 bps to 207 bps. For the quarter, the 2-year Treasury yield ended at 0.46%, up 4 bps, while the 10-year Treasury yield declined by 19 bps to 2.53%. Credit yield spreads tightened over the quarter as investors searched for yield resulting in investment-grade and high-yield corporate bonds outperforming Treasuries. For the quarter, the Merrill High Yield Index returned 2.57%, the Barclays Aggregate returned 2.04%, and the Barclays Long Govt/Credit Index was the best performer, returning 4.93%. The fixed income performance for the quarter was a gain of 4.41%, outperforming the custom benchmark's 3.87% return. The fixed income allocation consists of an active high yield manager and a passive long duration manager. The Treasury Inflation-linked bonds (TIPS) returned 3.87% for the quarter, in-line with the 3.81% return of the benchmark. The TIPS portfolio is passively managed by one manager.

Hedge Funds: Hedge funds, as measured by the HFRI Composite Index, gained 2.07% in the second quarter. Relative Value and Event Driven were the best performing strategies. The HFRI Relative Value Index gained 2.44% for the quarter due to credit spreads tightening and bond yields falling. The HFRI Event Driven Index gained 2.24% for the quarter, led by the continuation of the M&A, distressed and shareholder activism. The HFRI Equity Hedge Index posted a gain of 2.20% as equities reached record levels and implied volatility fell despite geopolitical concerns. The HFRI Macro Index strategies returned 1.46% for the quarter. These strategies have had a difficult performance environment over the last few years having struggled with central bank driven monetary and fiscal policies and sharp reversals in certain currencies and commodities. Fund-of-Funds returns, as measured by the HFRI Fund-of-Funds Index, returned 1.60% in the quarter. The hedge fund portfolio returned 5.31%, net of fees, in the second quarter, outperforming the 1.46% return of HFRI Macro Index. The allocation consists of one active manager.

Private Real Assets: Commercial real estate transaction activity in the U.S. increased modestly (approximately 3%) quarter-over-quarter, although these levels remained 24% above volumes from the same period last year. Year-over-year property values continued to increase across various sectors (multi-family, industrial, retail, office) each rising between 12 – 16%. Globally, major European markets witnessed increased transaction levels with London and Paris experiencing a year-over-year increase of 19% and 71% respectively, while Hong Kong recorded a 24% decline in annual transaction levels. To date, the CRHBT has made commitments to 4 private real assets managers totaling $12 million. During the quarter, the portfolio saw no capital called and received $66,000 in distributions. Due to the young age of the portfolio, performance data is not relevant.

Private Equity: Private equity saw an increase in fundraising, investments and exit activity in the second quarter compared with the previous quarter. Funds raised an aggregate $132 billion this quarter, $28 billion more than the previous quarter. The number and value of private equity-backed buyout deals increased from 732 to 766 and the value of the exits increased to $138 billion compared to $90 billion last quarter. The exit value was the highest for any quarter since the financial crisis. To date, the CRHBT has made commitments to 6 private equity funds totaling $20 million; the portfolio saw $767,000 of capital called and no distributions. Due to the young age of the portfolio, performance data is not relevant.

Commodities: . The Bloomberg Commodity Index (formerly known as the Dow Jones – UBS Commodity Index) was essentially flat for the quarter. Energy, Base Metals, Precious Metals, and Livestock sectors rose, with all underlying commodities appreciating in price. Natural Gas continued to reflect the effects of the severe winter that depleted inventories to critically low levels. Aluminum, Copper, and Zinc all rallied on supportive global economic data and declining warehouse inventories. Precious Metal prices were boosted during the quarter by the ECB's announcement of a negative nominal rate policy and strongly negative US GDP numbers. Safe haven asset purchases were spurred by geopolitical concerns in conflict zones. Livestock prices traded to record highs as the U.S. Live Cattle inventory reached its lowest level in over 60 years. Grain prices declined as the second half of the quarter brought more favorable weather conditions. During the quarter, our commodities portfolio returned 2.13%, outperforming the 0.08% return of the Bloomberg Commodity Index. The allocation consists of two active managers.



REITs: REITS extended their 2014 rally into the second quarter. A worldwide environment of easy monetary policy served to keep interest rates low and bolster the attractiveness of income-producing asset classes such as real estate. The Asia Pacific region led performance, with a return of 9.2%, as investor confidence began to return to the region following concerns over growth earlier in the year. Our global REIT portfolio returned 6.88% in the second quarter, underperforming the custom benchmark by 50bps. The allocation consists of an active global REIT manager and a passive U.S. REIT manager.

Outlook

The outlook for the global economy continues to be dominated by moderate growth and stimulatory monetary policies. While still expected to strengthen, the growth trajectory is slightly lower than previously forecast. The key question is whether the global economy can transition from assisted growth to self-sustaining growth. Market volatility remains low but could increase if geopolitical events, such as the Ukraine, Gaza and Iraq, escalate.

The negative first quarter GDP data notwithstanding, the U.S. economy seems poised to accelerate in the coming months. Despite the frustratingly sluggish employment gains, payrolls now exceed the peak reached prior to the financial crisis in 2008. The Fed is expected to maintain an accommodative monetary policy stance for at least the remainder of the year. Rising consumer optimism fueled by higher asset prices, steady job growth and gradually easing credit conditions, will likely drive consumption growth.

Europe is showing signs of fading momentum following a growth spurt. The recovery has come to include both the eurozone core and periphery, but some of the peripheral countries are still trying to implement aggressive structural reforms and meet the fiscal targets that were established in the midst of the crisis. The eurozone economy also continues to struggle with low levels of inflation, and the European Central Bank moved its policy rate to near zero, and is looking towards "unconventional" monetary policy tools to avoid deflation.

The economic activity in Asia appears to be recovering from a brief setback with China's economic growth rate appearing to be bottoming out as leading economic indicators showed signs of stability. However, the country continues to face the need to transition from an export oriented growth model to one that relies more heavily on domestic consumption. India is seeing renewed confidence with the election of a new, business-friendly government. The impact that a rise in U.S. rates and an increase in the dollar could have on EM capital flows, particularly for countries with current account deficits, remains a key concern as any efforts to defend a currency against a rising dollar could tighten financial conditions further.

Sources: Bloomberg, Northern Trust, MSCI, S&P, Pyramis Global Advisors, 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, 2014 are shown below:

1 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	16.60	6.04	2.73	3.78	2.74
CRHBT Benchmark	16.01	5.84	2.74	3.72	2.75

3 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	8.94	11.21	0.76	0.38	0.80
CRHBT Benchmark	8.73	11.08	0.76	0.47	0.79

5 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	12.91	12.05	1.04	0.80	1.07
CRHBT Benchmark	12.70	12.08	1.03	0.80	1.05

Participating Agency Allocation

	3/31/2014		3/31/14 - 6/30/14			6/30/2014	
Agency	**Balance $**	**Balance %**	**Contributions**	**Expenses**	**Investment Gain/Loss**	**Balance $**	**Balance %**
Montgomery County Govt	$186,096,234	52.74%	$30,787,109	($426,020)	$10,724,243	$227,181,566	49.60%
MontCo Revenue Authority	$1,591,005	0.45%	$79,285	($3,642)	$91,685	$1,758,333	0.38%
Strathmore Hall Foundation	$713,447	0.20%	$42,290	($1,633)	$41,114	$795,218	0.17%
Credit Union	$650,947	0.18%	$33,183	($1,490)	$37,512	$720,152	0.16%
Dept of Assessments & Tax	$10,317	0.00%	$0	($24)	$595	$10,888	0.00%
District Court of Maryland	$0	0.00%	$0	$0	$0	$0	0.00%
HOC	$7,681,585	2.18%	$548,918	($17,585)	$442,670	$8,655,587	1.89%
WSTC	$54,946	0.02%	$3,643	($126)	$3,166	$61,630	0.01%
Village of Friendship Heights	$193,786	0.05%	$10,685	($444)	$11,167	$215,195	0.05%
Montg. Cty. Public Schools	$120,124,489	34.04%	$52,694,164	($274,994)	$6,922,462	$179,466,121	39.18%
Montgomery College	$35,733,938	10.13%	$1,493,316	($81,804)	$2,059,254	$39,204,705	8.56%
Total	**$352,850,694**	**100.00%**	**$85,692,593**	**($807,762)**	**$20,333,869**	**$458,069,394**	**100.00%**