QUARTERLY REPORT

June 30, 2023

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, 2023. 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, SkyPoint Federal Credit Union, Department of Assessments and Taxation, Strathmore Hall Foundation, Housing Opportunities 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.

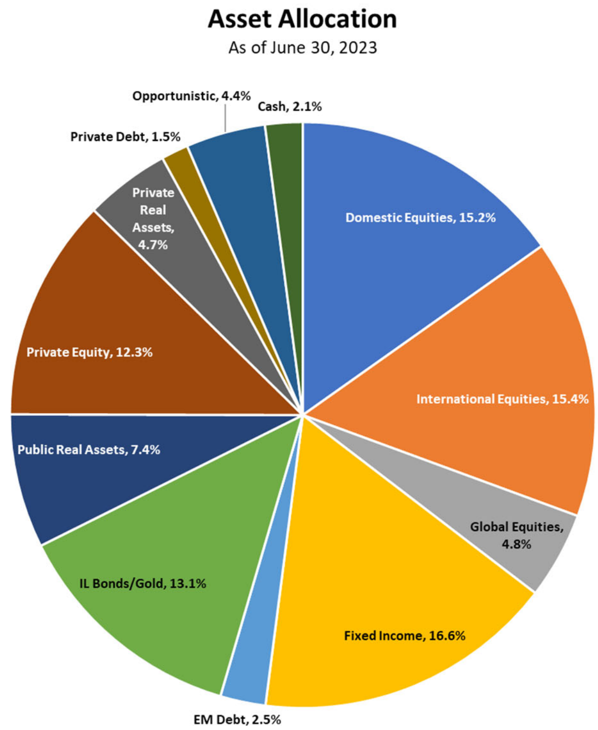
Board of Trustees

The Board of Trustees consists of 19 members: The Montgomery County Directors of Management and Budget, Finance, and Labor Relations; the Council Executive Director; 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 CRHBT gained 1.81% for the quarter – which exceeded the policy benchmark by 0.64%. The CRHBT was up 4.57% for the twelve-month period ending June 30, 2023, outpacing the policy benchmark by 0.20%, which was up 4.37%. The one-year gross return places the CRHBT’s performance in the fourth quartile of comparable funds constructed by the Board’s consultant, NEPC. The Fund had an annualized 6.99% return over the last three-year period and 6.96% for the five-year period (ending June 30, 2023) – The Fund was in the fourth and second quartile vs. the peer universe, respectively.

The chart below displays the asset allocation for the CRHBT on June 30, 2023.



Major Initiatives

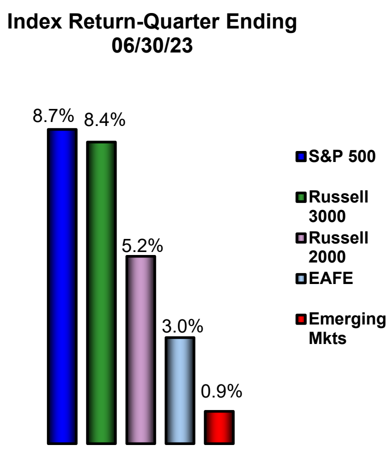
During the quarter, the CRHBT committed $2 million to Princeton Equity Partners Fund II, a private equity fund, $2 million to Clearhaven Fund II, a private equity fund, $5.5 million to Farallon Real Estate Partners IV, a private real asset fund, $5.5 million to Arroyo Investors Fund IV, a private real asset fund, and $1.7 million to Linden Structured Capital Fund II, a private debt fund.

Capital Markets and Economic Conditions

Second quarter GDP for 2023 increased at an annual rate of 2.4% according to the advance estimate released by the Bureau of Economic Analysis, higher than the 2.0% in the previous period and above the market expectations of 1.8%. The estimate reflects increases in consumer spending, nonresidential fixed investment, state and local government spending, private inventory investment and federal government spending that were partially offset by decreases in exports and residential fixed investment; imports (which are a subtraction to GDP) decreased. Compared to the previous quarter's growth rate of 2.0%, the acceleration in the second quarter primarily reflected an upturn in private inventory investment and an acceleration in nonresidential fixed investment, which were partly offset by a downturn in exports, and decelerations in consumer spending, federal government spending, and state and local government spending. By the end of Q2 2023, the unemployment rate remained steady, ending at 3.6%, slightly above the 3.5% level seen at the end of Q1 and Q4 of 2022. In June the economy added 209,000 jobs as employment continued to trend up in government, health care, social assistance, and construction.

The consumer price index (CPI) rose 3.0% from a year ago, slightly under the 3.1% Dow Jones estimate and the lowest level since March 2021. The largest changes year-over-year were price decreases for fuel oil, gasoline, and utility gas services, which were down 36.6%, 26.5%, and 18.6%, respectively. This was partially offset by increasing prices for transportation services up 8.2%, shelter up 7.8%, and food away from home up 7.7%. Core CPI, which excludes volatile food and energy prices rose 4.8% from a year ago largely driven by the increased pricing in non-energy services. Housing starts finished the quarter at a seasonally adjusted annualized rate of 1.43 million for June, down 8.1% from the same period last year. The median existing home sale price at the end of the second quarter was $410,000, the second highest price of all time, down 0.9% from the $413,800 peak seen last June.

Public Equity Markets: U.S. equity indexes advanced with the S&P 500 Index posting an 8.7% gain for the quarter on growing soft-landing expectations and signs of disinflation. The NASDAQ Composite rallied 13%, which was driven by a secular growth theme for AI. Narrow market leadership was dominated by companies such as Apple, Microsoft, Amazon, Google, Nvidia, and Meta, which had 28% weight of the S&P 500. IT and communication services continued to be the best performing sectors of the S&P Index while the utilities and energy sectors posted negative returns. Both large and small cap growth stocks outperformed their value counterparts. Our combined domestic equity performance was a gain of 7.9%, trailing the 8.4% performance of the Russell 3000 Index.



International developed markets underperformed their U.S. counterparts, advancing 3.0% for the quarter. After two quarters of outperformance, international developed markets lagged their domestic counterparts as rising inflation weighed on consumer sentiment towards the end of the quarter. In Europe, equities posted gains led by the financials and IT sectors. Italy and Spain were the best performing markets. Japanese stocks rallied (in local currency) driven by ongoing expectations of corporate governance reforms and structural shifts in the macro economy. In June, the Nikkei reached the highest level in 33 years. Within Asia ex Japan markets, Hong Kong, New Zealand, and Singapore declined during the quarter.

Emerging markets underperformed their developed market counterparts. Buoyed by information technology, the second-largest sector in the MSCI Emerging Markets Index, emerging markets equities posted positive returns on tech-related gains as growth expectations for generative AI increased. The energy, financials, and utilities sectors also posted gains during the quarter but were partially offset by losses in communication services, consumer discretionary, and materials. By region, Latin America was the clear winner during the quarter, led by Mexico and Brazil. Mexico and the peso benefited from nearshoring, while Brazil was helped by a stronger currency and potential rate cuts in response to falling inflation. Asia lagged during the period in response to disappointing economic results after the COVID reopening. From a country perspective, Greece was one of the best performing countries during the quarter and is the best performing country year to date. Our combined international equity performance was a gain of 2.9%, outperforming the 2.3% gain recorded by the benchmark. Our global equity allocation recorded a gain of 7.1%, outperforming the 6.2% gain of the MSCI ACWI Index.

Private Equity: During the second quarter, a total of 474 funds reached their final close, securing $186 billion in commitments. The number of funds raised remained consistent relative to Q1, but down 49% when compared to the same quarter a year prior. The aggregate capital raised in Q2 decreased 9% relative to the prior quarter and decreased 19% compared to the same period last year. North America continued to dominate the fundraising landscape, representing 73% of the aggregate capital raised and 68% of the total number of funds raised. U.S. buyout deal activity was down relative to the prior quarter as the number of deals completed dropped 4% to 981, aggregate deal volume declined 39% to $50 billion, and the average deal size fell 34% to $687 million. Deal activity was significantly lower than during the same period of the previous year with a 63% drop in deal volume and a 14% drop in the number of transactions. Buyout multiples in the U.S. remained elevated, but softened relative to the prior quarter, coming in at 11.3x Enterprise Value-to-EBITDA. Healthcare was the most robust sector during the quarter, representing 35% of aggregate U.S. buyout deal value. Buyout exit activity for the quarter rebounded relative to the slow Q1, with the number of exits increasing 22% to 179, the aggregate exit values jumping 495% to $55 billion, and the average exit size increasing 238% to $1,495 million. However, relative to the same period last year, aggregate exit values and average exit size were down roughly 50%. The global private equity sector has $2.7 trillion in dry powder and continues to hover around record highs.

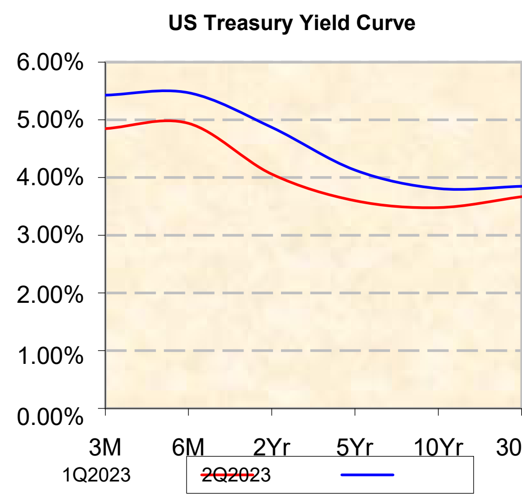
U.S. venture fundraising activity continued to remain depressed in Q2. While the number of funds raised increased 11% to 178 relative to the prior quarter, aggregate deal volume decreased 24% to $15 billion and average fund size fell 33% to $99 million. Relative to the same period last year, the number of funds raised was down 51%, aggregate deal volume was down 64%, and average fund size was down 24%. However, U.S. venture deal making also decreased for the quarter. While the number of consummated deals was up

8% to 1,446 relative to Q1, aggregate deal value decreased 32% to $28 billion, and the average deal size declined 37% to $25 million.

During the quarter, our private equity managers called a combined $5.0 million and paid distributions of $4.4 million. Our current allocation to private equity is 12.3%, with a market value of $200.5 million. From its 2013 inception through March 31, 2023, the total private equity program has generated a net internal rate of return of 25.7% versus a 15.5% return for the dollar-weighted public market equivalent (the Russell 3000 Index plus 300 bps).

Hedge Funds: For the quarter, industry-wide hedge funds rose by 2.2% based on the HFRI Composite Index. On a sub-strategy basis, the Event-Driven Index gained 1.1%, the Relative Value Index advanced 1.2%, the Macro Index increased 1.7%, and the Equity Hedge Index returned 3.1%. The System's diversifying hedge funds recorded a gain of 1.6% versus a gain of 0.9% for the Conservative Index. The diversifying portfolio outperformance is primarily attributable to strong selection within the quant sector. The System's directional hedge funds recorded a gain of 3.0% compared to the positive 1.3% return for the Strategic Index. The directional outperformance is primarily attributable to positive fund selection within the equities sector.

Fixed Income: The yield curve shifted up as both short and long dated Treasuries moved up. However, short-term Treasury bills moved higher than longer dated Treasury notes and bonds. For example, the yield on the 3-month bill maturities moved up 58 bps to 5.4%, while the 10- and 30-year bond maturities increased by 33 and 18 bps respectively. The spread between 2-year and 10-year Treasuries, the main gauge of the yield curve, inverted steeply and ended the quarter at -106 bps, 48 bps tighter than the previous quarter's levels given an 81 bps increase in the 2-year Treasury maturities. By the end of the quarter, the 10-year Treasury yield was 3.81% whereas the 30-year Treasury yield was 3.85%. The high yield portfolio's performance for the quarter was a gain of 1.5%, underperforming with the Merrill Lynch High Yield II Constrained Index by 0.1%. The long duration portfolio's return for the quarter was a loss of 1.7%, outperforming the custom long duration benchmark by 0.2%. The emerging market debt portfolio gained 2.7%, outperforming the JPM EMBI Global Diversified benchmark by 0.5%. Our global inflation-linked bond portfolio, combined with a portable alpha overlay, recorded a loss of 4.9%, outperforming the custom benchmark by 0.2%. The outperformance was driven primarily by the overlay, where the strategy's alphas in nominal long rates, emerging markets currencies, and long/short cash contributed to results.



Private Debt: In the second quarter of 2023, private debt funds raised $52.5 billion from 33 funds, which was lower than the capital raised during the same period last year. North America focused funds raised $36.4 billion in Q2 (versus $26.6 billion in Q1), compared with $15.1 billion by Europe focused funds. Direct lending funds raised $23.4 billion (45% of the private debt capital raised during the quarter), followed by mezzanine funds with $18 billion. Some of the largest funds closed during Q2 were the $17 billion HPS Strategic Investment Partners V, the $10 billion HPS Core Senior Lending Fund, and the €4.2 billion European focused Permira Credit Solution V. Dry powder as of June 2023 was $438.1 billion continuing to be the highest amount ever recorded by Preqin.

During the quarter, our private debt managers called a combined $1.9 million and paid distributions of $1.3 million. Our current allocation to private debt is 1.5%, with a market value of $24.9 million. From 2015 through March 31, 2023, the private debt program generated a net internal rate of return of 10.4% versus an 6.4% return for the dollar-weighted public market equivalent benchmark (ICE BofA Merrill Lynch High Yield Master II Constrained + 300 bps).

Private Real Assets: During the quarter, private real asset prices came under pressure due to debt ceiling uncertainties, the Fed rate hike, concerns around office occupancy, and weaker than expected economic data from China. For Q2 2023, infrastructure fundraising picked up relative to the prior quarter. Specifically, 19 funds raised $8.5 billion compared to 16 funds raising $4.5 billion in the prior quarter. Real estate prices were down 2.0% for the quarter driven by a 5.8% decline in office values, 1.0% decline in apartments, and a 0.8% decline in industrial properties. The only sectors to advance were hotels, which were up 4.0%. From a fundraising perspective, 98 funds raised $63.3 billion compared to 100 funds raising $23.2 billion in the prior quarter.

During the quarter, our private real asset managers called a combined $10.9 million and paid distributions of $1.9 million. Our current allocation to private real assets is 4.7%, with a market value of $77.1 million. From its 2006 inception through March 31, 2023, the total private real assets program (including fund-of-funds) has generated a net internal rate of return of 9.8% versus an 8.9% gain for the long-term benchmark (CPI plus 500 bps).

Public Real Assets: Global listed real estate securities as measured by the FTSE EPRA/NAREIT Developed Index posted a gain of 0.2% for the quarter, underperforming global equities by over 6% (MSCI World, +7%) but outperforming bonds by almost 2% (Barclays Global Aggregate, -1.5%). The quarter was characterized by resilient U.S. economic activity and a successful debt ceiling extension spurring a risk-on rally with market breadth broadening out to include more cyclical companies. During the quarter, the U.S. was the best performing region, specifically single-family rentals and apartments were strong on healthy leasing trends and favorable affordability relative to for-sale markets. Data centers also rallied on growing optimism towards AI. Asia was the worst performing region, weighed down by China's growth rebound losing momentum. Within Asia, Japanese developers were the best performers and were boosted by corporate governance reforms, reflationary momentum, and a weaker yen. European returns tracked Asia closely though the key theme in the region was stagflation, particularly in the United Kingdom. Attempts to de-lever via asset sales drove relative outperformance in German residential securities. The weakest performers in the region were U.K. self-storage which was dragged down by spiking mortgage rates and a housing slowdown and U.K. office developers as growth expectations continue to fall and be further hurt by a rising cost of capital.

Listed infrastructure securities posted a loss of 1.1% during the quarter as measured by the Dow Jones Brookfield Global Infrastructure Index, this was a smaller gain than global equities (7%) but slightly ahead of bonds (-1.5%). Overall, for the quarter, gas midstream, toll roads, pipeline companies, ports, and European regulated utilities outperformed the index, while communications, water & waste, other utilities, gas distribution utilities, airports, and electricity transmission and distribution underperformed. Broader financial market angst around the impact of higher interest rates on more capital-intensive businesses dragged the sector down, as did a bias toward more cyclically-leveraged, "early cycle" stocks, given the now consensus view of a "softer" than expected global economic slowdown. U.S. utilities have experienced the worst of this relative underperformance and have exhibited their worst year-to-date performance relative to the general market in 35 years.

For the quarter, the public real asset portfolio was flat, outperforming the custom benchmark's loss of 0.4% by 0.4% primarily due to outperformance by our Global Listed Real Estate Manager, Principal.

Outlook

The second quarter of 2023 saw a significant drop in market volatility. While the market still faces on-going uncertainty regarding monetary policy and geopolitical risk, moderating inflation data and signs that the global economy, specifically North America, remains resilient in spite of higher rates helped buoy markets in the quarter. The quarter was marked by three distinct themes: inflation, AI (artificial intelligence) and China. In the US, inflation data (measured by CPI) came in lower than estimated in all three months of the quarter while unemployment remained relatively stable with a small uptick and GDP growth was revised up significantly. Some of the increase in GDP can be attributed to AI which has seen significant recent investment. Fervor around the increase in AI investment drove technology stocks, specifically semiconductor companies higher. Asia ex-Japan was the only global index down over the quarter, this can be predominately attributed to China. China's economic rebound has stalled significantly and the country has struggled due to lackluster consumer spending and weak demand for exports. The OECD has forecasted that global growth will increase 2.7% and 2.9% in 2023 and 2024, respectively, compared to the prior quarter's projection that growth would come in at 2.6% and 2.9% for each year. Resilient employment and household finances contributed to the modest improvement in the global growth outlook.

The Fed hiked rates once during the second quarter, with the federal funds rate ending the year at 5.00-5.25%, an increase of 25 bps for the quarter. Statements by Federal Reserve Chair Jerome Powell made it clear that inflation remains elevated and above their long run target of 2%; however, significant progress has been made and the Fed remains in 'wait and see mode' as they closely monitor incoming information to determine the direction of monetary policy in 2023 and 2024. The Federal Reserve sees U.S. real GDP growing 1.9% in Q3 2023, up from 0.6% in last quarter's survey.

In the eurozone, the European Central Bank (ECB) raised interest rates twice during the quarter resulting in the interest rate on the deposit facility reaching 4%. Headline inflation declined during the period, with annual inflation estimated at 5.5% in June, down from 6.1% in May. However, the core inflation rate crept up to 5.4% in June from 5.2% in May. Growth data showed that the eurozone experienced a mild recession, with GDP declines of -0.1% in Q1 2023, following a decline of -0.1% in Q4 2022. Forward-looking data pointed to slowing momentum in the eurozone economy. The flash eurozone composite purchasing managers' index (PMI) fell to 50.3 in June from 52.8 in May. That represents a five-month low and suggests the economy may be close to stagnation (50 is the mark that separates expansion from contraction in the PMI surveys). The ECB noted that they will continue to follow a data-dependent approach to determining future monetary policy given the lag of the prior rate increases on the real economy.

The IMF is predicting the Japanese economy will grow by 1.4% in 2023 and 1.0% in 2024, driven primarily by domestic demand. This growth forecast reflects a modest uptick in 2023 (from 1.3% last quarter) and modest downtick in 2024 (from 1.1% last quarter). The Bank of Japan (BoJ) held the first policy meeting under new governor Kazuo Ueda in April and the second in June. There was no change to policy, which suggested their dovish stance continues. Due to the US raising interest rates over this period while the BoJ held steady, yen weakness (relative to the dollar) accelerated in the quarter.

The outlook for emerging market economies is strong as their collective growth is projected to outpace developed markets by 2.5% in 2023 and 2.7% in 2024 per IMF estimates. On an absolute basis, the IMF forecasts that emerging market economies will have 4.0% and 4.1% GDP growth in 2023 and 2024, respectively. Growth is supported by China and India, specifically India which has the highest growth rate in both 2023 and 2024 and is expected to accelerate (from 6.1% in 2023 to 6.3% in 2024). Additionally, Sub-Saharan Africa and the Middle East are expected to see a meaningful acceleration of growth with growth rates increasing from 3.5% to 4.1% and 2.5% to 3.2% from 2023 to 2024, respectively. While the war in Ukraine and its impact on global macro and prices is now limited, geopolitical fragmentation and risks remain. Specifically, there is still a heightened risk of a potential conflict as Chinese leader Xi Jinping stressed reunification with Taiwan.

Sources: BlackRock, Bloomberg, Bridgewater, FRM, MSCI, NCREIF, Northern Trust, T. Rowe Price, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, The World Bank, European Central Bank, Bank of Japan, Albourne, MSIM, Principal, JP Morgan, Goldman Sachs, Preqin, Pitchbook, Federal Reserve, Marathon Asset Management, Schroders, Standard and Poor's.

Risk Profile

The risk/return statistics for the CRHBT for the 1, 3 and 5-year periods ending June 30, 2023 are shown below:

1 Year

	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	4.23	12.26	0.11	0.14	0.34
CRHBT Benchmark	4.36	13.16	0.12	0.16	0.33

3 Year

	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	6.38	10.64	0.51	0.78	0.60
CRHBT Benchmark	5.65	11.04	0.44	0.65	0.51

5 Year

	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	6.44	10.55	0.50	0.71	0.61
CRHBT Benchmark	6.21	10.90	0.46	0.67	0.57

Participating Agency Allocation

	4/1/2023		4/1/2023 - 6/30/2023			6/30/2023	
Agency	Balance $	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance $	Balance %
Montgomery County Govt	$731,608,250	46.39%	$0	($1,138,883)	$11,497,267	$741,966,634	45.47%
MontCo Revenue Authority	$4,372,046	0.28%	$0	($6,806)	$68,707	$4,433,947	0.27%
Strathmore Hall Foundation	$2,133,299	0.14%	$0	($3,321)	$33,525	$2,163,503	0.13%
SkyPoint Federal Credit Union	$1,800,269	0.11%	$0	($2,802)	$28,291	$1,825,758	0.11%
Dept of Assessments & Tax	$54,037	0.00%	$0	($84)	$849	$54,802	0.00%
HOC	$24,243,249	1.54%	$0	($37,739)	$380,984	$24,586,495	1.51%
WSTC	$169,697	0.01%	$0	($264)	$2,667	$172,100	0.01%
Village of Friendship Heights	$542,496	0.03%	$0	($844)	$8,525	$550,177	0.03%
Montg. Cty. Public Schools	$722,995,180	45.84%	$30,224,677	($1,085,185)	$11,703,034	$763,837,706	46.81%
Montgomery College	$89,168,783	5.65%	$1,704,000	($132,975)	$1,420,561	$92,160,368	5.65%
Total	**$1,577,087,306**	**100.00%**	**$31,928,677**	**($2,408,903)**	**$25,144,409**	**$1,631,751,489**	**100.00%**