

**Hand Composite Employee Benefit Trust
Merganser 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 (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, 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 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 7, 2016

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

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Assets		
Investments, at cost	\$ 1,161,648	\$ 893,076
Investments, at fair value	\$ 1,157,873	\$ 883,563
Cash	-	17,857
Receivable for:		
Capital shares sold	6,280	2,745
Investment advisor	1,166	1,126
Dividends and interest	3,957	5,818
Total assets	\$ 1,169,276	\$ 911,109
Liabilities		
Payable for securities purchased	\$ -	\$ 20,397
Accounts payable and accrued liabilities	1,560	1,456
Total liabilities	\$ 1,560	\$ 21,853
Net Assets Held for Participants - Class R1	\$ 1,167,716	\$ 889,256
Units Outstanding - Class R1	114,528	85,338
Net Asset Value Per Unit - Class R1	\$ 10.20	\$ 10.42

Hand Composite Employee Benefit Trust
Schedules of Investments
Merganser Short Term Bond Institutional Trust Fund
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investment</u>			
61,522	BNY Mellon Cash Reserve	\$ 61,522	\$ 61,522
	Total Short Term Investment	5.31% <u>61,522</u>	<u>61,522</u>
<u>U.S. Government Obligations</u>			
\$ 40,000	U.S. Treasury Note 0.625% 09/30/2017 Dd 09/30/12	39,746	39,723
30,000	U.S. Treasury Note 0.875% 07/15/2018 Dd 07/15/15	29,876	29,729
15,000	U.S. Treasury Note 1.000% 05/15/2018 Dd 05/15/15	15,022	14,926
25,000	U.S. Treasury Note 1.000% 09/15/2018 Dd 09/15/15	25,077	24,822
50,000	U.S. Treasury Note 1.500% 05/31/2020 Dd 05/31/15	49,500	49,568
	Total U.S. Government Obligations	13.71% <u>159,221</u>	<u>158,768</u>
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
4,000	Comcast Cable Communications L 8.875% 05/01/2017 Dd 05/01/97	4,380	4,386
	Total Consumer Discretionary	0.38% <u>4,380</u>	<u>4,386</u>
<u>Consumer Staples</u>			
10,000	CVS Health Corp 2.250% 08/12/2019 Dd 08/12/14	9,952	9,987
10,000	Kroger Co/the 6.800% 12/15/2018 Dd 12/11/98	11,252	11,226
15,000	Pepsico Inc 1.000% 10/13/2017 Dd 10/14/15	14,972	14,922
	Total Consumer Staples	3.12% <u>36,176</u>	<u>36,135</u>
<u>Energy</u>			
5,000	Anadarko Petroleum Corp 5.950% 09/15/2016 Dd 09/19/06	5,161	5,138
10,000	Chevron Corp 1.718% 06/24/2018 Dd 06/24/13	10,055	9,949
15,000	Devon Energy Corp Var Rt 12/15/2016 Dd 12/19/13	14,857	14,847
6,000	Sunoco Inc 5.750% 01/15/2017 Dd 12/14/06	6,243	6,031
10,000	Kinder Morgan Inc/de 7.000% 06/15/2017 Dd 06/18/07	10,556	10,301
	Total Energy	4.00% <u>46,872</u>	<u>46,266</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<i>Financials</i>			
\$ 5,000	Ace Ina Holdings Inc 2.300% 11/03/2020 Dd 11/03/15	4,997	4,964
10,000	American Express Credit Corp 1.875% 11/05/2018 Dd 11/05/15	\$ 9,999	\$ 9,974
10,000	Bank of America Corp 6.875% 04/25/2018 Dd 04/25/08	11,119	11,033
10,000	Bank of New York Mellon Corp/t 2.300% 09/11/2019 Dd 09/11/14	9,998	10,029
10,000	Citigroup Inc 2.150% 07/30/2018 Dd 07/30/15	9,997	9,993
5,000	General Motors Financial Co In 3.100% 01/15/2019 Dd 10/13/15	4,998	4,993
5,000	General Motors Financial Co In 6.750% 06/01/2018 Dd 12/01/11	5,412	5,418
15,000	Goldman Sachs Group Inc/the Var Rt 09/15/2020 Dd 09/15/15	14,906	15,033
10,000	JPMorgan Chase & Co 2.350% 01/28/2019 Dd 01/28/14	10,164	10,042
10,000	Simon Property Group Lp 2.200% 02/01/2019 Dd 01/21/14	10,145	10,051
10,000	Travelers Cos Inc/the 5.800% 05/15/2018 Dd 05/13/08	10,981	10,920
	Total Financials	8.85% <u>102,716</u>	<u>102,450</u>
<i>Healthcare</i>			
10,000	Abbvie Inc 1.800% 05/14/2018 Dd 05/14/15	9,992	9,954
5,000	Gilead Sciences Inc 1.850% 09/04/2018 Dd 09/14/15	4,999	5,022
	Total Healthcare	1.29% <u>14,991</u>	<u>14,976</u>
<i>Industrials</i>			
25,000	Caterpillar Financial Services 5.450% 04/15/2018 Dd 03/27/08	27,259	27,041
25,000	General Electric Co 5.625% 05/01/2018 Dd 04/21/08	27,219	27,265
5,000	Paccar Financial Corp 1.750% 08/14/2018 Dd 08/14/15	4,996	4,983
	Total Industrials	5.12% <u>59,474</u>	<u>59,289</u>
<i>Information Technology</i>			
10,000	Altera Corp 2.500% 11/15/2018 Dd 11/01/13	10,062	10,082
20,000	Capital Auto Receivables A 1 B 1.290% 04/20/2018 Dd 01/24/13	19,875	19,953
10,000	Visa Inc 2.200% 12/14/2020 Dd 12/14/15	9,993	9,981
	Total Information Technology	3.46% <u>39,930</u>	<u>40,016</u>
<i>Materials</i>			
10,000	ECOLAB Inc 1.550% 01/12/2018 DD 01/15/15	9,920	9,929
	Total Materials	0.86% <u>9,920</u>	<u>9,929</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<i>Utilities</i>			
\$ 20,000	Sempra Energy 6.150% 06/15/2018 Dd 06/12/08	\$ 21,953	\$ 21,830
	Total Utilities	1.89% 21,953	21,830
	Total Corporate Bonds	28.97% 336,412	335,277
<u><i>Foreign Corporate Bonds</i></u>			
<i>Energy</i>			
10,000	Petroleos Mexicanos 5.750% 03/01/2018 Dd 09/01/08	10,695	10,410
	Total Energy	0.90% 10,695	10,410
<i>Financials</i>			
15,000	Shell International Finance Bv Var Rt 11/10/2018 Dd 11/10/15	15,000	14,971
	Total Financials	1.29% 15,000	14,971
<i>Healthcare</i>			
5,000	Actavis Funding Scs 2.350% 03/12/2018 Dd 03/12/15	4,998	5,005
	Total Healthcare	0.43% 4,998	5,005
	Total Foreign Corporate Bonds	2.62% 30,693	30,386
<u><i>Mortgage Securities</i></u>			
<i>Mortgage-backed</i>			
8,019	Banc of America Commercia 4 A4 5.634% 07/10/2046 Dd 08/01/06	8,382	8,084

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<i>Mortgage-backed (continued)</i>			
\$	17,858	CD 2007-CD4 Commercial CD4 A4 5.322% 12/11/2049 Dd 03/01/07	\$ 18,349
	6,887	CD 2006-CD3 Mortgage Tr CD3 A5 5.617% 10/15/2048 Dd 10/01/06	\$ 6,955
	14,524	Citigroup Commercial M Gc33 A1 1.643% 09/10/2058 Dd 09/01/15	14,338
	8,638	Comm 2013-ccre8 Mortgag Cr8 A1 1.024% 06/10/2046 Dd 06/01/13	8,573
	8,778	Comm 2015-lc19 Mortgag Lc19 A1 1.399% 02/10/2048 Dd 02/01/15	8,692
	25,000	Credit Suisse Commerci C2 Amfl Var Rt 01/15/2049 Dd 05/09/07	23,794
	9,591	JP Morgan Chase Commerci C8 A2 1.797% 10/15/2045 Dd 10/01/12	9,575
	6,708	JP Morgan Chase Commer Ld11 A3 Var Rt 06/15/2049 Dd 07/01/07	6,723
	9,890	LB-UBS Commercial Mortga C6 A4 5.372% 09/15/2039 Dd 09/11/06	10,033
	10,840	Morgan Stanley Bank of C15 A1 1.313% 04/15/2047 Dd 04/01/14	10,730
	5,071	Wachovia Bank Commercia C11 A5 Var Rt 01/15/2041 Dd 04/01/04	5,069
	9,510	Wachovia Bank Commercia C29 A4 5.308% 11/15/2048 Dd 12/01/06	9,639
	16,297	Wachovia Bank Commercia C30 A3 5.246% 12/15/2043 Dd 03/01/07	16,307
	9,629	Wachovia Bank Commercia C32 A2 Var Rt 06/15/2049 Dd 06/01/07	9,653
	14,438	Wells Fargo Commercial Lc22 A1 1.639% 09/15/2058 Dd 09/01/15	14,295
	6,713	GNMA Pool #0723371 4.500% 11/15/2024 Dd 11/01/09	7,188
	12,329	GNMA II Pool #0757319 4.346% 03/20/2061 Dd 03/01/11	12,862
	8,169	GNMA II Pool #0777424 4.753% 10/20/2062 Dd 11/01/12	8,629
	8,874	GNMA II Pool #0004261 6.500% 10/20/2038 Dd 10/01/08	9,511
	13,925	GNMA II Pool #0002471 7.000% 08/20/2027 Dd 08/01/97	16,039
	6,374	GNMA II Pool #0002755 7.000% 05/20/2029 Dd 05/01/99	7,615
	9,403	GNMA II Pool #0002233 7.500% 06/20/2026 Dd 06/01/96	10,832
	11,696	Sequoia Mortgage Trust 20 8 A1 Var Rt 01/20/2034 Dd 12/23/03	11,166
		Total Mortgage-backed	22.84% <u>264,684</u>
			<u>264,461</u>
<i>Asset-backed</i>			
	15,000	Americredit Automobile Rec 1 C 1.570% 01/08/2019 Dd 01/24/13	14,978
	13,000	Americredit Automobile Rec 3 C 2.380% 06/10/2019 Dd 06/20/13	13,006
	10,000	Americredit Automobile Rec 4 C 2.880% 07/08/2021 Dd 11/12/15	9,998
	20,000	BA Credit Card Trust A1 A1 5.170% 06/15/2019 Dd 01/18/07	21,536
	10,000	Cabela's Credit Card Mas 1a A1 2.260% 03/15/2023 Dd 03/16/15	9,972
	20,000	Chase Issuance Trust B1 B1 Var Rt 04/15/2019 Dd 02/21/07	19,928
	27,068	CNH Equipment Trust 2014- B A4 1.610% 05/17/2021 Dd 06/11/14	26,977

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<i>Asset-backed (continued)</i>			
\$ 30,000	CNH Equipment Trust 2013- B A4 0.990% 11/15/2018 Dd 05/30/13	\$ 29,934	\$ 29,768
10,000	Discover Card Execution A3 A3 1.220% 10/15/2019 Dd 05/05/14	10,034	9,989
25,000	Ford Credit Auto Lease Tru B B 1.230% 11/15/2016 Dd 10/30/13	24,942	25,004
15,000	Ford Credit Floorplan Mast 2 D 3.500% 01/15/2019 Dd 02/15/12	15,440	15,251
4,601	GE Equipment Midticket Ll 1 A4 0.780% 09/22/2020 Dd 09/26/12	4,588	4,600
6,376	John Deere Owner Trust 20 B A3 0.870% 08/15/2017 Dd 09/04/13	6,384	6,369
15,000	John Deere Owner Trust 20 A A4 1.650% 12/15/2021 Dd 03/11/15	15,050	14,937
18,523	North Carolina State Educ 2 A2 Var Rt 07/25/2025 Dd 06/02/11	18,209	18,166
21,230	Smart Abs Series 2013- 1us A4a 1.050% 10/14/2018 Dd 01/23/13	21,160	21,182
1,493	Smart Abs Series 2012- 4us A3a 0.970% 03/14/2017 Dd 10/11/12	1,491	1,492
25,000	Smart Abs Series 2012- 4us A4a 1.250% 08/14/2018 Dd 10/11/12	25,021	24,935
10,000	World Financial Network Cr C A 2.230% 08/15/2022 Dd 07/19/12	10,194	10,037
	Total Asset-backed	25.67% <u>298,842</u>	<u>297,244</u>
	Total Mortgage Securities	48.51% <u>563,526</u>	<u>561,705</u>
<u>Non-U.S. Government Bonds</u>			
<u>Korea</u>			
10,000	Export-import Bank of Korea 4.000% 01/11/2017 Dd 01/11/12	10,274	10,215
	Total Non-U.S. Government Bonds - Korea	0.88% <u>10,274</u>	<u>10,215</u>
	Total Investments	100.00% <u>\$ 1,161,648</u>	<u>\$ 1,157,873</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investment</u>			
60,567	BNY Mellon Cash Reserve	\$ 60,567	\$ 60,567
	Total Short Term Investment	6.85% <u>60,567</u>	<u>60,567</u>
<u>U.S. Government Obligations</u>			
\$ 30,000	U.S. Treasury Bond 3.000% 11/15/2045 Dd 11/15/15	29,601	29,910
20,000	U.S. Treasury Note 1.500% 05/31/2020 Dd 05/31/15	19,893	19,827
40,000	U.S. Treasury Note 2.375% 08/15/2024 Dd 08/15/14	40,756	40,417
8,824	U.S. Treas-CPI Inflat 1.375% 07/15/2018 Dd 07/15/08	9,164	9,135
	Total U.S. Government Obligations	11.24% <u>99,414</u>	<u>99,289</u>
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
5,000	Comcast Corp 3.375% 02/15/2025 Dd 08/12/14	4,996	5,046
5,000	Delphi Corp 5.000% 02/15/2023 Dd 02/14/13	5,303	5,290
	Total Consumer Discretionary	1.17% <u>10,299</u>	<u>10,336</u>
<u>Consumer Staples</u>			
5,000	Kroger Co/the 3.400% 04/15/2022 Dd 04/16/12	5,011	5,065
	Total Consumer Staples	0.57% <u>5,011</u>	<u>5,065</u>
<u>Energy</u>			
5,000	Chesapeake Energy Corp 3.250% 03/15/2016 Dd 04/01/13	4,968	4,788
20,000	Chevron Corp 3.191% 06/24/2023 Dd 06/24/13	20,471	20,106
25,000	Continental Resources Inc/ok 7.125% 04/01/2021 Dd 09/16/10	27,280	23,185
	Total Energy	5.44% <u>52,719</u>	<u>48,078</u>
<u>Financials</u>			
15,000	Bank of America Corp 3.300% 01/11/2023 Dd 01/11/13	15,251	14,765

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<i>Financials (continued)</i>			
\$ 30,000	Capital One Financial Corp 6.150% 09/01/2016 Dd 08/29/06	\$ 30,955	\$ 30,914
10,000	Citigroup Inc 2.400% 02/18/2020 Dd 02/18/15	10,058	9,883
5,000	Essex Portfolio LP 3.250% 05/01/2023 Dd 04/15/13	4,972	4,851
5,000	General Motors Financial Co In 6.750% 06/01/2018 Dd 12/01/11	5,412	5,418
10,000	Goldman Sachs Group Inc/the 2.750% 09/15/2020 Dd 09/15/15	9,981	9,993
10,000	JPMorgan Chase & Co 6.300% 04/23/2019 Dd 04/23/09	11,350	11,213
10,000	Progressive Corp/the 3.750% 08/23/2021 Dd 08/22/11	10,553	10,573
25,000	Prudential Financial Inc 4.500% 11/15/2020 Dd 11/18/10	26,735	26,830
5,000	Charles Schwab Corp/the 3.000% 03/10/2025 Dd 03/10/15	4,980	4,918
10,000	Ventas Realty LP 3.500% 02/01/2025 Dd 01/14/15	10,138	9,575
15,000	Morgan Stanley 2.650% 01/27/2020 Dd 01/27/15	15,008	14,959
10,000	Vornado Realty LP 2.500% 06/30/2019 Dd 06/16/14	10,066	9,848
5,000	Weingarten Realty Investors 4.450% 01/15/2024 Dd 10/15/13	5,322	5,123
10,000	Wells Fargo & Co Var Rt 12/07/2020 Dd 12/07/15	10,031	10,025
10,000	Welltower Inc 4.950% 01/15/2021 Dd 11/16/10	10,993	10,722
	Total Financials	21.46% <u>191,805</u>	<u>189,610</u>
<i>Healthcare</i>			
5,000	Gilead Sciences Inc 2.550% 09/01/2020 Dd 09/14/15	4,991	4,998
	Total Healthcare	0.57% <u>4,991</u>	<u>4,998</u>
<i>Industrials</i>			
5,000	Burlington Northern Santa Fe L 8.125% 04/15/2020 Dd 04/14/00	6,149	6,011
5,000	Steelcase Inc 6.375% 02/15/2021 Dd 02/03/11	5,664	5,474
	Total Industrials	1.30% <u>11,813</u>	<u>11,485</u>
<i>Information Technology</i>			
30,000	Intel Corp 4.800% 10/01/2041 Dd 09/19/11	30,215	31,274
	Total Information Technology	3.54% <u>30,215</u>	<u>31,274</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<i>Telecommunication Services</i>			
\$ 5,000	AT&T Inc 3.400% 05/15/2025 Dd 05/04/15	\$ 4,985	\$ 4,805
25,000	Verizon Communications Inc 4.600% 04/01/2021 Dd 03/28/11	26,516	26,871
	Total Telecommunication Services	3.59% <u>31,501</u>	<u>31,676</u>
<i>Utilities</i>			
5,000	Sempra Energy 2.400% 03/15/2020 Dd 03/13/15	4,996	4,900
9,037	Southaven Combined Cycle Gener 3.846% 08/15/2033 Dd 08/09/13	9,383	9,394
15,000	Talen Energy Supply LLC 4.600% 12/15/2021 Dd 12/16/11	14,865	9,220
	Total Utilities	2.66% <u>29,244</u>	<u>23,514</u>
	Total Corporate Bonds	40.30% <u>367,598</u>	<u>356,036</u>
<i>Foreign Corporate Bonds</i>			
<i>Financials</i>			
10,000	Brookfield Asset Mgmt Inc 4.000% 01/15/2025 Dd 01/15/15	10,000	9,764
	Total Financials	1.11% <u>10,000</u>	<u>9,764</u>
	Total Foreign Corporate Bonds	1.11% <u>10,000</u>	<u>9,764</u>
<i>Mortgage Securities</i>			
<i>Mortgage-backed</i>			
10,000	Banc of America Commercia 4 Am Var Rt 02/10/2051 Dd 11/01/07	10,892	10,452
10,000	Comm 2014-lc15 Mortgag Lc15 Am 4.198% 04/10/2047 Dd 03/01/14	10,797	10,501
5,385	FHLMC Multiclass Mtg 3936 Cj 3.000% 07/15/2040 Dd 10/01/11	5,516	5,533
7,496	FNMA Pool #0al6040 7.500% 08/01/2038 Dd 11/01/14	9,094	9,125

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2015

Number of Shares or Principal Amount		Cost	Fair Value
<i>Mortgage-backed (continued)</i>			
\$	8,070 FNMA Pool #0al6566 7.000% 03/01/2039 Dd 03/01/15	\$ 9,437	\$ 9,383
	6,921 FNMA Gtd Remic P/t 12-93 Cy 1.500% 09/25/2027 Dd 08/01/12	6,143	6,051
	9,779 GNMA Pool #0ak7613 4.100% 09/15/2037 Dd 02/01/15	10,165	10,896
	10,000 GNMA Gtd Remic P/t 15-91 Qa Var Rt 05/20/2045 Dd 06/01/15	10,849	10,727
	7,856 GNMA II Pool #0002233 7.500% 06/20/2026 Dd 06/01/96	8,551	9,050
	11,624 GNMA II Pool #0002471 7.000% 08/20/2027 Dd 08/01/97	12,425	13,388
	5,326 GNMA II Pool #0002755 7.000% 05/20/2029 Dd 05/01/99	5,747	6,364
	7,509 GNMA II Pool #0004261 6.500% 10/20/2038 Dd 10/01/08	8,106	8,048
	15,058 GNMA II Pool #0ah1154 4.637% 10/20/2065 Dd 11/01/15	16,704	16,459
	10,000 LB-UBS Commercial Mortgag C1 B Var Rt 01/15/2036 Dd 01/11/04	10,031	10,046
	16,570 Sequoia Mortgage Trust 20 8 A1 Var Rt 01/20/2034 Dd 12/23/03	15,963	15,818
	3,014 Wachovia Bank Commercia C25 A4 Var Rt 05/15/2043 Dd 05/01/06	3,095	3,009
	14,049 Wachovia Bank Commercia C27 A3 Var Rt 07/15/2045 Dd 08/01/06	14,581	14,032
	20,000 WFRBS Commercial Mortga C16 As Var Rt 09/15/2046 Dd 09/01/13	21,246	21,709
	30,000 WFRBS Commercial Mortgag C8 A3 3.001% 08/15/2045 Dd 08/01/12	29,213	29,984
	Total Mortgage-backed	24.96% <u>218,555</u>	<u>220,575</u>
<i>Asset-backed</i>			
	10,000 Bear Stearns Asset Back Bo1 M4 Var Rt 10/25/2034 Dd 10/26/04	9,939	9,917
	10,000 Carmax Auto Owner Trust 20 1 D 1.990% 08/15/2019 Dd 02/14/13	10,011	9,981
	10,000 Carmax Auto Owner Trust 20 3 C 2.680% 06/15/2021 Dd 08/12/15	9,998	9,939
	2,747 Chase Funding Trust Seri 1 1a7 Var Rt 11/25/2033 Dd 02/01/04	2,829	2,805
	7,376 Chase Funding Trust Seri 3 1a5 Var Rt 03/25/2033 Dd 05/01/03	7,651	7,539
	25,000 CNH Equipment Trust 2013-a A B 1.360% 08/17/2020 Dd 02/21/13	25,000	24,898
	10,000 CNH Equipment Trust 2015-a A B 2.140% 08/15/2022 Dd 03/04/15	9,997	9,878
	21,340 Equity One Mortgage Pass- 2 M1 Var Rt 07/25/2034 Dd 04/01/04	20,336	20,800
	9,262 North Carolina State Educ 2 A2 Var Rt 07/25/2025 Dd 06/02/11	9,105	9,083
	6,795 SBA Gtd Partn Cfts 2013-20c 1 2.220% 03/01/2033 Dd 03/13/13	6,612	6,705
	25,000 World Financial Network Cr C M 3.320% 08/15/2022 Dd 07/19/12	25,464	25,787
	Total Asset-backed	15.54% <u>136,942</u>	<u>137,332</u>
	Total Mortgage Securities	40.50% <u>355,497</u>	<u>357,907</u>
	Total Investments	100.00% <u>\$ 893,076</u>	<u>\$ 883,563</u>

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

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Income		
Interest	\$ 19,691	\$ 23,233
Total income	19,691	23,233
Expenses		
Investment management and administrative	2,691	2,734
Custody fees	14,590	14,382
Total expenses before reimbursement of fees	17,281	17,116
Reimbursement of fees	(13,438)	(13,388)
Net expenses	3,843	3,728
Net Investment Income	15,848	19,505
Net Realized and Unrealized Gains (Losses) on Investments		
Net realized gains (losses) on investments	(2,760)	3,189
Net change in unrealized appreciation/depreciation on investments	(1,918)	(14,917)
Net realized and unrealized losses	(4,678)	(11,728)
Net Increase in Net Assets Resulting From Operations	\$ 11,170	\$ 7,777

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

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Operations		
Net investment income	\$ 15,848	\$ 19,505
Net realized gains (losses)	(2,760)	3,189
Change in unrealized appreciation (depreciation)	(1,918)	(14,917)
	<hr/>	<hr/>
Net increase in net assets from operations	11,170	7,777
Net Increase in Net Assets From Participant Transactions	<hr/>	<hr/>
	313,463	118,777
Increase in Net Assets	324,633	126,554
Net Assets		
Beginning of year	<hr/>	<hr/>
	843,083	762,702
End of year	<hr/> <hr/>	<hr/> <hr/>
	\$ 1,167,716	\$ 889,256

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 two of these funds are included in this report.

Use of Estimates

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

Investment Valuation

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

Investment Transactions

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

Investment Income and Distribution of Income

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

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2015

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, 2015, 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, 2015

Note 3: Financial Highlights

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Net asset value, beginning of year	\$ 10.07	\$ 10.33
Net investment income	0.17	0.28
Net realized and unrealized losses	(0.04)	(0.19)
Net increase from investment operations	0.13	0.09
Net asset value, end of year	<u>\$ 10.20</u>	<u>\$ 10.42</u>
Total return	1.29%	0.87%
Ratio to average net assets (annualized):		
Net investment income	1.63%	2.66%
Expenses without reimbursements	1.78%	2.06%
Expenses with reimbursements	0.40%	0.45%

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	39,564	\$ 403,087	17,283	\$ 180,463
Cost of units redeemed	(8,759)	(89,624)	(5,759)	(61,686)
Net increase in total net assets from participant transactions	<u>30,805</u>	<u>\$ 313,463</u>	<u>11,524</u>	<u>\$ 118,777</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, 2015

- 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 year ended December 31, 2015.

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.

Non – U.S. Government Bonds. Non – U.S. Government obligations 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.

The following table 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, 2015.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2015

	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 Investment	\$ 61,522	\$ 61,522	\$ -	\$ -
U.S. Government Obligations	158,768	-	158,768	-
Corporate Bonds	365,663	-	365,663	-
Mortgage-backed Securities	264,461	-	264,461	-
Asset-backed Securities	297,244	-	297,244	-
Non - U.S. Government Bonds	10,215	-	10,215	-
Total	<u>\$ 1,157,873</u>	<u>\$ 61,522</u>	<u>\$ 1,096,351</u>	<u>\$ 0</u>
Merganser Core Bond Institutional Trust Fund				
Short Term Investment	\$ 60,567	\$ 60,567	\$ -	\$ -
U.S. Government Obligations	99,289	-	99,289	-
Corporate Bonds	365,800	-	365,800	-
Mortgage-backed Securities	220,575	-	220,575	-
Asset-backed Securities	137,332	-	137,332	-
Total	<u>\$ 883,563</u>	<u>\$ 60,567</u>	<u>\$ 822,996</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
Year Ended December 31, 2015

Purchases	
Investment Class	Cost
U.S. Government Obligations	\$ 424,267
Corporate Bonds	263,050
Foreign Corporate Bonds	19,998
Mortgage-backed Securities	170,532
Asset-backed Mortgage Securities	100,173
Non U.S. Government Bonds	10,331
Total Investments Purchased	\$ 988,351

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
U.S. Government Obligations	\$ 350,010	\$ 349,914	\$ 96
Corporate Bonds	148,159	148,604	(445)
Mortgage-backed Securities	96,425	98,924	(2,499)
Asset-backed Mortgage Securities	65,553	65,465	88
Total Investments Sold	\$ 660,147	\$ 662,907	\$ (2,760)

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
Merganser Core Bond Institutional Trust Fund
Year Ended December 31, 2015

Purchases	
Investment Class	Cost
U.S. Government Obligations	\$ 469,251
Corporate Bonds	218,470
Foreign Corporate Bonds	29,958
Mortgage-backed Securities	157,660
Asset-backed Mortgage Securities	39,945
U.S. Government Agency Securities	27,689
Total Investments Purchased	\$ 942,973

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
U.S. Government Obligations	\$ 465,925	\$ 463,623	\$ 2,302
Corporate Bonds	113,119	113,033	86
Foreign Corporate Bonds	20,028	19,958	70
Mortgage-backed Securities	170,403	170,087	316
Asset-backed Mortgage Securities	7,223	7,286	(63)
U.S. Government Agency Securities	42,200	41,722	478
Total Investments Sold	\$ 818,898	\$ 815,709	\$ 3,189