

**Hand Composite Employee Benefit Trust
Merganser Funds**

Independent Auditor's Report and Financial Statements

December 31, 2014



Hand Composite Employee Benefit Trust
December 31, 2014

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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 (Merganser Short Term Bond Institutional Trust Fund and Merganser Core Bond Institutional Trust Fund) [two 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, 2014, and the related statements of operations and changes in net assets for the periods ended December 31, 2014, 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, 2014, and the results of their operations and changes in their net assets for the periods ended December 31, 2014, 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
June 5, 2015

Hand Composite Employee Benefit Trust
Statements of Assets and Liabilities – Selected Funds
December 31, 2014

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Assets		
Investments, at cost	\$ 848,056	\$ 759,582
Investments, at fair value	\$ 846,199	\$ 764,986
Cash	5,072	-
Receivable for:		
Capital shares sold	-	4,726
Investment advisor	1,628	1,698
Dividends and interest	2,538	4,074
Total assets	855,437	775,484
Liabilities		
Cash balances in excess of withdrawals	-	10,045
Payable for securities purchased	9,700	-
Accounts payable and accrued liabilities	2,654	2,737
Total liabilities	12,354	12,782
Net Assets Held for Participants - Class R1	\$ 843,083	\$ 762,702
Units Outstanding - Class R1	83,723	73,814
Net Asset Value Per Unit - Class R1	\$ 10.07	\$ 10.33

Hand Composite Employee Benefit Trust
Schedules of Investments
Merganser Short Term Bond Institutional Trust Fund
December 31, 2014

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investments</u>			
47,475	BNY Mellon Cash Reserve	\$ 47,475	\$ 47,475
	Total Short Term Investments	5.61% <u>47,475</u>	<u>47,475</u>
<u>U.S. Government Obligations</u>			
\$ 85,000	U S Treasury Note 0.875% 11/15/2017 Dd 11/15/14	84,779	84,595
	Total U.S. Government Obligations	10.00% <u>84,779</u>	<u>84,595</u>
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
4,000	Comcast Cable Communications L 8.875% 05/01/2017 Dd 05/01/97	4,658	4,681
5,000	General Motors Financial Co In 6.750% 06/01/2018 Dd 12/01/11	5,573	5,663
25,000	Starwood Hotels & Resorts Worl 6.750% 05/15/2018 Dd 05/23/08	28,802	28,457
	Total Consumer Discretionary	4.59% <u>39,033</u>	<u>38,801</u>
<u>Energy</u>			
5,000	Petrobras Global Finance 3.250% 03/17/2017 Dd 03/17/14	4,998	4,713
10,000	Petroleos Mexicanos 5.750% 03/01/2018 Dd 09/01/08	11,004	10,800
6,000	Sunoco Inc 5.750% 01/15/2017 Dd 12/14/06	6,471	6,487
5,000	Transocean Inc 4.950% 11/15/2015 Dd 09/21/10	5,000	5,013
	Total Energy	3.19% <u>27,473</u>	<u>27,013</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2014

Number of Shares or Principal Amount		Cost	Fair Value
<i>Financials</i>			
\$ 10,000	Bank of New York Mellon Corp/t 2.300% 09/11/2019 Dd 09/11/14	\$ 9,998	\$ 10,050
25,000	Caterpillar Financial Services 1.250% 08/18/2017 Dd 08/20/14	24,989	24,897
20,000	Citigroup Inc 1.700% 07/25/2016 Dd 07/25/13	20,163	20,137
25,000	General Electric Capital Corp 5.625% 05/01/2018 Dd 04/21/08	28,140	28,131
15,000	Goldman Sachs Group Inc/the Var Rt 11/15/2018 Dd 11/15/13	15,144	15,147
	Total Financials	<u>11.62%</u> <u>98,434</u>	<u>98,362</u>
<i>Information Technology</i>			
10,000	Altera Corp 2.500% 11/15/2018 Dd 11/01/13	10,083	10,064
25,000	Analog Devices Inc 3.000% 04/15/2016 Dd 04/04/11	25,652	25,574
5,000	Hewlett-packard Co Var Rt 01/14/2019 Dd 01/14/14	5,000	4,914
	Total Information Technology	<u>4.79%</u> <u>40,735</u>	<u>40,552</u>
<i>Utilities</i>			
10,000	Consolidated Edison Co of New 5.375% 12/15/2015 Dd 11/16/05	10,432	10,439
20,000	Sempra Energy 6.150% 06/15/2018 Dd 06/12/08	22,722	22,666
	Total Utilities	<u>3.91%</u> <u>33,154</u>	<u>33,105</u>
	Total Corporate Bonds	<u>28.10%</u> <u>238,829</u>	<u>237,833</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2014

Number of Shares or Principal Amount		Cost	Fair Value
<u><i>Mortgage Securities</i></u>			
<i>Mortgage-backed</i>			
\$	9,270 Banc of America Commercia 4 A4 5.634% 07/10/2046 Dd 08/01/06	\$ 9,694	\$ 9,699
	9,483 Bear Stearns Commercia Pw16 A2 Var Rt 06/11/2040 Dd 06/01/07	9,546	9,587
	20,000 CD 2006-CD2 Mortga CD2 A4 Var Rt 01/15/2046 Dd 03/01/06	21,330	20,564
	8,880 CD 2006-CD3 Mortgage Tr CD3 A5 5.617% 10/15/2048 Dd 10/01/06	9,644	9,333
	1,401 CD 2007-CD4 Commercial CD4 A3 5.293% 12/11/2049 Dd 03/01/07	1,432	1,411
	25,000 Credit Suisse Commer C2 Amfl Var Rt 01/15/2049 Dd 05/09/07	23,303	23,843
	8,880 GNMA Pool #0723371 4.500% 11/15/2024 Dd 11/01/09	9,601	9,398
	14,810 GNMA II Pool #0757319 4.346% 03/20/2061 Dd 03/01/11	15,830	15,759
	8,756 GNMA II Pool #0777424 4.753% 10/20/2062 Dd 11/01/12	9,572	9,490
	10,000 JP Morgan Chase Commer Ld11 A3 Var Rt 06/15/2049 Dd 07/01/07	10,102	10,130
	7,590 LB-UBS Commercial Mortga C3 A5 4.739% 07/15/2030 Dd 06/11/05	7,651	7,634
	10,131 Morgan Stanley Capital T27 Aab Var Rt 06/11/2042 Dd 07/01/07	10,215	10,134
	14,504 Sequoia Mortgage Trust 20 8 A1 Var Rt 01/20/2034 Dd 12/23/03	13,946	13,824
	6,644 Wachovia Bank Commercia C11 A5 Var Rt 01/15/2041 Dd 04/01/04	6,689	6,642
	24,259 Wachovia Bank Commercia C30 A3 5.246% 12/15/2043 Dd 03/01/07	24,289	24,749
	9,651 Wachovia Bank Commercia C32 A2 Var Rt 06/15/2049 Dd 06/01/07	9,783	9,668
	Total Mortgage-backed	22.67% <u>192,627</u>	<u>191,865</u>
<i>Asset-backed</i>			
	20,000 BA Credit Card Trust A1 A1 5.170% 06/15/2019 Dd 01/18/07	21,953	21,602
	20,000 Capital Auto Receivables A 1 B 1.290% 04/20/2018 Dd 01/24/13	19,822	19,944
	20,000 Chase Issuance Trust B1 B1 Var Rt 04/15/2019 Dd 02/21/07	19,906	19,873
	30,000 CNH Equipment Trust 2013- B A4 0.990% 11/15/2018 Dd 05/30/13	29,910	29,755
	10,000 Discover Card Execution A3 A3 1.220% 10/15/2019 Dd 05/05/14	10,042	9,983
	25,000 Ford Credit Auto Lease Tru B B 1.230% 11/15/2016 Dd 10/30/13	24,879	24,940
	15,000 Ford Credit Floorplan Mast 2 D 3.500% 01/15/2019 Dd 02/15/12	15,577	15,579
	25,000 GE Capital Credit Card Mas 4 B Var Rt 06/15/2018 Dd 06/20/12	25,013	25,008
	25,000 GE Equipment Midticket L1 1 A4 0.780% 09/22/2020 Dd 09/26/12	24,918	25,034
	15,000 John Deere Owner Trust 20 B A3 0.870% 08/15/2017 Dd 09/04/13	15,028	15,031
	20,000 North Carolina State Educ 2 A2 Var Rt 07/25/2025 Dd 06/02/11	19,628	20,065
	25,000 Smart Trust/Australia 1us A4a 1.050% 10/14/2018 Dd 01/23/13	24,887	24,907
	7,777 Smart Trust/Australia 4us A3a 0.970% 03/14/2017 Dd 10/11/12	7,753	7,771
	25,000 Smart Trust/Australia 4us A4a 1.250% 08/14/2018 Dd 10/11/12	25,030	24,939
	Total Asset-backed	33.62% <u>284,346</u>	<u>284,431</u>
	Total Mortgage Securities	56.29% <u>476,973</u>	<u>476,296</u>
	Total Investments	100.00% <u>\$ 848,056</u>	<u>\$ 846,199</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund
December 31, 2014

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investments</u>			
50,831	BNY Mellon Cash Reserve	\$ 50,831	\$ 50,831
	Total Short Term Investments	6.64% <u>50,831</u>	<u>50,831</u>
<u>U.S. Government Obligations</u>			
\$ 24,424	U S Treas-CPI 0.625% 01/15/2024 Dd 01/15/14	24,720	24,529
20,000	U S Treasury Bond 2.875% 05/15/2043 Dd 05/15/13	19,266	20,456
30,000	U S Treasury Note 1.500% 02/28/2019 Dd 02/28/14	29,924	30,021
20,000	U S Treasury Note 2.375% 08/15/2024 Dd 08/15/14	20,310	20,370
	Total U.S. Government Obligations	12.47% <u>94,220</u>	<u>95,376</u>
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
5,000	Comcast Corp 3.375% 02/15/2025 Dd 08/12/14	4,996	5,108
5,000	Delphi Corp 6.125% 05/15/2021 Dd 11/15/11	5,519	5,450
5,000	General Motors Financial Co In 6.750% 06/01/2018 Dd 12/01/11	5,573	5,663
	Total Consumer Discretionary	2.12% <u>16,088</u>	<u>16,221</u>
<u>Consumer Staples</u>			
5,000	Kroger Co 2.950% 11/01/2021 Dd 10/28/14	4,998	4,959
	Total Consumer Staples	0.65% <u>4,998</u>	<u>4,959</u>
<u>Energy</u>			
25,000	BP Capital Markets Plc Var Rt 05/10/2019 Dd 02/10/14	25,000	24,639
25,000	Continental Resources Inc/ok 7.125% 04/01/2021 Dd 09/16/10	27,649	26,875
5,000	Transocean Inc 4.950% 11/15/2015 Dd 09/21/10	5,000	5,013
	Total Energy	7.39% <u>57,649</u>	<u>56,527</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2014

Number of Shares or Principal Amount		Cost	Fair Value
<i>Financials</i>			
\$ 30,000	Capital One Financial Corp 6.150% 09/01/2016 Dd 08/29/06	\$ 32,375	\$ 32,239
20,000	Morgan Stanley 7.300% 05/13/2019 Dd 05/13/09	23,722	23,723
25,000	Prudential Financial Inc 4.500% 11/15/2020 Dd 11/18/10	27,061	27,132
	Total Financials	10.86% <u>83,158</u>	<u>83,094</u>
<i>Industrials</i>			
5,000	Steelcase Inc 6.375% 02/15/2021 Dd 02/03/11	5,780	5,772
	Total Industrials	0.75% <u>5,780</u>	<u>5,772</u>
<i>Information Technology</i>			
25,000	Hewlett-packard Co 4.300% 06/01/2021 Dd 05/31/11	26,495	26,323
30,000	Intel Corp 4.800% 10/01/2041 Dd 09/19/11	30,219	32,947
	Total Information Technology	7.75% <u>56,714</u>	<u>59,270</u>
<i>Telecommunication Services</i>			
25,000	Verizon Communications Inc 4.600% 04/01/2021 Dd 03/28/11	26,775	27,134
	Total Telecommunication Services	3.55% <u>26,775</u>	<u>27,134</u>
<i>Utilities</i>			
15,000	PPL Energy Supply LLC 4.600% 12/15/2021 Dd 12/16/11	14,847	13,611
	Total Utilities	1.78% <u>14,847</u>	<u>13,611</u>
	Total Corporate Bonds	34.85% <u>266,009</u>	<u>266,588</u>
<u><i>Mortgage Securities</i></u>			
<i>Mortgage-backed</i>			
10,000	Banc of America Commercia 4 Am Var Rt 02/10/2051 Dd 11/01/07	10,900	10,874
1,183	Banc of America Commercia 5 A3 5.620% 02/10/2051 Dd 12/01/07	1,187	1,182
26,327	Banc of America Commercia 6 A2 5.309% 10/10/2045 Dd 11/01/06	26,426	26,337
3,996	Banc of America Merrill 3 A3a 4.621% 07/10/2043 Dd 07/01/05	4,017	3,999
1,390	Bear Stearns Commercia Pwr4 A3 Var Rt 06/11/2041 Dd 06/01/04	1,393	1,390

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2014

Number of Shares or Principal Amount		Cost	Fair Value
<i>Mortgage-backed (continued)</i>			
\$ 841	CD 2007-CD4 Commercial CD4 A3 5.293% 12/11/2049 Dd 03/01/07	\$ 861	\$ 847
8,668	JP Morgan Chase Commer Cb14 A4 Var Rt 12/12/2044 Dd 03/01/06	9,216	8,862
16,885	Morgan Stanley Capital T27 Aab Var Rt 06/11/2042 Dd 07/01/07	17,023	16,890
20,548	Sequoia Mortgage Trust 20 8 A1 Var Rt 01/20/2034 Dd 12/23/03	19,758	19,584
15,000	Wachovia Bank Commercial C17 B Var Rt 03/15/2042 Dd 03/01/05	15,311	15,055
20,000	WFRBS Commercial Mortga C16 As Var Rt 09/15/2046 Dd 09/01/13	21,288	22,144
30,000	WFRBS Commercial Mortgag C8 A3 3.001% 08/15/2045 Dd 08/01/12	29,198	30,396
	Total Mortgage-backed	20.60% <u>156,578</u>	<u>157,560</u>
<i>Asset-backed</i>			
3,200	Chase Funding Trust Seri 1 1a7 Var Rt 11/25/2033 Dd 02/01/04	3,300	3,280
9,018	Chase Funding Trust Seri 3 1a5 Var Rt 03/25/2033 Dd 05/01/03	9,367	9,305
25,000	CNH Equipment Trust 2013-a A B 1.360% 08/17/2020 Dd 02/21/13	25,000	24,944
25,164	Equity One Mortgage Pass- 2 M1 Var Rt 07/25/2034 Dd 04/01/04	23,945	24,729
10,000	North Carolina State Educ 2 A2 Var Rt 07/25/2025 Dd 06/02/11	9,814	10,032
7,360	SBA Gtd Partn CTFs 2013-20c 1 2.220% 03/01/2033 Dd 03/13/13	7,153	7,264
25,000	World Financial Network Cr C M 3.320% 08/15/2022 Dd 07/19/12	25,527	25,917
	Total Asset-backed	13.79% <u>104,106</u>	<u>105,471</u>
	Total Mortgage Securities	34.38% <u>260,684</u>	<u>263,031</u>
<i>U.S. Government Agency Securities</i>			
6,705	FHLMC Multiclass Mtg 3936 Cj 3.000% 07/15/2040 Dd 10/01/11	6,872	6,938
15,427	FNMA Pool #0725228 6.000% 03/01/2034 Dd 02/01/04	17,103	17,721
16,852	FNMA Pool #0a14127 6.000% 08/01/2037 Dd 08/01/13	18,706	19,236
15,674	FNMA Pool #0a15217 6.000% 10/01/2040 Dd 04/01/14	17,504	17,780
6,921	FNMA Gtd Remic P/t 12-93 Cy 1.500% 09/25/2027 Dd 08/01/12	6,087	6,015
19,746	GNMA II Pool #0766540 4.583% 07/20/2062 Dd 08/01/12	21,566	21,470
	Total U.S. Government Agency Securities	11.66% <u>87,838</u>	<u>89,160</u>
	Total Investments	100.00% <u>\$ 759,582</u>	<u>\$ 764,986</u>

Hand Composite Employee Benefit Trust
Statements of Operations – Selected Funds
Periods Ended December 31, 2014

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Income		
Interest	\$ 10,683	\$ 20,114
Total income	<u>10,683</u>	<u>20,114</u>
Expenses		
Investment management and administrative	1,738	1,848
Custody fees	11,141	12,326
Other	<u>500</u>	<u>-</u>
Total expenses before reimbursement of fees	13,379	14,174
Reimbursement of fees	<u>(9,874)</u>	<u>(11,030)</u>
Net expenses	<u>3,505</u>	<u>3,144</u>
Net Investment Income	<u>7,178</u>	<u>16,970</u>
Net Realized and Unrealized Gains (Losses) on Investments		
Net realized gains (losses) on investments	(421)	1,440
Net change in unrealized appreciation/depreciation on investments	<u>(1,857)</u>	<u>5,404</u>
Net realized and unrealized gains (losses)	<u>(2,278)</u>	<u>6,844</u>
Net Increase in Net Assets Resulting From Operations	<u>\$ 4,900</u>	<u>\$ 23,814</u>

Hand Composite Employee Benefit Trust
Statements of Changes in Net Assets – Selected Funds
Periods Ended December 31, 2014

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Operations		
Net investment income	\$ 7,178	\$ 16,970
Net realized gains (losses)	(421)	1,440
Change in unrealized appreciation/depreciation	(1,857)	5,404
Net increase in net assets from operations	4,900	23,814
Net Increase in Net Assets From Participant Transactions	<u>838,183</u>	<u>738,888</u>
Increase in Net Assets	843,083	762,702
Net Assets		
Beginning of period	<u>-</u>	<u>-</u>
End of period	<u>\$ 843,083</u>	<u>\$ 762,702</u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2014

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 91 portfolios (the Funds); the financial statements of two of these funds are included in this report.

The Merganser Short Term Bond Institutional Trust Fund was funded March 1, 2014 and the Merganser Core Bond Institutional Trust Fund was funded February 1, 2014. Thus, the reporting periods are from March 1, 2014 to December 31, 2014 and February 1, 2014 to December 31, 2014, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of investment income and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation

All investments in securities are recorded at their estimated fair value. Transfers in and out of Level 1 (quoted market prices), Level 2 (significant other observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Investment Transactions

Investment transactions are accounted for on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation on investments are reported on the identified cost basis.

Investment Income and Distribution of Income

Dividend income less foreign taxes withheld, if any, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Investment income is allocated ratably on the valuation dates among all participants. No distributions are made to participants in the 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 the Funds are reinvested, thereby increasing the respective unit values.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2014

Valuation of Participants' Interest

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. The 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 advisor for the Funds is Merganser Capital Management, Inc.

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 also entered into investment advisory and service agreements with a third-party advisor. These fees compensate the advisor for the services it provides and for expenses borne by the advisor under the agreement.

During the period ended December 31, 2014, the investment advisor voluntarily reimbursed the Funds for a portion of their expenses.

The following table indicates the fees charged to 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	Total Fees
Merganser Short Term Bond Institutional Trust				
Class R1	0.08%	0.20%	0.10%	0.38%
Merganser Core Bond Institutional Trust				
Class R1	0.08%	0.25%	0.10%	0.43%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2014

Note 3: Financial Highlights

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Net asset value, beginning of period	\$ 10.00	\$ 10.00
Net investment income	0.10	0.24
Net realized and unrealized gains (losses)	(0.03)	0.09
Net increase from investment operations	0.07	0.33
Net asset value, end of period	<u>\$ 10.07</u>	<u>\$ 10.33</u>
Total return	0.70%	3.30%
Ratio to average net assets (annualized):		
Net investment income	0.79%	2.13%
Expenses without reimbursements	2.23%	3.02%
Expenses with reimbursements	1.30%	1.71%

Note 4: Participant Unit Transactions

	Merganser Short Term Bond Institutional Trust Fund		Merganser Core Bond Institutional Trust Fund	
	Units	Dollars	Units	Dollars
Class R1:				
Proceeds from sales of units	91,956	\$ 921,250	88,154	\$ 884,372
Cost of units redeemed	(8,233)	(83,067)	(14,340)	(145,484)
Net increase in total net assets from participant transactions	<u>83,723</u>	<u>\$ 838,183</u>	<u>73,814</u>	<u>\$ 738,888</u>

Note 5: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2014

- Level 1:** Quoted prices in active markets for identical assets or liabilities.
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying 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 periods ended December 31, 2014.

Short Term Investments. Short term investments, including money market funds, for which market quotations are readily available, are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

U.S. Government Obligations and U.S. Government Agency Securities. U.S. Government obligations and U.S. Government Agency Securities are valued using models that incorporate 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. These securities are categorized as Level 2 in the hierarchy.

Corporate Bonds and Mortgage Securities. The fair value of corporate bonds and mortgage securities 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. These securities are categorized as Level 2 in the hierarchy.

The table on the following page presents 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, 2014.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2014

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Merganser Short Term Bond Institutional Trust Fund				
Short Term Investments	\$ 47,475	\$ 47,475	\$ -	\$ -
U.S. Government Obligations	84,595	-	84,595	-
Corporate Bonds	237,833	-	237,833	-
Mortgage-back Securities	191,865	-	191,865	-
Asset-backed Securities	284,431	-	284,431	-
Total	<u>\$ 846,199</u>	<u>\$ 47,475</u>	<u>\$ 798,724</u>	<u>\$ 0</u>
Merganser Core Bond Institutional Trust Fund				
Short Term Investments	\$ 50,831	\$ 50,831	\$ -	\$ -
U.S. Government Obligations	95,376	-	95,376	-
Corporate Bonds	266,588	-	266,588	-
Mortgage-back Securities	157,560	-	157,560	-
Asset-backed Securities	105,471	-	105,471	-
U.S. Government Agency Securities	89,160	-	89,160	-
Total	<u>\$ 764,986</u>	<u>\$ 50,831</u>	<u>\$ 714,155</u>	<u>\$ 0</u>

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 statement of assets and liabilities.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds
Merganser Short Term Bond Institutional Trust Fund
Period Ended December 31, 2014

Purchases	
Investment Class	Cost
Corporate Bonds	\$ 381,879
Asset-backed Mortgage Securities	311,927
Mortgage-backed Securities	233,014
U.S. Government Obligations	824,390
Total Investments Purchased	\$ 1,751,210

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Corporate Bonds	\$ 139,754	\$ 139,525	\$ 229
Asset-backed Mortgage Securities	27,241	27,237	4
Mortgage-backed Securities	36,212	36,714	(502)
U.S. Government Obligations	739,480	739,632	(152)
Total Investments Sold	\$ 942,687	\$ 943,108	\$ (421)

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
Merganser Core Bond Institutional Trust Fund
Period Ended December 31, 2014

Purchases	
Investment Class	Cost
Corporate Bonds	\$ 361,354
Asset-backed Mortgage Securities	158,996
Mortgage-backed Securities	269,785
U.S. Government Agency Securities	170,110
U.S. Government Obligations	1,292,467
Total Investments Purchased	\$ 2,252,712

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Corporate Bonds	\$ 120,857	\$ 118,693	\$ 2,164
Asset-backed Mortgage Securities	24,977	24,872	105
Mortgage-backed Securities	-	1,519	(1,519)
U.S. Government Agency Securities	61,979	61,478	501
U.S. Government Obligations	1,198,627	1,198,438	189
Total Investments Sold	\$ 1,406,440	\$ 1,405,000	\$ 1,440