March 31, 2016

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, 2016. 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 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 gain of 1.19%, 105 basis points (bps) behind the 2.24% gain recorded by the policy benchmark. For the one year ending March 31, 2016, the loss of 4.20% was 121 bps behind the 2.99% loss recorded by the policy benchmark. Our annualized net of fee performance for the three-year period was a gain of 3.69% and 5.21% for the five-year period ending March 31, 2016.

The total market value of trust assets at March 31, 2016 was $606.1 million. The CRHBT's asset allocation was: Domestic Equities 25.0%, International Equities 20.1%, Global Equities 4.5%, Fixed Income 20.9%, Inflation Linked Bonds 10.2%, Commodities 3.7%, REITS 7.1%, MLPs 0.6%, Hedge Funds 2.6%, Private Real Assets 1.9%, Private Equity 2.8%, and 0.7% Cash.

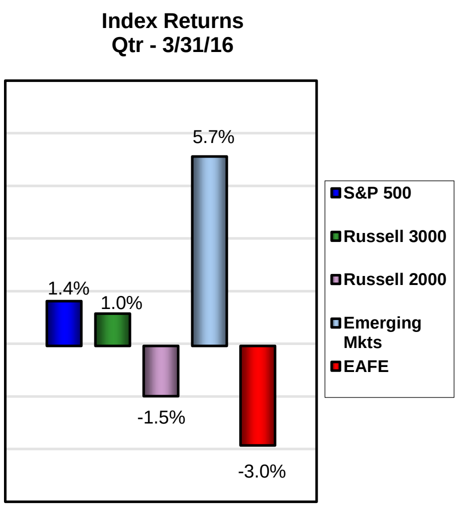
Capital Markets and Economic Conditions

Economic data reflected that GDP increased at a 0.5% annual rate in the first quarter of 2016, a decline of approximately 90bps from the economy's fourth quarter expansion of 1.4%. This 0.5% GDP reading was the slowest pace of growth in two years. The slowing rate of economic growth can be attributed primarily to a sharp decrease in business investment, which saw its sharpest drop since Q2 of 2009. Consumer spending, which accounts for almost 70% of U.S. GDP, increased 1.9%, which is somewhat disappointing given cheap energy prices, low borrowing costs, and an improving employment and wage picture. Despite tepid economic growth, household finances remain in solid shape with debt service ratios remaining near all-time lows and household net worth increasing to all-time highs. The residential real estate sector of the economy was mixed during Q1 as median house prices increased to post-crisis highs while housing starts and building permits both dropped to one-year lows. The economy added over 600,000 jobs during the first quarter and saw the unemployment rate remain unchanged at 5.0%. Additionally, the labor force participation rate increased to 63.0%, which represents the highest reading in two years and the employment-to-population increased to a post-crisis high of 59.9%. Inflation continues to be muted as CPI posted a modest 0.9% growth rate year-over-year due to declining food prices. Core CPI, which excludes food and energy, has seen a modest uptick to 2.2% due to increases in medical care costs and rent.

Major Initiatives/Changes

During the quarter, the following commitments were made: $3 million commitment to PineBridge Structured Capital Partners III, LP, a private debt fund, $7 million commitment to DW Healthcare Partners IV, LP, a private equity fund, $4 million commitment to Thoma Bravo Discover Fund, LP, a private equity fund, $4 million commitment to TC Growth Partners I, LP, a private equity fund, $7 million commitment to K3 Private Investors, LP, a private equity fund, $3 million to Franklin Park's 2016 Venture Series, and $3 million to Lime Rock Resources IV, LP, a private real asset fund.

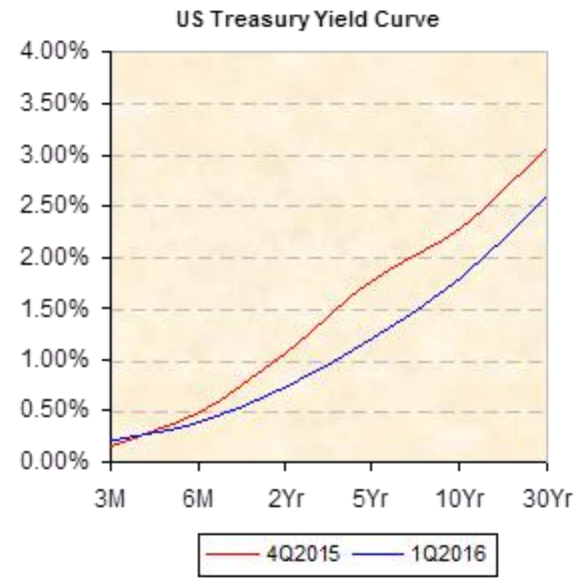
Public Equity Markets: U.S. stocks ended the quarter in positive territory after the aggressive actions of some of the world's central banks eased concerns over the weak global economic outlook. Investors also welcomed the strong economic reports on employment growth and the housing market that were released during the quarter. Larger cap stocks outperformed smaller cap stocks, while growth lagged value. Eight of the ten sectors of the S&P 500 Index advanced with Telecom and Utilities performing the best. Healthcare and Financials were the only sectors that posted negative returns during the quarter. Our combined domestic equity performance was a loss of 1.80%, underperforming the 0.97% gain recorded by the Russell 3000 benchmark.



International markets found some support after the decline in crude oil found a floor in February. Europe's overall economic challenges were compounded by the anxiety over the upcoming vote in the U.K regarding continued participation in the European Union. In Asia, the results varied with losses in Japan and China offset by the rallies in smaller markets such as Thailand and Indonesia. The majority of the emerging markets were up with the Latin America region posting strong returns led by Brazil and Peru. Results within developed markets were mixed with Italy and Israel declining the most while New Zealand and Canada posting strong returns. During the quarter, developed markets, as measured by the MSCI EAFE Index, were down 3.01%, while Emerging Markets were up 5.71%. Our combined international equity performance was a loss of 1.27% for the quarter, underperforming the 0.34% loss recorded by the custom MCHBT International Equity Index. Our global equity manager recorded a gain of 3.52%, outperforming the 0.24% gain of the MSCI ACWI benchmark.

Private Equity: Buyout funds raised $14 billion during the first quarter, down from the $26 billion raised in the previous quarter. There were a total of 611 private equity-backed buyout deals in the first quarter, slightly up from the previous quarter. Invested capital was considerably low versus the highs of last year. Pricing multiples continued to expand from 9.9x in last quarter to 10.1x presently, while leverage multiples have dropped slightly to 5.5x from 5.6x in 2015. Within venture capital, investment activity declined by 18% while invested capital saw an 8% decline versus the previous quarter. Exit activity (primarily through IPOs and M&A transactions) in U.S. buyout and venture markets slowed versus the previous quarter. During the quarter, our private equity managers called a combined $2.3 million and paid distributions of $0.3 million. Our current allocation to private equity is 2.8%, with a market value of $17.1 million. Due to the young age of the portfolio, performance data is not relevant.

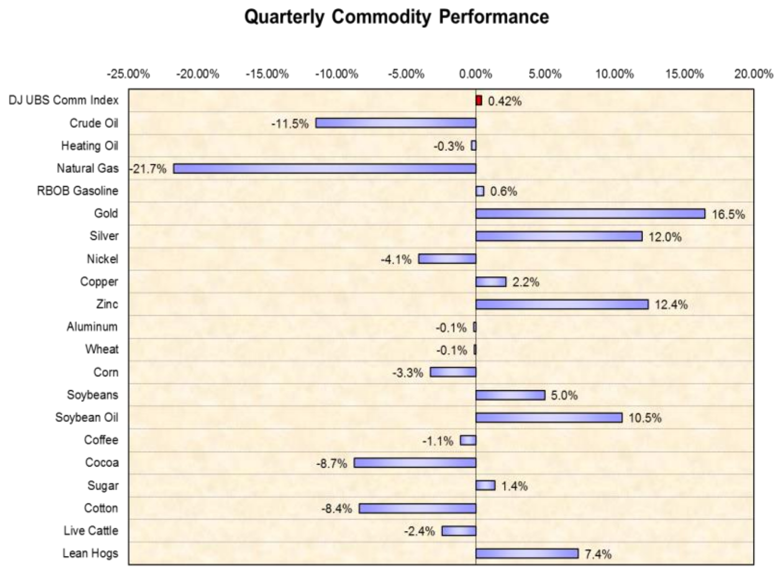
Hedge Funds: Hedge funds, as measured by the HFRI Fund Weighted Composite Index, lost 0.8% in the first quarter. On a sub-strategy basis, the HFRI Event-Driven Index lost 1% due to a tough trading environment as many popular event-driven trades faced significant antitrust or other regulatory issues. On the positive side, global macro strategies continue to perform well as the HFRI Macro Index was up 1.2%. The hedge fund portfolio lost 7.0% in the first quarter.



Fixed Income: U.S. Treasury yields declined sharply across the curve during the quarter as stock market volatility drove safe-haven trades into longer-term Treasuries. Short-term yields also fell primarily due to the Fed's decision to place further interest rate increases on hold. The Fed cited weak global growth as one of the factors for delaying further monetary tightening. The market is currently pricing in only two interest rate increases in 2016 vs. the four that were expected at the start of the year. The yield on the 30-year bond decreased 46 bps during the quarter, and ended the period at 2.61%. 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 16 bps to 105 bps. For the quarter, the 2-year Treasury yield ended at 0.73%, down by 33 bps from the prior period, while the 10-year Treasury yield moved down by 49 bps to 1.78%. For the quarter, the Merrill High Yield Index rose by 3.25%, the Barclays Aggregate was up 3.03%, and the Barclays Long Govt/Credit Index increased by 7.30%, as the long end of the yield curve declined sharply. The fixed income performance for the quarter was a gain of 5.39%, underperforming the custom benchmark's return of 5.68%. The Treasury Inflation-linked bonds (TIPS) advanced 4.48% for the quarter, slightly above the 4.46% gain reported by the benchmark. The TIPS portfolio is passively managed by one manager.

Private Real Assets: U.S. real estate values rose 2.2% during the quarter according to the NCREIF Fund Index and the increase was evenly split between income and capital appreciation. In the energy markets, WTI and Brent oil prices were volatile – oil prices fell to a low of $26/bbl in February only to rebound close to $40/bbl by the end of quarter. Oil producers are responding to the steep price declines by cutting their investments in exploration and production. U.S. oil production has already declined by over 600 kb/d from the peak in mid-2015 and U.S. exploration and production 2016 capex budgets are over 50% smaller than 2015 levels. During the quarter, our private real assets managers called a combined $1.5 million and paid distributions of $12,371. Our current allocation to private real assets is 1.9%, with a market value of $11.7 million. Due to the young age of the portfolio, performance data is not relevant.

Public Real Assets: The Bloomberg Commodity Index was up 0.42% with significant dispersion across commodity sectors. Precious metals rallied strongly as investors viewed gold as a safe haven surrounding financial and monetary stability concerns. Industrial metal prices rebounded from intra quarter cyclical lows as unease about the slowing global economy appears to have subsided. Agriculture & livestock returns were mixed. Lean hog and soybean prices advanced on better than anticipated demand whereas corn prices declined due to robust supplies. Spot oil prices started the quarter under extreme pressure driven by concerns that storage would reach full capacity due to the continued surplus of oil, driving down prices to a 13-year low of $26/bbl in February. Oil rebounded from the February lows, reaching close to $40/bbl, as storage concerns eased due to production declines in the US, and healthy oil demand from China.



Global listed real estate securities as measured by the FTSE EPRA/NAREIT Developed Index advanced 5.23% for the quarter. However, returns for the quarter were volatile as the Index was down 10% by early February, only to rebound sharply along with other growth oriented asset classes later in the quarter. Returns were mostly positive across countries, led by Canada, Australia, and Germany, with the UK and Hong Kong the notable exceptions producing negative returns. Within the US, Free Standing, Specialty, and the Data Centers sectors posted the strongest performance with double digit returns. Data Centers, a new sector classification in the Index, outperformed on strong demand from enterprise outsourcing, cloud computing, and e-commerce. The Office sector underperformed due to concerns that volatile capital markets would result in weak office demand from banks.

Master Limited Partnerships (MLPs), as measured by the Alerian MLP Total Return Index, experienced heightened volatility intra quarter. The Index experienced steep declines in January and early February on concerns that an increasing percentage of their customers, major US exploration and production (E&P) companies such as Chesapeake, would file for bankruptcy protection. As bankruptcy risks to major US (E&P) companies subsided, MLPs rebounded as investors took advantage of the historically attractive valuations. The sector ended the quarter with a 4.17% loss.

For the quarter, the public real asset portfolio advanced 3.16%, outperforming the custom benchmark by 63 bps.

Outlook

Fed president Janet Yellen continued her dovish stance reiterating that the Fed will move forward with interest rate increases in a very cautious manner. Going into 2016, the Fed hinted at the potential of four interest rate hikes during the year. In Ms. Yellen's March speech, she suggested that U.S. Dollar strength and concerns about the global economy could mean only one, or possibly no rate hikes in 2016. In addition to the Fed's softening stance, the Bank of Japan enacted a negative interest rate policy for the first time ever in January and the European Central Bank cut rates further to negative 0.4% in March, representing all-time low levels.

Recession fears in the U.S. seem to have abated throughout the quarter as a weakening U.S. Dollar has provided a support mechanism to corporate profits, commodity prices, and U.S. growth. As long as consumption and housing remain steady, it is tough to envision a U.S. recession in the near term given that these sectors comprise about 75% of GDP.

Attachment 1-B
5/20/16

The domestic economy is likely to continue to grow at a moderate pace throughout 2016 as consumer spending is supported by low energy costs, rising employment and wages, and cheap borrowing costs. Additionally, the U.S. Dollar weakened in Q1, which should provide some much needed support to the export sector of the economy. Globally, the Fed's restraint in normalizing interest rates in addition to improving commodity prices should mitigate the pressure on emerging market economies which have struggled for the past several years.

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 March 31, 2016 are shown below:

1 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	-4.20	7.43	-0.61	-0.75	-0.57
CRHBT Benchmark	-2.99	7.68	-0.43	-0.55	-0.39

3 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	3.69	6.63	0.52	0.64	0.56
CRHBT Benchmark	3.85	6.54	0.59	0.73	0.59

5 Year	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	5.21	9.60	0.51	0.63	0.54
CRHBT Benchmark	5.26	9.55	0.55	0.67	0.55

Participating Agency Allocation

	12/31/2015		12/31/2015 - 3/31/2016			3/31/2016	
Agency	Balance $	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance $	Balance %
Montgomery County Govt	$263,765,537	46.13%	$15,839,547	($297,203)	$3,391,209	$282,699,090	46.60%
MontCo Revenue Authority	$1,939,334	0.34%	$44,925	($2,199)	$26,828	$2,008,889	0.33%
Strathmore Hall Foundation	$881,163	0.15%	$24,825	($1,001)	$12,428	$917,415	0.15%
Credit Union	$802,741	0.14%	$20,525	($911)	$11,209	$833,564	0.14%
Dept of Assessments & Tax	$10,431	0.00%	$0	($12)	$131	$10,550	0.00%
District Court of Maryland	$0	0.00%	$0	$0	$0	$0	0.00%
HOC	$10,120,915	1.77%	$285,100	($11,495)	$142,742	$10,537,262	1.74%
WSTC	$70,309	0.01%	$1,975	($80)	$991	$73,195	0.01%
Village of Friendship Heights	$242,384	0.04%	$6,275	($275)	$3,389	$251,773	0.04%
Montg. Cty. Public Schools	$254,496,474	44.51%	$11,511,000	($286,258)	$3,202,675	$268,923,891	44.33%
Montgomery College	$39,481,702	6.90%	$476,000	($44,409)	$496,852	$40,410,145	6.66%
Total	**$571,810,989**	**100.00%**	**$28,210,172**	**($643,842)**	**$7,288,454**	**$606,665,773**	**100.00%**