

Hand Composite Employee Benefit Trust
ClearBridge Value Equity CIF
Independent Auditor's Report and Financial Statements
December 31, 2014



Hand Composite Employee Benefit Trust

December 31, 2014

Contents

Independent Auditor's Report	1
---	----------

Basic Financial Statements

Statement of Assets and Liabilities – Selected Fund	3
Schedule of Investments	
ClearBridge Value Equity CIF	4
Statement of Operations – Selected Fund	7
Statement of Changes in Net Assets – Selected Fund	8
Notes to Financial Statements	9

Supplemental Information

Schedule of Investment Purchases and Sales – Selected Fund	15
--	----

Independent Auditor's Report

Board of Directors
Hand Composite Employee Benefit Trust
Houston, Texas

We have audited the accompanying financial statements of ClearBridge Value Equity 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 year then ended, 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 ClearBridge Value Equity CIF as of December 31, 2014, and the results of its operations and the changes in its net assets for the year then ended 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

	<u>ClearBridge Value Equity CIF</u>
Assets	
Investments, at cost	\$ 71,279,610
Investments, at fair value	\$ 88,773,384
Receivable for:	
Capital shares sold	14,972
Dividend and interest	79,734
Investment advisor waived fees	13,615
Total assets	<u>\$ 88,881,705</u>
Liabilities	
Payable for investment securities purchased	\$ 976,855
Management fee payable	36,056
Accounts payable and accrued liabilities	16,959
Total liabilities	<u>\$ 1,029,870</u>
Net assets held for participants:	
Class R1	\$ 86,478,160
Class R-INT	1,373,675
Total net assets held for participants	<u>\$ 87,851,835</u>
Units outstanding:	
Class R1	5,196,462
Class R-INT	82,466
Total units outstanding	<u>5,278,928</u>
Net asset value per unit:	
Class R1	<u>\$ 16.64</u>
Class R-INT	<u>\$ 16.66</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
ClearBridge Value Equity CIF
December 31, 2014

Number of Shares		Cost	Fair Value
<i>Short Term Investments</i>			
3,630,798	SSgA United States Treasury Money Market Fund Class N 0.000%	\$ 3,630,798	\$ 3,630,798
	Total Short Term Investments	4.09% 3,630,798	3,630,798
<i>Common Stocks</i>			
<i>Consumer Discretionary</i>			
6,075	Amazon.com, Inc.	1,404,139	1,885,376
15,730	Expedia, Inc.	860,566	1,342,713
24,690	Lowe's Cos., Inc.	1,292,287	1,698,672
94,845	PulteGroup, Inc.	1,744,887	2,035,374
7,210	Ralph Lauren Corp.	1,186,312	1,335,003
25,010	Target Corp.	1,577,635	1,898,509
	Total Consumer Discretionary	11.48% 8,065,826	10,195,647
<i>Consumer Staples</i>			
21,770	Colgate-Palmolive Co.	1,077,992	1,506,266
19,890	Dr Pepper Snapple Group, Inc.	890,625	1,425,715
7,880	Keurig Green Mountain, Inc.	1,140,640	1,043,273
	Total Consumer Staples	4.48% 3,109,257	3,975,254
<i>Energy</i>			
29,490	Apache Corp.	2,453,553	1,848,138
11,750	Baker Hughes, Inc.	663,267	658,823
15,680	Chevron Corp.	1,718,144	1,758,982
54,180	CONSOL Energy, Inc.	1,905,683	1,831,826
16,030	EOG Resources, Inc.	1,421,652	1,475,882
17,940	Phillips 66	946,757	1,286,298
	Total Energy	9.98% 9,109,056	8,859,949
<i>Financials</i>			
78,490	American Homes 4 Rent Class A, REIT	1,287,153	1,336,685
38,880	American International Group, Inc.	2,138,802	2,177,669
65,570	Citigroup, Inc.	2,810,533	3,547,993
45,590	Citizens Financial Group, Inc.	1,004,912	1,133,367
60,340	E*TRADE Financial Corp.	1,101,053	1,463,547
157,890	Genworth Financial, Inc. Class A	1,480,364	1,342,065
36,280	Hartford Financial Services Group, Inc.	827,681	1,512,513
40,720	JPMorgan Chase & Co.	1,739,734	2,548,258
4,960	Realogy Holdings Corp.	182,407	220,670
40,650	Wells Fargo & Co.	1,361,742	2,228,433
	Total Financials	19.73% 13,934,381	17,511,200

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Value Equity CIF (Continued)
December 31, 2014

Number of Shares		Cost	Fair Value
<i><u>Common Stocks (continued)</u></i>			
<i>Health Care</i>			
15,450	Amgen, Inc.	\$ 1,835,415	\$ 2,461,031
20,150	Express Scripts Holding Co.	1,239,117	1,706,101
34,590	Medtronic, Inc.	1,418,255	2,497,398
36,790	Merck & Co., Inc.	1,763,477	2,089,304
7,770	Perrigo Co. PLC	1,183,022	1,298,833
25,250	UnitedHealth Group, Inc.	1,321,166	2,552,522
	Total Health Care	14.20% 8,760,452	12,605,189
<i>Industrials</i>			
9,960	Boeing Co.	1,271,781	1,294,601
16,750	Norfolk Southern Corp.	1,195,362	1,835,968
20,000	PACCAR, Inc.	910,222	1,360,200
12,810	Rockwell Automation, Inc.	1,467,049	1,424,472
31,050	United Continental Holdings, Inc.	825,865	2,076,934
	Total Industrials	9.00% 5,670,279	7,992,175
<i>Information Technology</i>			
15,155	Apple, Inc.	927,076	1,672,809
42,880	Broadcom Corp. Class A	1,197,366	1,857,991
90,940	Cisco Systems, Inc.	2,064,636	2,529,496
84,980	EMC Corp.	2,203,557	2,527,305
74,100	Microsoft Corp.	2,234,264	3,441,945
28,820	NXP Semiconductors N.V.	1,778,705	2,201,848
36,719	Teradata Corp.	1,843,642	1,603,886
46,410	Yahoo!, Inc.	1,755,929	2,344,169
	Total Information Technology	20.48% 14,005,175	18,179,449
<i>Materials</i>			
18,455	LyondellBasell Industries N.V. Class A	836,574	1,465,142
	Total Materials	1.65% 836,574	1,465,142
<i>Utilities</i>			
65,300	AES Corp.	814,176	899,181
97,012	Calpine Corp.	2,005,924	2,146,875
	Total Utilities	3.43% 2,820,100	3,046,056
	Total Common Stocks	94.43% 66,311,100	83,830,061

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Value Equity CIF (Continued)
December 31, 2014

Number of Shares		Cost	Fair Value
	<i><u>Partnerships</u></i>		
	<i>Financials</i>		
56,550	KKR & Co. L.P.	\$ 1,337,712	\$ 1,312,525
	Total Financials	<i>1.48%</i> 1,337,712	1,312,525
	Total Partnerships	<i>1.48%</i> 1,337,712	1,312,525
	Total Investments	<i>100.00%</i> \$ 71,279,610	\$ 88,773,384

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

	ClearBridge Value Equity CIF
Income	
Interest	\$ 129
Dividends (net of foreign withholding taxes of \$160)	1,301,319
Total income	1,301,448
Expenses	
Trustee and administrative	72,029
Class R1	390,677
Class R-INT	-
Total expenses before reimbursement	462,706
Reimbursement of fees	(32,794)
Net expenses	429,912
Net Investment Income	871,536
Net Realized Gains on Investments	8,372,778
Change in Net Unrealized Appreciation (Depreciation)	
Investments	17,493,774
Net realized and unrealized gains on investments	25,866,552
Net Increase in Net Assets Resulting From Operations	\$ 26,738,088

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

	ClearBridge Value Equity CIF
Operations	
Net investment income	\$ 871,536
Net realized gains	8,372,778
Change in net unrealized appreciation (depreciation)	<u>17,493,774</u>
Net increase in net assets resulting from operations	26,738,088
Net Increase in Net Assets From Participant Unit Transactions	<u>61,113,747</u>
Increase in Net Assets	87,851,835
Net Assets	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 87,851,835</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, ClearBridge Value Equity 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.

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.

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.

Federal Income Taxes

The Fund complies with the requirements under Section 501(a) of the IRC and apportion all of its taxable income to its 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 ClearBridge, LLC.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2014

Note 2: 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.

During the year ended December 31, 2014, the investment advisor voluntarily reimbursed the Fund for a portion of its expenses.

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
ClearBridge Value Equity CIF:			
Class R1	0.04%	0.50%	0.54%
Class R-INT	0.04%	0.00%	0.04%

Note 3: Financial Highlights

	ClearBridge Value Equity CIF	
	Class R1	Class R-INT¹
Net asset value, beginning of year	\$ 14.63	\$ 16.39
Net investment income	0.17	0.04
Net realized and unrealized gains	1.84	0.23
Net increase from investment operations	2.01	0.27
Net asset value, end of year	\$ 16.64	\$ 16.66
Total return	13.74%	1.65%
Ratio to average net assets:		
Net investment income	1.11%	1.52% ²
Expenses without reimbursement	0.59%	0.09% ²
Expenses with reimbursement	0.55%	0.09% ²

¹ For the period November 7, 2014 (inception date) to December 31, 2014.

² Annualized

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

Note 4: Participant Unit Transactions

	ClearBridge Value Equity CIF	
	Units	Dollars
Class R1:		
Proceeds from sales of units	5,737,013	\$ 68,157,137
Cost of units redeemed	(540,551)	(8,389,390)
	<u>5,196,462</u>	<u>59,767,747</u>
Class R-INT:		
Proceeds from sales of units	88,319	1,444,000
Cost of units redeemed	(5,853)	(98,000)
	<u>82,466</u>	<u>1,346,000</u>
Net change in Class R-INT from participant transactions		
	<u>82,466</u>	<u>1,346,000</u>
Net increase in total net assets from participant transactions		\$ <u>61,113,747</u>

Note 5: 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.

On the 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 year ended December 31, 2014.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

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.

Common and Preferred Stock and Partnership. Securities traded on a national securities exchange (or reported on the NASDAQ national market) 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. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments, such as American Depository Receipts and the movement of certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as either Level 1 or 2 of the hierarchy.

The following table presents the fair value measurements of assets 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.

	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)
ClearBridge Value Equity CIF				
Financial Instruments - Assets:				
Short Term Investments	\$ 3,630,798	\$ 3,630,798	\$ -	\$ -
Common Stocks	83,830,061	83,830,061	-	-
Partnerships	<u>1,312,525</u>	<u>1,312,525</u>	-	-
Total	<u>\$ 88,773,384</u>	<u>\$ 88,773,384</u>	<u>\$ 0</u>	<u>\$ 0</u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2014

Note 6: 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 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.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investment Purchases and Sales – Selected Fund
ClearBridge Value Equity CIF
Year Ended December 31, 2014

Purchases	
Investment Class	Cost
Common Stocks	\$ 88,905,438
Partnerships	<u>1,337,712</u>
Total Investments Purchased	<u>\$ 90,243,150</u>

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stocks	<u>\$ 30,967,116</u>	<u>\$ 22,594,338</u>	<u>\$ 8,372,778</u>