

Hand Composite Employee Benefit Trust
ClearBridge Value Equity CIF
Independent Auditor's Report and Financial Statements
December 31, 2015



Hand Composite Employee Benefit Trust

December 31, 2015

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	6
Statement of Changes in Net Assets – Selected Fund	7
Notes to Financial Statements	8

Supplemental Information

Schedule of Investment Purchases and Sales – Selected Fund	14
--	----

Independent Auditor's Report

Board of Directors
Hand Composite Employee Benefit Trust
Houston, Texas

We have audited the accompanying financial statements of the selected fund, 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, 2015, 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 the selected fund, ClearBridge Value Equity CIF as of December 31, 2015, 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 2, 2016

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2015

	<u>ClearBridge Value Equity CIF</u>
Assets	
Investments, at cost	\$ 76,342,396
Investments, at fair value	\$ 81,677,586
Receivable for:	
Capital shares sold	29,149
Dividend and interest	99,701
Investment advisor waived fees	46,042
Total assets	<u>\$ 81,852,478</u>
Liabilities	
Management fee payable	\$ 62,802
Accounts payable and accrued liabilities	11,469
Total liabilities	<u>\$ 74,271</u>
Net assets held for participants:	
Class R1	\$ 74,111,662
Class R-INT	7,666,545
Total net assets held for participants	<u>\$ 81,778,207</u>
Units outstanding:	
Class R1	4,601,861
Class R-INT	473,492
Total units outstanding	<u>5,075,353</u>
Net asset value per unit:	
Class R1	<u>\$ 16.10</u>
Class R-INT	<u>\$ 16.19</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
ClearBridge Value Equity CIF
December 31, 2015

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
2,431,855	SSgA United States Treasury Money Market Fund Class N .042%	\$ 2,431,855	\$ 2,431,855
Total Short Term Investment		2.98%	2,431,855
<u>Common Stocks</u>			
<u>Consumer Discretionary</u>			
4,165	Amazon.com, Inc.	978,304	2,815,082
8,170	Expedia, Inc.	469,619	1,015,531
22,530	Lowe's Cos., Inc.	1,179,232	1,713,181
16,861	McDonald's Corp.	1,657,614	1,991,959
117,794	PulteGroup, Inc.	2,236,149	2,099,089
11,960	Ralph Lauren Corp.	1,798,762	1,333,301
Total Consumer Discretionary		13.43%	8,319,680
<u>Consumer Staples</u>			
20,030	Colgate-Palmolive Co.	991,832	1,334,399
Total Consumer Staples		1.63%	991,832
<u>Energy</u>			
33,260	Apache Corp.	2,433,173	1,479,072
76,550	CONSOL Energy, Inc.	2,344,825	604,745
37,649	Devon Energy Corp.	1,981,410	1,204,768
Total Energy		4.03%	6,759,408
<u>Financials</u>			
13,650	American Express Co.	1,058,840	949,358
103,530	American Homes 4 Rent Class A, REIT	1,712,059	1,724,810
39,700	American International Group, Inc.	2,196,101	2,460,209
60,256	Citigroup, Inc.	2,615,574	3,118,248
166,190	Genworth Financial, Inc. Class A	1,546,385	619,889
26,381	Hartford Financial Services Group, Inc.	635,466	1,146,518
33,360	JPMorgan Chase & Co.	1,469,909	2,202,761
33,790	Realogy Holdings Corp.	1,317,524	1,239,079
50,610	Synchrony Financial	1,559,773	1,539,050
46,800	Wells Fargo & Co.	1,710,842	2,544,048
Total Financials		21.47%	15,822,473
<u>Health Care</u>			
22,401	AbbVie, Inc.	1,325,714	1,327,035
6,839	Alexion Pharmaceuticals, Inc.	1,118,570	1,304,539
13,030	Amgen, Inc.	1,547,926	2,115,160
4,190	Biogen, Inc.	1,232,358	1,283,606
21,160	Express Scripts Holding Co.	1,324,060	1,849,596
5,310	Jazz Pharmaceuticals PLC	726,062	746,374
46,210	Merck & Co., Inc.	2,320,437	2,440,812
8,240	Perrigo Co. PLC	1,218,140	1,192,328
14,739	UnitedHealth Group, Inc.	771,194	1,733,896
Total Health Care		17.13%	11,584,461

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Value Equity CIF (Continued)
December 31, 2015

Number of Shares		Cost	Fair Value
<u>Common Stocks (continued)</u>			
<i>Industrials</i>			
10,240	Boeing Co.	\$ 1,322,070	\$ 1,480,602
19,250	PACCAR, Inc.	876,088	912,450
13,730	Rockwell Automation, Inc.	1,581,955	1,408,835
31,060	United Continental Holdings, Inc.	872,625	1,779,738
7,630	United Rentals, Inc.	491,254	553,480
	Total Industrials	7.51% 5,143,992	6,135,105
<i>Information Technology</i>			
90,350	Cisco Systems, Inc.	2,092,406	2,453,454
32,763	eBay, Inc.	895,873	900,327
87,500	EMC Corp.	2,265,518	2,247,000
67,270	Microsoft Corp.	2,109,965	3,732,139
24,963	NXP Semiconductors N.V.	1,693,747	2,103,133
61,179	Oracle Corp.	2,424,485	2,234,869
60,160	Yahoo!, Inc.	2,348,992	2,000,922
	Total Information Technology	19.19% 13,830,986	15,671,844
<i>Materials</i>			
29,770	Albemarle Corp.	1,455,004	1,667,418
14,623	LyondellBasell Industries N.V. Class A	706,236	1,270,739
76,280	Steel Dynamics, Inc.	1,362,852	1,363,123
	Total Materials	5.27% 3,524,092	4,301,280
<i>Utilities</i>			
225,847	AES Corp.	2,790,783	2,161,356
204,982	Calpine Corp.	3,805,122	2,966,089
	Total Utilities	6.28% 6,595,905	5,127,445
	Total Common Stocks	95.94% 72,572,829	78,364,117
<u>Partnerships</u>			
<i>Financials</i>			
56,550	KKR & Co. L.P.	1,337,712	881,614
	Total Financials	1.08% 1,337,712	881,614
	Total Partnerships	1.08% 1,337,712	881,614
	Total Investments	100.00% \$ 76,342,396	\$ 81,677,586

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2015

	ClearBridge Value Equity CIF
Income	
Interest	\$ 11,236
Dividends (net of foreign withholding taxes of \$7,036)	1,442,601
Total income	1,453,837
Expenses	
Trustee and administrative	76,918
Class R1 expenses	409,840
Total expenses before reimbursement	486,758
Reimbursement of fees	(32,428)
Net expenses	454,330
Net Investment Income	999,507
Net Realized Gains on Investments	8,241,274
Change in Net Unrealized Appreciation (Depreciation) on Investments	(12,158,584)
Net realized and unrealized losses on investments	(3,917,310)
Net Decrease in Net Assets Resulting From Operations	\$ (2,917,803)

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Funds
Year Ended December 31, 2015

	ClearBridge Value Equity CIF
Operations	
Net investment income	\$ 999,507
Net realized gains	8,241,274
Change in net unrealized appreciation (depreciation)	(12,158,584)
Net decrease in net assets from operations	(2,917,803)
Net Decrease in Net Assets From Participation Unit Transactions	(3,155,825)
Decrease in Net Assets	(6,073,628)
Net Assets	
Beginning of year	87,851,835
End of year	\$ 81,778,207

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2015

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 94 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.

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, 2015

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, 2015, 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, 2015

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, 2015, 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 net assets.

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
ClearBridge Value Equity CIF:				
Class R1	0.04%	0.50%	0.05%	0.59%
Class R-INT	0.04%	0.00%	0.05%	0.09%

Note 3: Financial Highlights

	ClearBridge Value Equity CIF	
	Class R1	Class R-INT
Net asset value, beginning of year	\$ 16.64	\$ 16.66
Net investment income	0.19	0.28
Net realized and unrealized losses	(0.73)	(0.75)
Net decrease from investment operations	(0.54)	(0.47)
Net asset value, end of year	\$ 16.10	\$ 16.19
Total return	(3.25)%	(2.82) %
Ratio to average net assets:		
Net investment income	1.14 %	1.69%
Expenses without reimbursement	0.59 %	0.09%
Expenses with reimbursement	0.55 %	0.09%

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2015

Note 4: Participant Unit Transactions

	ClearBridge Value Equity CIF	
	Units	Dollars
Class R1:		
Proceeds from sales of units	365,240	\$ 6,014,084
Cost of units redeemed	(959,841)	(15,756,709)
Net change in Class R1 from participant transactions	(594,601)	(9,742,625)
Class R-INT:		
Proceeds from sales of units	461,746	7,718,000
Cost of units redeemed	(70,720)	(1,131,200)
Net change in Class R-INT from participant transactions	391,026	6,586,800
Net decrease in total net assets from participant transactions		\$ (3,155,825)

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.

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, 2015.

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2015

Common Stock and Partnerships. 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, 2015.

	Fair Value	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	\$ 2,431,855	\$ 2,431,855	\$ -	\$ -
Common Stocks	78,364,117	78,364,117	-	-
Partnerships	881,614	881,614	-	-
Total financial instruments - assets	<u>\$ 81,677,586</u>	<u>\$ 81,677,586</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2015

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, 2015

Purchases	
Investment Class	Cost
Short Term Investments	\$ 24,075,324
Common Stock	36,463,153
Total Investments Purchased	\$ 60,538,477

Sales			
Investment Class	Proceeds	Cost	Gain
Short Term Investments	\$ 25,274,266	\$ 25,274,266	\$ -
Common Stock	38,442,699	30,201,425	8,241,274
Total Investments Sold	\$ 63,716,965	\$ 55,475,691	\$ 8,241,274