

**Hand Composite Employee Benefit Trust**  
**The DGI Growth Fund**

Independent Auditor's Report and Financial Statements

December 31, 2015



# Hand Composite Employee Benefit Trust

## December 31, 2015

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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 selected fund (The DGI Growth Fund) included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2015, and the related statements of operations and changes in net assets for the period June 1, 2015 to December 31, 2015, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 included in the Hand Composite Employee Benefit Trust as of December 31, 2015, and the results of its operations and changes in its net assets for the period June 1, 2015 to December 31, 2015, 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 are 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 7, 2016

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

	<b>The DGI Growth Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 14,712,515
Investments, at fair value	\$ 13,610,456
Receivable for:	
Investment securities sold	4,482
Dividends and interest	2,575
Total assets	\$ 13,617,513
<b>Liabilities</b>	
Capital shares redeemed	\$ 4,482
Accounts payable and accrued liabilities	9,467
Total liabilities	\$ 13,949
Net assets held for participants - Class R1	\$ 13,603,564
Units outstanding - Class R1	1,469,851
Net asset value per unit - Class R1	\$ 9.26

# Hand Composite Employee Benefit Trust

## Schedule of Investments

### The DGI Growth Fund

December 31, 2015

Number of Shares		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
35,458.00	First American Treasury Obligation Fund Instl	\$ 35,458	\$ 35,458
	Total Short Term Investment	0.26% 35,458	35,458
<b><u>Common Stock</u></b>			
<b><i>Consumer Discretionary</i></b>			
7,300	Cabelas Inc	372,300	341,129
4,175	Cheesecake Factory	215,305	192,509
8,450	Ethan Allan Interiors Inc	212,095	235,079
21,900	Gentex Corp	376,242	350,619
4,100	L Brands Inc	354,732	392,862
2,000	Ralph Lauren Corp	260,800	222,960
4,200	Royal Caribbean Cruises Ltd	319,116	425,082
12,725	Select Comfort Corp	396,384	272,442
7,100	TJX Companies Inc	457,095	503,455
10,550	Tumi Holdings Inc	204,180	175,447
4,300	Urban Outfitters Inc	147,834	97,825
	Total Consumer Discretionary	23.58% 3,316,083	3,209,409
<b><i>Energy</i></b>			
8,200	Southwestern Energy Co	147,865	58,302
	Total Energy	0.43% 147,865	58,302
<b><i>Financials</i></b>			
7,000	E*trade Financial Corp	206,220	207,480
11,300	TCF Financial Corp	177,862	159,556
	Total Financials	2.70% 384,082	367,036

# Hand Composite Employee Benefit Trust

## Schedule of Investments (Continued)

### The DGI Growth Fund (Continued)

December 31, 2015

Number of Shares		Cost	Fair Value
<i>Healthcare</i>			
4,475	Align Technology Inc	\$ 271,498	\$ 294,679
6,650	Edwards Lifesciences Corp	434,644	525,217
700	Intuitive Surgical Inc	341,425	382,312
6,225	Myriad Genetics Inc	211,339	268,671
4,125	Varian Medical Systems Inc	357,225	333,300
	Total Healthcare	13.26% 1,616,131	1,804,179
<i>Industrials</i>			
4,425	Ceb Inc	374,311	271,651
2,475	Graco Inc	179,660	178,373
1,225	IHS Inc A	151,165	145,077
16,900	Jetblue Airways Corp	340,704	382,785
4,875	Landstar Systems Inc	318,825	285,919
4,225	Middleby Corp	459,258	455,751
	Total Industrials	12.63% 1,823,923	1,719,556
<i>Information Technology</i>			
6,275	Akamai Technologies Inc	478,594	330,253
8,075	Autodesk Inc	437,261	492,010
3,900	Cognex Corporation	141,874	131,703
4,100	Dolby Laboratories Inc	160,515	137,965
2,625	Factset Research Systems Inc	433,571	426,746
3,975	Intuit Inc	413,996	383,588
5,575	Microchip Technology Inc	273,900	259,461
4,150	Paychex Inc	205,052	219,494
6,750	Plantronics Inc	372,398	320,085
11,475	Plexus Corp	521,883	400,707
3,300	Power Integrations Inc	165,727	160,479
6,625	Qlik Technologies Inc	239,626	209,748
8,300	Realpage Inc	151,558	186,335
7,800	Super Micro Computer Inc	239,465	191,178
2,675	Synaptics Inc	266,537	214,910
2,000	Tripadvisor Inc	137,914	170,500
5,500	Ubiquiti Networks Inc	174,900	174,295
2,475	Viasat Inc	155,900	151,000
9,875	Yahoo Inc	423,983	328,443
	Total Information Technology	35.92% 5,394,654	4,888,900
	Total Common Stock	88.52% 12,682,738	12,047,382

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**The DGI Growth Fund (Continued)**  
**December 31, 2015**

Number of Shares		Cost	Fair Value
<b><u>Foreign Stock</u></b>			
<b><i>Consumer Discretionary</i></b>			
7,625	Garmin Ltd	\$ 346,785	\$ 283,421
	Total Consumer Discretionary	2.08% <u>346,785</u>	<u>283,421</u>
<b><i>Energy</i></b>			
1,575	Core Laboratories Nv	185,031	171,266
9,525	Noble Corp Plc	159,544	100,489
39,800	Ultra Petroluem Corp	287,429	99,500
	Total Energy	2.73% <u>632,004</u>	<u>371,255</u>
<b><i>Information Technology</i></b>			
2,775	Arm Holdings Plc Spons ADR	147,824	125,541
8,250	Open Text Corp	350,130	395,423
8,725	Seagate Technology Plc	485,459	319,859
	Total Information Technology	6.17% <u>983,413</u>	<u>840,823</u>
	Total Foreign Stock	10.98% <u>1,962,202</u>	<u>1,495,499</u>
<b><u>Common Trust Fund</u></b>			
<b><i>Fixed Income</i></b>			
32,117	HB&T Short Term Income Fund	32,117	32,117
	Total Fixed Income	0.24% <u>32,117</u>	<u>32,117</u>
	Total Common Trust Fund	0.24% <u>32,117</u>	<u>32,117</u>
	Total Investments	100.00% <u>\$ 14,712,515</u>	<u>\$ 13,610,456</u>



# Hand Composite Employee Benefit Trust

## Statement of Operations – Selected Fund

Period Ended December 31, 2015

	<b>The DGI Growth Fund</b>
<b>Income</b>	
Dividends	\$ 81,490
<b>Expenses</b>	
Investment management and administrative	4,241
Custody	4,375
Other	550
Class R1 expenses	60,223
Total expenses	69,389
<b>Net Investment Income</b>	12,101
<b>Net Realized and Unrealized Losses on Investments</b>	
Net realized losses on investments	(12,980)
Net change in unrealized depreciation on investments	(1,102,059)
Net realized and unrealized losses	(1,115,039)
<b>Net Decrease in Net Assets Resulting From Operations</b>	\$ (1,102,938)

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Period Ended December 31, 2015**

	<b>The DGI Growth Fund</b>
<b>Operations</b>	
Net investment income	\$ 12,101
Net realized losses	(12,980)
Change in unrealized depreciation	<u>(1,102,059)</u>
Net decrease in net assets from operations	(1,102,938)
<b>Net Increase in Net Assets From Participant Transactions</b>	<u>14,706,502</u>
<b>Increase in Net Assets</b>	13,603,564
<b>Net Assets</b>	
Beginning of period	<u>-</u>
End of period	<u><u>\$ 13,603,564</u></u>

# **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 these funds are included in this report.

The DGI Growth Fund was funded June 1, 2015. Thus, the reporting period is from June 1, 2015 to December 31, 2015.

#### ***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 on 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 is reinvested, thereby increasing the respective unit values.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

### ***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 apportions 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 Advisor***

The investment management advisor for the Fund is Disciplined Growth Investors.

## **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 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 average daily net assets.

<b>Fund</b>	<b>Administrative Fees</b>	<b>Investment Advisory Fees</b>	<b>Custody Fees</b>	<b>Total Fees</b>
<b>The DGI Growth Fund</b>				
Class R1	0.05%	0.71%	0.03%	0.79%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

### Note 3: Financial Highlights

	<b>The DGI Growth Fund</b>
Net asset value, beginning of period	\$ 10.00
Net investment income	0.01
Net realized and unrealized losses	(0.75)
Net decrease from investment operations	(0.74)
Net asset value, end of period	\$ 9.26
Total return	(7.40)%
Ratio to average net assets (annualized):	
Net investment income	0.15%
Expenses without reimbursements	0.84%

### Note 4: Participant Unit Transactions

	<b>The DGI Growth Fund</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R1:</b>		
Proceeds from sales of units	1,597,514	\$ 15,963,548
Cost of units redeemed	(127,663)	(1,257,046)
Net increase in total net assets from participant transactions	1,469,851	\$ 14,706,502

### 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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

- 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 period 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.

**Common and Foreign Stock.** 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 Depositary 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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

		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)
		Fair Value		
<b>The DGI Growth Fund</b>				
Short Term Investment	\$ 35,458	\$ 35,458	\$ -	\$ -
Common Stock	12,047,382	12,047,382	-	-
Foreign Stock	1,495,499	1,495,499	-	-
Common Trust Fund - Fixed Income (A)	<u>32,117</u>	-	-	-
Total	<u>\$ 13,610,456</u>			

(A) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets and liabilities.

### Note 6: Risk Factors

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 Investment Purchases and Sales – Selected Fund**  
**The DGI Growth Fund**  
**Period Ended December 31, 2015**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Stock	\$ 572,348
Foreign Stock	114,945
Common Trust Fund - Fixed Income	<u>197,809</u>
Total Investments Purchased	<u><u>\$ 885,102</u></u>

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Loss</b>
Common Stock	\$ 1,520,017	\$ 1,532,997	\$ (12,980)
Common Trust Fund - Fixed Income	<u>165,692</u>	<u>165,692</u>	<u>-</u>
Total Investments Sold	<u><u>\$ 1,685,709</u></u>	<u><u>\$ 1,698,689</u></u>	<u><u>\$ (12,980)</u></u>