March 31, 2017

Shown below is the quarterly report on the status of the Montgomery County Consolidated Retiree Health Benefits Trust ("CRHBT") for the quarter ending December 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 return for the quarter was a gain of 4.56%, 77 basis points (bps) ahead of the 3.79% gain recorded by the policy benchmark. For the one year ending March 31, 2017, the gain of 11.42% was 57 bps ahead of the 10.85% gain recorded by the policy benchmark. The one-year gross return places the CRHBT's performance in the second quartile of the universe of comparable funds constructed by the Board's consultant, Wilshire Associates. Our annualized performance of 4.72% for the three-year period and 6.84% for the five-year period each ranked near the second quartile of the universe.

The total market value of trust assets at March 31, 2017 was $764.0 million. The CRHBT's asset allocation was: Domestic Equities 24.3%, International Equities 19.1%, Global Equities 4.2%, Fixed Income 24.6%, Inflation Linked Bonds 8.9%, Public Real Assets 9.1%, Hedge Funds 2.3%, Private Real Assets 2.2%, Private Equity 3.8%, Private Debt 0.4%, and 1.1% Cash.

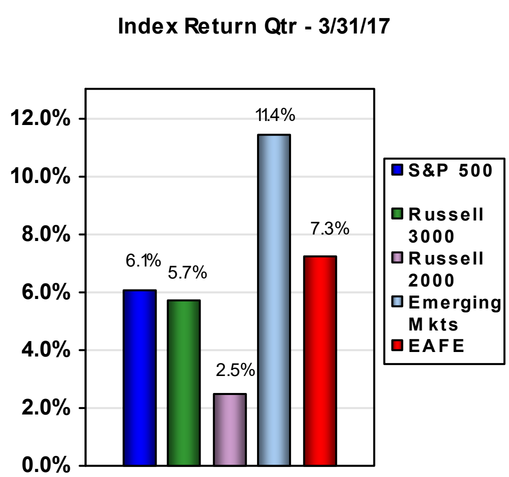
Major Initiatives/Changes

During the quarter, the following commitments were made: $15 million to WCM, a public global equities manager, $4 million to Greyrock CG IV, a private debt fund, $3 million to LBA IV, a private real assets fund, and $2 million to Kimmeridge Mineral Fund, a private real assets fund.

Capital Markets and Economic Conditions

Economic data reflected that the GDP increased at a 0.7% annual rate in the first quarter of 2017, a significant decrease of 140 bps from the economy's fourth quarter expansion of 2.1%. The GDP reading was well below the 1.1% consensus estimate of economists. This GDP increase represents the slowest increase in three years and was driven by weak auto sales and consumer spending. Consumer spending, which comprises the largest share of Gross Domestic Product, rose 0.3%, which is the worst performance since 2009. One of the contributors to the weak consumer spending number was the drop in home-heating bills due to a warmer than expected winter. Inventories were another weak area as the reading subtracted 0.93% from growth, following a significant gain of 1.01% in Q4 2016. Fixed nonresidential investment was one of the few bright spots for the economy as this sector contributed 1.12% to growth, led by a record increase in mining and energy exploration. Household finances remain on solid footing with the household debt service ratio remaining at an all-time low of 10% and household net worth increasing to a record level of $95.6 trillion. The residential real estate sector of the economy showed some weakness as new housing starts dropped by 65,000 houses during the quarter. The economy added 527,000 jobs during the first quarter, which was an increase from Q4's 443,000 gain. Given the strong jobs numbers, the unemployment rate decreased from 4.7% to 4.5% during the quarter, even as labor force participation increased. Inflation continues to show signs of positive pressure as CPI posted a 2.4% growth rate year-over-year due primarily to a recovery in energy prices. Core CPI, which excludes food and energy, decreased from 2.2% to 2.0% during the quarter.

Public Equity Markets: U.S. equities produced strong gains during the quarter advancing to all-time highs as the market was supported by positive economic reports as well as expectations that the new administration would cut taxes and regulations on corporations. Employment data, manufacturing activity, and consumer confidence all pointed to a stronger economy. Growth significantly outperformed value across all market capitalization ranges, particularly in the large cap space. U.S. markets were led by the Technology, Health Care, and Consumer Discretionary sectors while Energy and Telecom finished in negative territory. Technology moved higher following strong earnings reports from bellwether companies such as Apple, Facebook, Netflix, and Amazon. Energy was the worst performing asset class as crude oil sold off 7% and natural gas sold off 14%. Following three months of significant underperformance, large cap stocks outperformed small cap stocks in the quarter. Our combined domestic equity performance was a gain of 6.68%, outperforming the 5.74% gain recorded by the Russell 3000 benchmark. Manager selection was positive but our overweight to small cap negatively impacted performance.

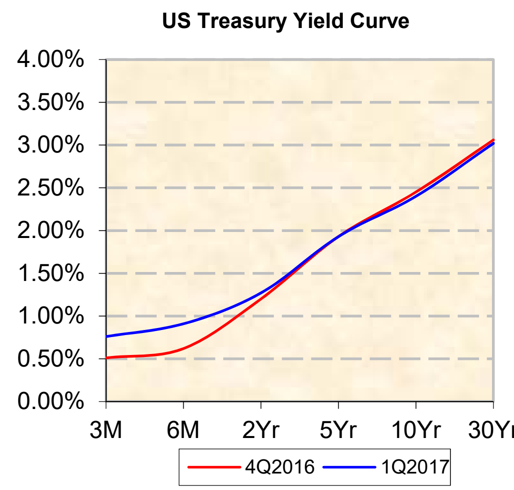


After trailing domestic equities in Q4, both international developed and emerging markets outperformed in Q1. The U.S. Dollar Index, which dropped by 2% during the quarter was a boon to equity markets outside the United States. Despite Japan underperforming for the quarter, Asian markets delivered robust gains as Australia, Singapore, Hong Kong, and South Korea posted double digit quarterly gains. European markets experienced broad based gains during the quarter as economic activity seemed to be picking up across the region. Much like their U.S. counterparts, the top performing sectors were Technology and Health Care while the worst performing sectors were Energy and Telecom. Emerging Market equities posted large gains in the quarter as U.S. Dollar weakness provided a tailwind to performance. Additionally, improving measures of global economic growth and a lack of follow-through of the Trump administration in pursuing protectionist trade policies boosted returns. The only major emerging market to post a loss in Q1 was Russia, which sold off primarily due to weakness in the energy sector. Indian stocks were the strongest performer at +17% as the market gained further confidence in the economic reform agenda of Prime Mister Modi. Our combined international equity performance was a gain of 7.75%, underperforming the 7.92% gain recorded by the benchmark index. Our global equity manager posted a return of 8.32%, outperforming the 6.91% gain of the MSCI ACWI benchmark, primarily due to the manager's overweight to Asia and underweight to the United States.

Private Equity: Buyout funds raised $44 billion during the first quarter of 2017, nearly 1/3 of the total level in 2016. Buyout invested capital during the quarter trailed that of 1Q 2016 while the number of deals remained at similar levels versus a year ago. Purchase price multiples declined to 9.1x EBITDA versus 9.7x in 2016. Leverage multiples slightly increased to 5.5x after declining during the last two years. U.S. venture invested capital during 1Q 2017 remained at similar levels versus a year ago; however, there was a 12% decline in the number of deals. U.S. venture fundraising had a slow start ($6 billion) in 1Q 2017 after a robust ($41 billion) 2016 which exceeded the post-crisis peak. During the quarter, our private equity managers called a combined $1.8 million and paid distributions of $0.1 million. Our current allocation to private equity is 3.79%, with a market value of $28.9 million. From its 2013 inception through September 30, 2016, the private equity program has generated a net internal rate of return of 13.0% versus a 10.60% return for the dollar-weighted public market equivalent (the Russell 3000 Index plus 300 bps).

Hedge Funds: Hedge funds, as measured by the HFRI Fund Weighted Composite Index, gained 3.15% in the first quarter. The hedge fund portfolio returned 2.26% in the quarter, outperforming the HFRI Macro Index benchmark which declined by 0.24%

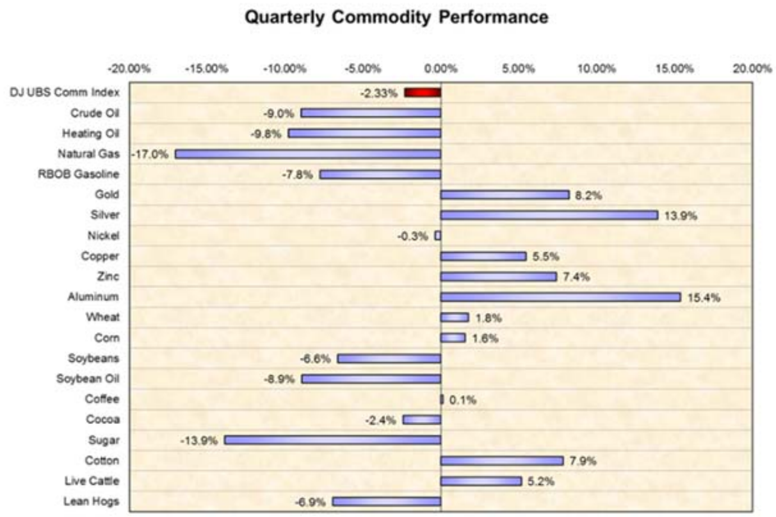
Fixed Income: U.S. Treasury yields increased across the short-end of the curve during the quarter, as the Fed raised the key-rate by another 25 bps due to improving global economic health. This move was highly anticipated, and had a marginal effect on the mid to longer ends of the curve which remained relatively unchanged from the previous quarter. Based on guidance given by the Fed, investors are expecting up to two more interest rate increases this calendar year. The yield on the 30-year bond decreased by 4 bps during the quarter, and ended the period at 3.02%. The yield curve flattened in Q1 (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 12 bps to 113 bps. For the quarter, the 2-year Treasury yield ended at 1.27 %, up by 7 bps from the prior period, while the 10-year Treasury yield moved down by 5 bps to 2.40%. For the quarter, the Merrill Lynch High Yield II Constrained Index rose by 2.71%, the Barclays Aggregate was up 0.82%, and the Barclays Long Govt/Credit Index recorded a gain of 1.58%. The fixed income performance for the quarter was a gain of 2.10%, in-line with the custom benchmark. The Treasury Inflation-linked bonds (TIPS) recorded a gain of 1.34% for the quarter, slightly above the 1.26% gain reported by the benchmark.



Private Debt: Private debt funds had an active first quarter, as 21 vehicles held final closes on approximately $21 billion in new investor commitments - this level of fundraising activity is double the $11 billion which was raised in the first quarter 2016. Direct lending funds had their strongest quarterly raise of all time, and accounted for $13 billion of the new commitments. Nearly two-thirds of the private debt funds which closed in the first quarter exceeded their target size. Looking ahead, future private debt fundraising prospects look strong, as nearly 300 funds are in market seeing to raise an additional $112 billion in investor capital. During the quarter, our private debt managers called a combined $1.0 million and paid distributions of $0.4 million. Our current allocation to private debt is 0.41%, with a market value of $3.1 million. Due to the young age of the portfolio, performance data is not relevant.

Private Real Assets: U.S. real estate returns have continued to slow down as the real estate cycle matures. The NCREIF Property Index (NPI), a measure of private commercial real estate properties in the U.S., gained 1.6% in the first quarter 2017, down from 1.7% last quarter and 2.2% in the same quarter a year ago. The 1.6% total return consisted of a 1.2% income return and a 0.4% appreciation – the income return has been relatively stable while the appreciation return has experienced a downward trend since 2015. The Industrial sector maintained its lead for quarterly (2.8%) and yearly (12.2%) total returns as the sector benefits from the trend toward faster delivery and the expansion of ecommerce. Overall property fundamentals remain resilient as occupancy hovers around 93.0% and net operating income (NOI) advanced 5.8% for the trailing year. Within the upstream oil and gas sector, deal volumes declined slightly from Q42016; however, volumes are still at a high level with most transactions occurring in low cost basins (i.e. Permian, Scoop/Stack, Niobrara). During the quarter, our private real assets managers called a combined $1.8 million and paid distributions of $0.7 million. Our current allocation to private real assets is 2.2%, with a market value of $17.1 million. Due to the young age of the portfolio, performance data is not relevant.

Public Real Assets: The Bloomberg Commodity Index fell 2.3% as weakness in the energy markets offset gains in industrial and precious metals. Crude oil prices declined below $50 per barrel in March on record U.S. oil inventories as domestic crude oil production increased 400,000 barrels per day in the quarter. Natural gas declined 17% as a warm winter depressed heating demand. Industrial metals advanced due to US dollar weakness and expectations for greater infrastructure spending. Agriculture exhibited mixed performance with small gains in wheat and corn offset by losses in soybeans and sugar. Lastly, precious metals benefited from a weaker US dollar and inflation concerns.



Global listed real estate securities as measured by the FTSE EPRA/NAREIT Developed Index advanced 2.1% led by strong gains for real estate developers in Hong Kong and Singapore. In Hong Kong, new residential development projects are selling out in record time and at record highs. In contrast, Japanese real estate securities lagged as JREITs were hurt by rising interest rates and overall Japanese macro concerns. European markets rebounded on continued property market strength. U.S. REITs advanced marginally with high dispersion across property types. Mall operators declined as they are challenged by the impact of the internet and changing retail trends. Conversely, Data Centers and Single Family Rentals, two relatively new sectors advanced on strong demand.

Master Limited Partnerships (MLPs), as measured by the Alerian MLP Total Return Index, advanced 4.0% for the quarter due to increasing US crude oil production and strong petrochemical demand for Natural Gas Liquids (NGLs).

For the quarter, the public real asset portfolio advanced 0.54%, underperforming the custom benchmark by 39 bps due to a structural overweight to domestic REITs.

Outlook

The Federal Reserve increased the federal funds rate to 0.75% from 0.50% at their March meeting. This increase represents the second increase in three months and the third increase since the global financial crisis. The Fed hinted that there would be two more rate hikes in 2017, with the next one likely to occur during the June FOMC meeting. The Fed's inflation expectations remained just shy of the 2.0% target as they anticipate a slight uptick in 2017 from 1.8% to 1.9%. The expectation is that inflation will reach their target in 2018. The market's inflation expectations remained unchanged during the quarter as evidenced by only a 2bps increase in the 10-year break-even inflation rate during Q1.

In March, the Bank of England kept its benchmark interest rate unchanged at 0.25%, which keeps the rate at its lowest level in the BOE's 323-year history. The BOE was split in their decision as several members voted to immediately increase rates following an uptick in inflation to a level above the BOE's 2.0% target. Additionally, the BOE slightly decreased their GDP growth forecast due to an expectation that wage and consumer spending growth will face near-term headwinds. The European Central Bank kept its benchmark interest rate at 0% and indicated that they will continue their aggressive asset purchasing program until at least the end of 2017. The ECB recently tapered their asset purchasing program, decreasing monthly bond purchases to €60 billion from the previous level of €80 billion. Mario Draghi, the President of the ECB, noted that the European economy is improving and that the risk of deflation has been decreased. The ECB is projecting inflation increasing to 1.6% by 2018 and growth increasing from 1.7% to 1.8% this year.

The domestic economy is likely to continue to grow at a steady pace throughout 2017, growing within a range of 2% to 3% as employment and wage growth continue to improve.

Sources: Bloomberg, Northern Trust, MSCI, S&P, T. Rowe Price, FRM, Wilshire Associates, Bridgewater, JP Morgan, BlackRock, Eagle, Gryphon, PE Hub, Private Equity Analyst, Pitchbook, Real Capital Analytics, RE Alert, Schroder, Oil & Gas Investor, U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, PwC Deals, NCREIF.

Risk Profile

The risk/return statistics for the CRHBT for the 1, 3 and 5 year periods ending March 31, 2017 are shown below:

1 Year					
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	10.97	4.22	2.41	2.96	2.60
CRHBT Benchmark	10.85	3.49	2.88	3.36	3.11

3 Year					
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	4.30	6.29	0.62	0.75	0.68
CRHBT Benchmark	4.56	6.04	0.68	0.81	0.75

5 Year					
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	6.52	6.10	1.00	1.23	1.07
CRHBT Benchmark	6.50	5.92	1.05	1.28	1.10

Participating Agency Allocation

	12/31/2016		12/31/2016 - 3/31/2017			3/31/2017	
Agency	Balance $	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance $	Balance %
Montgomery County Govt	$333,504,520	47.35%	$15,814,679	($465,039)	$15,262,980	$364,117,141	47.64%
MontCo Revenue Authority	$2,268,849	0.32%	$44,325	($3,180)	$104,087	$2,414,081	0.32%
Strathmore Hall Foundation	$1,048,860	0.15%	$24,350	($1,472)	$48,146	$1,119,884	0.15%
Credit Union	$946,064	0.13%	$19,725	($1,326)	$43,411	$1,007,873	0.13%
Dept of Assessments & Tax	$11,203	0.00%	$0	($16)	$512	$11,699	0.00%
District Court of Maryland	$0	0.00%	$0	$0	$0	$0	0.00%
HOC	$12,052,868	1.71%	$282,600	($16,912)	$553,279	$12,871,836	1.68%
WSTC	$84,094	0.01%	$2,150	($118)	$3,862	$89,987	0.01%
Village of Friendship Heights	$286,016	0.04%	$6,050	($401)	$13,125	$304,790	0.04%
Montg. Cty. Public Schools	$310,186,850	44.04%	$11,951,667	($410,717)	$14,187,408	$335,915,208	43.95%
Montgomery College	$43,957,195	6.24%	$508,000	($58,204)	$2,010,526	$46,417,517	6.07%
Total	**$704,346,519**	**100.00%**	**$28,653,546**	**($957,384)**	**$32,227,336**	**$764,270,017**	**100.00%**