MARCH 31, 2014

Shown below is the quarterly report on the status of the Montgomery County Consolidated Retiree Health Benefits Trust ("CRHBT") for the quarter ending March 31, 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 first quarter was 3.04%, 10 basis points (bps) ahead of the 2.94% return recorded by the policy benchmark. Fiscal year-to-date the return of 11.77% was 61 bps ahead of the 11.16% return recorded by the policy benchmark. For the one year period ending March 31, 2014 the CRHBT's net of fee return was a gain of 9.04%, 45 basis points ahead of the 8.59% return recorded by the policy benchmark. Our annualized net of fee performance for the three-year period was a gain 8.04%, 15.50% for the five-year period and 5.76% since inception, June, 2008.

The total market value of trust assets at March 31, 2014 was $352.7 million. The CRHBT's asset allocation was: Domestic Equities 25.0%, International Equities 19.9%, Global Equities 5.0%, Fixed Income 21.7%, Inflation Linked Bonds 9.8%, Commodities 5.0%, REITS 9.7%, Hedge Funds 3.1%, and Cash 0.8%.

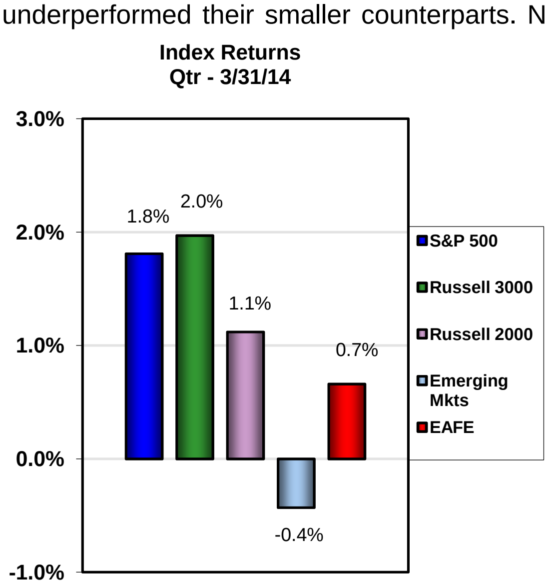
Capital Markets and Economic Conditions

Economic data released during the first quarter showed some signs of weakness. From the housing market to manufacturing to jobs, there were signs that the economic recovery may be slowing. The Fed remained a key focus for investors as Janet Yellen took the reins of the central bank from Ben Bernanke. The Federal Open Market Committee, following its most recent meetings, stayed the course on tapering its quantitative easing program despite the softer economic data. Real GDP growth slowed during the fourth quarter of 2013 but was still solid at an annual rate of 2.6%, down from 4.1% during Q3. Inflation continues to remain low and below the Fed's target of a consistent 2% annual rate. Growth in consumer prices slowed to begin 2014 with the Consumer Price Index (CPI) up 0.1% in each of the first two months. The CPI rose by just 1.1% for the year ending February 28, allowing the Fed the ability to keep the current Federal Funds Rate near historic lows. Jobs growth has slowed during the past three months ending February. Total nonfarm jobs added averaged 129,000 during that period after averaging 205,000 during the previous six months. The unemployment rate fell from 7.0% in November to 6.7% in February, a level last seen in late-2008. The Institute for Supply Management (ISM) announced national factory activity rose to 53.2 in February, up from January's read of 51.3, which was the weakest reading since May 2013. Home prices stalled for the first time in a year as the S&P Case-Schiller 20-city Home Price Index was down for three straight months, with a total decline of 0.2% ending January, 2014.

Major Initiatives/Changes

During the quarter, the Board approved the recommended 2014 commitment pace for both private equity and private real assets. Within the private equity sector, the Board made a $2 million commitment to the Franklin Park Venture 2014 Series, a fund-of-funds focused on venture capital companies, and a $6 commitment to Thoma Bravo, a manager focused on acquiring mid sized companies within the application and infrastructure software and technology enabled services sector. In January 2014, a Staff Senior Investment Officer resigned from the Montgomery County Employees' Retirement Plans; recruitment efforts are underway to fill the position.

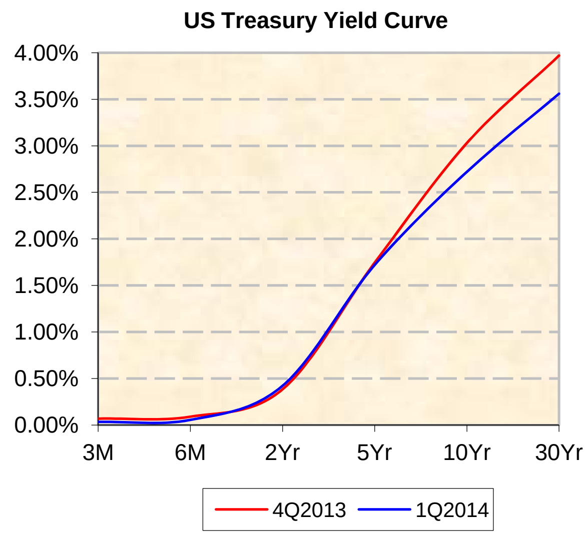
Public Equity Markets: U.S. equities experienced highs and lows during the quarter, with a loss during January followed by a strong February and moderate gain in March ending the quarter posting the seventh consecutive quarterly gain. Larger capitalization stocks (as represented by the S&P 500 Index) underperformed their smaller counterparts. Nine of the ten sectors of the S&P 500 Index were up with Health Care and Utilities the best performers while Consumer Discretionary declined 2.80%. The domestic equity performance was a gain of 1.61%, underperforming the 1.97% gain recorded by the Russell 3000 benchmark. The domestic equity allocation consists of one passive and four active managers.



International markets dealt with concerns over economic and political uncertainty. European stocks rallied on stronger economic growth, with the MSCI Europe Index returning 2.1%. However, the Asia-Pacific region declined. Emerging markets trailed their developed counterparts as the crisis in Ukraine and ongoing questions over China's growth trajectory impacted the markets. During the quarter, developed markets, as measured by the MSCI EAFE Index, posted a 66 bps return with the markets of Denmark, Ireland, and Italy the best performers while Japan was the largest detractor. Emerging Markets declined 0.43% with Russia posting double digit declines.The international equity performance was a gain of 0.90% for the quarter, outperforming the 0.41% gain recorded by the custom benchmark. The international equity allocation, as of March 31st, consisted of a two active developed international managers and an active emerging markets manager.

The global equity performance was a gain of 2.95%, outperforming the 1.08% return of the MSCI ACWI benchmark and consisted of one active manager.

Fixed Income: Global economic uncertainty, geopolitical events, and severe weather that hit much of the U.S. resulting in significantly depressed economic activity, resulted in investors seeking the safety of U.S. Treasuries causing yields in maturities past five years to fall. The outcome of the first Federal Open Market Committee (FOMC) meeting under the leadership of Janet Yellen, in March, revealed an inclination to follow a slightly more rapid path towards normalized monetary policy going forward resulting in a rise in short term rates. 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 35 bps to 230 bps. For the quarter, the 2-year Treasury yield ended at 0.42%, up 4 bps, while the 10-year Treasury yield declined by 31 bps to 2.72%. Credit yield spreads tightened over the quarter resulting in investment-grade and high-yield corporate bonds outperforming Treasuries. For the quarter, the Merrill High Yield Index returned 2.99%, the Barclays Aggregate returned 1.84%, and the Barclays Long Govt/Credit Index was the best performer, returning 6.55%. The fixed income performance for the quarter was a gain of 5.37%, outperforming the custom benchmark's 4.95% 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 1.96% for the quarter, in-line with the 1.95% return of the benchmark. The TIPS portfolio is passively managed by one manager.



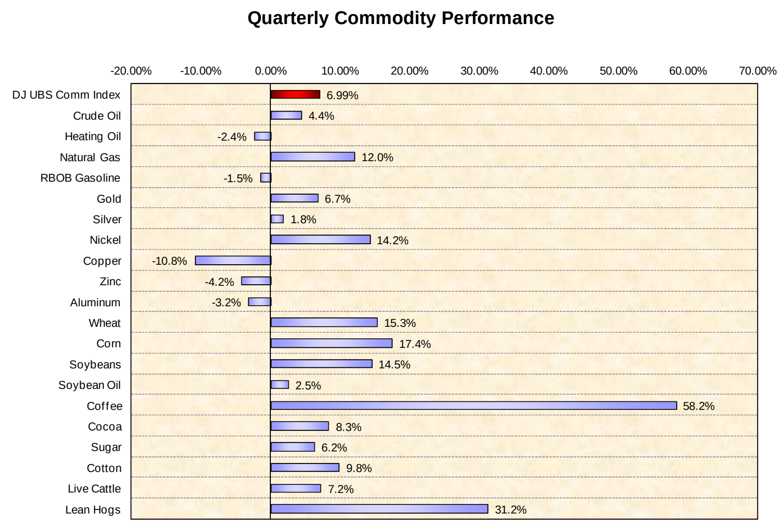
Hedge Funds: Hedge funds, as measured by the HFRI Composite Index, gained 1.07% in the first quarter. Relative Value and Event Driven were the best performing strategies. The HFRI Relative Value Index gained 2.40% for the quarter with performance led by Corporate Credit, Convertible Arbitrage, and Asset Backed Strategies. The HFRI Event Driven Index gained 1.78% for the quarter, led by a continuation of the M&A, IPO and shareholder activist trends that dominated 2013. The HFRI Equity Hedge Index posted a gain of 1.35%. Macro strategies were the only area of hedge fund performance to post a decline for the quarter as they continue to struggle due to strong price gyrations and changing market sentiment through the quarter. The HFRI Macro index declined 0.5% in the quarter. Generally, these strategies have grappled with central bank-driven price action, which has made it difficult to anticipate market direction and identify clear investment themes. Fund-of-Funds returns, as measured by the HFRI Fund-of-Funds Index, returned 0.24% in the quarter. The hedge fund portfolio returned 2.34%, net of fees, in the first quarter, outperforming the 0.52% decline of HFRI Macro Index. The allocation consists of one active manager.

Private Real Assets: Commercial real estate transaction activity in the U.S. decreased 26% quarter over quarter, although these levels remained 15% above the first quarter of 2013. Globally, major markets witnessed a substantial increase in property transactions with cities such as London and Tokyo experiencing a 41% and 37% increase in annual deal volumes, respectively. This trend was also evident in the U.S. as cities such as New York, Los Angeles and Washington, DC all experienced over a 20% increase in year over year transaction levels. Within the energy markets, U.S. natural gas prices have continued to increase due to a cold winter across the country. The global mining markets transaction levels were at their lowest point since 2009, largely due to declines in commodity prices as a result of concerns around a slowdown in emerging market growth. To date, the CRHBT has made commitments to 4 private real assets managers totaling $12 million. During the quarter, the portfolio saw $977,900 of capital called and no distributions. Due to the young age of the portfolio, performance data is not relevant.

Private Equity: The first quarter of 2014 saw 185 private equity funds reach a final close and raise an aggregate $98 billion, a 14% increase in the amount of capital raised during the same period in 2013;

however this represents the lowest number of funds to close in any quarter since Q3 2009. Private equity dry powder continues to grow, as more capital is raised by managers, with $1.1 trillion available to fund managers as of March 2014, representing a 2.9% increase from December 2013. To date, the CRHBT has made commitments to 6 private equity funds totaling $20 million; the portfolio saw $391,000 of capital called and no distributions. Due to the young age of the portfolio, performance data is not relevant.

Commodities: The Dow Jones-UBS Commodity Index returned 6.99% during the quarter due to record setting cold weather in the U.S., the ongoing drought in the Western U.S. and the geopolitical issues in Ukraine. Natural gas inventory levels fell to their lowest level in over a decade on heavy heating demand. Coffee prices appreciated dramatically after falling to a multi-year low in the fourth quarter of 2013. Dry weather in Brazil drove the sharp rally in prices. Coffee rallied 58.2% in the three-month period. Industrial Metal prices declined with Copper suffering the largest loss on fears of China's slowing economy. Nickel was the sole base metal to appreciate during the quarter. Precious metals rallied with Gold prices advancing 6.7% in the quarter, supported by safe haven purchases resulting from geopolitical instability in the Ukraine as well as U.S. Dollar weakness on concerns over U.S. macroeconomic data. During the quarter, our commodities portfolio returned 4.41%, underperforming the 6.99% return of the DJ UBS Commodities Index. The allocation consists of 2 active managers.



REITs: Real estate stocks turned in positive results during the first quarter in the face of geopolitical tensions and investor concerns about eventual monetary policy tightening. Interest rates declined which provided a boost to equities offering yields, including REITs. Returns were positive across most property types, with self-storage delivering the strongest performance and apartments rebounding from weakness in 2013. By contrast, lodging and diversified REITs were somewhat lackluster. Global REITs, as measured by the FTSE EPRA/NAREIT Developed Index, returned 3.83% for the quarter while U.S. REITs, as measured by the Dow Jones US Select Index, returned 10.27%. Our global REIT portfolio returned 6.88% in the first quarter, underperforming the custom benchmark by 15bps. The allocation consists of an active global REIT manager and a passive U.S. REIT manager.

Outlook

U.S. economic conditions should continue to improve modestly. However, the question remains if the weak economic data in the first quarter was merely an anomaly due to severe weather or a sign of true underlying economic weakness. Economic analysis suggests it is likely a combination of both, with some sectors of the economy seeing a fundamental slowdown while others are only experiencing a temporary shift in demand. GDP is expected to grow between 2.0% and 2.5% for the full year with anticipated improvement in housing, less restrictive fiscal policies, and energy production to power the recovery for the foreseeable future. The number of jobs is growing and the unemployment rate can continue to drop, but the labor participation rate is still low, and, more importantly, wage growth is sluggish.

Market volatility could increase if geopolitical events, such as the Ukraine, escalate. Inflation does appear to be bottoming in the United States, but that's not the case everywhere. In some areas of the world, notably Europe and Japan, deflation has actually been the greater risk.

Emerging markets can be characterized by modest cyclical recovery and below-trend growth. While domestic demand remains strong, export orders from developed markets have declined and do not support the prospect of a significant reacceleration of exports. China, in particular, is still a question mark on the growth front. Data indicated the country's manufacturing sector was slowing considerably and that growth would be well below levels achieved in the recent past.

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 March 31, 2014 are shown below:

	1 Year				
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	9.04	6.32	1.39	1.62	1.43
CRHBT Benchmark	8.59	5.97	1.39	1.62	1.44

	3 Year				
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	8.04	11.14	0.69	0.82	0.72
CRHBT Benchmark	7.74	11.00	0.67	0.80	0.70

	5 Year				
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	15.50	13.50	1.11	1.50	1.15
CRHBT Benchmark	15.22	13.38	1.10	1.49	1.14

Participating Agency Allocation

	12/31/2013		12/31/13 - 3/31/14			3/31/2014	
Agency	Balance $	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance $	Balance %
Montgomery County Govt	$161,615,723	55.32%	$20,029,020	($177,821)	$4,629,313	$186,096,234	52.74%
MontCo Revenue Authority	$1,471,198	0.50%	$79,285	($1,619)	$42,141	$1,591,005	0.45%
Strathmore Hall Foundation	$653,167	0.22%	$42,290	($719)	$18,709	$713,447	0.20%
Credit Union	$601,204	0.21%	$33,183	($661)	$17,221	$650,947	0.18%
Dept of Assessments & Tax	$10,040	0.00%	$0	($11)	$288	$10,317	0.00%
District Court of Maryland	$0	0.00%	$0	$0	$0	$0	0.00%
HOC	$6,941,473	2.38%	$548,918	($7,638)	$198,831	$7,681,585	2.18%
WSTC	$49,928	0.02%	$3,643	($55)	$1,430	$54,946	0.02%
Village of Friendship Heights	$178,193	0.06%	$10,685	($196)	$5,104	$193,786	0.05%
Montg. Cty. Public Schools	$86,729,795	29.68%	$31,005,836	($95,426)	$2,484,284	$120,124,489	34.04%
Montgomery College	$33,920,947	11.61%	$878,684	($37,322)	$971,630	$35,733,938	10.13%
Total	**$292,171,667**	**100.00%**	**$52,631,544**	**($321,468)**	**$8,368,951**	**$352,850,694**	**100.00%**