

**Hand Composite Employee Benefit Trust  
Hand Benefits & Trust Funds**

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 funds (HB&T Short Term Income Fund, HB&T Fixed Income Fund, HB&T Mid Cap Blend Index Fund, HB&T Large Cap 500 Index Fund, HB&T Large Cap Growth Index Fund and HB&T Large Cap Value Index Fund) [six funds] included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which comprise the statements of assets and liabilities, including the schedules of investments, as of December 31, 2015, 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, 2015, 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 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**  
**Statements of Assets and Liabilities – Selected Funds**  
**December 31, 2015**

	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Mid Cap Blend Index Fund	HB&T Large Cap 500 Index Fund
<b>Assets</b>				
Investments, at cost	\$ 78,231,555	\$ 4,830,614	\$ 3,413,074	\$ 3,061,172
Investments, at fair value	\$ 78,222,510	\$ 4,848,741	\$ 5,211,246	\$ 5,904,087
Cash	180,006	-	-	-
Receivable for:				
Capital shares sold	2,545,298	8,917	312	8,518
Dividends and interest	84,659	26,033	-	-
Total assets	<u>\$ 81,032,473</u>	<u>\$ 4,883,691</u>	<u>\$ 5,211,558</u>	<u>\$ 5,912,605</u>
<b>Liabilities</b>				
Payable for investment securities purchased	\$ 9,054	\$ 8,917	\$ 312	\$ 8,518
Payable for capital shares redeemed	2,533,691	-	-	-
Accounts payable and accrued liabilities	20,567	5,851	4,359	4,253
Total liabilities	<u>\$ 2,563,312</u>	<u>\$ 14,768</u>	<u>\$ 4,671</u>	<u>\$ 12,771</u>
Net assets held for participants:				
Class R1	\$ 78,469,161	\$ 4,868,923	\$ 5,206,838	\$ 5,899,813
Class R2	-	-	20	-
Class R3	-	-	29	21
Class R-INT	-	-	-	-
Total net assets held for participants	<u>\$ 78,469,161</u>	<u>\$ 4,868,923</u>	<u>\$ 5,206,887</u>	<u>\$ 5,899,834</u>
Units outstanding:				
Class R1	78,524,502	236,165	195,439	215,969
Class R2	-	-	1	-
Class R3	-	-	1	1
Class R-INT	-	-	-	-
Total units outstanding	<u>78,524,502</u>	<u>236,165</u>	<u>195,441</u>	<u>215,970</u>
Net asset value per unit:				
Class R1	<u>\$ 1.00</u>	<u>\$ 20.62</u>	<u>\$ 26.64</u>	<u>\$ 27.33</u>
Class R2	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19.84</u>	<u>\$ -</u>
Class R3	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28.64</u>	<u>\$ 21.07</u>
Class R-INT	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Hand Composite Employee Benefit Trust**  
**Statements of Assets and Liabilities – Selected Funds (Continued)**  
**December 31, 2015**

	<b>HB&amp;T Large Cap Growth Index Fund</b>	<b>HB&amp;T Large Cap Value Index Fund</b>
<b>Assets</b>		
Investments, at cost	\$ 5,676,384	\$ 2,031,256
Investments, at fair value	\$ 5,666,606	\$ 1,966,901
Cash	-	-
Receivable for:		
Capital shares sold	-	-
Dividends and interest	-	-
	-	-
Total assets	\$ 5,666,606	\$ 1,966,901
<b>Liabilities</b>		
Payable for investment securities purchased	\$ -	\$ -
Payable for capital shares redeemed	-	-
Accounts payable and accrued liabilities	106	37
	106	37
Total liabilities	\$ 106	\$ 37
Net assets held for participants:		
Class R1	\$ -	\$ -
Class R2	-	-
Class R3	-	-
Class R-INT	5,666,500	1,966,864
	5,666,500	1,966,864
Total net assets held for participants	\$ 5,666,500	\$ 1,966,864
Units outstanding:		
Class R1	-	-
Class R2	-	-
Class R3	-	-
Class R-INT	529,615	201,186
	529,615	201,186
Total units outstanding	529,615	201,186
Net asset value per unit:		
Class R1	\$ -	\$ -
Class R2	\$ -	\$ -
Class R3	\$ -	\$ -
Class R-INT	\$ 10.70	\$ 9.78

# Hand Composite Employee Benefit Trust

## Schedules of Investments

### HB&T Short Term Income Fund

December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<b><u>Short Term Investments</u></b>			
2,336,429	DWS Govt & Agency Securities Port Service Shares	\$ 2,336,429	\$ 2,336,429
15,228,371	Wells Fargo Advantage Heritage Fund	15,228,371	15,228,371
	Total Short Term Investments	22.45% <u>17,564,800</u>	<u>17,564,800</u>
<b><u>US Government Obligations</u></b>			
\$ 2,000,000	United States Treasury Bonds 7.25% 05/15/2016	2,052,017	2,048,439
2,000,000	United States Treasury Notes .375% 04/30/2016	2,001,188	1,999,760
2,000,000	United States Treasury Notes .5% 06/30/2016	2,000,791	1,999,540
2,000,000	United States Treasury Notes 1% 08/31/2016	2,004,639	2,004,060
2,000,000	United States Treasury Notes 2% 01/31/2016	2,003,161	2,002,440
2,000,000	United States Treasury Notes 2.125% 02/29/2016	2,006,428	2,005,540
2,000,000	United States Treasury Notes 2.375% 03/31/2016	2,010,140	2,009,540
2,000,000	U S Treasury Bill 02/04/2016	1,998,810	1,998,810
2,000,000	U S Treasury Bill 02/25/2016	1,998,124	1,998,124
	Total US Government Obligations	23.10% <u>18,075,298</u>	<u>18,066,253</u>
<b><u>Commercial Paper</u></b>			
3,000,000	Abbey Natl Treasury Svcs Plc A1/p1 04/15/2016	2,994,302	2,994,302
3,000,000	Alliance Bernstein Lp A1/p1 03/18/2016	2,996,852	2,996,852
3,000,000	Bank Of Tokyo-mitsubishi Ufj A1/p1 03/28/2016	2,996,102	2,996,102
2,800,000	Campbell Soup Co A2/p2 02/08/2016	2,797,226	2,797,226
3,000,000	Chevron Inc A1/p1 03/16/2016	2,997,702	2,997,702
3,000,000	Crown Point Capital Co A1/p1 04/11/2016	2,994,540	2,994,540
3,000,000	Devon Energy Corp A2/p2 01/25/2016	2,997,481	2,997,481
3,000,000	Harley Davidson Funding A2/p2 03/01/2016	2,996,327	2,996,327
2,000,000	Hyundai Capital America Inc A2/p2 01/19/2016	1,997,606	1,997,606
3,000,000	Lexington Parker Capital Inc A1/p1 03/02/2016	2,997,165	2,997,165
2,000,000	Nissan Motor Acceptance Corp A2/p2 01/19/2016	1,998,389	1,998,389
2,000,000	Societe Generale Inc A1/p1 01/04/2016	1,998,999	1,998,999
	Total Commercial Paper	41.88% <u>32,762,691</u>	<u>32,762,691</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Short Term Income Fund (Continued)**  
**December 31, 2015**

Number of Shares		Cost	Fair Value
<i><u>Guaranteed Investment Contracts</u></i>			
4,818,348	Fortis Institutional Income Plus Fund #711	\$ 4,818,348	\$ 4,818,348
5,010,418	Union Bond & Trust Co Stable Value Fund	<u>5,010,418</u>	<u>5,010,418</u>
	Total Guaranteed Investment Contracts	<i>12.57%</i> <u>9,828,766</u>	<u>9,828,766</u>
	Total Investments	<i>100.00%</i> <u>\$ 78,231,555</u>	<u>\$ 78,222,510</u>



**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Fixed Income Fund**  
**December 31, 2015**

Number of Shares or Principal Amount		Cost	Fair Value
<b><u>Short Term Investments</u></b>			
35,921	Cash Force Bank Insured Deposit Fund	\$ 35,921	\$ 35,921
	Total Short Term Investments	0.74% <u>35,921</u>	<u>35,921</u>
<b><u>US Government Obligations</u></b>			
\$ 200,000	United States Treasury Notes .625% 5/31/2017	199,956	199,188
200,000	United States Treasury Notes .625% 04/30/2018	198,002	197,531
200,000	United States Treasury Notes .875% 01/31/2018	199,877	199,109
	Total US Government Obligations	12.29% <u>597,835</u>	<u>595,828</u>
<b><u>Corporate Bonds</u></b>			
<b><u>Consumer Discretionary</u></b>			
300,000	Anheuser Busch Co Inc 5% 03/01/2019	296,643	324,495
	Total Consumer Discretionary	6.69% <u>296,643</u>	<u>324,495</u>
<b><u>Consumer Staples</u></b>			
200,000	H.J. Heinz Company 1.5% 03/01/2017	200,051	196,352
	Total Consumer Staples	4.05% <u>200,051</u>	<u>196,352</u>
<b><u>Energy</u></b>			
300,000	Kinder Morgan Energy Partners 3.5% 03/01/2016	300,917	301,032
	Total Energy	6.21% <u>300,917</u>	<u>301,032</u>
<b><u>Financials</u></b>			
200,000	Bank Of America Corp Sr Unsecured Mtn 1.7% 08/25/2017	200,609	199,548
300,000	Berkshire Hathaway Inc 1.9% 01/31/2017	302,056	302,676
100,000	Citigroup Inc 1.7% 04/27/2018	99,562	99,162
100,000	Citigroup Inc 1.8% 02/05/2018	100,067	99,608
350,000	General Electric Capital Corp 2.3% 04/27/2017	351,031	354,669
200,000	Goldman Sachs Group Inc Sr Unsecured 2.375% 01/22/2018	202,896	201,794
100,000	JP Morgan Chase & Co Sr Unsecured 2% 08/15/2017	101,015	100,506
200,000	Metlife Inc 6.75% 06/01/2016	203,744	204,430
	Total Financials	32.22% <u>1,560,980</u>	<u>1,562,393</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Fixed Income Fund (Continued)**  
**December 31, 2015**

Number of Shares or Principal Amount		Cost	Fair Value
<i>Healthcare</i>			
\$ 200,000	Amgen Inc 2.125% 05/15/2017	\$ 202,268	\$ 201,516
200,000	Glaxosmithkline Cap Inc Sr Unsecured 5.65% 05/15/2018	220,277	218,374
	Total Healthcare	8.66% <u>422,545</u>	<u>419,890</u>
<i>Industrials</i>			
200,000	Ford Motor Credit Corp 1.724% 12/06/2017	198,840	197,090
	Total Industrials	4.07% <u>198,840</u>	<u>197,090</u>
<i>Telecommunication Services</i>			
200,000	AT&T Inc 1.4% 12/01/2017	199,411	199,028
200,000	Verizon Communications 3.65% 09/14/2018	208,753	208,996
	Total Telecommunication Services	8.42% <u>408,164</u>	<u>408,024</u>
<i>Utilities</i>			
200,000	Consolidated Edison Co of NY 5.3% 12/01/2016	207,319	207,730
	Total Utilities	4.28% <u>207,319</u>	<u>207,730</u>
	Total Corporate Bonds	74.60% <u>3,595,459</u>	<u>3,617,006</u>
<u><i>Exchange-traded Fund</i></u>			
<i>Fixed Income</i>			
2,103	iShares Barclays Tips Bond Fund	234,698	230,657
	Total Fixed Income	4.75% <u>234,698</u>	<u>230,657</u>
	Total Exchange-traded Fund	4.75% <u>234,698</u>	<u>230,657</u>

# Hand Composite Employee Benefit Trust

## Schedules of Investments (Continued)

### HB&T Fixed Income Fund (Continued)

December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<u><i>Common Trust Funds</i></u>			
<i>Fixed Income</i>			
10,598	Blackrock 1-3 Year Govt Bond Index Fund F	\$ 199,666	\$ 202,294
167,035	HB&T Short Term Income Fund	167,035	167,035
	Total Fixed Income	7.62% <u>366,701</u>	<u>369,329</u>
	Total Common Trust Funds	7.62% <u>366,701</u>	<u>369,329</u>
	Total Investments	100.00% <u>\$ 4,830,614</u>	<u>\$ 4,848,741</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Mid Cap Blend Index Fund**  
**December 31, 2015**

Number of Shares		Cost	Fair Value
<i><u>Common Trust Funds</u></i>			
<i>Fixed Income</i>			
82,739	HB&T Short Term Income Fund	\$ 82,739	\$ 82,739
	Total Fixed Income	1.59% <u>82,739</u>	<u>82,739</u>
<i>Equity</i>			
146,454	Blackrock Midcap Equity Index Fund K	3,330,335	5,128,507
	Total Equity	98.41% <u>3,330,335</u>	<u>5,128,507</u>
	Total Common Trust Funds	100.00% <u>3,413,074</u>	<u>5,211,246</u>
	Total Investments	100.00% <u>\$ 3,413,074</u>	<u>\$ 5,211,246</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Large Cap 500 Index Fund**  
**December 31, 2015**

Number of Shares		Cost	Fair Value
<b><u>Common Trust Funds</u></b>			
<b><i>Fixed Income</i></b>			
109,961	HB&T Short Term Income Fund	\$ 109,961	\$ 109,961
	Total Fixed Income	1.86% <u>109,961</u>	<u>109,961</u>
<b><i>Equity</i></b>			
78,136	Blackrock Midcap Equity Index Fund K	2,951,211	5,794,126
	Total Equity	98.14% <u>2,951,211</u>	<u>5,794,126</u>
	Total Common Trust Funds	100.00% <u>3,061,172</u>	<u>5,904,087</u>
	Total Investments	100.00% <u>\$ 3,061,172</u>	<u>\$ 5,904,087</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Large Cap Growth Index Fund**  
**December 31, 2015**

Number of Shares		Cost	Fair Value
<i><u>Common Trust Fund</u></i>			
<i>Equity</i>			
317,883	Blackrock Russell 1000 Growth Fund F	\$ 5,676,384	\$ 5,666,606
	Total Equity	<i>100.00%</i> <u>5,676,384</u>	<u>5,666,606</u>
	Total Common Trust Fund	<i>100.00%</i> <u>5,676,384</u>	<u>5,666,606</u>
	Total Investments	<i>100.00%</i> <u>\$ 5,676,384</u>	<u>\$ 5,666,606</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**HB&T Large Cap Value Index Fund**  
**December 31, 2015**

Number of Shares		Cost	Fair Value
<i><u>Common Trust Fund</u></i>			
<i>Equity</i>			
81,051	Blackrock Russell 1000 Growth Fund F	\$ 2,031,256	\$ 1,966,901
	Total Equity	<i>100.00%</i> <u>2,031,256</u>	<u>1,966,901</u>
	Total Common Trust Fund	<i>100.00%</i> <u>2,031,256</u>	<u>1,966,901</u>
	Total Investments	<i>100.00%</i> <u>\$ 2,031,256</u>	<u>\$ 1,966,901</u>

**Hand Composite Employee Benefit Trust**  
**Statements of Operations – Selected Funds**  
**Year Ended December 31, 2015**

	<b>HB&amp;T Short Term Income Fund</b>	<b>HB&amp;T Fixed Income Fund</b>	<b>HB&amp;T Mid Cap Blend Index Fund</b>	<b>HB&amp;T Large Cap 500 Index Fund</b>
<b>Income</b>				
Interest	\$ 166,912	\$ 62,507	\$ -	\$ -
Dividends	-	986	190	190
Total income	<u>166,912</u>	<u>63,493</u>	<u>190</u>	<u>190</u>
<b>Expenses</b>				
Investment management and administrative	102,681	26,460	-	-
Class R1 expenses	-	-	16,441	15,467
Class R2 expenses	-	-	1,513	-
Other fees	119	239	13	(5)
Audit	7,500	3,500	3,000	3,000
Total expenses	<u>110,300</u>	<u>30,199</u>	<u>20,967</u>	<u>18,462</u>
<b>Net Investment Income (Loss)</b>	<u>56,612</u>	<u>33,294</u>	<u>(20,777)</u>	<u>(18,272)</u>
<b>Net Realized and Unrealized Gains (Losses)</b>				
<b>on Investments</b>				
Net realized gains on investments	-	8,182	443,737	220,986
Net change in unrealized appreciation/ depreciation on investments	<u>(5,502)</u>	<u>(33,122)</u>	<u>(545,362)</u>	<u>(154,072)</u>
Net realized and unrealized gains (losses)	<u>(5,502)</u>	<u>(24,940)</u>	<u>(101,625)</u>	<u>66,914</u>
<b>Net Increase (Decrease) in Net Assets Resulting From Operations</b>	<u>\$ 51,110</u>	<u>\$ 8,354</u>	<u>\$ (122,402)</u>	<u>\$ 48,642</u>



**Hand Composite Employee Benefit Trust**  
**Statements of Operations – Selected Funds (Continued)**  
**Year Ended December 31, 2015**

	<b>HB&amp;T Large Cap Growth Index Fund</b>	<b>HB&amp;T Large Cap Value Index Fund</b>
<b>Income</b>		
Interest	\$ -	\$ -
Dividends	-	-
Total income	0	0
<b>Expenses</b>		
Investment management and administrative	657	226
Class R1 expenses	-	-
Class R2 expenses	-	-
Other fees	370	128
Audit	-	-
Total expenses	1,027	354
<b>Net Investment Loss</b>	(1,027)	(354)
<b>Net Realized and Unrealized Gains (Losses)</b>		
<b>on Investments</b>		
Net realized gains on investments	45,080	(5,893)
Net change in unrealized appreciation/ depreciation on investments	(24,911)	(69,955)
Net realized and unrealized gains (losses)	20,169	(75,848)
<b>Net Increase (Decrease) in Net Assets Resulting From Operations</b>	\$ 19,142	\$ (76,202)

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

	<b>HB&amp;T Short Term Income Fund</b>	<b>HB&amp;T Fixed Income Fund</b>	<b>HB&amp;T Mid Cap Blend Index Fund</b>	<b>HB&amp;T Large Cap 500 Index Fund</b>
<b>Operations</b>				
Net investment income (loss)	\$ 56,612	\$ 33,294	\$ (20,777)	\$ (18,272)
Net realized gains (losses)	-	8,182	443,737	220,986
Change in unrealized appreciation/depreciation	<u>(5,502)</u>	<u>(33,122)</u>	<u>(545,362)</u>	<u>(154,072)</u>
Net increase (decrease) in net assets from operations	51,110	8,354	(122,402)	48,642
<b>Distributions</b>				
Net investment loss	(57,753)	-	-	-
<b>Net Increase (Decrease) in Net Assets From Participant Unit Transactions</b>	<u>39,394,753</u>	<u>738,513</u>	<u>(298,113)</u>	<u>(330,365)</u>
<b>Increase (Decrease) in Net Assets</b>	39,388,110	746,867	(420,515)	(281,723)
<b>Net Assets</b>				
Beginning of year	<u>39,081,051</u>	<u>4,122,056</u>	<u>5,627,402</u>	<u>6,181,557</u>
End of year	<u>\$ 78,469,161</u>	<u>\$ 4,868,923</u>	<u>\$ 5,206,887</u>	<u>\$ 5,899,834</u>

**Hand Composite Employee Benefit Trust**  
**Statements of Changes in Net Assets – Selected Funds (Continued)**  
**Year Ended December 31, 2015**

	<b>HB&amp;T Large Cap Growth Index Fund</b>	<b>HB&amp;T Large Cap Value Index Fund</b>
<b>Operations</b>		
Net investment loss	\$ (1,027)	\$ (354)
Net realized gains (losses)	45,080	(5,893)
Change in unrealized appreciation/depreciation	<u>(24,911)</u>	<u>(69,955)</u>
Net increase (decrease) in net assets from operations	19,142	(76,202)
<b>Distributions</b>		
Net investment income	-	-
<b>Net Increase in Net Assets From Participant Unit Transactions</b>	<u>4,639,400</u>	<u>1,690,300</u>
<b>Increase in Net Assets</b>	4,658,542	1,614,098
<b>Net Assets</b>		
Beginning of year	<u>1,007,958</u>	<u>352,766</u>
End of year	<u>\$ 5,666,500</u>	<u>\$ 1,966,864</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 six 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.

The HB&T Mid Cap Blend Index Fund closed on March 15, 2016.

#### ***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 and includes accretion of discounts and amortization of premiums. Investment income is allocated ratably on the valuation dates among all participants. Distributions to participants in the HB&T Short Term Income Fund are accrued as of each valuation date and are distributed to participants on the first business day after

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

month-end. No distributions are made to participants in the remaining funds 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 these other 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. The HB&T Short Term Income Fund is managed so as to maintain a unit value of \$1 per unit.

### ***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:

<b>Fund</b>	<b>Investment Management Advisors</b>
HB&T Short Term Income Fund	HB&T
HB&T Fixed Income Fund	HB&T
HB&T Mid Cap Blend Index Fund	HB&T
HB&T Large Cap 500 Index Fund	HB&T
HB&T Large Cap Growth Index Fund	HB&T
HB&T Large Cap Value Index Fund	HB&T

### **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, 2015

The following tables indicate 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
HB&T Short Term Income Fund	0.2000%	0.0000%	0.0000%	0.0000%	0.2000%
HB&T Fixed Income Fund	0.1500%	0.4200%	0.0000%	0.0000%	0.5700%
HB&T Mid Cap Blend Index Fund:					
Class R1	0.1000%	0.1000%	0.1000%	0.0000%	0.3000%
Class R2	0.1750%	0.1750%	0.2500%	0.0000%	0.6000%
Class R3	0.2500%	0.2500%	0.4000%	0.1000%	1.0000%
HB&T Large Cap 500 Index Fund:					
Class R1	0.1000%	0.0500%	0.1000%	0.0000%	0.2500%
Class R2	0.1750%	0.1250%	0.2500%	0.0000%	0.5500%
Class R3	0.2500%	0.2000%	0.5000%	0.0000%	0.9500%
HB&T Large Cap Growth Index Fund:					
Class R-INT	0.0025%	0.0200%	0.0000%	0.0000%	0.0225%
HB&T Large Cap Value Fund:					
Class R-INT	0.0025%	0.0200%	0.0000%	0.0000%	0.0225%

### Note 3: Financial Highlights

	Class R1			
	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Mid Cap Blend Index Fund	HB&T Large Cap 500 Index Fund
Net asset value, beginning of year	\$ 1.00	\$ 20.58	\$ 27.26	\$ 27.03
Net investment income (loss)	0.00	0.15	(0.10)	(0.08)
Net realized and unrealized gains (losses)	0.00	(0.11)	(0.52)	0.38
Net increase (decrease) from operations	0.00	0.04	(0.62)	0.30
Distributions from net investment income	0.00	0.00	0.00	0.00
Net asset value, end of year	\$ 1.00	\$ 20.62	\$ 26.64	\$ 27.33
Total return	0.11%	0.19%	(2.27)%	1.07%
Ratio to average net assets:				
Net investment income (loss)	0.11%	0.73%	(0.35)%	(0.30)%
Expenses	0.21%	0.66%	0.36%	0.31%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2015

	Class R2	Class R3	
	HB&T Mid Cap Blend Index Fund	HB&T Mid Cap Blend Index Fund	HB&T Large Cap 500 Index Fund
Net asset value, beginning of year	\$ 20.37	\$ 29.22	\$ 20.80
Net investment loss	(0.05)	(0.01)	(0.01)
Net realized and unrealized gains (losses)	(0.48)	(0.57)	0.28
Net increase (decrease) from operations	(0.53)	(0.58)	0.27
Net asset value, end of year	<u>\$ 19.84</u>	<u>\$ 28.64</u>	<u>\$ 21.07</u>
Total return	(2.60)%	(1.98)%	1.30%
Ratio to average net assets:			
Net investment loss	(0.26)%	(0.14)%	(0.13)%
Expenses	0.26%	0.15%	0.14%
		Class R-INT	
		HB&T Large Cap Growth Index Fund	HB&T Large Cap Value Index Fund
Net asset value, beginning of year		\$ 10.13	\$ 10.13
Net investment loss		-	-
Net realized and unrealized gains (losses)		0.57	(0.35)
Net increase (decrease) from operations		0.57	(0.35)
Net asset value, end of year		<u>\$ 10.70</u>	<u>\$ 9.78</u>
Total return		5.63%	(3.46)%
Ratio to average net assets:			
Net investment loss		(0.03)%	(0.03)%
Expenses		0.03%	0.03%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2015

#### Note 4: Participant Unit Transactions

	HB&T Short Term Income Fund		HB&T Fixed Income Fund		HB&T Mid Cap Blend Index Fund		HB&T Large Cap 500 Index Fund	
	Units	Dollars	Units	Dollars	Units	Dollars	Units	Dollars
<b>Class R1:</b>								
Proceeds from sales of units	383,528,117	\$ 383,528,117	93,891	\$ 1,938,435	35,000	\$ 992,482	26,632	\$ 728,948
Cost of units redeemed	(344,133,364)	(344,133,364)	(58,017)	(1,199,922)	(29,850)	(821,637)	(39,352)	(1,059,313)
Net increase (decrease) in Class R1 from participant transactions	39,394,753	39,394,753	35,874	738,513	5,150	170,845	(12,720)	(330,365)
<b>Class R2:</b>								
Proceeds from sales of units					14,434	308,214		
Cost of units redeemed					(36,081)	(777,172)		
Net decrease in Class R2 from participant transactions					(21,647)	(468,958)		
Net increase (decrease) in total net assets from participant transactions		\$ 39,394,753		\$ 738,513		\$ (298,113)		\$ (330,365)
					HB&T Large Cap Growth Index Fund		HB&T Large Cap Value Index Fund	
					Units	Dollars	Units	Dollars
<b>Class R-INT:</b>								
Proceeds from sales of units					523,471	\$ 5,613,800	198,349	\$ 1,999,000
Cost of units redeemed					(93,320)	(974,400)	(31,988)	(308,700)
Net increase in Class R-INT from participant transactions					430,151	\$ 4,639,400	166,361	\$ 1,690,300

#### 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.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

**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 year ended December 31, 2015.

**Short Term Investments.** Short term investments, including money market funds and commercial paper, 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.

**Commercial Paper.** Commercial paper with remaining maturities of 60 days or less for which quotations are not readily available are valued at amortized cost, which approximates fair value and are categorized as Level 2 in the hierarchy.

**Traditional Guaranteed Investment Contracts (GICs).** The traditional GICs' contract rates are used as the discount rate in the present value calculation for traditional GIC contracts that have a duration of one year or less and for cash flows that occur within 12 months. The rationale for using the contract rate as the discount rate is 1) there are no published one-year market GIC rates; 2) a cash flow maturity or contract duration within one year should be considered near term assets with a high certainty of realizing book value, hence present value should equal book value. Traditional GICs are categorized as Level 2 within the valuation hierarchy.

**U.S. Government Obligations.** U.S. Government obligations are valued using a model that incorporates market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Certain securities are valued principally using dealer quotations. U.S. Government obligations are categorized as Level 2 in the hierarchy.

**Equity Securities (Common and Preferred Stock), Mutual Funds and 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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

**Corporate Bonds.** The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate bonds are categorized as Level 2 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, 2015.

	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>HB&amp;T Short Term Income Fund</b>				
Short Term Investments	\$ 17,564,800	\$ 17,564,800	\$ -	\$ -
US Government Obligations	18,066,253	-	18,066,253	-
Commercial Paper	32,762,691	-	32,762,691	-
Guaranteed Investment Contracts	9,828,766	-	9,828,766	-
	<u>\$ 78,222,510</u>			
<b>HB&amp;T Fixed Income Fund</b>				
Short Term Investments	\$ 35,921	\$ 35,921	\$ -	\$ -
US Government Obligations	595,828	-	595,828	-
Corporate Bonds	3,617,006	-	3,617,006	-
Exchange-traded Fund: Fixed Income	230,657	-	230,657	-
Common Trust Funds: Fixed Income (A)	369,329	-	-	-
Total	<u>\$ 4,848,741</u>			
<b>HB&amp;T Mid Cap Blend Index Fund</b>				
Common Trust Funds: Fixed Income (A)	\$ 82,739	\$ -	\$ -	\$ -
Common Trust Funds: Equity (A)	5,128,507	-	-	-
Total	<u>\$ 5,211,246</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, 2015**

	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>HB&amp;T Large Cap 500 Index Fund</b>				
Common Trust Funds: Fixed Income (A)	\$ 109,961	\$ -	\$ -	\$ -
Common Trust Funds: Equity (A)	<u>5,794,126</u>	-	-	-
Total	<u>\$ 5,904,087</u>			
<b>HB&amp;T Large Cap Growth Index Fund</b>				
Common Trust Fund: Equity (A)	<u>\$ 5,666,606</u>	\$ -	\$ -	\$ -
Total	<u>\$ 5,666,606</u>			
<b>HB&amp;T Large Cap Value Index Fund</b>				
Common Trust Fund: Equity (A)	<u>\$ 1,966,901</u>	\$ -	\$ -	\$ -
Total	<u>\$ 1,966,901</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 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 change 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**  
**HB&T Short Term Income Fund**  
**Year Ended December 31, 2015**

**Purchases**

<b>Investment Class</b>	<b>Cost</b>
US Treasury Bills	\$ 3,996,934
Commercial Paper	108,723,881
Guaranteed Investment Contracts	86,437
US Government Obligations	<u>18,204,549</u>
Total Investments Purchased	<u><u>\$ 131,011,801</u></u>

**Sales**

<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
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No sales during the period

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Fixed Income Fund**  
**Year Ended December 31, 2015**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
US Government Obligations	\$ 597,834
Corporate Bonds	1,744,148
Common Trust Funds - Fixed Income	2,234,021
Total Investments Purchased	\$ 4,576,003

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Funds - Fixed Income	\$ 424,016	\$ 415,834	\$ 8,182
Common Trust Funds - Money Market Funds	2,179,096	2,179,096	-
Total Investments Sold	\$ 2,603,112	\$ 2,594,930	\$ 8,182

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Mid Cap Blend Index Fund**  
**Year Ended December 31, 2015**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Funds - Fixed Income	\$ 1,420,329
Common Trust Funds - Equity	663,000
Total Investments Purchased	\$ 2,083,329

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Funds - Money Market	\$ 1,542,654	\$ 1,542,654	\$ -
Common Trust Funds - Equity	859,500	415,763	443,737
Total Investments Sold	\$ 2,402,154	\$ 1,958,417	\$ 443,737

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Large Cap 500 Index Fund**  
**Year Ended December 31, 2015**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Funds - Equity	<u>\$ 696,112</u>
Total Investments Purchased	<u><u>\$ 696,112</u></u>

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Funds - Money Market	\$ 1,146,070	\$ 1,146,070	\$ -
Common Trust Funds - Equity	<u>442,000</u>	<u>221,014</u>	<u>220,986</u>
Total Investments Sold	<u><u>\$ 1,588,070</u></u>	<u><u>\$ 1,367,084</u></u>	<u><u>\$ 220,986</u></u>



**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Large Cap Growth Index Fund**  
**Year Ended December 31, 2015**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Fund - Equity	\$ 5,519,871
Total Investments Purchased	\$ 5,519,871

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Trust Fund - Equity	\$ 903,412	\$ 858,332	\$ 45,080
Total Investments Sold	\$ 903,412	\$ 858,332	\$ 45,080

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**HB&T Large Cap Value Index Fund**  
**Year Ended December 31, 2015**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Fund - Equity	<u>\$ 1,969,836</u>
Total Investments Purchased	<u><u>\$ 1,969,836</u></u>

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Loss</b>
Common Trust Fund - Equity	<u>\$ 285,859</u>	<u>\$ 291,752</u>	<u>\$ (5,893)</u>
Total Investments Sold	<u><u>\$ 285,859</u></u>	<u><u>\$ 291,752</u></u>	<u><u>\$ (5,893)</u></u>