March 31, 2020

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, 2020. 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 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 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 total return for the quarter was a loss of 11.14%, 9 basis points (bps) behind the 11.05% loss recorded by the policy benchmark. For the one year ending March 31, 2020, the loss of 1.77% was 16 bps ahead of the 1.93% loss recorded by the policy benchmark. The one-year gross return places the CRHBT's performance in top quartile of the universe of comparable funds constructed by the Board's consultant, NEPC. Our three-year performance of 5.05% and five-year performance of 4.43% ranks in the top decile and top quartile of the universe, respectively.

The total market value of trust assets at March 31, 2020 was $1,017.6 million. The CRHBT's asset allocation was: Domestic Equities 14.0%, International Equities 16.2%, Global Equities 3.6%, Fixed Income 23.8%, Inflation Linked Bonds 12.6%, Public Real Assets 7.0%, Private Real Assets 4.6%, Private Equity 11.1%, Private Debt 1.8%, Opportunistic 4.3%, and 0.9% Cash.

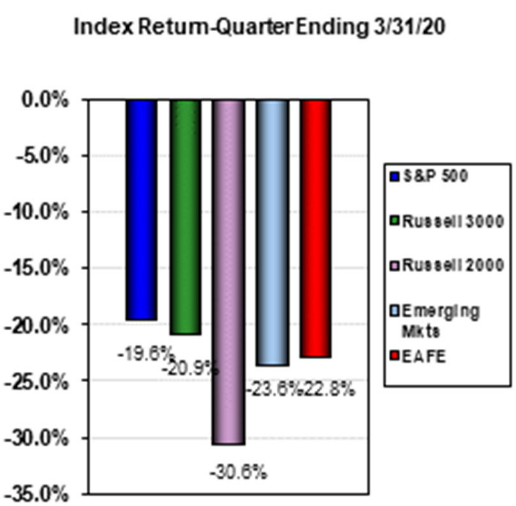
Major Initiatives/Changes

During the quarter, the following commitments were made: Private Equity - $3 million to BV Investment Partners X and $3 to Thoma Bravo Explore Fund I.

Capital Markets and Economic Conditions

Economic data reflected that GDP contracted at an annualized rate of 4.8% in the first quarter of 2020, underperforming economists' expectations of a 3.5% decline as the impact of the COVID-19 virus weighed on the economy. The contraction marks the lowest level GDP reading since the 8.4% decline in Q4 2008. Consumer spending, non-residential fixed investment, exports, and inventories were the biggest drags on the economy. Residential fixed investment and both federal and state spending helped offset some of the losses. Consumer expenditures, which account for a majority of total GDP plunged 7.6% during the quarter as nonessential stores were closed; declines in services were led by health care and declines in goods were led by motor vehicles and parts. The trade balance picture was also negative as imports outpaced exports, with the decrease in exports primarily reflecting a reduction in services, led by travel. The economy lost 426,00 jobs during the quarter as employers began to cut payrolls in March as shutdowns related to the coronavirus commenced. The U.S. unemployment rate rose from 3.5% to 4.4% throughout the quarter. The inflation rate decreased to 1.5% after the CPI fell 0.4% in March, the largest monthly decline in five years. The decrease was driven by a sharp decline in gasoline, along with decreases in airline fares, lodging, and apparel. After a promising start to the year due to lower mortgage rates, the housing market experienced a reversal in March as housing starts, construction permits, new home sales, and previously owned home sales plummeted.

Public Equity Markets: After the U.S. markets reached their peak in mid-February, the S&P 500 Index declined nearly 34% over a three-week period on growing concerns about the spread of COVID-19. In response, the Federal lawmakers passed a fiscal stimulus package and the Fed cut interest rates to near zero while launching large scale asset purchases. The S&P 500 Index rallied 15.5% from the trough to the end of 1Q; however, it still finished the quarter down 19.6%. The month of March experienced two of the six worst days in the stock market dating back to 1928 with daily declines of 12% and 9.5%. Growth outperformed value across the capital spectrum while large cap stocks outperformed small cap stocks during the quarter. Among the S&P 500 sectors, energy and financials declined the most while cyclical industries such as airlines and leisure were strongly impacted. Our combined domestic equity performance was a loss of 21.21%, underperforming the 20.90% decline of the Russell 3000 Index.



International developed markets trailed their domestic counterparts. Value stocks underperformed growth with larger companies that have diversified business lines generally outperformed their smaller counterparts. Defensive sectors such as healthcare, consumer staples, and utilities held up better during the volatile quarter. All developed markets were in the red with Denmark and Switzerland declining the least. Emerging markets were the worst performing equity asset class during the quarter. China was the best performer with a 10.2% decline while less industrialized countries such as Brazil and Colombia saw nearly 50% declines in their index levels. China's growth-oriented economy, coupled with declining reported cases of COVID-19, helped limit its losses. Our combined international equity performance was a loss of 23.92%, outperforming the 24.11% decline recorded by the benchmark. Our global equity allocation recorded a loss of 18.05%, outperforming the 21.37% loss of the MSCI ACWI Index.

Private Equity: During the fourth quarter, a total of 294 private equity funds reached a final close, securing $137 billion in commitments, below the $191 billion raised in the prior quarter. While capital raised saw a decline from Q4 2019, it represented a slight increase relative to the first quarter of 2019. COVID-19 impacted the fundraising market, particularly in the latter part of the quarter as the 294 funds raised was the lowest haul since Q3 2013. The trend towards larger funds being raised continued in the quarter as the average fund raised $497 million, which is the fourth highest quarter on record. Fundraising continues to be strong for private equity managers as the average fund in Q1 raised 109% of the stated target, which is the highest level since before the global financial crisis. North America continued to dominate the fundraising landscape, representing 55% of the number of funds raised and 75% of the total assets raised during the first quarter.

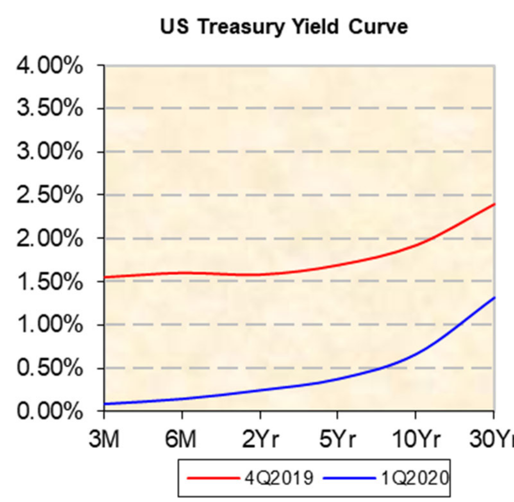
Within the buyout space, the number of completed deals increased by 5% to 1,255 while the aggregate deal value of $95.6 billion and average deal size of $497.7 million represented decreases of 8% and 7%, respectively quarter-over-quarter. Additionally, these numbers represent fairly steep drops relative to Q1 2019, a frothy environment, as the number of deals, aggregate deal value, and average deal size decreased 9%, 15%, and 7%, respectively. Market participants cite the global concern over the economic impacts of COVID-19 as the primary driver of the deal environment, particularly during the back half of Q1. Buyout multiples came down in Q1 as risk aversion spread, with the median EV/EBITDA decreasing from 10.9x to 9.0x, which is more in line with industry averages. Exit activity in Q1 was roughly flat relative to Q4 as the number of exits slightly increased from 391 to 395 but the aggregate exit volume decreased from $69.9 billion to $64.6 billion and the average exit value decreased from $784.3 million to $695.5 million.

Relative to Q4, venture activity decreased considerably in Q1 as the number of deals completed dropped 20% to 3,231, aggregate deal value decreased 22% to $58.4 billion, and average deal size decreased 5% to $26.1 million. Exit activity was mixed in Q1 as the number of exits decreased 5% to 286 but aggregate exit value increased 43% to $43.7 billion and the average exit value increased 61% to $408.3 million. Two large exits boosted quarterly exit values as Intuit Inc. purchased Credit Karma for $7.1 billion and Visa purchased Plaid for $5.3 billion.

During the quarter, our private equity managers called a combined $4.5 million and paid distributions of $2.6 million. Our current allocation to private equity is 11.1%, with a market value of $113.0 million. From its 2013 inception through September 30, 2019, the total private equity program has generated a net internal rate of return of 25.4% versus a 14.1% return for the dollar-weighted public market equivalent (the Russell 3000 Index plus 300 bps).

Opportunistic: Hedge funds declined 7.7% based on the Universal Index. On a sub-strategy basis, the Event-Driven Index declined 12.8%, the Relative Value Index lost 7.9%, the Directional Index declined 3.5%, and the Multi Strategy Index declined 3.0%. During the first quarter, the System's Diversifying hedge fund portfolio returned a gain of 0.2% outperforming all the major hedge fund indices. The Diversifying hedge fund portfolio benefited from gains in Global Macro, and Relative Value Statistical and Fixed Income Arbitrage. The System's Directional hedge fund portfolio returned a loss of 18.4%, underperforming all the major hedge fund indices. The underperformance is primarily attributable to the System's high exposure to Structured Credit managers who significantly underperformed at both the sector and manager levels.

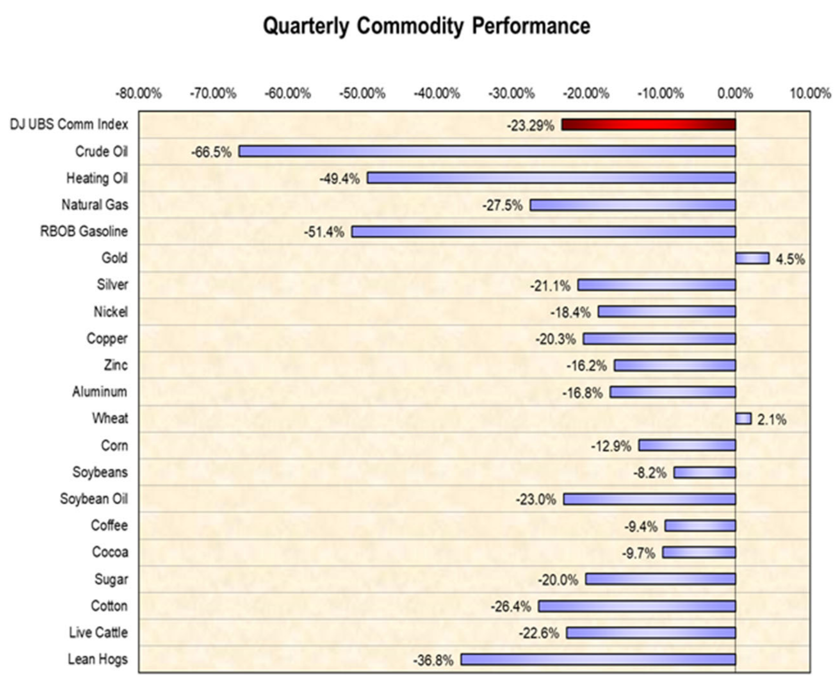
Fixed Income: The yield curve steepened as shorter maturity bond yields moved dramatically lower because of the Federal Reserve interest rate cuts. Yields across the entire US Treasury yield curve fell due to deflationary concerns and a flight to safety. The yield on the 30-year bond declined by 107 bps during the quarter and ended the period at 1.3%. The spread between 2-year and 10-year Treasuries, the main gauge of the yield curve, loosened by 8 bps to 42 bps, as yields in the front end fell to 0%. For the quarter, the 2-year Treasury yield ended lower by 133 bps to 0.3%, while the 10-year Treasury yield declined by 125 bps to 0.7%. The high yield portfolio's performance for the quarter was a loss of 12.8%, outperforming the Merrill Lynch High Yield II Constrained Index by 37 bps. The long duration portfolio's return for the quarter was a gain of 8.0%, outperforming the Barclays Long Govt/Credit Index by 178 bps. Our global inflation-linked bond portfolio, combined with a portable alpha overlay, recorded a loss of 7.9%, underperforming the custom benchmark by 811 bps.



Private Debt: Private debt fundraising saw a decline during the first quarter when they raised $14 billion in capital, which is 41% less than the amount raised in 1Q 2019 and the lowest fundraising quarter since 3Q 2016. Private debt fundraising accounted for just over half of total capital raised while Europe focused funds represented 46%, which represented over half the number of funds closed. Only three special situations funds closed in 1Q 2020, for over 20% of total private debt fundraising. While fundraising faltered, the number of private debt funds in market continued to grow. As of April 2020, there were 457 private debt funds in market, seeking a combined $201 billion which is the highest amount ever recorded. The number of funds on the road has been rising consistently over the years, building to a fundraising market that is now more crowded than ever before. Direct lending funds account for the largest proportion of both the number of funds raising as well as aggregate capital targeted, with both at just under half of the total. Meanwhile special situations funds comprise 12% of the number of funds in market and 14% of aggregate capital being sought, almost on a par with both distressed debt and mezzanine funds. During the quarter, our private debt managers called a combined $4.5 million and paid distributions of $2.6 million. Our current allocation to private debt is 1.8%, with a market value of $18 million. From 2013 through September 30, 2019, the private debt program generated a net internal rate of return of 6.5% versus an 9.2% return for the dollar-weighted public market equivalent benchmark (ICE BofA Merrill Lynch High Yield Master II Constrained + 300 bps).

Private Real Assets: Real estate fundraising continued to slow during Q1 2020 due to global economic challenges, as a total of 51 funds closed an aggregate of just $18 billion. In comparison, during Q1 2019, 83 real estate funds reached a final close on total capital commitments of $51 billion. Investors are also using this environment to concentrate their commitments to the most established real estate managers, as evidenced by a single fund accounting for 14% of the total capital raised during the quarter. Fundraising in the natural resources sector had a strong Q1 2020, securing $40 billion of new committed capital. However, like private real estate, the majority of new commitments were concentrated to a few managers, as Brookfield Infrastructure Fund IV accounted for half of the $40 billion raised in the sector. During the quarter, our private real assets managers called a combined $2.1 million and paid distributions of $0.6 million. Our current allocation to private real assets is 4.6%, with a market value of $46.4 million. From 2013 inception through September 30, 2019, the total private real assets program (including fund-of-funds) has generated a net internal rate of return of 7.8% versus a 7.0% gain for the long-term benchmark CPI plus 500 bps.

Public Real Assets: The Bloomberg Commodity Index declined 23.3% for the quarter due to the global impacts of COVID-19 heavily impacting the agricultural, industrial metals, and energy sectors. In addition to concerns over global demand, the energy sector was also battered on the supply side as a breakdown of the OPEC+ (OPEC + Russia) relationship led to a massive supply glut in March. Energy as a sector experienced a 51% loss in Q1, which represents the worst quarterly drawdown in the history of the index with crude oil losing 67% of its value. Precious metals were flat for the quarter as gold benefitted from aggressive central bank responses globally in response to the COVID-19 outbreak.



Global listed real estate securities as measured by the FTSE EPRA/NAREIT Developed Index declined by 28.5% in Q1 as concerns surrounding the economic impact of COVID-19 dominated the sector. The worst performing sectors in the market were lodging and retail as these property types are primarily shuttered across the globe. Within retail, regional malls were the most impacted, delivering losses of 60% for the quarter. Given the increased level of demand for internet and data usage, data centers were the only positive sector in the market. REITs focused on logistics were down during the quarter, but fared much better than their office, retail, and residential peers.

There was limited dispersion geographically as North American, Asian, and European REITs delivered quarterly losses in the 27-29% range.

Listed infrastructure decreased by 20.9% for the quarter as measured by the Dow Jones Brookfield Global Infrastructure Index. Returns were quite bifurcated during the quarter as the sectors heavily impacted by COVID-19 demand destruction and mandated quarantine orders such as the energy infrastructure and transportation (i.e. airports and toll roads) sectors experienced sharp losses while less impacted sectors of communications (i.e. cell towers) and utilities held up fairly well. From a regional perspective, both U.S. and Non-U.S. infrastructure performance was roughly in line.

For the quarter, the public real asset portfolio declined 22.6%, outperforming the custom benchmark loss of -24.6% by 200 bps due to outperformance across our commodities, listed infrastructure, and global REIT managers.

Outlook

During the first quarter of 2020, the U.S. Federal Reserve (“Fed”) lowered the Federal Funds rate to 0% - 0.25% from the previous range of 1.50% - 1.75% to combat the sharp decline in demand as a result of the COVID-19 outbreak. It is expected that the Fed will continue to maintain interest rates near zero for the foreseeable future until there is more clarity that the economy has weathered the storm of global events and is on firm footing to a subsequent recovery. The Fed will also continue to purchase large amounts of U.S. Treasury bonds and agency mortgage backed securities which will provide further liquidity into the market to ensure its normal functioning. The U.S. unemployment rate is expected to significantly increase from a 3.5% low in February to a range of 15-20% during Q2 2020 – levels not seen since the Great Depression era. However, while many economists believe that this peak in unemployment will be temporary, it is likely that the U.S. unemployment rate will remain elevated from its pre-coronavirus lows for the remainder of 2020.

The COVID-19 pandemic is also pushing the European Union (“EU”) to the brink of a historic recession. The EU economy is predicted to shrink approximately 7.5% in 2020, far worse than the 2008-2009 contraction height of 4.5%. While economic forecasts predict an eventual recovery in 2021, it will likely not be large enough to fully offset for the losses expected in 2020. In response to worsening economic conditions, the European Central Bank (“ECB”) launched a Pandemic Emergency Purchase Program in which the bank will purchase €750 billion eurozone government bonds. Even prior to the COVID-19 outbreak, the Japanese economy was already decelerating to near recessionary levels. The pandemic has only served to further damage Japan’s economic prospects due to declines in consumer spending, tourism, and the cancellation of the 2020 Summer Olympic games scheduled to be held in Tokyo. The Bank of Japan (“BOJ”) has responded to the crisis by implementing additional monetary easing measures to help maintain stability in the financial markets.

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

Risk Profile

The risk/return statistics for the CRHBT for the 1, 3 and 5-year periods ending March 31, 2020 are shown below:

1 Year					
	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	-2.14	14.67	-0.30	-0.35	-0.15
CRHBT Benchmark	-1.94	14.41	-0.29	-0.34	-0.13

3 Year

	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	4.63	10.47	0.25	0.29	0.44
CRHBT Benchmark	4.23	10.39	0.20	0.24	0.41

5 Year

	Total Return	Risk	Sharpe Ratio	Sortino Ratio	Return/Risk
CRHBT - Net of Fees	4.01	8.99	0.29	0.34	0.45
CRHBT Benchmark	4.02	8.86	0.28	0.34	0.45

Participating Agency Allocation

	1/1/2020		1/1/2020 - 3/31/2020			3/31/2020	
Agency	Balance $	Balance %	Contributions	Expenses	Investment Gain/Loss	Balance $	Balance %
Montgomery County Govt	$564,091,892	49.05%	$1,500,000	($586,813)	($63,490,284)	$501,514,796	49.12%
MontCo Revenue Authority	$3,684,490	0.32%	$0	($3,829)	($413,812)	$3,266,848	0.32%
Strathmore Hall Foundation	$1,811,792	0.16%	$0	($1,883)	($203,486)	$1,606,424	0.16%
SkyPoint Federal Credit Union	$1,513,851	0.13%	$0	($1,573)	($170,024)	$1,342,254	0.13%
Dept of Assessments & Tax	$15,180	0.00%	$0	($16)	($1,705)	$13,459	0.00%
District Court of Maryland	$0	0.00%	$0	$0	$0	$0	0.00%
HOC	$20,413,142	1.77%	$0	($21,216)	($2,292,639)	$18,099,287	1.77%
WSTC	$142,579	0.01%	$0	($148)	($16,013)	$126,418	0.01%
Village of Friendship Heights	$458,380	0.04%	$0	($476)	($51,482)	$406,422	0.04%
Montg. Cty. Public Schools	$496,016,300	43.13%	$0	($513,342)	($55,708,701)	$439,794,256	43.07%
Montgomery College	$61,892,692	5.38%	$0	($64,055)	($6,951,307)	$54,877,330	5.37%
Total	**$1,150,040,299**	**100.00%**	**$1,500,000**	**($1,193,352)**	**($129,299,453)**	**$1,021,047,495**	**100.00%**