

**Hand Composite Employee Benefit Trust
Merganser Funds**

Independent Auditor's Report and Financial Statements

December 31, 2016



Hand Composite Employee Benefit Trust

December 31, 2016

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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, 2016, and the related statements of operations and changes in net assets for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of these selected funds included in the Hand Composite Employee Benefit Trust as of December 31, 2016, and the results of their operations and changes in their net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment purchases and sales listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Houston, Texas
May 26, 2017

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

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Assets		
Investments, at cost	\$ 1,474,860	\$ 1,479,092
Investments, at fair value	\$ 1,472,062	\$ 1,459,708
Receivable for:		
Investment securities sold	-	1,036
Capital shares sold	5,810	1,379
Investment advisor	1,464	1,461
Dividends and interest	4,671	8,394
Total assets	\$ 1,484,007	\$ 1,471,978
Liabilities		
Accounts payable and accrued liabilities	\$ 6,549	\$ 6,595
Total liabilities	\$ 6,549	\$ 6,595
Net Assets Held for Participants - Class R1	\$ 1,477,458	\$ 1,465,383
Units Outstanding - Class R1	142,292	137,857
Net Asset Value Per Unit - Class R1	\$ 10.38	\$ 10.63

Hand Composite Employee Benefit Trust
Schedules of Investments
Merganser Short Term Bond Institutional Trust Fund
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investment</u>			
88,553	Blackrock Liq Treas Tr Instl Fd 62	\$ 88,553	\$ 88,553
	Total Short Term Investment	6.02% 88,553	88,553
<u>U.S. Government Obligations</u>			
30,000	U S Treasury Note 0.875% 09/15/2019 Dd 09/15/16	29,497	29,607
33,000	U S Treasury Note 1.000% 03/15/2019 Dd 03/15/16	33,141	32,825
114,000	U S Treasury Note 1.125% 02/28/2021 Dd 02/29/16	112,626	110,924
	Total Us Government Obligations	11.78% 175,264	173,356
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
10,000	CVS Health Corp 2.800% 07/20/2020 Dd 07/20/15	10,294	10,146
10,000	General Motors Financial Co In 3.150% 01/15/2020 Dd 01/12/15	10,122	10,063
5,000	General Motors Financial Co In 3.200% 07/13/2020 Dd 07/13/15	4,956	5,015
10,000	General Motors Financial Co In 3.700% 11/24/2020 Dd 11/24/15	10,177	10,173
5,000	Paccar Financial Corp 1.750% 08/14/2018 Dd 08/14/15	4,996	5,021
5,000	Toyota Motor Credit Corp 1.700% 02/19/2019 Dd 02/19/16	4,999	4,984
	Total Consumer Discretionary	3.08% 45,544	45,402
<u>Consumer Staples</u>			
10,000	Abbvie Inc 1.800% 05/14/2018 Dd 05/14/15	9,996	10,008
5,000	Actavis Funding Scs 2.350% 03/12/2018 Dd 03/12/15	4,998	5,029
5,000	Anheuser-Busch Inbev Finance I 2.650% 02/01/2021 Dd 01/25/16	4,994	5,029
10,000	Ecolab Inc 1.550% 01/12/2018 Dd 01/15/15	9,960	10,011
10,000	Gilead Sciences Inc 2.350% 02/01/2020 Dd 11/17/14	10,123	10,052
10,000	Kroger Co/The 6.800% 12/15/2018 Dd 12/11/98	10,838	10,947
15,000	Pepsico Inc 1.000% 10/13/2017 Dd 10/14/15	14,986	14,990
	Total Consumer Staples	4.49% 65,895	66,066

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<i>Energy</i>			
10,000	Chevron Corp Var Rt 11/15/2019 Dd 11/18/14	\$ 9,821	\$ 10,004
8,000	Enterprise Products Operating 6.300% 09/15/2017 Dd 09/04/07	8,272	8,251
15,000	Exxon Mobil Corp 1.708% 03/01/2019 Dd 03/03/16	15,075	15,032
10,000	Kinder Morgan Inc/De 7.000% 06/15/2017 Dd 06/18/07	10,176	10,232
6,000	Sunoco Inc 5.750% 01/15/2017 Dd 12/14/06	6,009	6,007
	Total Energy	3.36% 49,353	49,526
<i>Financials</i>			
10,000	American Express Credit Corp 1.875% 11/05/2018 Dd 11/05/15	9,999	10,015
10,000	Bank of America Corp 6.875% 04/25/2018 Dd 04/25/08	10,641	10,629
10,000	Bank of New York Mellon Corp/t 2.150% 02/24/2020 Dd 02/24/15	9,970	9,971
15,000	Barclays Dryrock Issuance 1 A 2.200% 12/15/2022 Dd 03/12/15	15,078	15,066
12,000	BB&T Corp Var Rt 02/01/2019 Dd 02/04/14	11,928	12,051
21,501	Bear Stearns Commercia Pw18 A4 5.700% 06/11/2050 Dd 12/01/07	22,390	21,962
13,000	Capital Auto Receivables 2 A4 1.630% 01/20/2021 Dd 07/20/16	13,008	12,861
15,000	Capital Auto Receivables 3 A3 1.540% 08/20/2020 Dd 09/21/16	14,998	14,949
10,000	Capital Auto Receivables A 1 B 2.670% 12/21/2020 Dd 03/16/16	9,997	9,980
10,000	Capital One Multi-Asset A3 A3 1.340% 04/15/2022 Dd 07/26/16	10,000	9,889
15,000	Capital One Multi-Asset A4 A4 1.330% 06/15/2022 Dd 08/25/16	14,996	14,799
15,000	Capital One Multi-Asset A7 A7 1.450% 08/16/2021 Dd 10/27/15	15,044	14,969
15,000	Carmax Auto Owner Trust 2 4 A2 1.210% 11/15/2019 Dd 10/26/16	14,999	14,970
30,000	CNH Equipment Trust 2013- B A4 0.990% 11/15/2018 Dd 05/30/13	29,955	29,990
27,068	CNH Equipment Trust 2014- B A4 1.610% 05/17/2021 Dd 06/11/14	26,993	27,103
5,214	Comm 2013-ccre8 Mortgag Cr8 A1 1.024% 06/10/2046 Dd 06/01/13	5,193	5,196
7,253	Comm 2015-Lc19 Mortgag Lc19 A1 1.399% 02/10/2048 Dd 02/01/15	7,232	7,225
25,000	Credit Suisse Commerci C2 Amfl Var Rt 01/15/2049 Dd 05/09/07	23,393	24,941
15,000	Deutsche Bank Ag/London 1.350% 05/30/2017 Dd 05/30/14	14,948	14,968
14,000	Fifth Third Auto Trust 20 3 A4 1.470% 05/17/2021 Dd 10/29/14	14,055	14,013
9,980	Fresb 2016-Sb16 Mortg Sb16 A5h Var Rt 05/25/2036 Dd 05/01/16	10,024	9,864
14,987	Fresb 2016-Sb23 Mortg Sb23 A5f Var Rt 09/25/2021 Dd 10/01/16	15,055	14,660
15,000	Goldman Sachs Group Inc/The Var Rt 09/15/2020 Dd 09/15/15	14,924	15,140
15,000	Honda Auto Receivables 20 4 A2 1.040% 04/18/2019 Dd 10/25/16	15,000	14,964
15,000	Mercedes-Benz Auto Receiv 1 A4 1.750% 12/15/2021 Dd 07/22/15	15,178	15,037
7,905	Morgan Stanley Bank of C15 A1 1.313% 04/15/2047 Dd 04/01/14	7,880	7,893

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<i>Financials (continued)</i>			
9,862	Morgan Stanley Capital Bnk2 A1 1.424% 11/15/2049 Dd 11/01/16	\$ 9,862	\$ 9,725
10,000	Morgan Stanley Capital Ub12 A1 1.779% 12/15/2049 Dd 12/01/16	10,000	9,961
15,000	Nissan Auto Lease Trust B A2a 1.260% 12/17/2018 Dd 09/21/16	14,999	14,988
20,000	Nissan Master Owner Trust A A2 1.440% 01/15/2020 Dd 01/30/15	20,011	20,002
10,000	Simon Property Group LP 2.200% 02/01/2019 Dd 01/21/14	10,098	10,081
15,000	Toyota Auto Receivables 2 B A4 1.520% 08/16/2021 Dd 05/11/16	14,997	14,871
10,000	Travelers Cos Inc/The 5.800% 05/15/2018 Dd 05/13/08	10,570	10,549
10,000	Visa Inc 2.200% 12/14/2020 Dd 12/14/15	9,993	10,031
10,000	WFRBS Commercial Mortga C24 A2 2.863% 11/15/2047 Dd 11/01/14	10,314	10,210
15,000	World Omni Auto Receivabl A A3 1.770% 09/15/2021 Dd 03/23/16	15,170	15,015
	Total Financials	33.87% 498,892	498,538
<i>Industrials</i>			
25,000	Caterpillar Financial Services 5.450% 04/15/2018 Dd 03/27/08	26,278	26,200
18,000	General Electric Co Var Rt 04/15/2020 Dd 04/04/13	18,017	18,279
	Total Industrials	3.02% 44,295	44,479
<i>Information Technology</i>			
10,000	Altera Corp 2.500% 11/15/2018 Dd 11/01/13	10,040	10,173
10,000	Apple Inc 2.100% 05/06/2019 Dd 05/06/14	10,220	10,095
	Total Information Technology	1.38% 20,260	20,268
<i>Telecommunication Services</i>			
10,000	Cisco Systems Inc Var Rt 02/21/2018 Dd 02/29/16	10,000	10,057
4,000	Comcast Cable Communications L 8.875% 05/01/2017 Dd 05/01/97	4,097	4,101
15,000	Nippon Telegraph & Telephone C 1.400% 07/18/2017 Dd 07/18/12	15,019	14,993
	Total Telecommunication Services	1.98% 29,116	29,151

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2016

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	\$ 21,169	\$ 21,189
	Total Utilities	1.44% 21,169	21,189
	Total Corporate Bonds	52.62% 774,524	774,619
<i><u>Mortgage Securities</u></i>			
<i>Mortgage Backed</i>			
10,000	Citigroup Inc 2.150% 07/30/2018 Dd 07/30/15	9,997	10,033
15,000	Wells Fargo & Co 2.550% 12/07/2020 Dd 12/07/15	15,208	15,017
7,545	JP Morgan Chase Commerci C8 A2 1.797% 10/15/2045 Dd 10/01/12	7,565	7,559
10,000	JPMorgan Chase & Co 2.250% 01/23/2020 Dd 01/23/15	10,021	9,976
10,000	Sequoia Mortgage Trust 20 8 A1 Var Rt 01/20/2034 Dd 12/23/03	9,651	9,500
8,577	GNMA II Pool #0757319 4.346% 03/20/2061 Dd 03/01/11	9,118	8,813
13,348	FNMA Pool #0464111 4.180% 12/01/2019 Dd 12/01/09	14,270	14,122
16,686	FNMA Pool #0fn0004 3.615% 12/01/2020 Dd 03/01/11	17,922	17,557
15,426	FHLMC Multiclass Mtg K035 A1 M 2.615% 03/25/2023 Dd 12/01/13	15,995	15,684
14,784	FHLMC Multiclass Mtg K704 A2 2.412% 08/25/2018 Dd 11/01/11	15,044	14,968
14,210	FNMA Gtd Remic P/T 14-m5 Asq2 2.034% 03/25/2019 Dd 05/01/14	14,399	14,274
9,454	FNMA Gtd Remic P/T 13-m9 A1 1.976% 01/25/2023 Dd 06/01/13	9,597	9,473
8,708	GNMA II Pool #0004261 6.500% 10/20/2038 Dd 10/01/08	9,387	9,423
5,574	GNMA II Pool #0002755 7.000% 05/20/2029 Dd 05/01/99	5,992	6,594
12,294	GNMA II Pool #0002471 7.000% 08/20/2027 Dd 08/01/97	13,090	14,376
7,323	GNMA II Pool #0002233 7.500% 06/20/2026 Dd 06/01/96	7,926	8,169
5,340	GNMA Pool #0723371 4.500% 11/15/2024 Dd 11/01/09	5,697	5,766
6,948	GNMA II Pool #0777424 4.753% 10/20/2062 Dd 11/01/12	7,542	7,283
	Total Mortgage Backed	13.49% 198,421	198,587

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<i>Asset Backed</i>			
20,000	Chase Issuance Trust B1 B1 Var Rt 04/15/2019 Dd 02/21/07	\$ 19,950	\$ 19,995
10,000	Cabela's Credit Card Mas 1a A1 2.260% 03/15/2023 Dd 03/16/15	9,975	10,014
10,000	CNH Equipment Trust 2016- C A3 1.440% 12/15/2021 Dd 09/21/16	9,998	9,901
15,000	BA Credit Card Trust A2 A 1.360% 09/15/2020 Dd 04/29/15	15,073	14,993
20,000	BA Credit Card Trust A1 A1 5.170% 06/15/2019 Dd 01/18/07	21,106	20,028
22,000	Americredit Automobile Rec 4 C 2.880% 07/08/2021 Dd 11/12/15	21,923	22,237
10,000	Americredit Automobile R 3 A2a 1.370% 11/08/2019 Dd 08/11/16	9,999	10,005
13,000	Americredit Automobile Rec 3 C 2.380% 06/10/2019 Dd 06/20/13	13,006	13,052
6,133	Americredit Automobile Rec 1 C 1.570% 01/08/2019 Dd 01/24/13	6,127	6,136
15,000	World Financial Network Cr D A 2.150% 04/17/2023 Dd 10/05/12	15,219	15,056
10,000	World Financial Network Cr C A 2.230% 08/15/2022 Dd 07/19/12	10,167	10,091
15,000	John Deere Owner Trust 20 A A4 1.650% 12/15/2021 Dd 03/11/15	15,043	15,038
11,000	Ford Credit Auto Owner Tru B C 1.320% 01/15/2019 Dd 05/21/13	10,942	11,004
10,000	Ford Credit Floorplan Mas 1 A1 1.760% 02/15/2021 Dd 02/17/16	9,997	9,974
15,000	Ford Credit Floorplan Mast 2 D 3.500% 01/15/2019 Dd 02/15/12	15,299	15,011
10,000	Discover Card Execution A3 A3 1.220% 10/15/2019 Dd 05/05/14	10,027	10,003
14,461	North Carolina State Educ 2 A2 Var Rt 07/25/2025 Dd 06/02/11	14,240	14,405
	Total Asset Backed	15.42% 228,091	226,943
	Total Mortgage Securities	28.91% 426,512	425,530
<i><u>Non-US Government Bonds</u></i>			
<i>Korea</i>			
10,000	Export-Import Bank of Korea 4.000% 01/11/2017 Dd 01/11/12	10,007	10,004
	Total Korea	0.67% 10,007	10,004
	Total Non-US Government Bonds	0.67% 10,007	10,004
	Total Investments	100.00% \$ 1,474,860	\$ 1,472,062

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investment</u>			
83,775	BNY Mellon Cash Reserve	\$ 83,775	\$ 83,775
	Total Short Term Investment	5.74% 83,775	83,775
<u>US Government Obligations</u>			
34,000	U S Treasury Note1.125% 02/28/2021 Dd 02/29/16	33,338	33,082
167,000	U S Treasury Note1.625% 02/15/2026 Dd 02/15/16	156,789	156,035
14,000	U S Treasury Notevar Rt 10/31/2017 Dd 10/31/15	14,020	14,019
127,000	U S Treasury Bond3.000% 11/15/2045 Dd 11/15/15	138,565	125,264
	Total US Government Obligations	22.50% 342,712	328,400
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
10,000	Autozone Inc4.000% 11/15/2020 Dd 11/15/10	10,589	10,495
10,000	General Motors Financial Co In3.700% 11/24/2020 Dd 11/24/15	10,177	10,173
15,000	Steelcase Inc6.375% 02/15/2021 Dd 02/03/11	16,799	16,766
14,000	Synchrony Credit Card Mast 2 A2.220% 01/15/2022 Dd 02/02/12	14,118	14,106
	Total Consumer Discretionary	3.53% 51,683	51,540
<u>Consumer Staples</u>			
10,000	Abbvie Inc3.200% 11/06/2022 Dd 05/14/15	10,411	10,007
10,000	Anheuser-Busch Inbev Finance I4.900% 02/01/2046 Dd 01/25/16	9,977	10,809
5,000	Gilead Sciences Inc2.550% 09/01/2020 Dd 09/14/15	4,991	5,053
5,000	Kroger Co/the3.400% 04/15/2022 Dd 04/16/12	5,011	5,097
	Total Consumer Staples	2.12% 30,390	30,966
<u>Energy</u>			
25,000	BP Capital Markets Plcvar Rt 09/26/2018 Dd 09/26/13	24,778	25,095
20,000	Chevron Corp3.191% 06/24/2023 Dd 06/24/13	20,412	20,486
9,000	Husky Energy Inc6.200% 09/15/2017 Dd 09/11/07	9,109	9,299
	Total Energy	3.76% 54,299	54,880

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<i>Financials</i>			
5,000	Americredit Automobile Rec 1 C2.890% 01/10/2022 Dd 01/21/16	\$ 5,000	\$ 5,062
10,000	Banc Of America Commercia 4 Amvar Rt 02/10/2051 Dd 11/01/07	10,885	10,184
15,000	Bank Of America Corp3.300% 01/11/2023 Dd 01/11/13	15,218	15,050
5,000	Charles Schwab Corp/the3.000% 03/10/2025 Dd 03/10/15	4,984	4,906
5,000	Deutsche Bank Ag/london1.350% 05/30/2017 Dd 05/30/14	4,982	4,989
18,500	Equity One Mortgage Pass- 2 M1var Rt 07/25/2034 Dd 04/01/04	17,657	18,087
5,000	Essex Portfolio LP3.250% 05/01/2023 Dd 04/15/13	4,976	4,981
10,000	Goldman Sachs Group Inc/the2.750% 09/15/2020 Dd 09/15/15	9,984	10,043
10,000	HCP Inc4.000% 06/01/2025 Dd 05/20/15	10,075	9,958
10,000	JP Morgan Chase Commer Cb19 Ajvar Rt 02/12/2049 Dd 06/01/07	8,410	8,050
10,000	JP Morgan Chase Commerc Ldp2 Evar Rt 07/15/2042 Dd 06/01/05	9,959	9,931
10,000	JPMorgan Chase & Co6.300% 04/23/2019 Dd 04/23/09	10,951	10,927
20,000	Metlife Incvar Rt 12/15/2017 Dd 09/15/14	20,091	20,052
9,037	Morgan Stanley Capital T27 A4var Rt 06/11/2042 Dd 07/01/07	9,397	9,140
15,000	Morgan Stanley2.650% 01/27/2020 Dd 01/27/15	15,008	15,071
20,000	Progressive Corp/The3.750% 08/23/2021 Dd 08/22/11	21,132	21,171
25,000	Prudential Financial Inc4.500% 11/15/2020 Dd 11/18/10	26,398	26,788
14,166	Sequoia Mortgage Trust 20 8 A1var Rt 01/20/2034 Dd 12/23/03	13,674	13,459
10,000	Ventas Realty LP3.500% 02/01/2025 Dd 01/14/15	10,124	9,845
10,000	Vornado Realty LP5.000% 01/15/2022 Dd 12/07/11	10,711	10,815
5,000	Weingarten Realty Investors4.450% 01/15/2024 Dd 10/15/13	5,285	5,216
10,000	Wells Fargo & Co2.550% 12/07/2020 Dd 12/07/15	10,070	10,011
10,000	Welltower Inc4.950% 01/15/2021 Dd 11/16/10	10,807	10,785
15,000	WFRBS Commercial Mortg C12 ASB2.838% 03/15/2048 Dd 03/01/13	15,565	15,270
20,000	WFRBS Commercial Mortga C16 ASVAR RT 09/15/2046 Dd 09/01/13	21,204	21,747
25,000	World Financial Network Cr C M3.320% 08/15/2022 Dd 07/19/12	25,400	25,487
	Total Financials	22.40% 327,947	327,025
<i>Industrials</i>			
10,000	Burlington Northern Santa Fe L8.125% 04/15/2020 Dd 04/14/00	11,822	11,755
10,000	Caterpillar Financial Servicesvar Rt 02/23/2018 Dd 02/25/16	10,043	10,050
	Total Industrials	1.49% 21,865	21,805

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<i>Information Technology</i>			
5,000	Apple Inc 2.250% 02/23/2021 Dd 02/23/16	\$ 5,094	\$ 4,996
30,000	Intel Corp 4.800% 10/01/2041 Dd 09/19/11	30,212	33,025
	Total Information Technology	2.60% 35,306	38,021
<i>Telecommunication Services</i>			
5,000	AT&T Inc 3.400% 05/15/2025 Dd 05/04/15	4,985	4,819
15,000	Comcast Corp 3.375% 02/15/2025 Dd 08/12/14	15,479	15,158
25,000	Verizon Communications Inc 5.150% 09/15/2023 Dd 09/18/13	29,086	27,644
	Total Telecommunication Services	3.26% 49,550	47,621
<i>Utilities</i>			
7,000	Centerpoint Energy Restor 1 A 34.243% 08/15/2023 Dd 11/25/09	7,330	7,421
5,000	Sempra Energy 2.400% 03/15/2020 Dd 03/13/15	4,996	4,993
8,523	Southaven Combined Cycle Gener 3.846% 08/15/2033 Dd 08/09/13	8,835	8,790
	Total Utilities	1.45% 21,161	21,204
	Total Corporate Bonds	40.61% 592,201	593,062
<u>Foreign Corporate Bonds</u>			
<i>Financials</i>			
10,000	Brookfield Asset Management In 4.000% 01/15/2025 Dd 01/15/15	10,000	9,809
	Total Financials	0.67% 10,000	9,809
	Total Foreign Corporate Bonds	0.67% 10,000	9,809
<u>Mortgage Securities</u>			
<i>Mortgage Backed</i>			
3,927	FHLMC Multiclass Mtg 3936 Cj 3.000% 07/15/2040 Dd 10/01/11	4,020	3,969
24,526	FHLMC Multiclass Mtg K050 A 12.802% 01/25/2025 Dd 11/01/15	25,984	24,871
15,000	FHLMC Multiclass Mtg 2.456% 08/25/2019 Dd 10/01/14	15,416	15,225
7,000	FHLMC Multifamily Stru K045 A 23.023% 01/25/2025 Dd 05/01/15	7,541	7,113
17,547	FNMA Pool #0AS1374.000% 06/01/2045 Dd 05/01/15	18,787	18,456

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
December 31, 2016

Number of Shares or Principal Amount		Cost	Fair Value
<i>Mortgage Backed (continued)</i>			
21,783	FNMA Pool #0AS63113.500% 12/01/2045 Dd 11/01/15	\$ 22,524	\$ 22,343
22,071	FNMA Pool #0AS65203.500% 01/01/2046 Dd 12/01/15	22,808	22,640
5,615	FNMA Gtd Remic P/T 06-w1 1a48.000% 12/25/2045 Dd 03/01/06	6,858	6,650
6,921	FNMA Gtd Remic P/T 12-93 Cy1.500% 09/25/2027 Dd 08/01/12	6,200	6,053
15,000	FNMA Gtd Remic P/T 15-m8 A2var Rt 01/25/2025 Dd 05/01/15	15,958	15,018
17,377	FNMA Gtd Remic P/T 16-24 Ta3.000% 04/25/2042 Dd 04/01/16	17,965	17,702
15,000	FNMA Gtd Remic P/T 16-m5 A22.464% 04/25/2026 Dd 05/01/16	15,461	14,421
9,503	GNMA Pool #0AK76134.100% 09/15/2037 Dd 02/01/15	9,867	10,004
10,000	GNMA Gtd Remic P/T 15-91 Qavar Rt 05/20/2045 Dd 06/01/15	10,841	10,295
21,284	GNMA Gtd Remic P/T 16-h13 Ga2.000% 12/20/2064 Dd 06/01/16	21,304	20,935
6,119	GNMA II Pool #00022337.500% 06/20/2026 Dd 06/01/96	6,622	6,825
10,262	GNMA II Pool #00024717.000% 08/20/2027 Dd 08/01/97	10,926	12,000
4,657	GNMA II Pool #00027557.000% 05/20/2029 Dd 05/01/99	5,008	5,510
7,369	GNMA II Pool #00042616.500% 10/20/2038 Dd 10/01/08	7,942	7,974
14,113	GNMA II Pool #0AH11544.637% 10/20/2065 Dd 11/01/15	15,589	15,334
10,153	GNMA II Pool #0AT24174.575% 07/20/2066 Dd 08/01/16	11,582	11,082
7,230	North Carolina State Educ 2 A2var Rt 07/25/2025 Dd 06/02/11	7,120	7,203
15,064	SBA Gtd Partn Ctf 2007-20e 15.310% 05/01/2027 Dd 05/16/07	16,449	16,268
6,503	SBA Gtd Partn Ctf 2008-20a 15.170% 01/01/2028 Dd 01/16/08	6,716	7,069
	Total Mortgage Backed	20.90% 309,488	304,960
<i>Asset Backed</i>			
10,000	Bear Stearns Asset Back Bo1 M4var Rt 10/25/2034 Dd 10/26/04	9,942	10,051
15,000	Capital One Multi-Asset A5 A51.660% 06/17/2024 Dd 08/25/16	14,996	14,575
15,000	Capital One Multi-Asset A6 A61.820% 09/15/2022 Dd 12/08/16	14,998	14,962
10,000	Carmax Auto Owner Trust 20 1 D1.990% 08/15/2019 Dd 02/14/13	10,008	10,012
10,000	Carmax Auto Owner Trust 20 3 C2.680% 06/15/2021 Dd 08/12/15	9,998	10,016
2,402	Chase Funding Trust Seri 1 1a7var Rt 11/25/2033 Dd 02/01/04	2,470	2,471
5,933	Chase Funding Trust Seri 3 1a5var Rt 03/25/2033 Dd 05/01/03	6,145	6,053
25,000	CNH Equipment Trust 2013-a A B1.360% 08/17/2020 Dd 02/21/13	25,000	24,999
10,000	CNH Equipment Trust 2015-a A B2.140% 08/15/2022 Dd 03/04/15	9,997	10,016
25,000	Comm 2014-Ccre18 Mort Cr18 Asb3.452% 07/15/2047 Dd 06/01/14	26,580	26,039
10,000	Comm 2014-Lc15 Mortgag Lc15 Am4.198% 04/10/2047 Dd 03/01/14	10,782	10,508
	Total Asset Backed	9.58% 140,916	139,702
	Total Mortgage Securities	30.48% 450,404	444,662
	Total Investments	100.00% \$ 1,479,092	\$ 1,459,708

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

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Income		
Interest	\$ 22,758	\$ 32,592
Total income	<u>22,758</u>	<u>32,592</u>
Expenses		
Investment management and administrative	3,729	3,922
Custody fees	15,536	15,037
Audit	<u>5,000</u>	<u>5,000</u>
Total expenses before reimbursement of fees	24,265	23,959
Reimbursement of fees	<u>(18,938)</u>	<u>(18,611)</u>
Net expenses	<u>5,327</u>	<u>5,348</u>
Net Investment Income	<u>17,431</u>	<u>27,244</u>
Net Realized and Unrealized Gains (Losses) on Investments		
Net realized gains (losses)	2,248	(6,666)
Net change in unrealized appreciation/depreciation	<u>977</u>	<u>(9,871)</u>
Net realized and unrealized gains (losses)	<u>3,225</u>	<u>(16,537)</u>
Net Increase in Net Assets Resulting From Operations	<u><u>\$ 20,656</u></u>	<u><u>\$ 10,707</u></u>

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

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Operations		
Net investment income	\$ 17,431	\$ 27,244
Net realized gains (losses)	2,248	(6,666)
Change in unrealized appreciation/depreciation	977	(9,871)
	<hr/>	<hr/>
Net increase in net assets from operations	20,656	10,707
Net Increase in Net Assets From Participant Transactions	<hr/> 289,086	<hr/> 565,420
Increase in Net Assets Held For Participants	309,742	576,127
Net Assets Held For Participants		
Beginning of year	<hr/> 1,167,716	<hr/> 889,256
End of year	<hr/> <hr/> \$ 1,477,458	<hr/> <hr/> \$ 1,465,383

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 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, 2016

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, 2016, 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, 2016

Note 3: Financial Highlights

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Net asset value, beginning of year	\$ 10.20	\$ 10.42
Net investment income	0.13	0.24
Net realized and unrealized gains (losses)	0.05	(0.03)
Net increase from investment operations	0.18	0.21
Net asset value, end of year	\$ 10.38	\$ 10.63
Total return	1.76%	2.02%
Ratio to average net assets:		
Net investment income	1.30%	2.27%
Expenses without reimbursements	1.81%	1.99%
Expenses with reimbursements	0.40%	0.44%

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	39,225	\$ 407,536	64,759	\$ 695,817
Cost of units redeemed	(11,461)	(118,450)	(12,240)	(130,397)
Net increase in total net assets from participant transactions	27,764	\$ 289,086	52,519	\$ 565,420

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, 2016

- 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, 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, Foreign 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-US Government Bonds. Non-US 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, 2016.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

		Fair Value Measurements Using			
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
		Fair Value			
Merganser Short Term Bond Institutional Trust Fund					
Short Term Investment	\$ 88,553	\$ 88,553	\$ -	\$ -	
U.S. Government Obligations	173,356	-	173,356	-	
Corporate Bonds	774,619	-	774,619	-	
Mortgage-backed Securities	198,587	-	198,587	-	
Asset-backed Securities	226,943	-	226,943	-	
Non - U.S. Government Bonds	10,004	-	10,004	-	
Total	\$ 1,472,062	\$ 88,553	\$ 1,383,509	\$ 0	
Merganser Core Bond Institutional Trust Fund					
Short Term Investment	\$ 83,775	\$ 83,775	\$ -	\$ -	
U.S. Government Obligations	328,400	-	328,400	-	
Corporate Bonds	593,062	-	593,062	-	
Foreign Corporate Bonds	9,809	-	9,809	-	
Mortgage-backed Securities	304,960	-	304,960	-	
Asset-backed Securities	139,702	-	139,702	-	
Total	\$ 1,459,708	\$ 83,775	\$ 1,375,933	\$ 0	

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, 2016

Purchases	
Investment Class	Cost
U.S. Government Obligations	\$ 571,200
Corporate Bonds	348,039
Mortgage-backed Securities	194,743
Asset-backed Mortgage Securities	<u>202,350</u>
Total Investments Purchased	<u>\$ 1,316,332</u>

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
U.S. Government Obligations	\$ 556,503	\$ 555,178	\$ 1,325
Corporate Bonds	169,328	168,363	965
Mortgage-backed Securities	<u>26,138</u>	<u>26,180</u>	<u>(42)</u>
Total Investments Sold	<u>\$ 751,969</u>	<u>\$ 749,721</u>	<u>\$ 2,248</u>

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
Merganser Core Bond Institutional Trust Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
U.S. Government Obligations	\$ 1,238,159
Corporate Bonds	288,240
Mortgage-backed Securities	414,381
Asset-backed Mortgage Securities	<u>75,714</u>
Total Investments Purchased	<u>\$ 2,016,494</u>

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
U.S. Government Obligations	\$ 1,002,941	\$ 994,740	\$ 8,201
Corporate Bonds	155,905	159,014	(3,109)
Mortgage-backed Securities	133,750	145,658	(11,908)
Asset-backed Mortgage Securities	<u>6,267</u>	<u>6,117</u>	<u>150</u>
Total Investments Sold	<u>\$ 1,298,863</u>	<u>\$ 1,305,529</u>	<u>\$ (6,666)</u>