

**Hand Composite Employee Benefit Trust
Hand Benefits & Trust 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

 HB&T Short Term Income Fund 4

 HB&T Fixed Income Fund..... 5

 HB&T Large Cap 500 Index Fund..... 7

 HB&T Large Cap Growth Index Fund..... 8

 HB&T Large Cap Value Index Fund 9

Statements of Operations – Selected Funds 10

Statements of Changes in Net Assets – Selected Funds 11

Notes to Financial Statements..... 12

Supplemental Information

Schedules of Investment Purchases and Sales – Selected Funds 20

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 Large Cap 500 Index Fund, HB&T Large Cap Growth Index Fund and HB&T Large Cap Value Index Fund) [five 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, 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 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
Statements of Assets and Liabilities – Selected Funds
December 31, 2016

	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Large Cap 500 Index Fund	HB&T Large Cap Growth Index Fund	HB&T Large Cap Value Index Fund
Assets					
Investments, at cost	\$ 61,869,624	\$ 3,994,223	\$ 6,494,469	\$ 7,415,002	\$ 1,751,468
Investments, at fair value	\$ 61,869,695	\$ 4,012,090	\$ 6,808,030	\$ 7,995,157	\$ 2,032,864
Cash	190,197	-	-	-	-
Receivable for:					
Investment securities sold	3,000,000	-	-	-	-
Capital shares sold	29,620	8,409	10,488	-	-
Dividends and interest	58,766	21,797	-	-	-
Total assets	<u>\$ 65,148,278</u>	<u>\$ 4,042,296</u>	<u>\$ 6,818,518</u>	<u>\$ 7,995,157</u>	<u>\$ 2,032,864</u>
Liabilities					
Accounts payable and accrued liabilities	\$ 19,004	\$ 5,519	\$ 4,438	\$ 154	\$ 39
Total liabilities	<u>\$ 19,004</u>	<u>\$ 5,519</u>	<u>\$ 4,438</u>	<u>\$ 154</u>	<u>\$ 39</u>
Net assets held for participants:					
Class R1	\$ 65,129,274	\$ 4,036,777	\$ 6,814,056	\$ -	\$ -
Class R3	-	-	24	-	-
Class R-INT	-	-	-	7,995,003	2,032,825
Total net assets held for participants	<u>\$ 65,129,274</u>	<u>\$ 4,036,777</u>	<u>\$ 6,814,080</u>	<u>\$ 7,995,003</u>	<u>\$ 2,032,825</u>
Units outstanding:					
Class R1	65,176,826	193,663	224,220	-	-
Class R3	-	-	1	-	-
Class R-INT	-	-	-	699,936	179,831
Total units outstanding	<u>65,176,826</u>	<u>193,663</u>	<u>224,221</u>	<u>699,936</u>	<u>179,831</u>
Net asset value per unit:					
Class R1	<u>\$ 1.00</u>	<u>\$ 20.84</u>	<u>\$ 30.39</u>	<u>\$ 0</u>	<u>\$ 0</u>
Class R3	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 23.50</u>	<u>\$ 0</u>	<u>\$ 0</u>
Class R-INT	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11.42</u>	<u>\$ 11.30</u>

Hand Composite Employee Benefit Trust
Schedules of Investments
HB&T Short Term Income Fund
December 31, 2016

**Number of
Shares or
Principal
Amount**

Cost

Fair Value

Short Term Investments

175,858	DWS Govt & Agency Securities Port Service Shares	\$ 175,858		\$ 175,858
11,815,968	Wells Fargo Government MMF-Instl	11,815,968		11,815,968
	Total Short Term Investments	11,991,826	19.38%	11,991,826

US Government Obligations

\$ 3,000,000	United States Treasury Notes .625% 05/31/2017	3,001,300		3,000,240
2,000,000	United States Treasury Notes .75% 01/15/2017	1,999,997		2,000,280
2,000,000	United States Treasury Notes .875% 02/28/2017	2,001,160		2,001,340
3,000,000	United States Treasury Notes .875% 04/30/2017	3,003,509		3,003,420
3,000,000	United States Treasury Notes 1% 03/31/2017	3,002,963		3,003,720
	Total US Government Obligations	13,008,929	21.03%	13,009,000

Commercial Paper

3,000,000	Abbey Natl Treasury Svcs Plc A1/p1 04/06/2017	2,990,704		2,990,704
3,000,000	Apple Inc A1/p1 03/27/2017	2,993,140		2,993,140
3,000,000	Crown Point Capital Co A1/p1 03/01/2017	2,993,254		2,993,254
3,000,000	CVS Health Corp A2/p2 02/09/2017	2,994,937		2,994,937
3,000,000	Duke Energy Corp A2/p2 02/01/2017	2,994,357		2,994,357
3,000,000	Ford Motor Credit Corp A2/p2 02/13/2017	2,994,454		2,994,454
3,000,000	Hyundai Capital America Inc A2/p2 02/06/2017	2,994,195		2,994,195
3,000,000	Natixis Ny Sa A1/p1 03/13/2017	2,993,404		2,993,404
3,000,000	Toyota Motor Credit Corp A1/p1 03/13/2017	2,994,378		2,994,378
	Total Commercial Paper	26,942,823	43.55%	26,942,823

Guaranteed Investment Contracts

4,841,725	Fortis Institutional Income Plus Fund #711	4,841,725		4,841,725
5,084,321	Union Bond & Trust Co Stable Value Fund	5,084,321		5,084,321
	Total Guaranteed Investment Contracts	9,926,046	16.04%	9,926,046
	Total Investments	\$ 61,869,624	100.00%	\$ 61,869,695

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
HB&T Fixed Income Fund
December 31, 2016

**Number of
Shares or
Principal
Amount**

Cost

Fair Value

Short Term Investment

989	DWS Govt & Agency Securities Port Service Shares	\$ 989	\$ 989
	Total Short Term Investment	0.02% 989	989

US Government Obligations

\$	200,000	United States Treasury Notes .625% 04/30/2018	198,816	199,063
	200,000	United States Treasury Notes .625% 5/31/2017 .625% 05/31/2017	199,989	200,031
	200,000	United States Treasury Notes .875% 01/31/2018	199,940	199,867
	200,000	United States Treasury Notes 1% 03/15/2019	201,496	198,984
	200,000	United States Treasury Notes 1.25% 11/15/2018	201,237	200,375
	200,000	United States Treasury Notes 1.375% 07/31/2018	201,687	200,977
		Total US Government Obligations	29.89% 1,203,165	1,199,297

Corporate Bonds

Consumer Discretionary

300,000	Anheuser Busch Co Inc 5% 03/01/2019	297,776	319,215
	Total Consumer Discretionary	7.96% 297,776	319,215

Financials

200,000	Bank of America Corp Sr Unsecured Mtn 1.7% 08/25/2017	200,272	200,228
300,000	Berkshire Hathaway Inc 1.9% 01/31/2017	300,321	299,996
100,000	Citigroup Inc 1.7% 04/27/2018	99,752	99,768
100,000	Citigroup Inc 1.8% 02/05/2018	100,038	99,983
350,000	General Electric Capital Corp 2.3% 04/27/2017	350,317	351,299
200,000	Goldman Sachs Group Inc Sr Unsecured 2.375% 01/22/2018	201,617	201,220
100,000	JP Morgan Chase & Co Sr Unsecured 2% 08/15/2017	100,443	100,374
	Total Financials	33.72% 1,352,760	1,352,868

Healthcare

200,000	Amgen Inc 2.125% 05/15/2017	200,754	200,632
200,000	Glaxosmithkline Cap Inc Sr Unsecured 5.65% 05/15/2018	212,491	210,918
	Total Healthcare	10.26% 413,245	411,550

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
HB&T Fixed Income Fund (Continued)
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<i>Industrials</i>			
200,000	Ford Motor Credit Corp 1.724% 12/06/2017	\$ 199,407	\$ 199,894
	Total Industrials	4.98% <u>199,407</u>	<u>199,894</u>
<i>Telecommunication Services</i>			
200,000	AT&T Inc 1.4% 12/01/2017	199,704	199,576
200,000	Verizon Communications 3.65% 09/14/2018	<u>205,828</u>	<u>206,360</u>
	Total Telecommunication Services	10.12% <u>405,532</u>	<u>405,936</u>
	Total Corporate Bonds	67.04% <u>2,668,720</u>	<u>2,689,463</u>
<u>Exchange-traded Fund</u>			
<i>Fixed Income</i>			
628	iShares Barclays Tips Bond Fund	<u>70,079</u>	<u>71,071</u>
	Total Fixed Income	<u>70,079</u>	<u>71,071</u>
	Total Exchange-traded Fund	1.77% <u>70,079</u>	<u>71,071</u>
<u>Common Trust Fund</u>			
<i>Fixed Income</i>			
51,270	Hb&t Short Term Income Fund	<u>51,270</u>	<u>51,270</u>
	Total Fixed Income	<u>51,270</u>	<u>51,270</u>
	Total Common Trust Fund	1.28% <u>51,270</u>	<u>51,270</u>
	Total Investments	100.00% <u>\$ 3,994,223</u>	<u>\$ 4,012,090</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
HB&T Large Cap 500 Index Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<u>Common Trust Funds</u>			
<i>Fixed Income</i>			
414,134	HB&T Short Term Income Fund	\$ 414,134	\$ 414,134
	Total Fixed Income	6.08% <u>414,134</u>	<u>414,134</u>
<i>Equity</i>			
73,625	Blackrock US Equity Index T	6,080,335	6,393,896
	Total Equity	93.92% <u>6,080,335</u>	<u>6,393,896</u>
	Total Common Trust Funds	100.00% <u>6,494,469</u>	<u>6,808,030</u>
	Total Investments	100.00% <u>\$ 6,494,469</u>	<u>\$ 6,808,030</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
HB&T Large Cap Growth Index Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<u>Common Trust Funds</u>			
<i>Fixed Income</i>			
323,221	HB&T Short Term Income Fund	\$ 323,221	\$ 323,221
	Total Fixed Income	4.04% <u>323,221</u>	<u>323,221</u>
<i>Equity</i>			
401,672	Blackrock Russell 1000 Growth Fund F	7,091,781	7,671,936
	Total Equity	95.96% <u>7,091,781</u>	<u>7,671,936</u>
	Total Common Trust Funds	100.00% <u>7,415,002</u>	<u>7,995,157</u>
	Total Investments	100.00% <u>\$ 7,415,002</u>	<u>\$ 7,995,157</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
HB&T Large Cap Value Index Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<u>Common Trust Funds</u>			
<i>Fixed Income</i>			
65,183	HB&T Short Term Income Fund	\$ 65,183	\$ 65,183
	Total Fixed Income	3.21% <u>65,183</u>	<u>65,183</u>
<i>Equity</i>			
69,124	Blackrock Russell 1000 Value Fund F	1,686,285	1,967,681
	Total Equity	96.79% <u>1,686,285</u>	<u>1,967,681</u>
	Total Common Trust Funds	100.00% <u>1,751,468</u>	<u>2,032,864</u>
	Total Investments	100.00% <u>\$ 1,751,468</u>	<u>\$ 2,032,864</u>

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

	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Large Cap 500 Index Fund	HB&T Large Cap Growth Index Fund	HB&T Large Cap Value Index Fund
Income					
Interest	\$ 457,688	\$ 73,666	\$ -	\$ -	\$ -
Dividends	-	2,920	747	795	182
Total income	<u>457,688</u>	<u>76,586</u>	<u>747</u>	<u>795</u>	<u>182</u>
Expenses					
Investment management and administrative	161,834	26,186	-	1,629	412
Class R1 expenses	-	-	15,381	-	-
Other fees	75	125	-	891	252
Audit	7,500	3,500	3,000	-	-
Total expenses	<u>169,409</u>	<u>29,811</u>	<u>18,381</u>	<u>2,520</u>	<u>664</u>
Net Investment Income (Loss)	<u>288,279</u>	<u>46,775</u>	<u>(17,634)</u>	<u>(1,725)</u>	<u>(482)</u>
Net Realized and Unrealized Gains (Losses) on Investments					
Net realized gains (losses) on investments	-	5,566	3,214,745	(27,705)	(83,809)
Net change in unrealized appreciation/ depreciation on investments	<u>9,116</u>	<u>(260)</u>	<u>(2,529,354)</u>	<u>589,933</u>	<u>345,751</u>
Net realized and unrealized gains	<u>9,116</u>	<u>5,306</u>	<u>685,391</u>	<u>562,228</u>	<u>261,942</u>
Net Increase in Net Assets Resulting From Operations	<u>\$ 297,395</u>	<u>\$ 52,081</u>	<u>\$ 667,757</u>	<u>\$ 560,503</u>	<u>\$ 261,460</u>

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

	HB&T Short Term Income Fund	HB&T Fixed Income Fund	HB&T Large Cap 500 Index Fund	HB&T Large Cap Growth Index Fund	HB&T Large Cap Value Index Fund
Operations					
Net investment income (loss)	\$ 288,279	\$ 46,775	\$ (17,634)	\$ (1,725)	\$ (482)
Net realized gains (losses)	-	5,566	3,214,745	(27,705)	(83,809)
Change in unrealized appreciation/depreciation	9,116	(260)	(2,529,354)	589,933	345,751
Net increase in net assets from operations	297,395	52,081	667,757	560,503	261,460
Distributions					
Net investment income	(288,013)	-	-	-	-
Net Increase (Decrease) in Net Assets From Participant Unit Transactions	<u>(13,349,269)</u>	<u>(884,227)</u>	<u>246,489</u>	<u>1,768,000</u>	<u>(195,499)</u>
Increase (Decrease) in Net Assets	(13,339,887)	(832,146)	914,246	2,328,503	65,961
Net Assets Held for Participants					
Beginning of year	<u>78,469,161</u>	<u>4,868,923</u>	<u>5,899,834</u>	<u>5,666,500</u>	<u>1,966,864</u>
End of year	<u>\$ 65,129,274</u>	<u>\$ 4,036,777</u>	<u>\$ 6,814,080</u>	<u>\$ 7,995,003</u>	<u>\$ 2,032,825</u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hand Composite Employee Benefit Trust ("HB&T" or "the Trust") was created in order to provide broad and uniform diversification programs for pension and profit sharing plans which, having complied with the requirements of the Internal Revenue Code (the IRC), are exempt from taxation under the provisions of the IRC. The Trust is comprised of 103 portfolios (the Funds); the financial statements of five 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

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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 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:

Fund	Investment Management Advisors
HB&T Short Term Income Fund	HB&T
HB&T Fixed Income 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, 2016

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 Large Cap 500 Index Fund:					
Class R1	0.1000%	0.0500%	0.1000%	0.0000%	0.2500%
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 Large Cap 500 Index Fund
Net asset value, beginning of year	\$ 1.00	\$ 20.62	\$ 27.33
Net investment income (loss)	0.00	0.21	(0.08)
Net realized and unrealized gains	0.00	0.01	3.14
Net increase from operations	0.00	0.22	3.06
Distributions from net investment income	0.00	0.00	0.00
Net asset value, end of year	<u>\$ 1.00</u>	<u>\$ 20.84</u>	<u>\$ 30.39</u>
Total return	0.36%	1.07%	11.20%
Ratio to average net assets:			
Net investment income (loss)	0.36%	1.03%	(0.28)%
Expenses	0.21%	0.65%	0.30%

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

	<u>Class R3</u>	<u>Class R-INT</u>	
	<u>HB&T Large Cap 500 Index Fund</u>	<u>HB&T Large Cap Growth Index Fund</u>	<u>HB&T Large Cap Value Index Fund</u>
Net asset value, beginning of year	\$ 21.07	\$ 10.70	\$ 9.78
Net investment loss	(0.01)	-	-
Net realized and unrealized gains	2.44	0.72	1.52
Net increase from operations	2.43	0.72	1.52
Net asset value, end of year	<u>\$ 23.50</u>	<u>\$ 11.42</u>	<u>\$ 11.30</u>
Total return	11.53%	6.73%	15.54%
Ratio to average net assets:			
Net investment loss	(0.10)%	(0.02)%	(0.03)%
Expenses	0.13%	0.03%	0.04%

Note 4: Participant Unit Transactions

	<u>HB&T Short Term Income Fund</u>		<u>HB&T Fixed Income Fund</u>		<u>HB&T Large Cap 500 Index Fund</u>	
	<u>Units</u>	<u>Dollars</u>	<u>Units</u>	<u>Dollars</u>	<u>Units</u>	<u>Dollars</u>
Class R1:						
Proceeds from sales of units	337,341,295	\$ 337,339,702	42,998	\$ 895,015	22,037	\$ 634,922
Cost of units redeemed	<u>(350,688,971)</u>	<u>(350,688,971)</u>	<u>(85,501)</u>	<u>(1,779,242)</u>	<u>(13,786)</u>	<u>(388,433)</u>
Net increase (decrease) in Class R1 from participant transactions	<u>(13,347,676)</u>	<u>\$ (13,349,269)</u>	<u>(42,503)</u>	<u>\$ (884,227)</u>	<u>8,251</u>	<u>\$ 246,489</u>
Net increase (decrease) in net assets from participant transactions		<u>\$ (13,349,269)</u>		<u>\$ (884,227)</u>		<u>\$ 246,489</u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

	HB&T Large Cap Growth Index Fund		HB&T Large Cap Value Index Fund	
	Units	Dollars	Units	Dollars
	Class R-INT:			
Proceeds from sales of units	290,316	\$ 3,025,000	68,256	\$ 652,001
Cost of units redeemed	(119,995)	(1,257,000)	(89,611)	(847,500)
Net increase (decrease) in Class R-INT from participant transactions	170,321	\$ 1,768,000	(21,355)	\$ (195,499)

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 year ended December 31, 2016.

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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.

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.

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, 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>
HB&T Short Term Income Fund				
Short Term Investments	\$ 11,991,826	\$ 11,991,826	\$ -	\$ -
US Government Obligations	13,009,000	-	13,009,000	-
Commercial Paper	26,942,823	-	26,942,823	-
Guaranteed Investment Contracts	9,926,046	-	9,926,046	-
	<u>\$ 61,869,695</u>			
HB&T Fixed Income Fund				
Short Term Investment	\$ 989	\$ 989	\$ -	\$ -
US Government Obligations	1,199,297	-	1,199,297	-
Corporate Bonds	2,689,463	-	2,689,463	-
Exchange-traded Fund: Fixed Income	71,071	71,071	-	-
Common Trust Fund: Fixed Income (A)	51,270			
	<u>\$ 4,012,090</u>			
HB&T Large Cap 500 Index Fund				
Common Trust Fund: Fixed Income (A)	\$ 414,134			
Common Trust Fund: Equity (A)	6,393,896			
	<u>\$ 6,808,030</u>			
HB&T Large Cap Growth Index Fund				
Common Trust Fund: Fixed Income (A)	\$ 323,221			
Common Trust Fund: Equity (A)	7,671,936			
	<u>\$ 7,995,157</u>			
HB&T Large Cap Value Index Fund				
Common Trust Fund: Fixed Income (A)	\$ 65,183			
Common Trust Fund: Equity (A)	1,967,681			
	<u>\$ 2,032,864</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 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, 2016

Purchases	
Investment Class	Cost
Commercial Paper	\$ 170,756,323
Guaranteed Investment Contracts	97,280
US Government Obligations	16,035,470
Total Investments Purchased	\$ 186,889,073

Sales			
Investment Class	Proceeds	Cost	Gain

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, 2016

Purchases	
Investment Class	Cost
US Government Obligations	\$ 605,916
Common Trust Funds - Fixed Income	1,190,091
	\$ 1,796,007
Total Investments Purchased	\$ 1,796,007

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Exchange-traded Funds - Corporate Bond	\$ 398,000	\$ 400,381	\$ (2,381)
Exchange-traded Funds - Fixed Income	169,737	164,619	5,118
Common Trust Funds - Fixed Income	202,495	199,666	2,829
Common Trust Funds - Money Market Funds	1,305,855	1,305,855	-
	\$ 2,076,087	\$ 2,070,521	\$ 5,566
Total Investments Sold	\$ 2,076,087	\$ 2,070,521	\$ 5,566

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, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 676,814
Common Trust Funds - Equity	<u>6,080,335</u>
Total Investments Purchased	<u><u>\$ 6,757,149</u></u>

Sales			
Investment Class	Proceeds	Cost	Gain
Common Trust Funds - Fixed Income	\$ 372,641	\$ 372,641	\$ -
Common Trust Funds - Equity	<u>6,165,956</u>	<u>2,951,211</u>	<u>3,214,745</u>
Total Investments Sold	<u><u>\$ 6,538,597</u></u>	<u><u>\$ 3,323,852</u></u>	<u><u>\$ 3,214,745</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, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Fixed Income	\$ 862,745
Common Trust Funds - Equity	<u>2,661,091</u>
Total Investments Purchased	<u><u>\$ 3,523,836</u></u>

Sales			
Investment Class	Proceeds	Cost	Loss
Common Trust Funds - Fixed Income	\$ 539,524	\$ 539,524	\$ -
Common Trust Fund - Equity	<u>1,217,989</u>	<u>1,245,694</u>	<u>(27,705)</u>
Total Investments Sold	<u><u>\$ 1,757,513</u></u>	<u><u>\$ 1,785,218</u></u>	<u><u>\$ (27,705)</u></u>

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, 2016

Purchases	
Investment Class	Cost
Common Trust Funds - Equity	\$ 201,978
Common Trust Funds - Equity	560,442
Total Investments Purchased	\$ 762,420

Sales			
Investment Class	Proceeds	Cost	Loss
Common Trust Funds - Money Market	\$ 136,796	\$ 136,796	\$ -
Common Trust Fund - Equity	821,604	905,413	(83,809)
Total Investments Sold	\$ 958,400	\$ 1,042,209	\$ (83,809)