

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

Independent Auditor's Report and Financial Statements

December 31, 2016



**Hand Composite Employee Benefit Trust**  
**December 31, 2016**

**Contents**

**Independent Auditor's Report..... 1**

**Basic Financial Statements**

Statement of Assets and Liabilities – Selected Fund ..... 3

Schedule of Investments

    The DGI Growth Fund ..... 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 ..... 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 (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, 2016, and 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 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, 2016, and the results of its operations and 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 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  
May 26, 2017

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

	<u>The DGI Growth Fund</u>
<b>Assets</b>	
Investments, at cost	\$ 21,189,649
Investments, at fair value	\$ 26,136,676
Receivable for:	
Investment Advisor	218
Dividends and interest	12,564
Total assets	<u>\$ 26,149,458</u>
<b>Liabilities</b>	
Capital shares redeemed	\$ 4,868
Accounts payable and accrued liabilities	16,587
Total liabilities	<u>\$ 21,455</u>
Net assets held for participants - Class R1	<u>\$ 26,128,003</u>
Units outstanding - Class R1	<u>2,401,112</u>
Net asset value per unit - Class R1	<u>\$ 10.88</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**The DGI Growth Fund**  
**December 31, 2016**

Number of Shares		Cost	Fair Value
<i><b>Short Term Investment</b></i>			
3,360,287	First American Treasury Obligation Fund Instl	\$ 3,360,287	\$ 3,360,287
	Total Short Term Investment	12.86% 3,360,287	3,360,287
<i><b>Common Stock</b></i>			
<i><b>Consumer Discretionary</b></i>			
6,125	Cabelas Inc	312,375	358,619
5,375	Cheesecake Factory	233,038	321,855
12,350	Ethan Allan Interiors Inc	271,591	455,098
30,250	Gentex Corp	443,625	595,623
9,950	L Brands Inc	614,101	655,104
2,825	Ralph Lauren Corp	323,854	255,154
6,325	Royal Caribbean Cruises Ltd	356,552	518,903
16,600	Select Comfort Corp	444,254	375,492
11,900	TJX Companies Inc	530,137	894,047
3,300	Tripadvisor Inc	218,941	153,021
6,300	Urban Outfitters Inc	218,916	179,424
	Total Consumer Discretionary	18.22% 3,967,384	4,762,340
<i><b>Energy</b></i>			
29,800	Southwestern Energy Co	339,872	322,436
	Total Energy	1.23% 339,872	322,436
<i><b>Financials</b></i>			
9,300	E*trade Financial Corp	234,926	322,245
14,700	TCF Financial Corp	214,264	287,973
	Total Financials	2.33% 449,190	610,218

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**The DGI Growth Fund (Continued)**  
**December 31, 2016**

Number of Shares		Cost	Fair Value
<i>Healthcare</i>			
5,175	Align Technology Inc	\$ 255,891	\$ 497,473
14,800	Edwards Lifesciences Corp	896,603	1,386,760
1,100	Intuitive Surgical Inc	492,366	697,587
1,150	Medidata Solutions Inc	39,365	57,121
9,425	Myriad Genetics Inc	316,883	157,115
4,850	Varian Medical Systems Inc	367,764	435,433
	Total Healthcare	12.36% <u>2,368,872</u>	<u>3,231,489</u>
<i>Industrials</i>			
6,000	Ceb Inc	422,627	363,600
3,400	Graco Inc	223,541	282,506
25,200	Jetblue Airways Corp	384,160	564,984
5,950	Landstar Systems Inc	343,749	507,535
6,975	Middleby Corp	518,691	898,450
5,600	Proto Labs Inc	256,873	287,560
	Total Industrials	11.11% <u>2,149,641</u>	<u>2,904,635</u>
<i>Information Technology</i>			
9,325	Akamai Technologies Inc	542,924	621,791
11,600	Autodesk Inc	536,362	858,516
5,700	Cognex Corporation	205,922	362,634
5,500	Dolby Laboratories Inc	212,136	248,545
3,875	Factset Research Systems Inc	502,903	633,291
6,475	Intuit Inc	491,762	742,100
7,375	Microchip Technology Inc	333,497	473,106
5,350	Paychex Inc	238,549	325,708
10,650	Plantronics Inc	490,323	583,194
15,975	Plexus Corp	600,652	863,289
6,750	Power Integrations Inc	322,747	457,988
11,400	Realpage Inc	207,110	342,000
11,500	Super Micro Computer Inc	351,849	322,575
3,975	Synaptics Inc	348,026	212,981
8,100	Ubiquiti Networks Inc	251,728	468,180
3,275	Viasat Inc	182,492	216,871
14,200	Yahoo Inc	522,506	549,114
	Total Information Technology	31.69% <u>6,341,488</u>	<u>8,281,883</u>
	Total Common Stock	76.94% <u>15,616,447</u>	<u>20,113,001</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**The DGI Growth Fund (Continued)**  
**December 31, 2016**

Number of Shares		Cost	Fair Value
<i><u>Foreign Stock</u></i>			
<i>Consumer Discretionary</i>			
9,225	Garmin Ltd	\$ 370,984	\$ 447,320
	Total Consumer Discretionary	1.71% <u>370,984</u>	<u>447,320</u>
<i>Energy</i>			
2,275	Core Laboratories Nv	254,798	273,091
57,900	Ultra Petroleum Corp	420,813	418,617
	Total Energy	2.65% <u>675,611</u>	<u>691,708</u>
<i>Financials</i>			
5,878	IHS Markit Ltd	201,363	208,140
	Total Financials	0.80% <u>201,363</u>	<u>208,140</u>
<i>Information Technology</i>			
12,775	Open Text Corp	418,661	789,623
12,881	Seagate Technology Plc	511,367	491,668
	Total Information Technology	4.90% <u>930,028</u>	<u>1,281,291</u>
	Total Foreign Stock	10.06% <u>2,177,986</u>	<u>2,628,459</u>
<i><u>Common Trust Fund</u></i>			
<i>Fixed Income</i>			
34,929	HB&T Short Term Income Fund	34,929	34,929
	Total Fixed Income	0.14% <u>34,929</u>	<u>34,929</u>
	Total Common Trust Fund	0.14% <u>34,929</u>	<u>34,929</u>
	Total Investments	100.00% <u>\$ 21,189,649</u>	<u>\$ 26,136,676</u>



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

	<b>The DGI Growth Fund</b>
<b>Income</b>	
Interest	\$ 641
Dividends	162,214
Total income	162,855
<b>Expenses</b>	
Investment management and administrative	7,813
Custody	7,500
Class R1 expenses	110,939
Total expenses before reimbursement of fees	126,252
Reimbursement of fees	(3,233)
Total expenses	123,019
<b>Net Investment Income</b>	39,836
<b>Net Realized and Unrealized Gains on Investments</b>	
Net realized gains on investments	74,981
Net change in unrealized appreciation on investments	2,426,437
Net realized and unrealized gains	2,501,418
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 2,541,254

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

	<b>The DGI Growth Fund</b>
<b>Operations</b>	
Net investment income	\$ 39,836
Net realized gains	74,981
Change in unrealized appreciation	2,426,437
Net increase in net assets from operations	2,541,254
<b>Net Increase in Net Assets From Participant Transactions</b>	9,983,185
<b>Increase in Net Assets</b>	12,524,439
<b>Net Assets</b>	
Beginning of year	13,603,564
End of year	\$ 26,128,003

# 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 these funds are included in this report.

#### ***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, 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 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.

During 2016, the advisor reimbursed the Fund for minimum custody fees which exceeded 0.03%.

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, 2016

### Note 3: Financial Highlights

	<u>The DGI Growth Fund</u>	
Net asset value, beginning of period	\$	9.26
Net investment income		0.02
Net realized and unrealized gains		1.60
Net increase from investment operations		1.62
Net asset value, end of period	\$	10.88
Total return		17.49%
Ratio to average net assets:		
Net investment income		0.24%
Expenses without reimbursements		0.78%
Expenses with reimbursements		0.76%

### Note 4: Participant Unit Transactions

	<u>The DGI Growth Fund</u>	
	<u>Units</u>	<u>Dollars</u>
<b>Class RI:</b>		
Proceeds from sales of units	1,021,365	\$ 10,860,682
Cost of units redeemed	(90,104)	(877,497)
Net increase in total net assets from participant transactions	931,261	\$ 9,983,185

### 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, 2016

- 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 period 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 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 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	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>The DGI Growth Fund</b>				
Short Term Investment	\$ 3,360,287	\$ 3,360,287	\$ -	\$ -
Common Stock	20,113,001	20,113,001	-	-
Foreign Stock	2,628,459	2,628,459	-	-
Common Trust Fund - Fixed Income (A)	<u>34,929</u>			
Total	<u>\$ 26,136,676</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**  
**Year Ended December 31, 2016**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Stock	\$ 1,225,017
Foreign Stock	3,472
Common Trust Fund - Fixed Income	4,057,957
Total Investments Purchased	\$ 5,286,446

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Common Stock	\$ 949,525	\$ 815,625	\$ 133,900
Foreign Stock	303,054	361,973	(58,919)
Common Trust Fund - Fixed Income	4,055,145	4,055,145	-
Total Investments Sold	\$ 5,307,724	\$ 5,232,743	\$ 74,981