

**Hand Composite Employee Benefit Trust
FACETS Funds**

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

Statements of Assets and Liabilities – Selected Funds 3

Schedules of Investments

 FACETS Target Retirement NOW Fund 5

 FACETS Target Retirement 2020 Fund..... 6

 FACETS Target Retirement 2030 Fund..... 7

 FACETS Target Retirement 2040 Fund..... 8

 FACETS Target Retirement 2050 Fund..... 9

 FACETS Lifestyle Aggressive Fund..... 10

 FACETS Lifestyle Moderate Fund 11

 FACETS Lifestyle Conservative Fund..... 12

Statements of Operations – Selected Funds 13

Statements of Changes in Net Assets – Selected Funds 15

Notes to Financial Statements..... 17

Supplemental Information

Schedules of Investment Purchases and Sales – Selected Funds 28

Independent Auditor's Report

Board of Directors
Hand Composite Employee Benefit Trust
Houston, Texas

We have audited the accompanying financial statements of selected funds (FACETS Target Retirement NOW Fund, FACETS Target Retirement 2020 Fund, FACETS Target Retirement 2030 Fund, FACETS Target Retirement 2040 Fund, FACETS Target Retirement 2050 Fund, FACETS Lifestyle Aggressive Fund, FACETS Lifestyle Moderate Fund, FACETS Lifestyle Conservative Fund) [eight funds] included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which statements comprise the statements of assets and liabilities, including the schedules 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 these selected funds included in the Hand Composite Employee Benefit Trust as of December 31, 2016, and the results of their operations and changes in their net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment purchases and sales listed in the table of contents are 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 audits 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
Statements of Assets and Liabilities – Selected Funds
December 31, 2016

	FACETS Target Retirement NOW Fund	FACETS Target Retirement 2020 Fund	FACETS Target Retirement 2030 Fund	FACETS Target Retirement 2040 Fund
Assets				
Investments, at cost	\$ 3,419,566	\$ 6,713,371	\$ 5,175,631	\$ 2,167,365
Investments, at fair value	\$ 3,574,097	\$ 7,076,948	\$ 5,518,160	\$ 2,318,441
Receivable for:				
Capital shares sold	3,006	1,565	1,632	5,572
Total assets	<u>\$ 3,577,103</u>	<u>\$ 7,078,513</u>	<u>\$ 5,519,792</u>	<u>\$ 2,324,013</u>
Liabilities				
Accounts payable and accrued liabilities	\$ 1,961	\$ 3,882	\$ 2,934	\$ 1,187
Total liabilities	<u>\$ 1,961</u>	<u>\$ 3,882</u>	<u>\$ 2,934</u>	<u>\$ 1,187</u>
Net assets held for participants:				
Class R5	\$ 3,575,131	\$ 7,074,620	\$ 5,516,847	\$ 2,322,815
Class R6	11	11	11	11
Total net assets held for participants	<u>\$ 3,575,142</u>	<u>\$ 7,074,631</u>	<u>\$ 5,516,858</u>	<u>\$ 2,322,826</u>
Units outstanding:				
Class R5	341,639	667,550	514,118	213,924
Class R6	1	1	1	1
Total units outstanding	<u>341,640</u>	<u>667,551</u>	<u>514,119</u>	<u>213,925</u>
Net asset value per unit:				
Class R5	<u>\$ 10.46</u>	<u>\$ 10.60</u>	<u>\$ 10.73</u>	<u>\$ 10.86</u>
Class R6	<u>\$ 10.51</u>	<u>\$ 10.65</u>	<u>\$ 10.78</u>	<u>\$ 10.90</u>

Hand Composite Employee Benefit Trust
Statements of Assets and Liabilities – Selected Funds (Continued)
December 31, 2016

	FACETS Target Retirement 2050 Fund	FACETS Lifestyle Aggressive Fund	FACETS Lifestyle Moderate Fund	FACETS Lifestyle Conservative Fund
Assets				
Investments, at cost	\$ 672,354	\$ 6,890,506	\$ 9,370,409	\$ 5,482,211
Investments, at fair value	\$ 718,170	\$ 7,412,873	\$ 9,946,639	\$ 5,770,887
Receivable for:				
Capital shares sold	662	1,509	2,286	25,109
Total assets	\$ 718,832	\$ 7,414,382	\$ 9,948,925	\$ 5,795,996
Liabilities				
Accounts payable and accrued liabilities	\$ 370	\$ 4,665	\$ 6,490	\$ 3,248
Total liabilities	\$ 370	\$ 4,665	\$ 6,490	\$ 3,248
Net assets held for participants:				
Class R5	\$ 712,725	\$ 7,185,961	\$ 9,802,173	\$ 5,552,268
Class R6	5,737	223,756	140,262	240,480
Total net assets held for participants	\$ 718,462	\$ 7,409,717	\$ 9,942,435	\$ 5,792,748
Units outstanding:				
Class R5	64,504	559,384	792,150	464,024
Class R6	515	17,215	11,218	19,887
Total units outstanding	65,019	576,599	803,368	483,911
Net asset value per unit:				
Class R5	\$ 11.05	\$ 12.85	\$ 12.37	\$ 11.97
Class R6	\$ 11.13	\$ 13.00	\$ 12.50	\$ 12.09

Hand Composite Employee Benefit Trust
Schedules of Investments
FACETS Target Retirement NOW Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
1,595	Vanguard Reit Index Fund Adm	\$ 169,289	\$ 186,374
	Total Equity	5.21% <u>169,289</u>	<u>186,374</u>
	Total Mutual Fund	5.21% <u>169,289</u>	<u>186,374</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
20,463	Blackrock US Debt Index Fund M	195,089	202,352
124,315	Blackrock US Tips Fund M	1,313,618	1,342,916
641,998	HB&T Short Term Income Fund	641,998	641,998
	Total Fixed Income	61.20% <u>2,150,705</u>	<u>2,187,266</u>
<i>Equity</i>			
17,747	Blackrock EAFE Equity Index Fund T	300,312	308,880
3,926	Blackrock Emerging Markets Index M	33,044	36,364
5,641	Blackrock Equity Index T	464,424	489,931
5,622	Blackrock Midcap Equity Index Fund K	196,629	237,665
3,489	Blackrock Russell 2000 Index T	105,163	127,617
	Total Equity	33.59% <u>1,099,572</u>	<u>1,200,457</u>
	Total Common Trust Funds	94.79% <u>3,250,277</u>	<u>3,387,723</u>
	Total Investments	100.00% <u>\$ 3,419,566</u>	<u>\$ 3,574,097</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
FACETS Target Retirement 2020 Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
3,080	Vanguard Reit Index Fund Adm	\$ 328,149	\$ 359,931
	Total Equity	5.09% <u>328,149</u>	<u>359,931</u>
	Total Mutual Fund	5.09% <u>328,149</u>	<u>359,931</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
22,539	Blackrock US Debt Index Fund M	215,331	222,872
185,384	Blackrock US Tips Fund M	1,965,035	2,002,612
1,050,834	HB&T Short Term Income Fund	1,050,834	1,050,834
	Total Fixed Income	46.30% <u>3,231,200</u>	<u>3,276,318</u>
<i>Equity</i>			
16,153	Blackrock EAFE Equity Index Fund T	874,951	901,383
11,282	Blackrock Emerging Markets Index M	94,959	104,500
16,153	Blackrock Equity Index T	1,330,178	1,402,773
16,071	Blackrock Midcap Equity Index Fund K	563,374	679,348
9,642	Blackrock Russell 2000 Index T	290,560	352,695
	Total Equity	48.61% <u>3,154,022</u>	<u>3,440,699</u>
	Total Common Trust Funds	94.91% <u>6,385,222</u>	<u>6,717,017</u>
	Total Investments	100.00% <u>\$ 6,713,371</u>	<u>\$ 7,076,948</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
FACETS Target Retirement 2030 Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
2,376	Vanguard Reit Index Fund Adm	\$ 251,488	\$ 277,674
	Total Equity	5.03% <u>251,488</u>	<u>277,674</u>
	Total Mutual Fund	5.03% <u>251,488</u>	<u>277,674</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
6,720	Blackrock US Debt Index Fund M	64,526	66,449
99,449	Blackrock US Tips Fund M	1,054,386	1,074,301
592,929	HB&T Short Term Income Fund	592,929	592,929
	Total Fixed Income	31.42% <u>1,711,841</u>	<u>1,733,679</u>
<i>Equity</i>			
52,603	Blackrock EAFE Equity Index Fund T	886,961	915,522
12,128	Blackrock Emerging Markets Index M	103,071	112,332
16,494	Blackrock Equity Index T	1,358,265	1,432,392
16,529	Blackrock Midcap Equity Index Fund K	579,140	698,729
9,509	Blackrock Russell 2000 Index T	284,865	347,832
	Total Equity	63.55% <u>3,212,302</u>	<u>3,506,807</u>
	Total Common Trust Funds	94.97% <u>4,924,143</u>	<u>5,240,486</u>
	Total Investments	100.00% <u>\$ 5,175,631</u>	<u>\$ 5,518,160</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
FACETS Target Retirement 2040 Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
1,011	Vanguard Reit Index Fund Adm	\$ 110,107	\$ 118,185
	Total Equity	5.10% <u>110,107</u>	<u>118,185</u>
	Total Mutual Fund	5.10% <u>110,107</u>	<u>118,185</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
28,079	Blackrock US Debt Index Fund M	299,027	303,329
166,352	HB&T Short Term Income Fund	166,352	166,352
	Total Fixed Income	20.26% <u>465,379</u>	<u>469,681</u>
<i>Equity</i>			
25,726	Blackrock EAFE Equity Index Fund T	435,226	447,748
7,665	Blackrock Emerging Markets Index M	65,837	70,995
8,079	Blackrock Equity Index T	665,586	701,632
8,083	Blackrock Midcap Equity Index Fund K	286,071	341,688
4,607	Blackrock Russell 2000 Index T	139,159	168,512
	Total Equity	74.64% <u>1,591,879</u>	<u>1,730,575</u>
	Total Common Trust Funds	94.90% <u>2,057,258</u>	<u>2,200,256</u>
	Total Investments	100.00% <u>\$ 2,167,365</u>	<u>\$ 2,318,441</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
FACETS Target Retirement 2050 Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
307	Vanguard Reit Index Fund Adm	\$ 36,558	\$ 35,876
	Total Equity	5.00% <u>36,558</u>	<u>35,876</u>
	Total Mutual Fund	5.00% <u>36,558</u>	<u>35,876</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
4,653	Blackrock US Debt Index Fund M	50,742	50,265
44,308	HB&T Short Term Income Fund	44,308	44,308
	Total Fixed Income	13.17% <u>95,050</u>	<u>94,573</u>
<i>Equity</i>			
8,733	Blackrock EAFE Equity Index Fund T	146,080	151,995
2,359	Blackrock Emerging Markets Index M	20,374	21,848
2,763	Blackrock Equity Index T	227,626	239,914
2,781	Blackrock Midcap Equity Index Fund K	101,208	117,544
1,542	Blackrock Russell 2000 Index T	45,458	56,420
	Total Equity	81.83% <u>540,746</u>	<u>587,721</u>
	Total Common Trust Funds	95.00% <u>635,796</u>	<u>682,294</u>
	Total Investments	100.00% <u>\$ 672,354</u>	<u>\$ 718,170</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
FACETS Lifestyle Aggressive Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
3,239	Vanguard Reit Index Fund Adm	\$ 352,494	\$ 378,493
	Total Equity	5.11% <u>352,494</u>	<u>378,493</u>
	Total Mutual Fund	5.11% <u>352,494</u>	<u>378,493</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
64,336	Blackrock US Debt Index Fund M	683,490	694,987
427,443	HB&T Short Term Income Fund	427,443	427,443
	Total Fixed Income	15.14% <u>1,110,933</u>	<u>1,122,430</u>
<i>Equity</i>			
87,962	Blackrock EAFE Equity Index Fund T	1,487,524	1,530,938
24,548	Blackrock Emerging Markets Index M	208,431	227,376
27,735	Blackrock Equity Index T	2,283,480	2,408,587
27,717	Blackrock Midcap Equity Index Fund K	976,131	1,171,654
15,675	Blackrock Russell 2000 Index T	471,513	573,395
	Total Equity	79.75% <u>5,427,079</u>	<u>5,911,950</u>
	Total Common Trust Funds	94.89% <u>6,538,012</u>	<u>7,034,380</u>
	Total Investments	100.00% <u>\$ 6,890,506</u>	<u>\$ 7,412,873</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
FACETS Lifestyle Moderate Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
4,315	Vanguard Reit Index Fund Adm	\$ 458,515	\$ 504,289
	Total Equity	5.07% <u>458,515</u>	<u>504,289</u>
	Total Mutual Fund	5.07% <u>458,515</u>	<u>504,289</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
26,005	Blackrock US Debt Index Fund M	247,939	257,150
222,904	Blackrock US Tips Fund M	2,357,911	2,407,928
1,335,837	HB&T Short Term Income Fund	1,335,837	1,335,837
	Total Fixed Income	40.22% <u>3,941,687</u>	<u>4,000,915</u>
<i>Equity</i>			
79,904	Blackrock EAFE Equity Index Fund T	1,348,569	1,390,696
25,746	Blackrock Equity Index T	2,119,406	2,235,938
21,076	Blackrock Emerging Markets Index M	177,392	195,216
25,342	Blackrock Midcap Equity Index Fund K	880,679	1,071,246
14,990	Blackrock Russell 2000 Index T	444,161	548,339
	Total Equity	54.71% <u>4,970,207</u>	<u>5,441,435</u>
	Total Common Trust Funds	94.93% <u>8,911,894</u>	<u>9,442,350</u>
	Total Investments	100.00% <u>\$ 9,370,409</u>	<u>\$ 9,946,639</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
FACETS Lifestyle Conservative Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<i><u>Mutual Fund</u></i>			
<i>Equity</i>			
2,511	Vanguard Reit Index Fund Adm	\$ 271,204	\$ 293,496
	Total Equity	5.09% <u>271,204</u>	<u>293,496</u>
	Total Mutual Fund	5.09% <u>271,204</u>	<u>293,496</u>
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
32,019	Blackrock US Debt Index Fund M	307,350	316,618
194,922	Blackrock US Tips Fund M	2,078,315	2,105,647
1,169,810	HB&T Short Term Income Fund	1,169,810	1,169,810
	Total Fixed Income	62.24% <u>3,555,475</u>	<u>3,592,075</u>
<i>Equity</i>			
27,905	Blackrock EAFE Equity Index Fund T	440,609	485,678
6,134	Blackrock Emerging Markets Index M	46,895	56,816
8,853	Blackrock Equity Index T	728,584	768,826
8,863	Blackrock Midcap Equity Index Fund K	290,046	374,673
5,449	Blackrock Russell 2000 Index T	149,398	199,323
	Total Equity	32.67% <u>1,655,532</u>	<u>1,885,316</u>
	Total Common Trust Funds	94.91% <u>5,211,007</u>	<u>5,477,391</u>
	Total Investments	100.00% <u>\$ 5,482,211</u>	<u>\$ 5,770,887</u>

Hand Composite Employee Benefit Trust
Statements of Operations – Selected Funds
Year Ended December 31, 2016

	FACETS Target Retirement NOW Fund	FACETS Target Retirement 2020 Fund	FACETS Target Retirement 2030 Fund	FACETS Target Retirement 2040 Fund
Income				
Dividends	\$ 11,181	\$ 20,395	\$ 14,697	\$ 5,554
Total income	<u>11,181</u>	<u>20,395</u>	<u>14,697</u>	<u>5,554</u>
Expenses				
Investment management and administrative	3,206	6,465	4,779	1,867
Class R5 expenses	7,093	14,303	10,581	4,132
Audit	1,068	2,155	1,593	622
Other fees	-	44	15	12
Total expenses	<u>11,367</u>	<u>22,967</u>	<u>16,968</u>	<u>6,633</u>
Net Investment Loss	<u>(186)</u>	<u>(2,572)</u>	<u>(2,271)</u>	<u>(1,079)</u>
Net Realized and Unrealized Gains on Investments				
Net realized gains on investments	62,670	122,071	149,125	42,331
Net change in unrealized appreciation/ depreciation on investments	<u>111,844</u>	<u>212,025</u>	<u>231,364</u>	<u>101,948</u>
Net realized and unrealized gains	<u>174,514</u>	<u>334,096</u>	<u>380,489</u>	<u>144,279</u>
Net Increase in Net Assets Resulting From Operations	<u>\$ 174,328</u>	<u>\$ 331,524</u>	<u>\$ 378,218</u>	<u>\$ 143,200</u>

Hand Composite Employee Benefit Trust
Statements of Operations – Selected Funds (Continued)
Year Ended December 31, 2016

	FACETS Target Retirement 2050 Fund	FACETS Lifestyle Aggressive Fund	FACETS Lifestyle Moderate Fund	FACETS Lifestyle Conservative Fund
Income				
Dividends	\$ 1,721	\$ 22,400	\$ 35,342	\$ 18,471
Total income	<u>1,721</u>	<u>22,400</u>	<u>35,342</u>	<u>18,471</u>
Expenses				
Investment management and administrative	590	8,546	12,207	5,621
Class R5 expenses	1,183	18,539	26,531	11,976
Audit	197	2,849	4,069	1,873
Other fees	<u>5</u>	<u>7</u>	<u>-</u>	<u>-</u>
Total expenses	<u>1,975</u>	<u>29,941</u>	<u>42,807</u>	<u>19,470</u>
Net Investment Loss	<u>(254)</u>	<u>(7,541)</u>	<u>(7,465)</u>	<u>(999)</u>
Net Realized and Unrealized Gains on Investments				
Net realized gains on investments	28,695	558,281	626,572	82,716
Net change in unrealized appreciation/ depreciation on investments	<u>39,029</u>	<u>300,605</u>	<u>338,174</u>	<u>212,358</u>
Net realized and unrealized gains	<u>67,724</u>	<u>858,886</u>	<u>964,746</u>	<u>295,074</u>
Net Increase in Net Assets Resulting From Operations	<u>\$ 67,470</u>	<u>\$ 851,345</u>	<u>\$ 957,281</u>	<u>\$ 294,075</u>

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

	FACETS Target Retirement NOW Fund	FACETS Target Retirement 2020 Fund	FACETS Target Retirement 2030 Fund	FACETS Target Retirement 2040 Fund
Operations				
Net investment loss	\$ (186)	\$ (2,572)	\$ (2,271)	\$ (1,079)
Net realized gains	62,670	122,071	149,125	42,331
Change in unrealized appreciation/depreciation	<u>111,844</u>	<u>212,025</u>	<u>231,364</u>	<u>101,948</u>
Net increase in net assets from operations	174,328	331,524	378,218	143,200
Net Decrease in Net Assets From				
Participant Transactions	<u>(576,239)</u>	<u>(3,350,496)</u>	<u>(1,014,393)</u>	<u>(320,158)</u>
Decrease in Net Assets	(401,911)	(3,018,972)	(636,175)	(176,958)
Net Assets				
Beginning of year	<u>3,977,053</u>	<u>10,093,603</u>	<u>6,153,033</u>	<u>2,499,784</u>
End of year	<u>\$ 3,575,142</u>	<u>\$ 7,074,631</u>	<u>\$ 5,516,858</u>	<u>\$ 2,322,826</u>

Hand Composite Employee Benefit Trust
Statements of Changes in Net Assets – Selected Funds (Continued)
Year Ended December 31, 2016

	FACETS Target Retirement 2050 Fund	FACETS Lifestyle Aggressive Fund	FACETS Lifestyle Moderate Fund	FACETS Lifestyle Conservative Fund
Operations				
Net investment loss	\$ (254)	\$ (7,541)	\$ (7,465)	\$ (999)
Net realized gains	28,695	558,281	626,572	82,716
Change in unrealized appreciation/depreciation	<u>39,029</u>	<u>300,605</u>	<u>338,174</u>	<u>212,358</u>
Net increase in net assets from operations	67,470	851,345	957,281	294,075
Net Increase (Decrease) in Net Assets From Participant Transactions	<u>315,051</u>	<u>(3,634,231)</u>	<u>(5,672,803)</u>	<u>(1,619,881)</u>
Increase (Decrease) in Net Assets	382,521	(2,782,886)	(4,715,522)	(1,325,806)
Net Assets				
Beginning of year	<u>335,941</u>	<u>10,192,603</u>	<u>14,657,957</u>	<u>7,118,554</u>
End of year	<u>\$ 718,462</u>	<u>\$ 7,409,717</u>	<u>\$ 9,942,435</u>	<u>\$ 5,792,748</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 funds (the Funds); the financial statements of eight of those funds are included in this report.

For those funds with more than one class of units, each class 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 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 recorded on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation on investments are determined using 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 Funds

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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 Funds 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. All Funds are valued daily.

Federal Income Taxes

The Funds comply with the requirements under Section 501(a) of the IRC and apportion 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 Advisors

The investment management advisors for each Fund are as follows:

Fund	Investment Management Advisors
FACETS Target Retirement NOW Fund	Hand Benefits and Trust Company
FACETS Target Retirement 2020 Fund	Hand Benefits and Trust Company
FACETS Target Retirement 2030 Fund	Hand Benefits and Trust Company
FACETS Target Retirement 2040 Fund	Hand Benefits and Trust Company
FACETS Target Retirement 2050 Fund	Hand Benefits and Trust Company
FACETS Lifestyle Aggressive Fund	Hand Benefits and Trust Company
FACETS Lifestyle Moderate Fund	Hand Benefits and Trust Company
FACETS Lifestyle Conservative Fund	Hand Benefits and Trust Company

Note 2: Investment Advisory Fees and Other Transactions With Affiliates

The Funds are charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Funds have also entered into investment advisory and service agreements with various third-party advisors. These fees compensate the advisors for the services they provide and for expenses borne by the advisors under the various agreements.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

The following table indicates the fees charged each of the Funds and the various classes of units within the Funds (as a percentage of net assets). These charges are calculated using each Fund's average daily net assets.

Fund	Administrative Fees	Investment Advisory Fees	Service Fees	Other Fees	Total Fees
All FACETS Funds					
Class R5	0.09%	0.00%	0.20%	0.03%	0.32%
Class R6	0.09%	0.00%	0.00%	0.03%	0.12%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

Note 3: Financial Highlights

	Class R5							
	FACETS Target Retirement NOW Fund	FACETS Target Retirement 2020 Fund	FACETS Target Retirement 2030 Fund	FACETS Target Retirement 2040 Fund	FACETS Target Retirement 2050 Fund	FACETS Lifestyle Aggressive Fund	FACETS Lifestyle Moderate Fund	FACETS Lifestyle Conservative Fund
Net asset value, beginning of year	\$ 9.91	\$ 9.92	\$ 9.91	\$ 9.93	\$ 9.92	\$ 11.66	\$ 11.45	\$ 11.39
Net investment loss	-	-	-	(0.01)	-	(0.01)	(0.01)	-
Net realized and unrealized gains	0.55	0.68	0.82	0.94	1.13	1.17	0.93	0.58
Net increase from investment operations	0.55	0.68	0.82	0.93	1.13	1.16	0.92	0.58
Net asset value, end of year	\$ 10.46	\$ 10.60	\$ 10.73	\$ 10.86	\$ 11.05	\$ 12.82	\$ 12.37	\$ 11.97
Total return	5.55%	6.85%	8.27%	9.37%	11.39%	9.95%	8.03%	5.09%
Ratio to average net assets:								
Net investment loss	(0.01)%	(0.04)%	(0.04)%	(0.05)%	(0.04)%	(0.08)%	(0.06)%	(0.02)%
Expenses	0.32%	0.33%	0.32%	0.32%	0.30%	0.33%	0.33%	0.32%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

Class R6

	FACETS Target Retirement NOW Fund	FACETS Target Retirement 2020 Fund	FACETS Target Retirement 2030 Fund	FACETS Target Retirement 2040 Fund	FACETS Target Retirement 2050 Fund	FACETS Lifestyle Aggressive Fund	FACETS Lifestyle Moderate Fund	FACETS Lifestyle Conservative Fund
Net asset value, beginning of year	\$ 9.93	\$ 9.95	\$ 9.94	\$ 9.95	\$ 9.99	\$ 11.77	\$ 11.55	\$ 11.49
Net investment income	0.02	0.02	0.02	0.02	0.01	0.01	0.02	0.02
Net realized and unrealized gains	0.56	0.68	0.82	0.93	1.13	1.22	0.93	0.58
Net increase from investment operations	0.58	0.70	0.84	0.95	1.14	1.23	0.95	0.60
Net asset value, end of year	\$ 10.51	\$ 10.65	\$ 10.78	\$ 10.90	\$ 11.13	\$ 13.00	\$ 12.50	\$ 12.09
Total return	5.84%	7.04%	8.45%	9.55%	11.41%	10.45%	8.23%	5.22%
Ratio to average net assets:								
Net investment income	0.20%	0.17%	0.16%	0.15%	0.14%	0.12%	0.14%	0.17%
Expenses	0.12%	0.13%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%

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

Note 4: Participant Unit Transactions

	FACETS Target Retirement NOW Fund		FACETS Target Retirement 2020 Fund		FACETS Target Retirement 2030 Fund		FACETS Target Retirement 2040 Fund	
	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars
Class R5:								
Proceeds from sales of units	29,180	\$ 297,806	44,879	\$ 457,567	55,547	\$ 566,742	48,968	\$ 496,653
Cost of units redeemed	<u>(88,949)</u>	<u>(874,045)</u>	<u>(394,603)</u>	<u>(3,808,063)</u>	<u>(162,181)</u>	<u>(1,581,135)</u>	<u>(86,815)</u>	<u>(816,811)</u>
Net change in Class R5 from participant transactions	<u><u>(59,769)</u></u>	<u><u>(576,239)</u></u>	<u><u>(349,724)</u></u>	<u><u>(3,350,496)</u></u>	<u><u>(106,634)</u></u>	<u><u>(1,014,393)</u></u>	<u><u>(37,847)</u></u>	<u><u>(320,158)</u></u>
Class R6:								
Proceeds from sales of units	-	-	-	-	-	-	-	-
Cost of units redeemed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in Class R6 from participant transactions	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Net change in total net assets from participant transactions		<u><u>\$ (576,239)</u></u>		<u><u>\$ (3,350,496)</u></u>		<u><u>\$ (1,014,393)</u></u>		<u><u>\$ (320,158)</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

	FACETS Target Retirement 2050 Fund		FACETS Lifestyle Aggressive Fund		FACETS Lifestyle Moderate Fund		FACETS Lifestyle Conservative Fund	
	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars
Class R5:								
Proceeds from sales of units	62,804	\$ 643,527	118,150	\$ 1,418,702	142,534	\$ 1,686,678	114,968	\$ 1,338,725
Cost of units redeemed	<u>(31,849)</u>	<u>(330,462)</u>	<u>(418,287)</u>	<u>(5,089,506)</u>	<u>(605,560)</u>	<u>(7,198,698)</u>	<u>(256,686)</u>	<u>(2,971,027)</u>
Net change in Class R5 from participant transactions	<u>30,955</u>	<u>313,065</u>	<u>(300,137)</u>	<u>(3,670,804)</u>	<u>(463,026)</u>	<u>(5,512,020)</u>	<u>(141,718)</u>	<u>(1,632,302)</u>
Class R6:								
Proceeds from sales of units	209	1,988	11,198	137,275	4,614	53,196	9,657	114,093
Cost of units redeemed	<u>(1)</u>	<u>(2)</u>	<u>(8,388)</u>	<u>(100,702)</u>	<u>(17,750)</u>	<u>(213,979)</u>	<u>(8,643)</u>	<u>(101,672)</u>
Net change in Class R6 from participant transactions	<u>208</u>	<u>1,986</u>	<u>2,810</u>	<u>36,573</u>	<u>(13,136)</u>	<u>(160,783)</u>	<u>1,014</u>	<u>12,421</u>
Net change in total net assets from participant transactions		<u>\$ 315,051</u>		<u>\$ (3,634,231)</u>		<u>\$ (5,672,803)</u>		<u>\$ (1,619,881)</u>

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 Funds 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 statements 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.

Mutual Funds. Funds 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.

Exchange-traded Funds. 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.

The following tables present the fair value measurements of assets recognized in the accompanying statements 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

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
FACETS Target Retirement NOW Fund				
Mutual Fund - Equity	\$ 186,374	\$ 186,374	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	2,187,266			
Common Trust Funds - Equity (A)	<u>1,200,457</u>			
Total	<u>\$ 3,574,097</u>			
FACETS Target Retirement 2020 Fund				
Mutual Fund - Equity	\$ 359,931	\$ 359,931	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	3,276,318			
Common Trust Funds - Equity (A)	<u>3,440,699</u>			
Total	<u>\$ 7,076,948</u>			
FACETS Target Retirement 2030 Fund				
Mutual Fund - Equity	\$ 277,674	\$ 277,674	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	1,733,679			
Common Trust Funds - Equity (A)	<u>3,506,807</u>			
Total	<u>\$ 5,518,160</u>			
FACETS Target Retirement 2040 Fund				
Mutual Fund - Equity	\$ 118,185	\$ 118,185	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	469,681			
Common Trust Funds - Equity (A)	<u>1,730,575</u>			
Total	<u>\$ 2,318,441</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.

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)
FACETS Target Retirement 2050 Fund				
Mutual Fund - Equity	\$ 35,876	\$ 35,876	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	94,573			
Common Trust Funds - Equity (A)	<u>587,721</u>			
Total	<u>\$ 718,170</u>			
FACETS Lifestyle Aggressive Fund				
Mutual Fund - Equity	\$ 378,493	\$ 378,493	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	1,122,430			
Common Trust Funds - Equity (A)	<u>5,911,950</u>			
Total	<u>\$ 7,412,873</u>			
FACETS Lifestyle Moderate Fund				
Mutual Fund - Equity	\$ 504,289	\$ 504,289	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	4,000,915			
Common Trust Funds - Equity (A)	<u>5,441,435</u>			
Total	<u>\$ 9,946,639</u>			
FACETS Lifestyle Conservative Fund				
Mutual Fund - Equity	\$ 293,496	\$ 293,496	\$ -	\$ -
Common Trust Funds - Fixed Income (A)	3,592,075			
Common Trust Funds - Equity (A)	<u>1,885,316</u>			
Total	<u>\$ 5,770,887</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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

Note 6: Risk Factors

The Funds invest 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 changes could materially affect the amounts reported in the accompanying statements of assets and liabilities.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds
FACETS Target Retirement NOW Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 1,013,552
Common Trust Funds - Equity	552,029
Mutual Funds - Equity	29,437
Total Investments Purchased	\$ 1,595,018

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 1,339,006	\$ 1,334,349	\$ 4,657
Common Trust Funds - Equity	783,458	729,500	53,958
Mutual Funds - Equity	51,573	47,518	4,055
Total Investments Sold	\$ 2,174,037	\$ 2,111,367	\$ 62,670

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
FACETS Target Retirement 2020 Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 2,644,535
Common Trust Funds - Equity	1,636,652
Mutual Funds - Equity	<u>57,523</u>
Total Investments Purchased	<u><u>\$ 4,338,710</u></u>

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 3,890,494	\$ 3,874,347	\$ 16,147
Common Trust Funds - Equity	3,588,453	3,492,641	95,812
Mutual Funds - Equity	<u>214,247</u>	<u>204,135</u>	<u>10,112</u>
Total Investments Sold	<u><u>\$ 7,693,194</u></u>	<u><u>\$ 7,571,123</u></u>	<u><u>\$ 122,071</u></u>

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
FACETS Target Retirement 2030 Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 1,548,927
Common Trust Funds - Equity	1,654,535
Mutual Funds - Equity	32,161
Total Investments Purchased	\$ 3,235,623

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 1,700,690	\$ 1,693,857	\$ 6,833
Common Trust Funds - Equity	2,482,044	2,343,853	138,191
Mutual Funds - Equity	70,815	66,714	4,101
Total Investments Sold	\$ 4,253,549	\$ 4,104,424	\$ 149,125

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
FACETS Target Retirement 2040 Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 810,897
Common Trust Funds - Equity	928,856
Mutual Funds - Equity	35,006
Total Investments Purchased	\$ 1,774,759

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 854,822	\$ 852,699	\$ 2,123
Common Trust Funds - Equity	1,203,018	1,164,846	38,172
Mutual Funds - Equity	43,591	41,555	2,036
Total Investments Sold	\$ 2,101,431	\$ 2,059,100	\$ 42,331

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
FACETS Target Retirement 2050 Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 769,937
Common Trust Funds - Equity	785,620
Mutual Funds - Equity	36,374
Total Investments Purchased	\$ 1,591,931

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 721,143	\$ 720,317	\$ 826
Common Trust Funds - Equity	539,925	513,400	26,525
Mutual Funds - Equity	16,513	15,169	1,344
Total Investments Sold	\$ 1,277,581	\$ 1,248,886	\$ 28,695

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
FACETS Lifestyle Aggressive Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 2,912,653
Common Trust Funds - Equity	3,843,378
Mutual Funds - Equity	121,642
Total Investments Purchased	\$ 6,877,673

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 3,323,608	\$ 3,313,311	\$ 10,297
Common Trust Funds - Equity	6,919,299	6,396,940	522,359
Mutual Funds - Equity	277,070	251,445	25,625
Total Investments Sold	\$ 10,519,977	\$ 9,961,696	\$ 558,281

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
FACETS Lifestyle Moderate Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 3,848,826
Common Trust Funds - Equity	3,644,269
Mutual Funds - Equity	91,032
Total Investments Purchased	\$ 7,584,127

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 5,845,363	\$ 5,795,777	\$ 49,586
Common Trust Funds - Equity	7,055,807	6,515,506	540,301
Mutual Funds - Equity	364,438	327,753	36,685
Total Investments Sold	\$ 13,265,608	\$ 12,639,036	\$ 626,572

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
FACETS Lifestyle Conservative Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 4,770,481
Common Trust Funds - Equity	2,637,105
Mutual Funds - Equity	88,174
Total Investments Purchased	\$ 7,495,760

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 5,675,641	\$ 5,649,750	\$ 25,891
Common Trust Funds - Equity	3,299,539	3,257,497	42,042
Mutual Funds - Equity	165,972	151,189	14,783
Total Investments Sold	\$ 9,141,152	\$ 9,058,436	\$ 82,716