

**Hand Composite Employee Benefit Trust
ClearBridge Value Equity CIF**

Independent Auditor's Report and Financial Statements

December 31, 2016



Hand Composite Employee Benefit Trust
December 31, 2016

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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 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, 2016, 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, 2016, 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
May 26, 2017

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2016

	<u>ClearBridge Value Equity CIF</u>
Assets	
Investments, at cost	\$ <u>52,959,357</u>
Investments, at fair value	\$ 58,208,459
Receivable for:	
Capital shares sold	11,652
Dividend and interest	63,171
Investment advisor waived fees	<u>3,900</u>
Total assets	<u><u>\$ 58,287,182</u></u>
Liabilities	
Management fee payable	\$ 31,486
Accounts payable and accrued liabilities	<u>17,850</u>
Total liabilities	<u><u>\$ 49,336</u></u>
Net assets held for participants:	
Class R-INT	\$ 10,370,219
Class R-LM	<u>47,867,627</u>
Total net assets held for participants	<u><u>\$ 58,237,846</u></u>
Units outstanding:	
Class R-INT	562,933
Class R-LM	<u>2,623,836</u>
Total units outstanding	<u><u>3,186,769</u></u>
Net asset value per unit:	
Class R-INT	<u>\$ 18.42</u>
Class R-LM	<u><u>\$ 18.24</u></u>

Hand Composite Employee Benefit Trust
Schedule of Investments
ClearBridge Value Equity CIF
December 31, 2016

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
2,369,229	State Street Institutional Trust Treasury Money Market Fund, Premier Class	\$ 2,369,229	\$ 2,369,229
Total Short Term Investment		4.07%	2,369,229
<u>Common Stocks</u>			
<i>Consumer Discretionary</i>			
9,626	Adient PLC	441,037	564,084
1,965	Amazon.com, Inc.	842,024	1,473,494
12,788	CBS Corp. Class B	624,505	813,573
18,560	Lowe's Cos., Inc.	1,133,812	1,319,987
14,961	Norwegian Cruise Line Holdings Ltd.	595,164	636,291
49,105	PulteGroup, Inc.	949,814	902,550
10,810	Ralph Lauren Corp.	1,338,001	976,359
Total Consumer Discretionary		11.49%	5,924,357
<i>Consumer Staples</i>			
11,970	Colgate-Palmolive Co.	674,431	783,317
Total Consumer Staples		1.35%	674,431
<i>Energy</i>			
19,398	Apache Corp.	1,326,035	1,231,191
49,850	CONSOL Energy, Inc.	1,323,119	908,766
20,209	Devon Energy Corp.	874,440	922,945
Total Energy		5.26%	3,523,594
<i>Financials</i>			
48,020	American Homes 4 Rent Class A, REIT	875,064	1,007,460
11,228	Ameriprise Financial, Inc.	986,522	1,245,634
34,266	Citigroup, Inc.	1,534,220	2,036,428
16,220	Discover Financial Services	840,952	1,169,300
18,850	Hartford Financial Services Group, Inc.	794,835	898,202
34,018	MetLife, Inc.	1,491,282	1,833,230
56,740	Realogy Holdings Corp.	1,693,779	1,459,920
63,110	Synchrony Financial	1,801,055	2,289,000
41,770	Wells Fargo & Co.	1,721,091	2,301,945
Total Financials		24.46%	11,738,800
<i>Health Care</i>			
11,559	Alexion Pharmaceuticals, Inc.	1,532,030	1,414,244
8,060	Allergan PLC	1,891,001	1,692,681
4,490	Biogen, Inc.	1,274,800	1,273,274
27,040	Bristol-Myers Squibb Co.	1,482,047	1,580,218
9,916	Celgene Corp.	1,041,586	1,147,777
29,690	Mylan N.V.	1,197,484	1,132,673
7,459	UnitedHealth Group, Inc.	566,696	1,193,738
Total Health Care		16.21%	8,985,644

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Value Equity CIF
December 31, 2016

Number of Shares		Cost	Fair Value
<u>Common Stocks (continued)</u>			
<i>Industrials</i>			
6,420	Boeing Co.	\$ 834,657	\$ 999,466
12,640	CH Robinson Worldwide, Inc.	840,089	926,006
23,070	Johnson Controls International PLC	1,021,759	950,253
12,170	PACCAR, Inc.	605,753	777,663
12,840	Stericycle, Inc.	1,045,426	989,194
22,190	United Continental Holdings, Inc.	836,635	1,617,207
	Total Industrials	10.75% <u>5,184,319</u>	<u>6,259,789</u>
<i>Information Technology</i>			
1,841	Alphabet, Inc. Class C	1,314,372	1,420,921
53,980	Cisco Systems, Inc.	1,414,850	1,631,276
37,110	Microsoft Corp.	1,484,922	2,306,015
47,299	Oracle Corp.	1,852,778	1,818,646
17,390	QUALCOMM, Inc.	959,294	1,133,828
13,000	Yahoo!, Inc.	518,973	502,710
	Total Information Technology	15.14% <u>7,545,189</u>	<u>8,813,396</u>
<i>Materials</i>			
9,303	LyondellBasell Industries N.V. Class A	550,414	798,012
22,343	Mosaic Co.	568,887	655,320
	Total Materials	2.50% <u>1,119,301</u>	<u>1,453,332</u>
<i>Utilities</i>			
140,527	AES Corp.	1,751,557	1,632,924
125,702	Calpine Corp.	2,042,844	1,436,774
40,130	Exelon Corp.	1,302,858	1,424,213
	Total Utilities	7.72% <u>5,097,259</u>	<u>4,493,911</u>
	Total Common Stocks	94.88% <u>49,792,894</u>	<u>55,228,709</u>
<u>Partnerships</u>			
<i>Financials</i>			
39,670	KKR & Co. L.P.	797,234	610,521
	Total Financials	1.05% <u>797,234</u>	<u>610,521</u>
	Total Partnerships	1.05% <u>797,234</u>	<u>610,521</u>
	Total Investments	100.00% <u>\$ 52,959,357</u>	<u>\$ 58,208,459</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2016

	ClearBridge Value Equity CIF
Income	
Interest	\$ 47,480
Dividends (net of foreign withholding taxes of \$3,388)	<u>1,753,602</u>
Total income	<u>1,801,082</u>
Expenses	
Trustee and administrative	76,911
Class R1 expenses	<u>365,335</u>
Total expenses before reimbursement	442,246
Reimbursement of fees	<u>(25,550)</u>
Net expenses	<u>416,696</u>
Net Investment Income	<u>1,384,386</u>
Net Realized Gains on Investments	12,309,595
Change in Net Unrealized Appreciation (Depreciation) on:	
Investments	<u>(86,088)</u>
Net realized and unrealized gains on investments	<u>12,223,507</u>
Net Increase in Net Assets Resulting From Operations	<u><u>\$ 13,607,893</u></u>

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2016

	ClearBridge Value Equity CIF
Operations	
Net investment income	\$ 1,384,386
Net realized gains	12,309,595
Change in net unrealized appreciation (depreciation)	<u>(86,088)</u>
Net increase in net assets from operations	13,607,893
Net Decrease in Net Assets From Participant Unit Transactions	<u>(37,148,254)</u>
Decrease in Net Assets	(23,540,361)
Net Assets	
Beginning of year	<u>81,778,207</u>
End of year	<u><u>\$ 58,237,846</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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 103 portfolios (the Funds); the financial statements of one of those funds, the 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.

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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 Investments, LLC.

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, 2016, 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 total net assets.

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

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

Note 3: Financial Highlights

	ClearBridge Value Equity CIF	
	Class R-INT	Class R-LM(1)
Net asset value, beginning of period	\$ 16.19	\$ 17.23
Net investment income	0.29	0.09
Net realized and unrealized gains	1.94	0.92
Net increase from investment operations	2.23	1.01
Net asset value, end of period	\$ 18.42	\$ 18.24
Total return	13.77%	5.86%
Ratio to average net assets:		
Net investment income	1.76%	2.04% (2)
Expenses without reimbursement	0.09%	0.06% (2)
Expenses with reimbursement	0.09%	0.06% (2)

⁽¹⁾ For the period September 30, 2016 (inception date) to December 31, 2016.

⁽²⁾ Annualized.

Class R1 closed during the year decreasing from 4,601,861 participant units in the amount of \$74,111,662 at December 31, 2015.

Note 4: Participant Unit Transactions

	ClearBridge Value Equity CIF	
	Units	Dollars
Class R1⁽¹⁾:		
Proceeds from sales of units	360,902	\$ 6,093,681
Cost of units redeemed	(4,962,763)	(89,526,127)
Net change in Class R1 from participant transactions	(4,601,861)	(83,432,446)
Class R-INT⁽²⁾:		
Proceeds from sales of units	209,283	3,202,000
Cost of units redeemed	(119,842)	(1,905,000)
Net change in Class R-INT from participant transactions	89,441	1,297,000
Class R-LM⁽²⁾:		
Proceeds from sales of units	2,760,118	47,374,075
Cost of units redeemed	(136,282)	(2,386,883)
Net change in Class R-LM from participant transactions	2,623,836	44,987,192
Net decrease in net assets from participant transactions		\$ (37,148,254)

⁽¹⁾ On December 30, 2016, Class R1 shares were fully redeemed.

⁽²⁾ For the period September 30, 2016 (inception date) to December 31, 2016

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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 that the Fund can access at the measurement date.

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, 2016.

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 Stocks 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, 2016.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2016

	Fair Value Measurements Using			
	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 Investment	\$ 2,369,229	\$ 2,369,229	\$ -	\$ -
Common Stocks	55,228,709	55,228,709	-	-
Partnerships	610,521	610,521	-	-
Total Financial Instruments - Assets	<u>\$ 58,208,459</u>	<u>\$ 58,208,459</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.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investments Purchases and Sales – Selected Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Stocks	\$ 84,692,857

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stocks	\$ 120,322,865	\$ 108,013,270	\$ 12,309,595