

**Hand Composite Employee Benefit Trust  
P-Solve 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 (P-Solve Return Seeking Fund and P-Solve Long Credit 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Houston, Texas  
May 26, 2017

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

	<b>P-Solve Return Seeking Fund</b>	<b>P-Solve Long Credit Fund</b>
<b>Assets</b>		
Investments, at cost	\$ 74,929,341	\$ 105,404,753
Investments, at fair value	\$ 75,684,174	\$ 101,349,873
Receivable for:		
Dividends and interest	57,761	528,587
Total assets	\$ 75,741,935	\$ 101,878,460
<b>Liabilities</b>		
Payable for investment securities purchased	\$ 39,101	\$ 106,941
Payable for capital shares redeemed	207	-
Accounts payable and accrued liabilities	15,251	22,851
Total liabilities	\$ 54,559	\$ 129,792
Net assets held for participants - Class R	\$ 75,687,376	\$ 101,748,668
Units outstanding - Class R	6,579,047	8,208,151
Net asset value per unit - Class R	\$ 11.50	\$ 12.40

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments**  
**P-Solve Return Seeking Fund**  
**December 31, 2016**

Number of Shares or Principal Amount		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
5,920,854	Blackrock Liq Treas Tr Instl Fd 62	\$ 5,920,854	\$ 5,920,854
	Total Short Term Investment	7.82% 5,920,854	5,920,854
<b><u>U.S. Government Obligations</u></b>			
\$ 1,940,000	U.S. Treasury Bd Prin Strip	1,640,719	1,515,247
3,080,000	U.S. Treasury Bill	3,054,984	3,056,792
	Total U.S. Government Obligations	6.04% 4,695,703	4,572,039
<b><u>Mutual Funds</u></b>			
<b><u>Fixed Income</u></b>			
255,498	Eaton Vance Floating Rate-I	2,286,698	2,286,709
195,209	Fidelity Total Bond Fund-TB	2,086,802	2,053,602
187,987	TCW Core Fxd Incm-I	2,109,987	2,045,299
	Total Fixed Income	8.44% 6,483,487	6,385,610
<b><u>Equity</u></b>			
318,030	Boston P A/cap Value-IS	7,256,641	7,467,337
136,750	Dodge & Cox Intl Stock Fund	5,531,350	5,210,157
90,125	Harding Loevner Inst Emg M-I	1,519,668	1,519,510
413,674	Lazard Inter Strat Eq-Inst	5,967,025	5,146,099
245,927	Pioneer-Dynamic Credit-Y	2,371,132	2,294,499
	Total Equity	28.59% 22,645,816	21,637,602
<b><u>Other</u></b>			
155,467	Invesco Balanced Risk	2,804,701	3,065,818
	Total Other	4.05% 2,804,701	3,065,818

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**P-Solve Return Seeking Fund (Continued)**  
**December 31, 2016**

Number of Shares			Cost	Fair Value
<b><u>Exchange-traded Funds</u></b>				
<b><i>Fixed Income</i></b>				
61,215	Vanguard Total Bond Market		\$ 5,116,673	\$ 4,945,560
	Total Fixed Income	6.53%	<u>5,116,673</u>	<u>4,945,560</u>
<b><i>Equity</i></b>				
150,655	iShares Core Intl Stock ETF		7,823,997	7,606,571
11,510	iShares Core S&P Small-Cap E		1,514,110	1,582,855
56,482	iShares Currency Hedged MSCI		1,497,910	1,502,421
242,305	Schwab US Broad Market ETF		11,679,055	13,128,086
20,194	Vanguard Tot Stk Mkt-Inst		2,238,198	2,328,772
30,406	Wisdomtree Japan Hedged Equit		1,193,808	1,506,313
	Total Equity	36.54%	<u>25,947,078</u>	<u>27,655,018</u>
	Total Exchange-traded Funds	43.08%	<u>31,063,751</u>	<u>32,600,578</u>
<b><u>Common Trust Fund</u></b>				
<b><i>Fixed Income</i></b>				
25,963	FIAM Group Tr For Employee		1,315,029	1,501,673
	Total Fixed Income	1.98%	<u>1,315,029</u>	<u>1,501,673</u>
	Total Common Trust Fund	1.98%	<u>1,315,029</u>	<u>1,501,673</u>
	Total Investments	100.00%	<u>\$ 74,929,341</u>	<u>\$ 75,684,174</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**P-Solve Long Credit Fund**  
**December 31, 2016**

Number of Shares or Principal Amount		Cost	Fair Value
616,872	Blackrock Liq Treas Tr Instl	\$ 616,872	\$ 616,872
234,081	Blackrock Liq Treas Tr Instl	234,081	234,081
	Total Short Term Investments	0.84% 850,953	850,953
<b><u>U.S. Government Obligations</u></b>			
\$ 1,060,000	U.S. Treasury Bond 2.250% 08/15/2046 Dd 08/15/16	881,621	891,269
665,000	U.S. Treasury Note 2.000% 11/15/2026 Dd 11/15/16	638,246	639,828
	Total U.S. Government Obligations	1.51% 1,519,867	1,531,097
<b><u>Corporate Bonds</u></b>			
<b><u>Consumer Discretionary</u></b>			
340,000	21st Century Fox America Inc,6.200% 12/15/2034 Dd 12/03/04	388,832	399,425
390,000	Anheuser-Busch Inbev Finance I 4.900% 02/01/2046 Dd 01/25/16	444,390	421,539
140,000	CF Industries Inc 144a 4.500% 12/01/2026 Dd 11/21/16	137,143	137,605
445,000	Comcast Corp 4.250% 01/15/2033 Dd 01/14/13	455,771	463,096
155,000	Ford Motor Co 4.750% 01/15/2043 Dd 01/08/13	141,587	147,158
120,000	Hasbro Inc 6.350% 03/15/2040 Dd 03/11/10	142,479	139,850
360,000	Home Depot Inc/The 3.500% 09/15/2056 Dd 09/15/16	353,173	315,126
35,000	Macy's Retail Holdings Inc 6.650% 07/15/2024 Dd 07/20/04	39,902	40,104
215,000	Newell Brands Inc 5.500% 04/01/2046 Dd 03/30/16	251,216	246,826
240,000	Nike Inc 3.375% 11/01/2046 Dd 10/21/16	225,696	216,726
120,000	Time Warner Cable Inc,6.550% 05/01/2037 Dd 04/09/07	145,616	135,846
	Total Consumer Discretionary	2.63% 2,725,805	2,663,301
<b><u>Consumer Staples</u></b>			
220,000	Bunge Ltd Finance Corp 3.250% 08/15/2026 Dd 08/15/16	220,759	211,261
200,000	CVS Health Corp 5.125% 07/20/2045 Dd 07/20/15	226,426	222,889
125,000	Pepsico Inc 3.450% 10/06/2046 Dd 10/06/16	117,523	113,873
200,000	SC Johnson & Son Inc 144a 4.800% 09/01/2040 Dd 08/30/10	220,731	212,519
235,000	Wal-mart Stores Inc 4.300% 04/22/2044 Dd 04/22/14	258,061	247,989
	Total Consumer Staples	1.00% 1,043,500	1,008,531



**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**P-Solve Long Credit Fund (Continued)**  
**December 31, 2016**

Number of Shares or Principal Amount		Cost	Fair Value
<i>Energy</i>			
\$ 225,000	Boardwalk Pipelines LP 5.950% 06/01/2026 Dd 05/16/16	\$ 247,348	\$ 244,403
245,000	BP Capital Markets PLC 3.723% 11/28/2028 Dd 11/28/16	246,424	248,939
340,000	Buckeye Partners LP 5.600% 10/15/2044 Dd 09/12/14	321,160	344,303
55,000	Burlington Resources Finance C 7.200% 08/15/2031 Dd 08/24/01	68,761	70,896
200,000	Conoco Funding Co 7.250% 10/15/2031 Dd 10/11/01	216,058	256,768
380,000	Duke Energy Progress LLC 4.375% 03/30/2044 Dd 03/06/14	397,168	393,768
320,000	Energy Transfer Partners LP 5.950% 10/01/2043 Dd 09/19/13	351,182	329,801
40,000	Energy Transfer Partners LP 6.500% 02/01/2042 Dd 01/17/12	36,668	43,215
50,000	Energy Transfer Partners LP 7.500% 07/01/2038 Dd 03/28/08	56,681	57,973
125,000	Enterprise Products Operating 5.100% 02/15/2045 Dd 02/12/14	120,086	131,831
180,000	Exelon Generation Co LLC 5.600% 06/15/2042 Dd 12/15/12	196,422	166,654
280,000	Exxon Mobil Corp 4.114% 03/01/2046 Dd 03/03/16	282,939	286,797
185,000	Kinder Morgan Energy Partners 6.500% 09/01/2039 Dd 09/16/09	209,154	203,121
110,000	Marathon Petroleum Corp 5.850% 12/15/2045 Dd 12/14/15	109,725	109,339
171,000	Petroleos Mexicanos 144a 6.750% 09/21/2047 Dd 09/21/16	179,697	161,561
87,000	Petroleos Mexicanos 5.500% 06/27/2044 Dd 06/26/12	81,468	72,401
45,000	Shell International Finance BV 3.750% 09/12/2046 Dd 09/12/16	44,792	41,407
370,000	Shell International Finance BV 4.375% 05/11/2045 Dd 05/11/15	377,941	374,801
60,000	Statoil Asa 3.950% 05/15/2043 Dd 05/15/13	60,039	57,230
60,000	Williams Partners LP 4.000% 09/15/2025 Dd 03/03/15	60,199	59,327
	Total Energy	3.61% 3,663,912	3,654,535
<i>Financials</i>			
310,000	Alleghany Corp 4.900% 09/15/2044 Dd 09/09/14	310,971	299,419
130,000	Allstate Corp/The 4.200% 12/15/2046 Dd 12/08/16	129,279	132,758
165,000	BHP Billiton Finance Usa Ltd 5.000% 09/30/2043 Dd 09/30/13	191,197	184,298
165,000	Citigroup Inc 4.450% 09/29/2027 Dd 09/29/15	167,590	167,615
255,000	FMR LLC 144a 6.500% 12/14/2040 Dd 07/06/10	320,216	314,102
185,000	Goldman Sachs Group Inc/The 3.500% 11/16/2026 Dd 11/16/16	182,774	180,742
65,000	Goldman Sachs Group Inc/The 4.250% 10/21/2025 Dd 10/21/15	64,797	66,030
105,000	Hospitality Properties Trust 4.500% 03/15/2025 Dd 09/12/14	106,464	102,349
235,000	Hospitality Properties Trust 4.650% 03/15/2024 Dd 03/12/14	237,893	234,221
315,000	Host Hotels & Resorts LP 4.000% 06/15/2025 Dd 05/15/15	316,249	310,250
260,000	HSBC Bank Usa NA/New York NY 5.875% 11/01/2034 Dd 10/25/04	312,417	302,700
380,000	JPMorgan Chase & Co 3.900% 07/15/2025 Dd 07/21/15	401,300	390,746
245,000	Lincoln National Corp 7.000% 06/15/2040 Dd 06/18/10	323,938	309,325

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**P-Solve Long Credit Fund (Continued)**  
**December 31, 2016**

Number of Shares or Principal Amount		Cost	Fair Value
<i>Financials (continued)</i>			
\$ 230,000	Nationwide Financial Serv 144a 5.300% 11/18/2044 Dd 11/20/14	\$ 246,089	\$ 239,510
239,000	Pacific Lifecorp 144a 5.125% 01/30/2043 Dd 01/22/13	247,365	244,289
185,000	Protective Life Corp 8.450% 10/15/2039 Dd 10/09/09	265,842	245,077
130,000	Santander Issuances Sau 5.179% 11/19/2025 Dd 11/19/15	129,638	131,222
125,000	Societe Generale SA 144a 4.250% 04/14/2025 Dd 04/14/15	123,327	121,262
175,000	Societe Generale SA 144a 4.750% 11/24/2025 Dd 11/24/15	174,398	176,039
475,000	Teachers Insurance & Annu 144a 4.900% 09/15/2044 Dd 09/18/14	516,407	513,835
305,000	Ventas Realty LP 3.250% 10/15/2026 Dd 09/21/16	301,278	289,379
115,000	Wells Fargo & Co 3.900% 05/01/2045 Dd 04/30/15	106,543	109,078
420,000	Wells Fargo & Co 4.300% 07/22/2027 Dd 07/22/15	421,900	432,001
170,000	Welltower Inc 4.000% 06/01/2025 Dd 05/26/15	172,678	173,738
50,000	Westpac Banking Corp Var Rt 11/23/2031 Dd 11/23/16	49,948	50,159
	Total Financials	5.64% <u>5,820,498</u>	<u>5,720,144</u>
<i>Healthcare</i>			
135,000	Abbvie Inc 4.300% 05/14/2036 Dd 05/12/16	127,733	128,643
160,000	Amgen Inc 5.150% 11/15/2041 Dd 11/10/11	186,779	169,144
320,000	Baxalta Inc 4.000% 06/23/2025 Dd 12/23/15	328,604	320,935
200,000	Celgene Corp 5.000% 08/15/2045 Dd 08/12/15	218,610	207,946
65,000	Gilead Sciences Inc 4.750% 03/01/2046 Dd 09/14/15	70,642	67,254
365,000	Gilead Sciences Inc 4.150% 03/01/2047 Dd 09/20/16	365,341	346,678
305,000	Johns Hopkins Health System Co 3.837% 05/15/2046 Dd 11/10/16	305,000	289,222
25,000	Medtronic Inc 4.375% 03/15/2035 Dd 03/15/15	26,213	26,448
225,000	Novartis Capital Corp 4.000% 11/20/2045 Dd 11/20/15	228,026	227,067
60,000	Pfizer Inc 4.125% 12/15/2046 Dd 11/21/16	59,896	61,036
250,000	Stryker Corp 4.625% 03/15/2046 Dd 03/10/16	253,752	254,919
310,000	Unitedhealth Group Inc 4.750% 07/15/2045 Dd 07/23/15	327,736	341,502
	Total Healthcare	2.41% <u>2,498,332</u>	<u>2,440,794</u>
<i>Industrials</i>			
275,000	CSX Corp 4.250% 11/01/2066 Dd 10/18/16	274,318	250,961
524,000	GE Capital International Fundi 4.418% 11/15/2035 Dd 05/15/16	505,934	549,103
285,000	Koninklijke Philips NV 5.000% 03/15/2042 Dd 03/09/12	309,010	291,061
60,000	United Parcel Service Inc 3.400% 11/15/2046 Dd 10/24/16	59,476	55,309
245,000	United Technologies Corp 3.750% 11/01/2046 Dd 11/01/16	241,200	233,163
60,000	Xylem Inc/NY 3.250% 11/01/2026 Dd 10/11/16	59,879	58,263
	Total Industrials	1.42% <u>1,449,817</u>	<u>1,437,860</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**P-Solve Long Credit Fund (Continued)**  
**December 31, 2016**

Number of Shares or Principal Amount		Cost	Fair Value
<i>Information Technology</i>			
\$ 160,000	Apple Inc,4.375% 05/13/2045 Dd 05/13/15	\$ 162,403	\$ 164,372
80,000	Intel Corp,4.100% 05/19/2046 Dd 05/19/16	80,392	79,294
140,000	KLA-Tencor Corp,5.650% 11/01/2034 Dd 11/06/14	141,060	146,254
130,000	Microsoft Corp 3.700% 08/08/2046 Dd 08/08/16	130,045	122,390
130,000	Motorola Solutions Inc,5.500% 09/01/2044 Dd 08/19/14	138,227	124,285
120,000	Oracle Corp,6.500% 04/15/2038 Dd 04/09/08	155,147	156,790
	Total Information Technology	0.78% <u>807,274</u>	<u>793,385</u>
<i>Materials</i>			
100,000	Dow Chemical Co/the 4.625% 10/01/2044 Dd 09/16/14	105,548	100,343
140,000	International Paper Co 4.800% 06/15/2044 Dd 06/10/14	137,896	139,055
160,000	Mosaic Co/the 5.625% 11/15/2043 Dd 11/13/13	153,653	154,191
	Total Materials	0.39% <u>397,097</u>	<u>393,589</u>
<i>Telecommunication Services</i>			
115,000	America Movil Sab De Cv 4.375% 07/16/2042 Dd 07/16/12	104,032	106,480
310,000	AT&T Inc,4.350% 06/15/2045 Dd 06/15/13	279,030	276,220
225,000	AT&T Inc,4.500% 05/15/2035 Dd 05/04/15	221,228	217,387
540,000	Verizon Communications Inc 4.400% 11/01/2034 Dd 10/29/14	539,244	532,972
	Total Telecommunication Services	1.12% <u>1,143,534</u>	<u>1,133,059</u>
<i>Utilities</i>			
130,000	Commonwealth Edison Co 3.650% 06/15/2046 Dd 06/27/16	129,162	122,169
230,000	Consolidated Edison Co Of New 4.500% 12/01/2045 Dd 11/17/15	239,977	243,882
100,000	DTE Electric Co 3.700% 06/01/2046 Dd 05/17/16	100,961	96,199
285,000	Dte Energy Co 2.850% 10/01/2026 Dd 10/05/16	284,712	264,766
385,000	Electricite De France Sa 144a 4.950% 10/13/2045 Dd 10/13/15	433,498	389,535
145,000	Florida Power & Light Co 4.125% 02/01/2042 Dd 12/13/11	148,182	148,728
125,000	Kentucky Utilities Co 4.375% 10/01/2045 Dd 09/28/15	132,156	130,234
165,000	Pacificorp 6.250% 10/15/2037 Dd 10/03/07	210,238	213,733
85,000	Public Service Electric & Gas 3.950% 05/01/2042 Dd 05/11/12	94,548	84,859

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**P-Solve Long Credit Fund (Continued)**  
**December 31, 2016**

Number of Shares or Principal Amount		Cost	Fair Value
<i>Utilities (continued)</i>			
\$ 335,000	Southern California Edison Co 4.650% 10/01/2043 Dd 10/02/13	\$ 399,414	\$ 369,406
310,000	Southwestern Public Service Co 4.500% 08/15/2041 Dd 08/10/11	334,105	327,770
275,000	Virginia Electric & Power Co,6.350% 11/30/2037 Dd 12/04/07	356,744	354,194
	Total Utilities	<u>2,863,697</u>	<u>2,745,475</u>
	Total Corporate Bonds	21.71% <u>22,413,466</u>	<u>21,990,673</u>
<i><u>Foreign Government</u></i>			
<i>Foreign Government Obligations</i>			
555,000	Mexico Government Internationa 4.750% 03/08/2044 Dd 03/08/12	557,293	504,662
65,000	Philippine Government Internat 3.700% 03/01/2041 Dd 03/01/16	60,912	62,242
95,000	Saudi Government Internat 144a 4.500% 10/26/2046 Dd 10/26/16	93,641	90,994
60,000	Uruguay Government Internation 5.100% 06/18/2050 Dd 06/18/14	54,003	54,000
	Total Foreign Government Obligations	0.70% <u>765,849</u>	<u>711,898</u>
	Total Foreign Government	0.70% <u>765,849</u>	<u>711,898</u>
<i><u>Municipal</u></i>			
<i>Municipal Bonds</i>			
245,000	Bay Area Ca Toll Auth Toll Bri 6.263% 04/01/2049 Dd 11/05/09	348,379	333,737
294,000	California St 7.550% 04/01/2039 Dd 04/28/09	445,170	435,311
155,000	Illinois St 5.100% 06/01/2033 Dd 06/12/03	155,116	137,147
130,000	New Jersey St Transprtn Trust 6.561% 12/15/2040 Dd 01/14/10	164,468	142,526
295,000	New York City NY Muni Wtr Fin 5.750% 06/15/2041 Dd 11/05/09	394,765	372,659
120,000	New York City NY Transitional 5.508% 08/01/2037 Dd 08/16/10	158,026	144,844
290,000	Port Auth Of New York & New Je 4.926% 10/01/2051 Dd 10/06/11	350,758	321,039
250,000	San Diego Cnty CA Wtr Auth Fin 6.138% 05/01/2049 Dd 02/04/10	345,305	326,033
310,000	Univ Of California Ca Revenues 4.131% 05/15/2045 Dd 03/25/15	322,934	307,861
	Total Municipal Bonds	2.49% <u>2,684,921</u>	<u>2,521,157</u>
	Total Municipal	2.49% <u>2,684,921</u>	<u>2,521,157</u>

**Hand Composite Employee Benefit Trust**  
**Schedules of Investments (Continued)**  
**P-Solve Long Credit Fund (Continued)**  
**December 31, 2016**

Number of Shares		Cost	Fair Value
<i><u>Mutual Funds</u></i>			
<i>Fixed Income</i>			
3,554,391	Delaware Extnd Duration Bd-I	\$ 23,233,584	\$ 22,250,485
1,980,165	Pimco Long-term Credit-Inst	24,522,512	22,574,166
2,145,997	Vanguard L/T Invest Gr-Adm	22,152,752	21,588,726
	Total Fixed Income	65.52% <u>69,908,848</u>	<u>66,413,377</u>
	Total Mutual Funds	65.52% <u>69,908,848</u>	<u>66,413,377</u>
<i><u>Exchange-traded Funds</u></i>			
<i>Fixed Income</i>			
65,606	iShares 10+ Year Credit Bond	3,707,805	3,851,072
38,944	Vanguard Long-term Corp Bond	3,553,044	3,479,646
	Total Fixed Income	7.23% <u>7,260,849</u>	<u>7,330,718</u>
	Total Exchange-traded Funds	7.23% <u>7,260,849</u>	<u>7,330,718</u>
	Total Investments	100.00% <u>\$ 105,404,753</u>	<u>\$ 101,349,873</u>

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

	<b>P-Solve Return Seeking Fund</b>	<b>P-Solve Long Credit Fund</b>
<b>Income</b>		
Interest	\$ 50,372	\$ 1,274,021
Dividends	1,711,025	3,739,062
Total income	1,761,397	5,013,083
<b>Expenses</b>		
Investment management and administrative	66,790	131,203
Custody fees	32,958	52,667
Service fees	17,373	-
Total expenses before reimbursement of fees	117,121	183,870
Reimbursement of fees	(15,643)	(16,193)
Net expenses	101,478	167,677
<b>Net Investment Income</b>	1,659,919	4,845,406
<b>Net Realized and Unrealized Gains (Losses) on Investments</b>		
Net realized gains (losses)	(1,401,130)	2,332,038
Net change in unrealized appreciation/depreciation	7,160,452	4,076,988
Net realized and unrealized gains	5,759,322	6,409,026
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 7,419,241	\$ 11,254,432

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

	<b>P-Solve Return Seeking Fund</b>	<b>P-Solve Long Credit Fund</b>
<b>Operations</b>		
Net investment income	\$ 1,659,919	\$ 4,845,406
Net realized gains (losses)	(1,401,130)	2,332,038
Change in unrealized appreciation/depreciation	7,160,452	4,076,988
Net increase in net assets from operations	7,419,241	11,254,432
<b>Net Decrease in Net Assets From Participant Transactions</b>	(34,001,907)	(17,848,169)
<b>Decrease in Net Assets Held for Participants</b>	(26,582,666)	(6,593,737)
<b>Net Assets Held for Participants</b>		
Beginning of year	102,270,042	108,342,405
End of year	\$ 75,687,376	\$ 101,748,668

# 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 those 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 recorded on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation on investments are determined using the identified cost basis.

#### ***Investment Income and Distribution of Income***

Dividend income less foreign taxes withheld, if any, is recorded on the ex-dividend date and interest income is recorded on the accrual basis and includes accretion of discounts and amortization of premiums. Investment income is allocated ratably on the valuation dates among all participants. 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 these other funds are reinvested, thereby increasing the respective unit values.

#### ***Valuation of Participants' Interest***

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. All Funds are valued daily.



# 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 Advisor***

The investment management advisor for the Funds is P-Solve LLC.

## **Note 2: Investment Advisory Fees and Other Transactions With Affiliates**

The Funds are charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer-agency services, trustee services, etc.). The Funds have also entered into an investment advisory and service agreement 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 year ended December 31, 2016, the investment advisor voluntarily reimbursed the Funds for a portion of their expenses.

The following table indicates the fees charged each of the Funds and the various classes of units within the Funds (as a percentage of net assets). These charges are calculated using each Fund's average daily net assets.

<b>Fund</b>	<b>Administrative Fees</b>	<b>Investment Advisory Fees</b>	<b>Other Fees</b>	<b>Total Fees</b>
P-Solve Return Seeking Fund:				
Class R	0.07%	0.00%	0.02%	0.09%
P-Solve Long Credit Fund:				
Class R	0.07%	0.00%	0.02%	0.09%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2016

### Note 3: Financial Highlights

	Class R	
	P-Solve Return Seeking Fund	P-Solve Long Credit Fund
Net asset value, beginning of year	\$ 10.69	\$ 11.35
Net investment income	0.19	0.54
Net realized and unrealized gains	0.62	0.51
Net increase from investment operations	0.81	1.05
Net asset value, end of year	\$ 11.50	\$ 12.40
Total return	7.58%	9.25%
Ratio to average net assets:		
Net investment income	1.74%	4.31%
Expenses without reimbursements	0.12%	0.16%
Expenses with reimbursements	0.11%	0.15%

### Note 4: Participant Unit Transactions

	P-Solve Return Seeking Fund		P-Solve Long Credit Fund	
	Units	Dollars	Units	Dollars
<b>Class R:</b>				
Proceeds from sales of units	173,304	\$ 1,824,197	1,000,138	\$ 12,354,528
Cost of units redeemed	(3,164,873)	(35,826,104)	(2,336,351)	(30,202,697)
Net decrease in net assets from participant transactions	(2,991,569)	\$ (34,001,907)	(1,336,213)	\$ (17,848,169)

### 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 period 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.** 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.

**Corporate Bonds, Foreign Government Obligations and Municipals.** The fair value of corporate bonds, foreign government obligations and municipals 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.

**Mutual Funds and Exchange-traded Funds.** Securities traded on a national securities exchange (or reported on the NASDAQ national market) are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

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	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>P-Solve Return Seeking Fund</b>				
Short Term Investment	\$ 5,920,854	\$ 5,920,854	\$ -	\$ -
U.S. Government Obligations	4,572,039	-	4,572,039	-
Mutual Funds - Fixed Income	6,385,610	6,385,610	-	-
Mutual Funds - Equity	21,637,602	21,637,602	-	-
Mutual Funds - Other	3,065,818	3,065,818	-	-
Exchange-traded Funds - Fixed Income	4,945,560	4,945,560	-	-
Exchange-traded Fund - Equity	27,655,018	27,655,018	-	-
Common Trust Fund - Fixed Income (A)	1,501,673			
Total	<u>\$ 75,684,174</u>			
<b>P-Solve Long Credit Fund</b>				
Short Term Investments	\$ 850,953	\$ 850,953	\$ -	\$ -
U.S. Government Obligations	1,531,097	-	1,531,097	-
Corporate Bonds	21,990,673	-	21,990,673	-
Foreign Government Obligations	711,898	-	711,898	-
Municipal Bonds	2,521,157	-	2,521,157	-
Mutual Funds - Fixed Income	66,413,377	66,413,377	-	-
Exchange-traded Funds - Fixed Income	7,330,718	7,330,718	-	-
Total	<u>\$ 101,349,873</u>	<u>\$ 74,595,048</u>	<u>\$ 26,754,825</u>	<u>\$ 0</u>

(A) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets and liabilities.

### Note 6: Risk Factors

The Funds invest in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statements of assets and liabilities.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds**  
**P-Solve Return Seeking Fund**  
**Year Ended December 31, 2016**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
U.S. Government Obligations	\$ 4,896,693
Mutual Funds - Fixed Income	2,370,729
Mutual Funds - Equity	3,085,475
Mutual Funds - Other	43,305
Exchange-traded Funds - Fixed Income	4,765,182
Exchange-traded Funds - Equity	12,717,999
Total Investments Purchased	\$ 27,879,383

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
U.S. Government Obligations	\$ 2,317,045	\$ 2,256,366	\$ 60,679
Mutual Funds - Fixed Income	5,006,100	4,947,926	58,174
Mutual Funds - Equity	11,866,554	11,930,398	(63,844)
Mutual Funds - Other	10,835,268	12,648,393	(1,813,125)
Common Trust Funds - Fixed Income	3,230,000	2,849,776	380,224
Exchange-traded Funds - Fixed Income	1,265,385	1,258,852	6,533
Exchange-traded Funds - Equity	25,068,471	25,098,242	(29,771)
Total Investments Sold	\$ 59,588,823	\$ 60,989,953	\$ (1,401,130)

**Hand Composite Employee Benefit Trust**  
**Schedules of Investment Purchases and Sales – Selected Funds (Continued)**  
**P-Solve Long Credit Fund**  
**Year Ended December 31, 2016**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
U.S. Government Obligations	\$ 18,462,658
Corporate Bonds	22,914,827
Non-U.S. Government Obligations	554,130
Municipal Bonds	1,621,948
Mutual Funds - Fixed Income	11,649,065
Exchange-traded Funds - Fixed Income	1,499,998
Total Investments Purchased	\$ 56,702,626

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
U.S. Government Obligations	\$ 22,246,891	\$ 22,234,909	\$ 11,982
Corporate Bonds	31,349,267	30,790,438	558,829
Non-U.S. Government Obligations	1,440,248	1,421,005	19,243
Municipal Bonds	2,659,137	2,636,610	22,527
Mutual Funds - Fixed Income	21,548,104	19,900,000	1,648,104
Exchange-traded Funds - Fixed Income	2,614,149	2,542,796	71,353
Total Investments Sold	\$ 81,857,796	\$ 79,525,758	\$ 2,332,038