

**Hand Composite Employee Benefit Trust
Western Asset Core Bond CIF**

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 the selected fund, Western Asset Core Bond CIF, included in the Hand Composite Employee Benefit Trust ("Trust" or "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2016, the related statements of operations and changes in net assets for the period from November 3, 2016 (inception) to December 31, 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit 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 the selected fund, Western Asset Core Bond CIF, as of December 31, 2016, and the results of its operations and the changes in its net assets for the period from November 3, 2016 (inception) to December 31, 2016, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of investment purchases and sales listed in the table of contents is presented for purposes of additional analysis and is 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
Statement of Assets and Liabilities – Selected Fund
December 31, 2016

	<u>Western Asset</u> <u>Core Bond CIF</u>
Assets	
Investments, at cost	\$ 23,923,712
Investments, at fair value	\$ 23,456,288
Deposits with brokers for open futures contracts	52,023
Receivable for:	
Investment securities sold	229,360
Dividend and interest	82,206
Investment advisor waived fees	13,368
Total assets	<u>\$ 23,833,245</u>
Liabilities	
Payable for investment securities purchased	\$ 4,728,907
Management fee payable	4,799
Written options, at value (premiums received – \$10,085)	10,352
Payable to broker – variation margin on futures contracts	2,967
Accounts payable and accrued liabilities	25,943
Total liabilities	<u>\$ 4,772,968</u>
Net assets held for participants:	
Class R1	<u>\$ 19,060,277</u>
Total net assets held for participants	<u>\$ 19,060,277</u>
Units outstanding:	
Class R1	1,953,370
Total units outstanding	<u>1,953,370</u>
Net asset value per unit:	
Class R1	<u>\$ 9.76</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
Western Asset Core Bond CIF
December 31, 2016

Number of Shares		Cost	Fair Value
<u>Short-Term Investment</u>			
7,894,748	State Street Institutional U.S. Government Money Market Fund, Premier Class .411%	\$ 7,894,748	\$ 7,894,748
	Total Short-Term Investment	7,894,748	7,894,748
	33.66%		
Principal Amount		Cost	Fair Value
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
\$ 10,000	Amazon.com, Inc. Sr Unsecured 4.95% 12/05/2044	11,791	11,405
30,000	Comcast Corp. 3.20% 07/15/2036	27,934	26,984
10,000	Comcast Corp. 5.65% 06/15/2035	12,472	11,951
20,000	Comcast Corp. Company Guarantee 3.375% 08/15/2025	21,051	20,121
10,000	Comcast Corp. Company Guarantee 7.05% 03/15/2033	13,343	13,425
10,000	Ford Motor Co. Sr Unsecured 4.75% 01/15/2043	10,068	9,494
10,000	General Motors Co. Sr Unsecured 6.25% 10/02/2043	11,466	11,055
10,000	McDonald's Corp. Sr Unsecured 3.70% 01/30/2026	10,556	10,181
20,000	Newell Brands, Inc. Sr Unsecured 4.20% 04/01/2026	21,652	20,876
20,000	Time Warner Cable LLC Company Guarantee 4.125% 02/15/2021	21,128	20,677
20,000	Time Warner Cable LLC Sr Secured 5.875% 11/15/2040	21,859	21,329
40,000	Time Warner, Inc. 4.75% 03/29/2021	44,003	42,852
10,000	TJX Cos., Inc. 2.25% 09/15/2026	9,649	9,210
	Total Consumer Discretionary	236,972	229,560
	0.98%		
<u>Consumer Staples</u>			
30,000	Altria Group, Inc. Company Guarantee 2.85% 08/09/2022	30,891	30,037
10,000	Altria Group, Inc. Company Guarantee 5.375% 01/31/2044	12,217	11,551
20,000	CVS Health Corp. Sr Unsecured 3.875% 07/20/2025	21,362	20,632
30,000	CVS Health Corp. Sr Unsecured 5.125% 07/20/2045	34,935	33,433
10,000	Diageo Investment Corp. 2.875% 05/11/2022	10,446	10,060
20,000	Kraft Heinz Foods Co. Company Guarantee 3.50% 06/06/2022	21,138	20,340
10,000	Kraft Heinz Foods Co. Company Guarantee 3.95% 07/15/2025	10,675	10,130
10,000	Philip Morris International, Inc. Sr Unsecured 2.50% 08/22/2022	10,209	9,785
50,000	Reynolds American, Inc. Company Guarantee 5.85% 08/15/2045	62,993	59,206
10,000	Tyson Foods, Inc. Company Guarantee 5.15% 08/15/2044	11,328	10,369
10,000	Wal-Mart Stores, Inc. 6.20% 04/15/2038	13,902	13,182
10,000	Wal-Mart Stores, Inc. Sr Unsecured 4.75% 10/02/2043	11,821	11,213
10,000	Walgreens Boots Alliance, Inc. Sr Unsecured 3.45% 06/01/2026	10,238	9,816
	Total Consumer Staples	262,155	249,754
	1.07%		
<u>Energy</u>			
60,000	Anadarko Petroleum Corp. Sr Unsecured 4.50% 07/15/2044	55,604	56,373
40,000	Apache Corp. Sr Unsecured 4.75% 04/15/2043	41,224	41,201
40,000	BHP Billiton Finance USA Ltd. Company Guarantee 3.25% 11/21/2021	42,363	41,211
40,000	BP Capital Markets PLC 3.119% 05/04/2026	40,623	39,067
20,000	BP Capital Markets PLC Company Guarantee 3.216% 11/28/2023	20,000	20,200
20,000	Chevron Corp. Sr Unsecured 2.954% 05/16/2026	20,376	19,673
20,000	Devon Energy Corp. Sr Unsecured 5.00% 06/15/2045	19,239	19,647
30,000	Devon Energy Corp. Sr Unsecured 5.85% 12/15/2025	34,180	34,084
10,000	EOG Resources, Inc. Sr Unsecured 4.15% 01/15/2026	10,827	10,465
20,000	Exxon Mobil Corp. Sr Unsecured 3.043% 03/01/2026	20,685	19,973
10,000	Exxon Mobil Corp. Sr Unsecured 4.114% 03/01/2046	10,698	10,243

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Core Bond CIF (Continued)
December 31, 2016

Principal Amount		Cost	Fair Value
<i><u>Corporate Bonds (continued)</u></i>			
<i>Energy (continued)</i>			
\$ 10,000	Halliburton Co. Sr Unsecured 3.80% 11/15/2025	\$ 10,333	\$ 10,159
30,000	Kerr-McGee Corp. Company Guarantee 7.875% 09/15/2031	38,379	38,416
30,000	Kinder Morgan Energy Partners L.P. 4.25% 09/01/2024	30,859	30,637
10,000	Noble Energy, Inc. Sr Unsecured 4.15% 12/15/2021	10,604	10,407
20,000	Occidental Petroleum Corp. Sr Unsecured 3.00% 02/15/2027	20,050	19,352
10,000	Occidental Petroleum Corp. Sr Unsecured 4.10% 02/15/2047	10,002	9,740
10,000	Occidental Petroleum Corp. Sr Unsecured 4.40% 04/15/2046	9,899	10,176
30,000	Shell International Finance BV 4.375% 03/25/2020	32,495	32,048
20,000	Shell International Finance BV Company Guarantee 2.875% 05/10/2026	20,069	19,336
40,000	Shell International Finance BV Company Guarantee 4.00% 05/10/2046	39,401	38,250
5,276	US Airways 1998-1A Pass-Through Trust Series 981A 6.85% 07/30/2019	5,416	5,382
100,000	Vale Overseas Ltd. Company Guarantee 6.875% 11/10/2039	98,703	97,250
	Total Energy	2.70% 642,029	633,290
<i>Financials</i>			
20,000	American International Group, Inc. Sr Unsecured 3.75% 07/10/2025	20,834	20,129
60,000	Bank of America Corp. Sr Unsecured 3.30% 01/11/2023	62,015	60,200
50,000	Bank of America Corp. Sr Unsecured 5.00% 01/21/2044	57,339	54,755
100,000	Bank of America Corp. Subordinated 4.25% 10/22/2026	104,949	101,211
10,000	Bank of America Corp. Subordinated 4.45% 03/03/2026	10,282	10,305
35,000	Citigroup, Inc. Sr Unsecured 4.65% 07/30/2045	38,579	36,892
150,000	Citigroup, Inc. Subordinated 4.45% 09/29/2027	158,379	152,377
30,000	Goldman Sachs Group, Inc. Sr Unsecured 3.50% 11/16/2026	29,776	29,309
40,000	Goldman Sachs Group, Inc. Sr Unsecured 5.375% 03/15/2020	44,036	43,399
30,000	Goldman Sachs Group, Inc. Subordinated 4.25% 10/21/2025	31,406	30,475
70,000	Goldman Sachs Group, Inc. Subordinated 5.15% 05/22/2045	75,236	73,616
100,000	HSBC Finance Corp. Subordinated 6.676% 01/15/2021	113,989	112,404
30,000	JPMorgan Chase & Co. 4.125% 12/15/2026	31,711	30,620
30,000	JPMorgan Chase & Co. 4.25% 10/15/2020	32,373	31,747
20,000	JPMorgan Chase & Co. Subordinated 3.625% 12/01/2027	19,966	19,404
20,000	JPMorgan Chase & Co. Subordinated 4.95% 06/01/2045	22,075	21,326
20,000	MetLife, Inc. Jr Subordinated 6.40% 12/15/2066	22,385	21,600
50,000	Wells Fargo & Co. Subordinated 4.30% 07/22/2027	53,371	51,429
50,000	Wells Fargo & Co. Subordinated 4.40% 06/14/2046	50,105	47,853
30,000	Wells Fargo & Co. Subordinated 4.75% 12/07/2046	29,997	30,446
60,000	Wells Fargo & Co. Subordinated Series M 3.45% 02/13/2023	61,703	60,216
	Total Financials	4.43% 1,070,506	1,039,713
<i>Health Care</i>			
10,000	Abbott Laboratories Sr Unsecured 4.75% 11/30/2036	9,936	10,166
20,000	Abbott Laboratories Sr Unsecured 3.75% 11/30/2026	19,852	19,862
20,000	Abbott Laboratories Sr Unsecured 4.90% 11/30/2046	19,863	20,527
10,000	AbbVie, Inc. Sr Unsecured 3.60% 05/14/2025	10,241	9,905
5,000	Becton Dickinson & Co. Sr Unsecured 3.734% 12/15/2024	5,332	5,113
10,000	Becton Dickinson and Co. Sr Unsecured 4.685% 12/15/2044	10,963	10,360
20,000	Celgene Corp. Sr Unsecured 3.875% 08/15/2025	20,887	20,286
10,000	Celulosa Arauco y Constitucion S.A. Sr Unsecured 4.75% 01/11/2022	10,652	10,403
10,000	Gilead Sciences, Inc. Sr Unsecured 3.65% 03/01/2026	10,439	10,139
10,000	Gilead Sciences, Inc. Sr Unsecured 4.75% 03/01/2046	10,747	10,347

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Core Bond CIF (Continued)
December 31, 2016

Principal Amount		Cost	Fair Value
<u>Corporate Bonds (continued)</u>			
<i>Health Care (continued)</i>			
\$ 10,000	Johnson & Johnson Sr Unsecured 3.70% 03/01/2046	\$ 10,705	\$ 9,854
10,000	Medtronic, Inc. Company Guarantee 3.50% 03/15/2025	10,645	10,297
10,000	Medtronic, Inc. Company Guarantee 4.625% 03/15/2045	11,300	10,814
	Total Health Care	161,562	158,073
	0.67%		
<i>Industrials</i>			
20,000	Actavis Funding SCS Company Guarantee 3.80% 03/15/2025	20,652	20,024
30,000	Barrick PD Australia Finance Pty Ltd. Company Guarantee 5.95% 10/15/2039	34,442	31,729
20,000	Eaton Corp. Company Guarantee 2.75% 11/02/2022	20,408	19,809
10,000	Eaton Corp. Company Guarantee 4.15% 11/02/2042	10,395	9,775
20,000	General Electric Co. Sr Unsecured 4.50% 03/11/2044	22,407	21,470
20,000	General Electric Co. Sr Unsecured 4.65% 10/17/2021	22,599	21,939
70,000	General Electric Co. Sr Unsecured 6.875% 01/10/2039	102,687	98,696
30,000	International Lease Finance Corp. Sr Unsecured 8.625% 01/15/2022	36,185	36,037
20,000	Lockheed Martin Corp. Sr Unsecured 3.55% 01/15/2026	21,206	20,434
20,000	NBCUniversal Media LLC 4.375% 04/01/2021	21,980	21,606
10,000	United Parcel Service, Inc. 3.125% 01/15/2021	10,601	10,335
60,000	Wachovia Capital Trust III Limited Guarantee 5.57% 01/30/2017	60,060	58,878
	Total Industrials	383,622	370,732
	1.58%		
<i>Information Technology</i>			
30,000	Anheuser-Busch InBev Finance, Inc. Company Guarantee 2.65% 02/01/2021	30,720	30,172
80,000	Anheuser-Busch InBev Finance, Inc. Company Guarantee 3.65% 02/01/2026	84,255	81,215
40,000	Anheuser-Busch InBev Finance, Inc. Company Guarantee 4.90% 02/01/2046	45,872	43,235
10,000	Anheuser-Busch InBev Worldwide, Inc. Company Guarantee 5.375% 01/15/2020	11,066	10,907
30,000	Apple, Inc. Sr Unsecured 2.45% 08/04/2026	29,517	28,157
10,000	Apple, Inc. Sr Unsecured 3.85% 08/04/2046	9,909	9,581
10,000	ConocoPhillips Co. 4.30% 11/15/2044	9,939	9,947
10,000	Harris Corp. Sr Unsecured 5.054% 04/27/2045	11,091	10,558
20,000	KLA-Tencor Corp. 4.125% 11/01/2021	21,411	20,856
10,000	Mastercard, Inc. 3.375% 04/01/2024	10,656	10,286
40,000	Microsoft Corp. Sr Unsecured 2.40% 08/08/2026	39,447	37,788
20,000	Visa, Inc. Sr Unsecured 3.15% 12/14/2025	20,803	20,088
10,000	Visa, Inc. Sr Unsecured 4.30% 12/14/2045	11,139	10,555
	Total Information Technology	335,825	323,345
	1.38%		
<i>Materials</i>			
200,000	Southern Copper Corp. Sr Unsecured 5.25% 11/08/2042	188,509	183,236
	Total Materials	188,509	183,236
	0.78%		
<i>Telecommunication Services</i>			
10,000	AT&T, Inc. 5.80% 02/15/2019	10,809	10,752
30,000	AT&T, Inc. Sr Unsecured 3.40% 05/15/2025	30,047	28,915
40,000	AT&T, Inc. Sr Unsecured 4.35% 06/15/2045	36,964	35,641

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Core Bond CIF (Continued)
December 31, 2016

Principal Amount		Cost	Fair Value
<u>Corporate Bonds (continued)</u>			
<i>Telecommunication Services (Continued)</i>			
\$ 10,000	Verizon Communications, Inc. Sr Unsecured 2.45% 11/01/2022	\$ 9,998	\$ 9,659
40,000	Verizon Communications, Inc. Sr Unsecured 3.50% 11/01/2024	41,736	39,872
50,000	Verizon Communications, Inc. Sr Unsecured 6.55% 09/15/2043	65,626	62,449
	Total Telecommunication Services	195,180	187,288
	0.80%		
<i>Utilities</i>			
10,000	Duke Energy Corp. Sr Unsecured 2.65% 09/01/2026	9,769	9,333
10,000	Duke Energy Corp. Sr Unsecured 3.75% 09/01/2046	9,504	9,002
10,000	FirstEnergy Corp. Sr Unsecured Series C 7.375% 11/15/2031	12,632	12,889
30,000	Pacific Gas & Electric Co. Sr Unsecured 6.05% 03/01/2034	39,284	37,544
	Total Utilities	71,189	68,768
	0.29%		
	Total Corporate Bonds	3,547,549	3,443,759
	14.68%		
<u>Foreign Government</u>			
<i>Colombia</i>			
200,000	Colombia Government International Bond Sr Unsecured 5.625% 02/26/2044	217,447	206,000
	Total Colombia	217,447	206,000
	0.88%		
<i>Indonesia</i>			
200,000	Indonesia Government International Bond MTN, REGS 5.375% 10/17/2023	225,999	216,613
	Total Indonesia	225,999	216,613
	0.92%		
<i>Mexico</i>			
230,000	Mexico Government International Bond Sr Unsecured 5.55% 01/21/2045	258,185	235,175
	Total Mexico	258,185	235,175
	1.00%		
<i>Peru</i>			
40,000	Peruvian Government International Bond Sr Unsecured 6.55% 03/14/2037	54,133	50,220
	Total Peru	54,133	50,220
	0.22%		
<i>Poland</i>			
90,000	Republic of Poland Government International Bond Sr Unsecured 4.00% 01/22/2024	97,952	92,048
	Total Poland	97,952	92,048
	0.39%		
	Total Foreign Government	853,716	800,056
	3.41%		

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Core Bond CIF (Continued)
December 31, 2016

Principal Amount		Cost	Fair Value
<u><i>Asset-Backed Securities</i></u>			
\$ 140,000	Home Equity Mortgage Loan Asset-Backed Trust Series 2005-D, Class AII4 1.106% 03/25/2036	\$ 133,041	\$ 132,436
150,000	Merrill Lynch Mortgage Investors Trust Series 2006-FF1, Class M5 1.146% 08/25/2036	140,705	140,608
Total Asset-Backed Securities		273,746	273,044
<u><i>Mortgage-Backed Securities</i></u>			
	Citigroup Commercial Mortgage Trust 2015-GC33 Series 2015-GC33, Class A4 3.778% 80,000 09/10/2058	84,572	83,350
400,000	Federal Home Loan Mortgage Corp. TBA 3.00% 01/01/2047	398,250	397,190
500,000	Federal Home Loan Mortgage Corp. TBA 3.50% 01/01/2047	512,640	511,971
300,000	Federal National Mortgage Association TBA 2.50% 01/01/2032	300,105	300,475
300,000	Federal National Mortgage Association TBA 3.00% 01/01/2032	307,922	307,852
700,000	Federal National Mortgage Association TBA 3.00% 01/01/2047	697,094	695,390
400,000	Federal National Mortgage Association TBA 3.50% 01/01/2047	410,781	409,969
500,000	Federal National Mortgage Association TBA 4.00% 01/01/2047	526,387	525,654
200,000	Federal National Mortgage Association TBA 4.50% 01/01/2047	215,375	215,117
100,000	Federal National Mortgage Association TBA 5.00% 01/01/2047	109,500	108,937
700,000	Government National Mortgage Association TBA 3.00% 01/01/2047	706,625	708,764
200,000	Government National Mortgage Association TBA 3.50% 01/01/2047	208,250	207,902
100,000	Government National Mortgage Association TBA 4.00% 01/01/2047	106,437	106,197
80,000	GS Mortgage Securities Trust 2015-GC32 Series 2015-GC32, Class A4 3.764% 07/10/2048	84,939	83,568
70,000	Morgan Stanley Capital I Trust 2012-C4 Series 2012-C4, Class A4 3.244% 03/15/2045	72,873	72,295
60,000	Wells Fargo Commercial Mortgage Trust Series 2015-NXS1, Class A5 3.148% 05/15/2048	59,237	60,215
Total Mortgage-Backed Securities		4,800,987	4,794,846
<u><i>U.S. Government & Agency Obligations</i></u>			
<i>U.S. Government Agencies</i>			
90,000	Federal Home Loan Bank 1.375% 11/15/2019	89,978	89,641
Total U.S. Government Agencies		89,978	89,641
<i>U.S. Government Obligations</i>			
234,635	Treasury Inflation Protected Security 1.00% 02/15/2046	249,499	235,626
152,982	Treasury Inflation Protected Security .125% 04/15/2021	153,015	153,857
282,358	Treasury Inflation Protected Security .125% 07/15/2026	277,198	273,040
280,000	Treasury Inflation Protected Security 2.125% 11/30/2023	278,393	278,140
1,690,000	United States Treasury Bond 2.25% 08/15/2046	1,579,995	1,420,986
380,000	United States Treasury Bond 3.00% 11/15/2045	395,367	374,805
80,000	United States Treasury Bond 2.875% 11/15/2046	75,729	77,238
3,450,000	United States Treasury Note 1.25% 10/31/2021	3,452,092	3,345,424
Total U.S. Government Obligations		6,461,288	6,159,116
Total U.S. Government & Agency Obligations		6,551,266	6,248,757

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Core Bond CIF (Continued)
December 31, 2016

Contracts	Cost	Fair Value
<i>Call Options Purchased</i>		
\$ 1,000 United States Treasury Long-Term Bonds Futures, Call @ \$152.00	\$ 1,160	\$ 1,078
Total Call Options Purchased	0.01%	1,160
Total Investments	100.00%	\$ 23,923,172
		\$ 23,456,288

SCHEDULE OF WRITTEN OPTIONS

Security	Expiration Date	Strike Price	Contracts	Value
United States Treasury 10-Year Notes Futures, Call	1/27/17	\$ 126.00	1	\$ 141
United States Treasury 10-Year Notes Futures, Call	1/27/17	127.50	1	47
United States Treasury 10-Year Notes Futures, Call	1/27/17	126.50	1	94
United States Treasury 10-Year Notes Futures, Call	1/27/17	125.00	2	719
United States Treasury 10-Year Notes Futures, Call	2/24/17	127.50	1	156
United States Treasury 10-Year Notes Futures, Call	2/24/17	126.00	2	750
United States Treasury 5-Year Notes Futures, Call	1/27/17	120.00	3	47
United States Treasury 5-Year Notes Futures, Call	1/27/17	117.75	6	2,156
United States Treasury 5-Year Notes Futures, Call	2/24/17	117.75	1	555
United States Treasury Long-Term Bonds Futures, Put	1/27/17	143.00	1	125
United States Treasury Long-Term Bonds Futures, Call	1/27/17	151.00	1	1,500
United States Treasury Long-Term Bonds Futures, Call	1/27/17	150.00	2	4,062
TOTAL WRITTEN OPTIONS (Premiums received - \$10,085)				\$ 10,352

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Period Ended December 31, 2016

	Western Asset Core Bond CIF*
Income	
Interest	\$ 43,976
Total income	43,976
Expenses	
Trustee and administrative	26,490
Class R1 expenses	8,898
Total expenses before reimbursement	35,388
Reimbursement of fees	(25,007)
Net expenses	10,381
Net Investment Income	33,595
Net Realized Gains (Losses) on Investments, Options Written and Futures Contracts	
Net realized losses on investments	(106,604)
Net realized gains on options written	2,820
Net realized gains on futures contracts	90,484
Net realized and unrealized gains (losses)	(13,300)
Change in Net Unrealized Appreciation (Depreciation) on:	
Investments	(466,884)
Options written	(267)
Futures contracts	(2,867)
Change in net unrealized appreciation (depreciation)	(470,018)
Net realized and unrealized gains on Investments, Options Written and Futures Contracts	(483,318)
Net Decrease in Net Assets Resulting From Operations	\$ (449,723)

* For the period November 3, 2016 (inception date) to December 31, 2016.

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Period Ended December 31, 2016

	Western Asset Core Plus Bond CIF*
Operations	
Net investment income	\$ 33,595
Net realized losses	(13,300)
Change in net unrealized (depreciation)	(470,018)
	(449,723)
Net Increase in Net Assets From Participant Unit Transactions	19,510,000
Increase in Net Assets	19,060,277
Net Assets	
Beginning of period	-
End of period	\$ 19,060,277

* For the period November 3, 2016 (inception date) to December 31, 2016.

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 one of those funds, the Western Asset Core Bond CIF (the Fund), are included in this report.

Each class of the Fund has equal rights as to earnings and assets except that each class bears different distribution, shareholder servicing and transfer agent expenses. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments and foreign currency are allocated to each class of units based on its relative net assets.

The Western Asset Core Bond CIF's inception date was November 3, 2016.

Use of Estimates

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

Investment Valuation

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

Investment Transactions

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

Futures Contracts

The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the "initial margin" and subsequent payments ("variation margin") are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. The daily changes in contract value are recorded as unrealized gains or losses in the statement of operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

Written Options

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

Purchased Options

When the Fund purchases an option, an amount equal to the premium paid by the Fund is recorded as an investment on the statement of assets and liabilities, the value of which is marked-to-market to reflect the current market value of the option purchased. If the purchased option

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

expires, the Fund realizes a loss equal to the amount of premium paid. When an instrument is purchased or sold through the exercise of an option, the related premium paid is added to the basis of the instrument acquired or deducted from the proceeds of the instrument sold. The risk associated with purchasing put and call options is limited to the premium paid.

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 Fund 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 Fund 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 Fund is valued daily.

Federal Income Taxes

The Fund complies with the requirements under Section 501(a) of the IRC and apportion all of its taxable income to its 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 Fund is Western Asset Management Company.

Note 2: Futures Contracts

At December 31, 2016, the Fund had the following open futures contracts.

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

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Appreciation (Depreciation)
Contracts to Buy:					
U.S. Treasury 2-Year Notes	27	3/17	\$ 5,856,135	\$ 5,850,563	\$ (5,572)
U.S. Treasury 5-Year Notes	21	3/17	2,478,599	2,470,945	(7,654)
U.S. Treasury 10-Year Notes	1	3/17	123,909	124,281	372
					<u>(12,854)</u>
Contracts to Sell:					
90-Day Eurodollar	20	3/17	4,948,401	4,948,000	401
U.S. Treasury Long-Term Bonds	11	3/17	1,666,805	1,657,219	9,586
					<u>9,987</u>
Net unrealized (depreciation) on open futures contracts					<u>\$ (2,867)</u>

Note 3: Written Options Rollforward

During the period ended December 31, 2016, written option transactions for the Fund were as follows:

	Number of Contracts/ Notional Amount	Premiums
Written options, outstanding as of December 31, 2015	\$ -	\$ -
Options written	32	13,287
Options closed	(5)	(1,453)
Options exercised	-	-
Options expired	(5)	(1,749)
Written options, outstanding as of December 31, 2016	<u>\$ 22</u>	<u>\$ 10,085</u>

Note 4: Investment Advisory Fees and Other Transactions With Affiliates

The Fund is charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Fund has 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

During the period ended December 31, 2016, the investment advisor voluntarily reimbursed the Fund for a portion of its expenses.

The following table indicates the fees charged to the Fund and the class of units within the Fund (as a percentage of net assets). These charges are calculated using the Fund's prior day's total net assets.

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
Western Asset Core Bond CIF: Class R1	0.04%	0.30%	0.13%	0.47%

Note 5: Financial Highlights

	Western Asset Core Plus Bond CIF ⁽¹⁾ Class R1
Net asset value, beginning of year	\$ 10.00
Net investment income	0.02
Net realized and unrealized gains (losses)	(0.26)
Net increase from investment operations	(0.24)
Net asset value, end of year	\$ 9.76
Total return	(2.40)%
Ratio to average net assets: ⁽²⁾	
Net investment income	1.13%
Expenses without reimbursement	1.19%
Expenses with reimbursement	0.35%

⁽¹⁾ For the period November 3, 2016 (inception date) to December 31, 2016.

⁽²⁾ Annualized.

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

Note 6: Participant Unit Transactions

	Western Asset Core Bond CIF	
	Units	Dollars
Class R1: ⁽¹⁾		
Proceeds from sales of units	1,953,370	\$ 19,510,000
Net increase in total net assets from participant transactions	1,953,370	\$ 19,510,000

⁽¹⁾For the period November 3, 2016 (inception date) to December 31, 2016.

Note 7: Disclosures About Fair Value of Financial Instruments

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

Level 1: Quoted prices in active markets for identical assets or liabilities that the Fund 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 statement 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

U.S. Government and Agency Obligations. U.S. Government obligations are valued using a model that incorporates market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Certain securities are valued principally using dealer quotations. U.S. Government obligations are categorized as Level 2 in the hierarchy.

Corporate Bonds. The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate bonds are categorized as Level 2 in the hierarchy.

Foreign Government Obligations. Foreign 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.

Asset-Backed Securities and Mortgage-Backed Securities. These securities are valued using models that incorporate observable data, such as prepayments, delinquencies, yields, bids, offers, collateral seasoning and other factors. Deal specific scenarios are derived from historical performance information and loan level details. These securities are categorized as Level 2 in the hierarchy.

Call and Put Options. Options are marked-to-market based on quoted market prices in active markets. If recent market transactions are not available, observable market quotations are obtained from brokers specializing in options. Options are generally categorized as Level 2 in the hierarchy.

Future Contracts. Futures contracts are marked-to-market on the daily fluctuations between the contract price and the market value of the underlying, as reported on a recognized exchange. Futures contracts are categorized as Level 1 in the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying statement 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)
Western Asset Core Bond CIF				
Financial Instruments - Assets:				
Short-Term Investment	\$ 7,894,748	\$ 7,894,748	\$ -	\$ -
Corporate Bonds	3,443,759	-	3,443,759	-
Foreign government	800,056	-	800,056	-
Asset-backed Securities	273,044	-	273,044	-
Mortgage-backed Securities	4,794,846	-	4,794,846	-
U.S. Government and Agency Obligations	6,248,757	-	6,248,757	-
Call Options Purchased	1,078	1,078	-	-
Total Financial Instruments - Assets	<u>\$ 23,456,288</u>	<u>\$ 7,895,826</u>	<u>\$ 15,560,462</u>	<u>\$ 0</u>
Derivative Instruments - Assets:				
Futures Contracts	\$ 10,359	\$ 10,359	\$ -	\$ -
Total	<u>\$ 10,359</u>	<u>\$ 10,359</u>	<u>\$ 0</u>	<u>\$ 0</u>
Derivative Instruments - Liabilities:				
Options Written	\$ 10,352	\$ 10,352	\$ -	\$ -
Futures Contracts	13,226	13,226	-	-
Total Liabilities	<u>\$ 23,578</u>	<u>\$ 23,578</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 8: Risk Factors

Investment Securities Risk

The Fund invests 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.

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

Foreign Securities Risk

Securities traded in foreign markets have often (though not always) performed differently from securities traded in the United States. However, such investments often involve special risks not present in U.S. investments that can increase the chances that the Fund will lose money. In particular, the Fund is subject to the risk that because there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, it may be more difficult for the Fund to buy and sell securities on those exchanges. In addition, prices of foreign securities may go up and down more than prices of securities traded in the United States.

Note 9: Derivative Instruments and Hedging Activities

Below is a table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the statement of assets and liabilities at December 31, 2016.

	Asset Derivatives ⁽¹⁾
	Interest Rate Risk
Purchased options ⁽²⁾	\$ 1,078
Futures contracts ⁽³⁾	10,359
Total	\$ 11,437
	Liability Derivatives ⁽¹⁾
	Interest Rate Risk
Written options	\$ 10,352
Futures contracts ⁽³⁾	13,226
Total	\$ 23,578

¹ Generally, the balance sheet location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

² Market value of purchased options is reported in Investments at value in the Statement of Assets and Liabilities.

³ Includes cumulative appreciation (depreciation) of futures contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables on the Statement of Assets and Liabilities.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

The following tables provide information about the effect of derivatives and hedging activities on the Fund's statement of operations for the period ended December 31, 2016. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

	Amount of Realized Gain (Loss) on Derivatives Recognized
	Interest Rate Risk
Purchased options (1)	\$ (1,273)
Written options	2,820
Futures contracts	90,484
	<hr/>
Total	\$ 92,031
	<hr/> <hr/>
	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized
	Interest Rate Risk
Purchased options (1)	\$ (82)
Written options	(267)
Futures contracts	(2,867)
	<hr/>
Total	\$ (3,216)
	<hr/> <hr/>

During the period ended December 31, 2016, the volume of derivative activity for the Fund was as follows.

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

	Average Market Value
Purchased options	\$ 602
Written options	7,079
Futures contracts (to buy)	8,328,301
Futures contracts (to sell)	7,183,175

The following table presents, by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2016:

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities (1)	Collateral Received	Net Amount
Purchased options (2)	\$ 1,078	\$ -	\$ 1,078
Total	\$ 1,078	\$ 0	\$ 1,078

The following table presents by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at December 31, 2016

	Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities (1)	Collateral Pledged (3)(4)	Net Amount
Future contracts (5)	\$ 2,967	\$ (2,967)	\$ -
Written options	10,352	-	10,352
Total	\$ 13,319	\$ (2,967)	\$ 10,352

¹ Absent an event of default or early termination, derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

² Market value of purchased options is reported in Investments at fair value in the Statement of Assets and Liabilities.

³ Gross amounts are not offset in the Statement of Assets and Liabilities.

⁴ In some instances, the actual collateral received and/or pledged may be more than the amount shown here due to overcollateralization.

⁵ Amount represents the current day's variation margin as reported in the Statement of Assets and Liabilities. It differs from the cumulative appreciation (depreciation) presented in the previous table.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investment Purchases and Sales – Selected Fund
Period Ended December 31, 2016

Purchases	
Investment Class	Cost
Corporate Bonds	\$ 3,583,288
Foreign Government	854,547
Asset-Backed Securities	411,760
Mortgage-backed Securities	13,185,305
U.S. Government and Agency Obligations	8,301,515
Total Investments Purchased	<u>\$ 26,336,415</u>

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Corporate Bonds	\$ 31,322	\$ 32,960	\$ (1,638)
Asset-Backed Securities	139,471	138,111	1,360
Mortgage-backed Securities	8,301,763	8,384,279	(82,516)
U.S. Government and Agency Obligations	1,729,415	1,751,993	(22,578)
Total Investments Sold	<u>\$ 10,201,971</u>	<u>\$ 10,307,343</u>	<u>\$ (105,372)</u>