

**Hand Composite Employee Benefit Trust**  
**BW Global Investment Grade Fixed Income CIF**  
Independent Auditor's Report and Financial Statements  
December 31, 2014



# Hand Composite Employee Benefit Trust

## December 31, 2014

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## Independent Auditor's Report

Board of Directors  
Hand Composite Employee Benefit Trust  
Houston, Texas

We have audited the accompanying financial statements of BW Global Investment Grade Fixed Income CIF, included in the Hand Composite Employee Benefit Trust ("Trust" or "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2014, the related statements of operations and changes in net assets for the period March 28, 2014 to December 31, 2014, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of BW Global Investment Grade Fixed Income CIF, as of December 31, 2014, and the results of its operations and the changes in its net assets for the period March 28, 2014 to December 31, 2014, in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of investment purchases and sales listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Houston, Texas  
June 5, 2015

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2014**

**BW Global  
Investment  
Grade Fixed  
Income CIF**

**Assets**

Investments, at cost	\$	118,195,359
Investments, at fair value	\$	115,721,025
Unrealized gain on foreign currency forward exchange contracts		786,770
Receivable for:		
Dividend and interest		921,409
Total assets	\$	117,429,204

**Liabilities**

Due to custodian	\$	810,501
Payable for capital shares redeemed		13,942
Management fee payable		45,692
Unrealized loss on foreign currency forward exchange contracts		137,995
Accounts payable and accrued liabilities		13,361
Total liabilities	\$	1,021,491

Net assets held for participants:		
Class R1	\$	116,063,978
Class R-INT		343,735
Total net assets held for participants	\$	116,407,713

Units outstanding:		
Class R1		9,862,639
Class R-INT		29,205
Total units outstanding		9,891,844

Net asset value per unit:		
Class R1	\$	11.77
Class R-INT	\$	11.77

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**BW Global Investment Grade Fixed Income CIF**  
**December 31, 2014**

Number of Shares		Cost	Fair Value
<b><u>Short Term Investments</u></b>			
5,552,494	State Street Institutional Liquid Reserves Fund, Premier Class .06%	\$ 5,552,494	\$ 5,552,494
	Total Short Term Investments	4.80% 5,552,494	5,552,494
<b><u>Corporate Bonds</u></b>			
<b><u>Consumer Discretionary</u></b>			
2,905,000	Nederlandse Waterschapsbank N.V. Sr Unsecured 144A .463% 02/14/2018	2,915,549	2,921,994
	Total Consumer Discretionary	2.52% 2,915,549	2,921,994
<b><u>Financials</u></b>			
1,130,000	ABN AMRO Bank N.V. Sr Unsecured 144A 1.033% 10/28/2016	1,130,000	1,138,067
845,000	Barclays Bank PLC Sr Unsecured .776% 12/09/2016	845,000	844,977
230,000	Dell, Inc. Sr Unsecured 6.50% 04/15/2038	269,294	231,150
1,670,000	Deutsche Bank AG Sr Unsecured .843% 02/13/2017	1,675,840	1,672,393
	Total Financials	3.36% 3,920,134	3,886,587
<b><u>Health Care</u></b>			
885,000	Macquarie Bank Ltd. Sr Unsecured 144A .864% 10/27/2017	885,000	885,968
990,000	Macquarie Group Ltd. Sr Unsecured 144A 1.233% 01/31/2017	990,000	999,327
	Total Health Care	1.63% 1,875,000	1,885,295
<b><u>Materials</u></b>			
3,025,000	Goldman Sachs Group, Inc. Sr Unsecured 1.332% 11/15/2018	3,063,518	3,054,642
	Total Materials	2.64% 3,063,518	3,054,642
	Total Corporate Bonds	10.15% 11,774,201	11,748,518
<b><u>Foreign Government</u></b>			
<b><u>Australia</u></b>			
AUD	3,325,000 New South Wales Treasury Corp. Local Government Guarantee 5.00% 08/20/2024	3,062,808	3,151,281
AUD	1,635,000 Queensland Treasury Corp. Local Government Guarantee REGS 6.00% 07/21/2022	1,693,704	1,614,608
AUD	4,105,000 Queensland Treasury Corp. Local Government Guarantee REGS 6.25% 02/21/2020	4,345,215	3,943,439
	Total Australia	7.53% 9,101,727	8,709,328

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**BW Global Investment Grade Fixed Income CIF (Continued)**  
**December 31, 2014**

Principal Amount †			Cost	Fair Value
<i><u>Foreign Government (continued)</u></i>				
<i><b>Brazil</b></i>				
BRL	1,575,000	Brazil Notas do Tesouro Nacional 10.00% 01/01/2021	\$ 626,084	\$ 535,171
BRL	11,540,000	Brazil Notas do Tesouro Nacional 10.00% 01/01/2023	4,446,164	3,849,573
		Total Brazil	3.79% 5,072,248	4,384,744
<i><b>Germany</b></i>				
	1,400,000	Land Nordrhein Westfalen REGS .365% 03/06/2015	1,400,183	1,400,230
		Total Germany	1.21% 1,400,183	1,400,230
<i><b>Italy</b></i>				
EUR	4,550,000	Buoni Poliennali Del Tesoro Sr Unsecured REGS 5.00% 08/01/2039	6,256,872	7,308,430
		Total Italy	6.32% 6,256,872	7,308,430
<i><b>Malaysia</b></i>				
MYR	4,200,000	Malaysia Government Bond Sr Unsecured 3.48% 03/15/2023	1,241,272	1,146,502
MYR	3,410,000	Malaysia Government Bond Sr Unsecured 4.048% 09/30/2021	1,044,814	974,952
		Total Malaysia	1.83% 2,286,086	2,121,454
<i><b>Mexico</b></i>				
MXN	80,100,000	Mexican Bonos 7.75% 11/13/2042	6,743,009	6,250,202
MXN	62,040,000	Mexican Bonos 8.50% 05/31/2029	5,526,169	5,081,126
MXN	52,410,000	Mexican Bonos 8.50% 11/18/2038	4,728,572	4,392,394
		Total Mexico	13.59% 16,997,750	15,723,722
<i><b>New Zealand</b></i>				
NZD	2,620,000	New Zealand Government Sr Unsecured REGS 5.50% 04/15/2023	2,309,935	2,308,803
NZD	1,995,000	New Zealand Government Sr Unsecured REGS 6.00% 05/15/2021	1,775,988	1,765,711
		Total New Zealand	3.52% 4,085,923	4,074,514
<i><b>Norway</b></i>				
	678,000	Kommunalbanken AS Sr Unsecured 144A .352% 05/02/2017	678,515	678,302
	1,896,000	Kommunalbanken AS Sr Unsecured 144A .412% 02/20/2018	1,902,565	1,897,708
	964,000	Kommunalbanken AS Sr Unsecured 144A .635% 03/27/2017	971,037	970,680
		Total Norway	3.06% 3,552,117	3,546,690

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**BW Global Investment Grade Fixed Income CIF (Continued)**  
**December 31, 2014**

Principal Amount †		Cost	Fair Value
<u><i>Foreign Government (continued)</i></u>			
<i>Poland</i>			
PLN	1,510,000 Poland Government Bond 4.00% 10/25/2023	\$ 486,253	\$ 480,267
PLN	7,145,000 Poland Government Bond 5.25% 10/25/2020	2,419,598	2,345,981
	Total Poland	2.44% 2,905,851	2,826,248
<i>South Africa</i>			
ZAR	40,310,000 South Africa Government International Bond 6.50% 02/28/2041	3,352,148	2,712,342
ZAR	13,105,000 South Africa Government International Bond Sr Unsecured 6.75% 03/31/2021	1,500,998	1,084,403
	Total South Africa	3.28% 4,853,146	3,796,745
<i>South Korea</i>			
	2,310,000 Export-Import Bank of Korea Sr Unsecured 144A .833% 05/12/2017	2,312,191	2,308,866
	2,185,000 Export-Import Bank of Korea Sr Unsecured 144A .858% 08/14/2017	2,188,274	2,184,694
KRW	1,118,300,000 Korea Treasury Bond Sr Unsecured 3.375% 09/10/2023	1,056,850	1,081,250
KRW	3,635,000,000 Korea Treasury Bond Sr Unsecured 5.75% 09/10/2018	3,736,563	3,719,301
	Total South Korea	8.03% 9,293,878	9,294,111
<i>Sweden</i>			
	1,030,000 Swedish Export Credit AB Sr Unsecured .42% 06/12/2017	1,030,919	1,031,276
	1,745,000 Swedish Export Credit AB Sr Unsecured REGS .607% 11/09/2017	1,759,532	1,759,880
	Total Sweden	2.41% 2,790,451	2,791,156
<i>United Kingdom</i>			
GBP	3,875,000 United Kingdom Gilt REGS 2.75% 01/22/2015	6,459,974	6,046,815
	Total United Kingdom	5.23% 6,459,974	6,046,815
	Total Foreign Government	62.24% 75,056,206	72,024,187
<u><i>Municipals</i></u>			
	160,000 Municipal Electric Auth. of Georgia 6.637% 04/01/2057	152,967	212,115
	505,000 Municipal Electric Auth. of Georgia 6.655% 04/01/2057	530,624	665,641
	Total Municipals	0.76% 683,591	877,756



**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**BW Global Investment Grade Fixed Income CIF (Continued)**  
**December 31, 2014**

Principal Amount †		Cost	Fair Value
<i><u>U.S. Government Obligations</u></i>			
3,130,000	United States Treasury Bond 2.875% 05/15/2043	\$ 2,809,461	\$ 3,201,401
11,360,000	United States Treasury Note .085% 01/31/2016	11,358,404	11,356,899
10,960,000	United States Treasury Note .11% 07/31/2016	10,961,002	10,959,770
	Total U.S. Government Obligations	22.05% 25,128,867	25,518,070
	Total Investments	100.00% \$ 118,195,359	\$ 115,721,025

† Principal amount denominated in U.S. dollars, unless otherwise noted.

*Abbreviations used in this schedule:*

AUD	Australian Dollar
BRL	Brazilian Real
EUR	Euro
GBP	British Pound
KRW	South Korean Won
MXN	Mexican Peso
MYR	Malaysian Ringgit
NZD	New Zealand Dollar
PLN	Polish Zloty
ZAR	South African Rand

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Period Ended December 31, 2014**

	<b>BW Global Investment Grade Fixed Income CIF</b>
<b>Income</b>	
Interest (net of foreign withholding taxes of \$44,362)	\$ 2,583,285
Total income	2,583,285
<b>Expenses</b>	
Trustee and administrative	73,665
Class R1	368,424
Class R-INT	-
Total expenses	442,089
<b>Net Investment Income</b>	2,141,196
<b>Net Realized Gains (Losses) on Investments and Foreign Currency</b>	
Net realized gains on investments	652,653
Net realized losses on foreign currency transactions	(108,913)
Net realized gains on foreign currency forward exchange contracts	709,096
Net realized gains on investments and foreign currency	1,252,836
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	
Investments	(2,474,334)
Foreign currencies	(52,026)
Foreign currency forward exchange contracts	648,775
Change in net unrealized appreciation (depreciation)	(1,877,585)
Net realized and unrealized losses on investments and foreign currency	(624,749)
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 1,516,447

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Period Ended December 31, 2014**

	<b>BW Global Investment Grade Fixed Income CIF</b>
<b>Operations</b>	
Net investment income	\$ 2,141,196
Net realized gains	1,252,836
Change in net unrealized appreciation (depreciation)	<u>(1,877,585)</u>
Net increase in net assets from operations	1,516,447
<b>Net Increase in Net Assets From Participant Unit Transactions</b>	<u>114,891,266</u>
<b>Increase in Net Assets</b>	116,407,713
<b>Net Assets</b>	
Beginning of period	<u>-</u>
End of period	<u><u>\$ 116,407,713</u></u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2014

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### ***Nature of Operations***

Hand Composite Employee Benefit Trust ("HB&T" or "the Trust") was created in order to provide broad and uniform diversification programs for pension and profit sharing plans which, having complied with the requirements of the Internal Revenue Code (the IRC), are exempt from taxation under the provisions of the IRC. The Trust is comprised of 91 portfolios (the Funds); the financial statements of one of those funds, the BW Global Investment Grade Fixed Income CIF (the Fund), are included in this report.

Each class of the Fund has equal rights as to earnings and assets except that each class bears different distribution, shareholder servicing and transfer agent expenses. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments and foreign currency are allocated to each class of units based on its relative net assets.

The Fund's inception date was January 2, 2014, and it was funded on March 28, 2014. Thus, the reporting period is from March 28, 2014 to December 31, 2014.

#### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of investment income and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Investment Valuation***

All investments in securities are recorded at their estimated fair value. Transfers in and out of Level 1 (quoted market prices), Level 2 (significant other observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

#### ***Investment Transactions***

Investment transactions are accounted for on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation of investments are reported on the identified cost basis.

#### ***Foreign Currency***

Investment securities and other assets and liabilities denominated in, or expected to settle in, foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2014

The Fund isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held.

Reported net realized foreign exchange gains or losses arise from sales of portfolio securities, sales and maturities of short term securities, sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, including investments in securities at December 31, 2014, resulting from changes in the exchange rates.

#### ***Foreign Currency Forward Exchange Contracts***

The Fund may enter into foreign currency forward exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. The Fund's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations. These instruments involve market risk, credit risk or both kinds of risks in excess of the amount recognized in the statement of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and movement in currency and securities values and interest rates.

#### ***Investment Income and Distribution of Income***

Dividend income less foreign taxes withheld, if any, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Investment income is allocated ratably on the valuation dates among all participants. No distributions are made to participants in the Fund until units owned are redeemed, at which time the market value of redeemed units is distributed. Investment income and realized gains (if any) earned by the Fund are reinvested, thereby increasing the respective unit values.

#### ***Valuation of Participants' Interest***

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. The Fund is valued daily.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2014

#### **Federal Income Taxes**

The Funds comply with the requirements under Section 501(a) of the IRC and apportion all of their taxable income to their participants. Therefore, no federal income tax provision is required.

#### **Subsequent Events**

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

#### **Investment Management Advisors**

The investment management advisor for the Fund is Brandywine Global.

## **Note 2: Foreign Currency Forward Exchange Contracts**

At December 31, 2014, the Fund held the following open forward foreign currency contracts:

Currency Purchased	Currency Sold	Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
USD \$ 386,581	NZD \$ 490,000	Barclays Bank PLC	01/16/15	\$ 4,732
USD 3,351,125	NZD 4,150,000	Citibank, N.A.	01/16/15	117,098
USD 124,570	NZD 160,000	HSBC Bank USA, N.A.	01/16/15	(115)
CLP 1,129,000,000	USD 1,862,114	HSBC Bank USA, N.A.	01/26/15	(6,398)
USD 2,947,362	PLN 9,880,000	Citibank, N.A.	01/27/15	159,668
USD 4,635,261	KRW 5,030,000,000	Barclays Bank PLC	02/06/15	66,672
CLP 531,000,000	USD 880,013	HSBC Bank USA, N.A.	02/09/15	(8,521)
CLP 565,000,000	USD 945,923	HSBC Bank USA, N.A.	02/09/15	(18,630)
USD 7,362,504	EUR 5,860,000	Citibank, N.A.	02/10/15	268,984
EUR 630,000	USD 782,558	HSBC Bank USA, N.A.	02/10/15	(19,944)
USD 3,285,860	AUD 3,850,000	Morgan Stanley & Co. International PLC	02/12/15	151,395
CLP 900,000,000	USD 1,526,977	HSBC Bank USA, N.A.	02/23/15	(51,567)
CLP 1,172,000,000	USD 1,950,732	HSBC Bank USA, N.A.	03/17/15	(32,820)
CLP 727,000,000	USD 1,168,904	HSBC Bank USA, N.A.	04/13/15	18,221
Total				<u>\$ 648,775</u>

*Abbreviations used in this table:*

AUD Australian Dollar  
 CLP Chilean Peso  
 EUR Euro  
 KRW South Korean Won  
 NZD New Zealand Dollar  
 PLN Polish Zloty  
 USD United States Dollar

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2014

### Note 3: Investment Advisory Fees and Other Transactions With Affiliates

The Fund is charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Fund has also entered into investment advisory and service agreements with a third-party advisor. These fees compensate the advisor for the services it provides and for expenses borne by the advisor under the agreement.

The following table indicates the fees charged to the Fund and the various classes of units within the Fund (as a percentage of net assets). These charges are calculated using the Fund's prior day's total net assets.

Fund	Trustee/ Administrative Fees	Investment Management Fees	Total Fees
<b>BW Global Investment Grade</b>			
<b>Fixed Income CIF:</b>			
Class R1	0.04%	0.47%	0.51%
Class R-INT	0.04%	0.00%	0.04%

### Note 4: Financial Highlights

	<b>BW Global Investment Grade Fixed Income CIF</b>	
	<b>Class R1</b>	<b>Class R-INT</b>
Net asset value, at inception	\$ 11.58	\$ 11.82
Net investment income	0.25	0.05
Net realized and unrealized losses	(0.06)	(0.10)
Net increase (decrease) from investment operations	0.19	(0.05)
Net asset value, end of period	\$ 11.77	\$ 11.77
Total return	1.64 %	(0.42) %
Ratio to average net assets (annualized):		
Net investment income	2.73 %	2.81 %
Total expenses	0.56 %	0.08 %

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2014**

**Note 5: Participant Unit Transactions**

	<b>BW Global Investment Grade Fixed Income CIF</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R1:</b>		
Proceeds from sales of units	9,969,419	\$ 116,054,588
Cost of units redeemed	(106,780)	(1,508,322)
	<u>9,862,639</u>	<u>114,546,266</u>
Net change in Class R1 from participant transactions		
	<u>9,862,639</u>	<u>114,546,266</u>
<b>Class R-INT:</b>		
Proceeds from sales of units	31,082	367,000
Cost of units redeemed	(1,877)	(22,000)
	<u>29,205</u>	<u>345,000</u>
Net change in Class R-INT from participant transactions		
	<u>29,205</u>	<u>345,000</u>
Net increase in total net assets from participant transactions		<u>\$ 114,891,266</u>

**Note 6: Disclosures About Fair Value of Financial Instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2014

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of assets and liabilities, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the period ended December 31, 2014.

**Short Term Investments.** Short term investments, including money market funds, for which market quotations are readily available, are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

**U.S. Government Obligations.** U.S. Government obligations are valued using a model that incorporates market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Certain securities are valued principally using dealer quotations. U.S. Government obligations are categorized as Level 2 in the hierarchy.

**Foreign Government Obligations.** Foreign Government obligations are valued using models that incorporate market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Certain securities are valued principally using dealer quotations. These securities are categorized as Level 2 in the hierarchy.

**Corporate and Municipal Bonds.** The fair value of corporate and municipal bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate and municipal bonds are categorized as Level 2 in the hierarchy.

**Foreign Currency Contracts.** These contracts are valued at the prevailing forward exchange rate of the underlying currencies on the reporting date and unrealized gains or losses are recorded daily. Foreign currency contracts are generally categorized as Level 2 in the hierarchy.

The table on the following page presents the fair value measurements of assets and liabilities recognized in the accompanying statement of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2014.

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2014**

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>BW Global Investment Grade Fixed Income CIF</b>				
Financial Instruments - Assets:				
Short Term Investments	\$ 5,552,494	\$ 5,552,494	\$ -	\$ -
Corporate Bonds	11,748,518	-	11,748,518	-
Foreign Government	72,024,187	-	72,024,187	-
Municipals	877,756	-	877,756	-
U.S. Government Obligations	<u>25,518,070</u>	<u>-</u>	<u>25,518,070</u>	<u>-</u>
Total Financial Instruments - Assets	115,721,025	5,552,494	110,168,531	0
Derivative Instruments - Assets:				
Forward Foreign Currency Contracts	<u>786,770</u>	<u>-</u>	<u>786,770</u>	<u>-</u>
Total	<u>\$ 116,507,795</u>	<u>\$ 5,552,494</u>	<u>\$ 110,955,301</u>	<u>\$ 0</u>
Derivative Instruments - Liabilities:				
Forward Foreign Currency Contracts	<u>\$ 137,995</u>	<u>\$ 0</u>	<u>\$ 137,995</u>	<u>\$ 0</u>

**Note 7: Risk Factors**

***Investment Securities Risk***

The Fund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of assets and liabilities.

***Foreign Securities Risk***

Securities traded in foreign markets have often (though not always) performed differently from securities traded in the United States. However, such investments often involve special risks not present in U.S. investments that can increase the chances that the Fund will lose money. In

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## Notes to Financial Statements

December 31, 2014

particular, the Fund is subject to the risk that because there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, it may be more difficult for the Fund to buy and sell securities on those exchanges. In addition, prices of foreign securities may go up and down more than prices of securities traded in the United States.

### **Currency Risk**

Securities and other instruments in which the Fund invests may be denominated or quoted in currencies other than the U.S. dollar. Changes in foreign currency exchange rates may affect the value of the Fund's portfolio. Because the Fund's assets are primarily invested in securities of foreign countries, the U.S. dollar equivalent of the Fund's net assets would be adversely affected by reductions in the value of the foreign currencies relative to the U.S. dollar. For this reason, changes in foreign currency exchange rates can affect the value of the Fund's portfolio. Generally, when the U.S. dollar rises in value against a foreign currency, a security denominated in that currency loses value because the currency is worth fewer U.S. dollars. Conversely, when the U.S. dollar decreases in value against a foreign currency, a security denominated in that currency gains value because the currency is worth more U.S. dollars. This risk, generally known as "currency risk," means that a strong U.S. dollar may reduce returns for U.S. investors in foreign stocks while a weak U.S. dollar may increase those returns.

### **Note 8: Derivative Instruments and Hedging Activities**

Below is a table, grouped by derivative type that provides information about the fair value and the location of derivatives within the statement of assets and liabilities at December 31, 2014.

<b>Asset Derivatives<sup>(1)</sup></b>	
	<b>Foreign Exchange Risk</b>
Forward foreign currency contracts	\$ 786,770

  

<b>Liability Derivatives<sup>(1)</sup></b>	
	<b>Foreign Exchange Risk</b>
Forward foreign currency contracts	\$ 137,995

<sup>(1)</sup> Generally, the statement of assets and liabilities location for asset derivatives is receivables/unrealized gain and for liability derivatives is payables/unrealized loss.

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The following tables provide information about the effect of derivatives and hedging activities on the Fund's statement of operations for the period ended December 31, 2014. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

<b>Amount of Realized Gain on Derivatives Recognized</b>	
	<b>Foreign Exchange Risk</b>
Forward foreign currency contracts	\$ 709,096
<b>Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized</b>	
	<b>Foreign Exchange Risk</b>
Forward foreign currency contracts	\$ 648,775

During the period ended December 31, 2014, the volume of derivative activity for the Fund was as follows:

	<b>Average Market Value</b>
Forward foreign currency contracts (to buy)	\$ 8,793,256
Forward foreign currency contracts (to sell)	19,792,775

The following table presents, by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2014:

	<b>Gross Amount of Derivative Assets in the Statement of Assets and Liabilities<sup>(1)</sup></b>	<b>Collateral Received</b>	<b>Net Amount</b>
Forward foreign currency contracts	\$ 786,770	\$ 0	\$ 786,770

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The following table presents, by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at December 31, 2014:

	<b>Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities<sup>(1)</sup></b>	<b>Collateral Received</b>	<b>Net Amount</b>
Forward foreign currency contracts	<u>\$ 137,995</u>	<u>\$ 0</u>	<u>\$ 137,995</u>

<sup>(1)</sup> Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the statement of assets and liabilities.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales – Selected Fund**  
**BW Global Investment Grade Fixed Income CIF**  
**Period Ended December 31, 2014**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Corporate Bonds	\$ 14,453,597
Foreign Government	80,800,767
Municipals	683,633
U.S. Government Obligations	38,673,526
Total Investments Purchased	<u>\$ 134,611,523</u>

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Corporate Bonds	\$ 2,665,000	\$ 2,665,000	\$ -
Foreign Government	6,111,942	5,542,265	569,677
U.S. Government Obligations	13,626,564	13,543,588	82,976
Total Investments Sold	<u>\$ 22,403,506</u>	<u>\$ 21,750,853</u>	<u>\$ 652,653</u>