

**Hand Composite Employee Benefit Trust**  
**Western Asset Global Strategic Fixed Income Fund**  
Independent Auditor's Report and Financial Statements  
December 31, 2015



# Hand Composite Employee Benefit Trust

## December 31, 2015

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## Independent Auditor's Report

Board of Directors  
Hand Composite Employee Benefit Trust  
Houston, Texas

We have audited the accompanying financial statements of the selected fund, Western Asset Global Strategic Fixed Income Fund, 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, 2015, 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 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 Global Strategic Fixed Income Fund as of December 31, 2015, and the results of its operations and the changes in its net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Supplemental 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  
June 2, 2016

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities - Selected Fund**  
**December 31, 2015**

	<b>Western Asset Global Strategic Fixed Income Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 78,871,368
Investments, at fair value	\$ 74,722,527
Cash	222,056
Cash denominated in foreign currencies (cost - \$49,483)	48,693
Receivable from broker - variation margin on open futures contracts	18,677
Unrealized gain on foreign currency forward exchange contracts	989,668
Deposits with brokers for open futures contracts	134,064
Deposits with brokers for OTC swap contracts	1,100,000
Deposits with brokers for centrally cleared swap contracts	235,000
Foreign currency collateral for open futures contracts, at value (cost - \$725,061)	713,558
OTC swaps, at value (net premiums paid - \$0)	54,580
Receivable for open OTC swap contracts	978
Receivable for:	
Investment securities sold	3,662,210
Dividend and interest	890,633
Investment advisor waived fees	33,265
Total assets	\$ 82,825,909
<b>Liabilities</b>	
Payable for investment securities purchased	\$ 8,987,672
Payable for capital shares redeemed	16,504
Management fee payable	26,672
Written options, at value (premiums received - \$182,924)	98,123
OTC swaps, at value (net premiums received - \$75,201)	1,240,994
Payable to broker - variation margin on centrally cleared swap contracts	30,194
Unrealized loss on foreign currency forward exchange contracts	795,422
Payable for open OTC swap contracts	1,956
Accounts payable and accrued liabilities	35,647
Total liabilities	\$ 11,233,184
Net assets held for participants:	
Class R3	\$ 71,592,725
Total net assets held for participants	\$ 71,592,725
Units outstanding:	
Class R3	7,542,125
Total units outstanding	7,542,125
Net asset value per unit:	
Class R3	\$ 9.49

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Western Asset Global Strategic Fixed Income Fund**  
**December 31, 2015**

Number of Shares		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
3,300,769	State Street Institutional Investment Trust Treasury Money Market Fund, Premier Class 0.000%	\$ 3,300,769	\$ 3,300,769
<b>Total Short Term Investment</b>		<b>4.42%</b>	<b>3,300,769</b>

Principal Amount †		Cost	Fair Value
<b><u>Collateralized Mortgage Obligations</u></b>			
\$	600,000 Federal Home Loan Mortgage Corp. Series 2014-HQ3, Class M3 5.172% 10/25/2024	616,904	602,210
	330,000 Federal Home Loan Mortgage Corp. Series 2015-DNA2, Class B 7.972% 12/25/2027	330,000	308,201
	55,005 Federal Home Loan Mortgage Corp. Series 3422, Class AI, IO, REMIC .25% 01/15/2038	472	695
	434,283 Federal Home Loan Mortgage Corp. Series 4139, Class SB, IO, REMIC 5.82% 12/15/2042	98,325	89,637
	442,718 Federal Home Loan Mortgage Corp. Series 4194, Class BI, IO, REMIC 3.50% 04/15/2043	60,960	67,820
	164,640 Federal Home Loan Mortgage Corp. Series 4415, Class IO, IO, REMIC 1.953% 04/15/2041	10,742	11,759
	140,495 Federal National Mortgage Association Series 2005-88, Class IP, IO, REMIC 1.742% 10/25/2035	6,213	8,810
	193,197 Federal National Mortgage Association Series 2006-118, Class IP1, IO, REMIC 2.460% 12/25/2036	10,611	15,432
	172,743 Federal National Mortgage Association Series 2006-118, Class IP2, IO, REMIC 1.961% 12/25/2036	6,507	10,401
	106,686 Federal National Mortgage Association Series 2006-28, Class 1P, IO, REMIC 1.837% 04/25/2036	7,503	7,599
	154,772 Federal National Mortgage Association Series 2006-59, Class IP, IO, REMIC 2.480% 07/25/2036	8,823	12,146
	907,537 Federal National Mortgage Association Series 2012-134, Class SK, IO, REMIC 5.728% 12/25/2042	147,748	188,754
	679,640 Federal National Mortgage Association Series 2013-73, Class IB, IO, REMIC 3.50% 07/25/2028	72,834	72,865
	570,000 Federal National Mortgage Association Series 2015-C01, Class 2M2 4.972% 02/25/2025	570,000	570,573
	857,556 Government National Mortgage Association Series 2012-34, Class SD, IO, REMIC 5.706% 03/16/2042	131,156	178,416
	178,032 Government National Mortgage Association Series 2012-43, Class SN, IO, REMIC 6.256% 04/16/2042	38,270	41,656
	151,103 Government National Mortgage Association Series 2013-150, Class IA, IO, REMIC 2.302% 11/20/2042	3,059	5,775
	106,278 Government National Mortgage Association Series 2014-22, Class IA, IO, REMIC 2.528% 09/20/2043	2,424	4,026
	331,223 Government National Mortgage Association Series 2015-36, Class MI, IO, REMIC 5.50% 03/20/2045	55,146	74,156
	195,491 IMPAC CMB Trust Series 2005-1, Class 1A1 .942% 04/25/2035	180,759	177,311
<b>Total Collateralized Mortgage Obligations</b>		<b>3.28%</b>	<b>2,358,456</b>

**Corporate Bonds**

**Consumer Discretionary**

GBP	140,000 Co-operative Group Holdings 2011 Ltd. Company Guarantee 7.50% 07/08/2026	234,115	225,557
	60,000 Comcast Corp. Company Guarantee 3.375% 08/15/2025	59,929	60,742
	250,000 Cooperatieve Centrale Raiffeisen-Boerenleenbank BA Company Guarantee 4.375% 08/04/2025	249,633	254,263
	200,000 DISH DBS Corp. Company Guarantee 5.875% 07/15/2022	204,910	186,500
	150,000 DISH DBS Corp. Company Guarantee 5.875% 11/15/2024	150,353	133,500
	250,000 Dollar Tree, Inc. Company Guarantee REGS 5.75% 03/01/2023	261,283	258,750
	500,000 General Motors Co. Sr Unsecured 6.25% 10/02/2043	612,200	528,268
	60,000 General Motors Financial Co., Inc. Company Guarantee 4.375% 09/25/2021	62,325	60,843
	100,000 Greektown Holdings LLC / Greektown Mothership Corp. REGS 8.875% 03/15/2019	104,440	101,000
	200,000 Guitar Center, Inc. Sr Secured REGS 6.50% 04/15/2019	188,878	168,000
	250,000 Hilton Worldwide Finance LLC / Hilton Worldwide Finance Corp. Company Guarantee 5.625% 10/15/2021	260,066	259,063
	300,000 Johnson Controls, Inc. Sr Unsecured 4.95% 07/02/2064	317,267	243,674
	80,000 L Brands, Inc. Company Guarantee 5.625% 10/15/2023	85,412	84,800
	260,000 MarkWest Energy Partners L.P. / MarkWest Energy Finance Corp. Company Guarantee 4.875% 12/01/2024	264,412	232,700
	260,000 Meritage Homes Corp. Company Guarantee 7.00% 04/01/2022	280,000	272,350
	40,000 Meritage Homes Corp. Company Guarantee 7.15% 04/15/2020	43,200	42,100
	240,000 MGM Resorts International Company Guarantee 6.625% 12/15/2021	255,504	245,700
	200,000 NCL Corp. Ltd. Sr Unsecured REGS 5.25% 11/15/2019	206,140	204,376
	200,000 Neiman Marcus Group Ltd. Company Guarantee REGS 8.75% 10/15/2021	214,933	124,000
	200,000 Schaeffler Holding Finance BV Company Guarantee REGS 6.75% 11/15/2022	214,192	215,000
	200,000 Sun Products Corp. REGS 7.75% 03/15/2021	178,347	173,500
	220,000 Time Warner Cable, Inc. Company Guarantee 5.875% 11/15/2040	211,649	208,487

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Global Strategic Fixed Income Fund (Continued)**  
**December 31, 2015**

Principal Amount †		Cost	Fair Value		
<b><u>Corporate Bonds (continued)</u></b>					
<b><u>Consumer Discretionary (continued)</u></b>					
\$	20,000	Time Warner Cable, Inc. Company Guarantee 7.30% 07/01/2038	\$ 23,254	\$ 21,683	
GBP	150,000	Virgin Media Finance PLC Company Guarantee REGS 6.375% 10/15/2024	237,347	222,280	
GBP	150,000	Vougeot Bidco PLC REGS 7.875% 07/15/2020	241,472	232,695	
		Total Consumer Discretionary	6.37%	5,161,261	4,759,831
<b><u>Consumer Staples</u></b>					
	200,000	Alliance One International, Inc. Secured 9.875% 07/15/2021	174,125	147,000	
	400,000	Altria Group, Inc. Company Guarantee 10.20% 02/06/2039	708,662	655,941	
	230,000	Cencosud S.A. Company Guarantee REGS 5.50% 01/20/2021	244,182	234,583	
	320,000	Constellation Brands, Inc. Company Guarantee 4.75% 11/15/2024	337,481	326,400	
	40,000	CVS Health Corp. Sr Unsecured 3.875% 07/20/2025	39,612	40,823	
	50,000	CVS Health Corp. Sr Unsecured 4.875% 07/20/2035	49,232	51,625	
	90,000	CVS Health Corp. Sr Unsecured 5.125% 07/20/2045	91,970	94,809	
	400,000	DS Services of America, Inc. Company Guarantee REGS 10.00% 09/01/2021	458,043	454,500	
	230,000	Grupo Bimbo S.A.B. de C.V. Company Guarantee REGS 4.50% 01/25/2022	239,199	235,691	
	220,000	JBS Investments GmbH Company Guarantee REGS 7.75% 10/28/2020	232,270	211,200	
	350,000	L Brands, Inc. Company Guarantee 5.625% 02/15/2022	374,857	371,875	
GBP	150,000	R&R Ice Cream PLC REGS 5.50% 05/15/2020	235,750	227,317	
	40,000	Reynolds American, Inc. Company Guarantee 3.25% 06/12/2020	39,993	40,652	
	80,000	Reynolds American, Inc. Company Guarantee 5.85% 08/15/2045	81,084	88,939	
	300,000	Reynolds American, Inc. Company Guarantee 6.15% 09/15/2043	359,970	340,321	
		Total Consumer Staples	4.71%	3,666,430	3,521,676
<b><u>Energy</u></b>					
	400,000	Anadarko Petroleum Corp. Sr Unsecured 4.50% 07/15/2044	415,071	306,233	
	80,000	Apache Corp. Sr Unsecured 4.25% 01/15/2044	69,623	62,628	
	150,000	Atwood Oceanics, Inc. Sr Unsecured 6.50% 02/01/2020	145,131	80,250	
	130,000	Carrizo Oil & Gas, Inc. Company Guarantee 6.25% 04/15/2023	130,000	105,300	
	400,000	Chesapeake Energy Corp. Company Guarantee 6.125% 02/15/2021	347,408	112,800	
	350,000	Crestwood Midstream Partners L.P. / Crestwood Midstream Finance Corp. Company Guarantee 6.125% 03/01/2022	334,798	243,250	
	180,000	Devon Energy Corp. Sr Unsecured 5.00% 06/15/2045	178,285	136,422	
	10,000	Devon Energy Corp. Sr Unsecured 5.60% 07/15/2041	10,127	7,558	
	250,000	Eagle Spinco, Inc. Company Guarantee 4.625% 02/15/2021	230,210	230,000	
	210,000	Empresa Nacional del Petroleo REGS 5.25% 08/10/2020	221,189	217,014	
	400,000	Freeport-McMoran Oil & Gas LLC / FCX Oil & Gas, Inc. Company Guarantee 6.875% 02/15/2023	423,451	252,000	
	220,000	Halcon Resources Corp. Company Guarantee 9.75% 07/15/2020	169,442	63,800	
	280,000	Kinder Morgan, Inc. REGS 5.625% 11/15/2023	304,171	255,956	
	200,000	Linn Energy LLC / Linn Energy Finance Corp. Company Guarantee 8.625% 04/15/2020	175,420	34,250	
	230,000	Murphy Oil USA, Inc. Company Guarantee 6.00% 08/15/2023	237,344	241,500	
	220,000	Oasis Petroleum, Inc. Company Guarantee 6.875% 03/15/2022	188,169	140,800	
	30,000	Occidental Petroleum Corp. Sr Unsecured 4.625% 06/15/2045	29,767	29,100	
	240,000	Oversea-Chinese Banking Corp., Ltd. REGS 4.25% 06/19/2024	242,925	244,079	
	90,000	Petrobras Global Finance BV Company Guarantee 3.00% 01/15/2019	77,696	68,400	
	190,000	Petrobras International Finance Co. S.A. Company Guarantee 5.375% 01/27/2021	183,510	141,550	
	210,000	Puma International Financing S.A. Company Guarantee REGS 6.75% 02/01/2021	207,743	206,535	
	220,000	Rice Energy, Inc. Company Guarantee 6.25% 05/01/2022	204,542	158,400	
	30,000	Shell International Finance BV Company Guarantee 4.125% 05/11/2035	30,229	28,636	
	120,000	Shell International Finance BV Company Guarantee 4.375% 05/11/2045	119,764	113,288	
	250,000	Summit Midstream Holdings LLC / Summit Midstream Finance Corp. Company Guarantee 5.50% 08/15/2022	238,536	185,000	
	10,000	Summit Midstream Holdings LLC / Summit Midstream Finance Corp. Company Guarantee 7.50% 07/01/2021	9,927	8,500	
	120,000	Whiting Petroleum Corp. Company Guarantee 6.25% 04/01/2023	112,947	86,400	

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Global Strategic Fixed Income Fund (Continued)**  
**December 31, 2015**

Principal Amount †		Cost	Fair Value
<b><u>Corporate Bonds (continued)</u></b>			
<b><u>Energy (continued)</u></b>			
\$	450,000 William Lyon Homes, Inc. Company Guarantee 7.00% 08/15/2022	\$ 469,350	\$ 451,125
	500,000 Williams Cos., Inc. Sr Unsecured 8.75% 03/15/2032	611,583	376,833
	Total Energy	6.14% 6,118,358	4,587,607
<b><u>Financials</u></b>			
	140,000 American International Group, Inc. Sr Unsecured 3.75% 07/10/2025	139,533	138,748
	600,000 Bank of America Corp. Jr Subordinated 6.50% 10/23/2024	630,421	632,250
	70,000 Bank of America Corp. Sr Unsecured 3.875% 08/01/2025	69,878	71,059
	20,000 Bank of America Corp. Sr Unsecured 5.00% 01/21/2044	21,963	20,874
	100,000 Bank of America Corp. Subordinated 4.00% 01/22/2025	99,212	97,893
	90,000 Bank of America Corp. Subordinated 4.20% 08/26/2024	91,354	89,296
	160,000 Citigroup, Inc. Jr Subordinated 5.95% 05/15/2025	159,975	154,000
	600,000 Citigroup, Inc. Jr Subordinated 6.30% 05/15/2024	608,082	585,000
	150,000 Citigroup, Inc. Sr Unsecured 4.65% 07/30/2045	149,834	152,220
	101,000 Citigroup, Inc. Sr Unsecured 8.125% 07/15/2039	146,630	144,862
	110,000 Citigroup, Inc. Subordinated 4.40% 06/10/2025	109,680	111,101
	450,000 Citigroup, Inc. Subordinated 5.30% 05/06/2044	509,740	468,079
	230,000 Corpbanca S.A. REGS 3.875% 09/22/2019	233,714	227,817
	230,000 Country Garden Holdings Co., Ltd. Company Guarantee REGS 7.25% 04/04/2021	237,030	239,678
	50,000 General Electric Capital Corp. Company Guarantee 5.30% 02/11/2021	56,740	56,381
	30,000 Goldman Sachs Group, Inc. Subordinated 5.15% 05/22/2045	29,935	29,142
	650,000 Goldman Sachs Group, Inc. Subordinated 6.75% 10/01/2037	846,230	759,808
	200,000 Goodman HK Finance Company Guarantee REGS 4.375% 06/19/2024	203,871	202,574
GBP	150,000 Grainger PLC REGS 5.00% 12/16/2020	240,437	231,445
	500,000 HSBC Holdings PLC Jr Subordinated 6.375% 09/17/2024	515,560	493,750
	200,000 HSBC Holdings PLC Subordinated 4.25% 03/14/2024	206,224	200,725
	250,000 Itau Unibanco Holding S.A. REGS 2.85% 05/26/2018	241,725	237,750
	90,000 JPMorgan Chase & Co. Subordinated 4.95% 06/01/2045	89,760	89,983
GBP	150,000 Nationwide Building Society Jr Subordinated REGS 6.875% 06/20/2019	228,264	221,683
	750,000 Quicken Loans, Inc. Company Guarantee REGS 5.75% 05/01/2025	722,467	714,375
	250,000 Royal Bank of Scotland Group PLC Subordinated 5.125% 05/28/2024	253,401	253,289
GBP	200,000 Santander UK Group Holdings PLC Jr Subordinated REGS 7.375% 06/24/2022	310,874	299,263
	600,000 Standard Chartered PLC Subordinated REGS 5.70% 03/26/2044	643,435	600,484
	480,000 Universal Hospital Services, Inc. Secured 7.625% 08/15/2020	431,975	450,600
	190,000 Wells Fargo & Co. Subordinated 4.30% 07/22/2027	189,628	194,091
	Total Financials	10.93% 8,417,572	8,168,220
<b><u>Health Care</u></b>			
	80,000 AbbVie, Inc. Sr Unsecured 3.60% 05/14/2025	79,867	78,955
	500,000 AT&T, Inc. Sr Unsecured 5.35% 09/01/2040	531,749	493,858
	179,000 Becton Dickinson and Co. Sr Unsecured 4.875% 05/15/2044	196,377	180,822
	300,000 BioScrip, Inc. Company Guarantee 8.875% 02/15/2021	236,537	238,500
	80,000 Celgene Corp. Sr Unsecured 3.875% 08/15/2025	79,252	79,676
	500,000 Celgene Corp. Sr Unsecured 4.625% 05/15/2044	548,008	472,294
	90,000 Celgene Corp. Sr Unsecured 5.00% 08/15/2045	89,720	90,350
	140,000 DaVita HealthCare Partners, Inc. Company Guarantee 5.00% 05/01/2025	140,046	135,100
	220,000 ExamWorks Group, Inc. Company Guarantee 5.625% 04/15/2023	220,605	218,900
	90,000 Genesis Energy L.P. / Genesis Energy Finance Corp. Company Guarantee 6.00% 05/15/2023	90,000	72,000
	50,000 Genesis Energy L.P. / Genesis Energy Finance Corp. Company Guarantee 6.75% 08/01/2022	49,349	42,500
	230,000 HCA, Inc. Company Guarantee 5.375% 02/01/2025	234,997	227,125
	30,000 HCA, Inc. Company Guarantee 5.875% 02/15/2026	30,173	30,113
	110,000 HCA, Inc. Sr Secured 4.75% 05/01/2023	112,776	108,900



**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Global Strategic Fixed Income Fund (Continued)**  
**December 31, 2015**

Principal Amount †		Cost	Fair Value
<b><u>Corporate Bonds (continued)</u></b>			
<b><u>Health Care (continued)</u></b>			
\$	190,000 Kindred Healthcare, Inc. Company Guarantee 8.00% 01/15/2020	\$ 177,324	\$ 177,650
	50,000 Merck & Co., Inc. Sr Unsecured 2.75% 02/10/2025	49,924	48,675
GBP	150,000 Priory Group No 3 PLC Company Guarantee REGS 8.875% 02/15/2019	236,341	227,742
	110,000 Tenet Healthcare Corp. Sr Unsecured 8.125% 04/01/2022	120,868	109,725
	70,000 UnitedHealth Group, Inc. Sr Unsecured 3.75% 07/15/2025	69,817	72,161
	60,000 UnitedHealth Group, Inc. Sr Unsecured 4.75% 07/15/2045	60,178	63,197
	80,000 Zimmer Biomet Holdings, Inc. Sr Unsecured 4.45% 08/15/2045	73,457	73,570
	Total Health Care	4.34% 3,427,365	3,241,813
<b><u>Industrials</u></b>			
	50,000 Actavis Funding SCS Company Guarantee 3.45% 03/15/2022	49,936	50,055
	10,000 Actavis Funding SCS Company Guarantee 4.55% 03/15/2035	9,958	9,719
	140,000 Actavis Funding SCS Company Guarantee 4.75% 03/15/2045	139,765	136,506
	200,000 Actuant Corp. Company Guarantee 5.625% 06/15/2022	200,475	204,000
	182,225 American Airlines Pass Through Trust Secured 3.70% 11/01/2024	182,225	177,669
	180,000 BreitBurn Energy Partners L.P. / BreitBurn Finance Corp. Company Guarantee 8.625% 10/15/2020	140,470	36,000
	100,000 CBC Ammo LLC / CBC FinCo, Inc. REGS 7.25% 11/15/2021	94,489	82,550
	220,000 CBRE Services, Inc. Company Guarantee 5.25% 03/15/2025	238,416	222,844
	300,000 CTR Partnership L.P. / CareTrust Capital Corp. Company Guarantee 5.875% 06/01/2021	305,830	302,625
	400,000 DH Services Luxembourg Sarl Company Guarantee REGS 7.75% 12/15/2020	411,088	402,000
	250,000 Florida East Coast Holdings Corp. REGS 6.75% 05/01/2019	248,830	228,750
	100,000 LMI Aerospace, Inc. Secured 7.375% 07/15/2019	97,653	99,000
	250,000 Navient Corp. Sr Unsecured 8.00% 03/25/2020	250,000	247,000
	250,000 Navios Maritime Acquisition Corp. / Navios Acquisition Finance US, Inc. REGS 8.125% 11/15/2021	241,592	218,125
	1,000,000 Wachovia Capital Trust III Limited Guarantee 5.57% 02/01/2016	990,086	963,250
	Total Industrials	4.52% 3,600,813	3,380,093
<b><u>Information Technology</u></b>			
	200,000 Activision Blizzard, Inc. Company Guarantee REGS 6.125% 09/15/2023	214,915	212,000
	250,000 Alibaba Group Holding Ltd. Company Guarantee 3.125% 11/28/2021	241,078	242,469
	10,000 Intel Corp. Sr Unsecured 3.70% 07/29/2025	9,986	10,343
	469,000 NRG REMA LLC Pass Through Trust 9.681% 07/02/2026	508,418	454,930
	250,000 Numericable-SFR SAS REGS 6.00% 05/15/2022	250,590	242,500
	Total Information Technology	1.56% 1,224,987	1,162,242
<b><u>Materials</u></b>			
	120,000 Alcoa, Inc. Sr Unsecured 5.125% 10/01/2024	119,793	109,200
	220,000 Ball Corp. Company Guarantee 5.25% 07/01/2025	219,951	224,950
	167,000 Barrick Gold Corp. Sr Unsecured 4.10% 05/01/2023	148,683	143,263
	240,000 Freeport-McMoRan, Inc. Company Guarantee 4.00% 11/14/2021	196,887	144,000
	450,000 Rio Tinto Finance USA Ltd. Company Guarantee 3.75% 06/15/2025	440,658	408,488
	530,000 Yamana Gold, Inc. Company Guarantee 4.95% 07/15/2024	478,877	449,431
	Total Materials	1.98% 1,604,849	1,479,332
<b><u>Telecommunication Services</u></b>			
	250,000 Altice Financing S.A. REGS 6.625% 02/15/2023	250,298	246,875
	200,000 Bharti Airtel International Netherlands BV Company Guarantee REGS 5.35% 05/20/2024	214,913	209,957
	250,000 CenturyLink, Inc. Sr Unsecured 5.80% 03/15/2022	260,557	229,125
	250,000 HC2 Holdings, Inc. Company Guarantee REGS 11.00% 12/01/2019	243,776	228,750

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Global Strategic Fixed Income Fund (Continued)**  
**December 31, 2015**

Principal Amount †		Cost	Fair Value
<b><u>Corporate Bonds (continued)</u></b>			
<b><i>Telecommunication Services (continued)</i></b>			
\$	930,000 Sprint Communications, Inc. Sr Unsecured 7.00% 08/15/2020	\$ 942,235	\$ 718,425
GBP	100,000 Telefonica Europe BV Company Guarantee REGS 6.75% 11/26/2020	161,410	150,961
	1,000,000 Verizon Communications, Inc. Sr Unsecured 6.55% 09/15/2043	1,296,853	1,187,210
	200,000 West Corp. Company Guarantee REGS 5.375% 07/15/2022	190,323	172,500
	Total Telecommunication Services	4.21% 3,560,365	3,143,803
<b><i>Utilities</i></b>			
	250,000 AES Corp. Sr Unsecured 8.00% 06/01/2020	280,059	275,000
GBP	150,000 Anglian Water Osprey Financing PLC REGS 5.00% 04/30/2023	229,513	222,758
	368,000 Calpine Corp. Company Guarantee REGS 5.875% 01/15/2024	388,178	377,200
	250,000 Comision Federal de Electricidad REGS 5.75% 02/14/2042	243,034	225,000
GBP	140,000 Enel S.p.A. Jr Subordinated REGS 7.75% 09/10/2075	234,956	222,524
	500,000 FirstEnergy Corp. Sr Unsecured 7.375% 11/15/2031	634,015	608,992
	200,000 ICICI Bank Ltd. Sr Unsecured REGS 4.80% 05/22/2019	212,303	210,831
	Total Utilities	2.87% 2,222,058	2,142,305
	<b>Total Corporate Bonds</b>	<b>47.63% 39,004,058</b>	<b>35,586,922</b>
<b><u>Foreign Government</u></b>			
<b><i>Argentina</i></b>			
	810,000 Republic of Argentina 7.00% 04/17/2017	794,327	819,286
	Total Argentina	1.10% 794,327	819,286
<b><i>Australia</i></b>			
AUD	2,500,000 Australia Government Bond REGS 2.75% 10/21/2019	2,005,959	1,864,528
	Total Australia	2.49% 2,005,959	1,864,528
<b><i>Canada</i></b>			
CAD	800,000 Canadian Government Bond .25% 05/01/2017	644,328	576,489
CAD	750,000 Canadian Government Bond 1.25% 02/01/2016	602,357	542,307
	2,000,000 Province of British Columbia Canada Sr Unsecured 2.00% 10/23/2022	1,981,875	1,942,780
	2,250,000 Province of Ontario Canada Sr Unsecured 2.50% 09/10/2021	2,288,489	2,248,198
	Total Canada	7.11% 5,517,049	5,309,774
<b><i>Hungary</i></b>			
	710,000 Hungary Government International Bond Sr Unsecured 5.75% 11/22/2023	789,315	794,419
	Total Hungary	1.06% 789,315	794,419
<b><i>Indonesia</i></b>			
	1,290,000 Indonesia Government International Bond REGS 5.25% 01/17/2042	1,204,008	1,164,878
	Total Indonesia	1.56% 1,204,008	1,164,878

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Global Strategic Fixed Income Fund (Continued)**  
**December 31, 2015**

Principal Amount †		Cost	Fair Value
<b><u>Foreign Government (continued)</u></b>			
<b><i>Ireland</i></b>			
EUR \$	1,100,000 Republic of Ireland Government 5.40% 03/13/2025	\$ 1,617,163	\$ 1,635,735
	Total Ireland	2.19% 1,617,163	1,635,735
<b><i>Jamaica</i></b>			
	200,000 Jamaica Government International Bond Sr Unsecured 6.75% 04/28/2028	205,411	198,500
	Total Jamaica	0.27% 205,411	198,500
<b><i>Kazakhstan</i></b>			
	810,000 Kazakhstan Government International Bond REGS 5.125% 07/21/2025	807,036	798,271
	Total Kazakhstan	1.07% 807,036	798,271
<b><i>Mexico</i></b>			
	1,280,000 Mexico Government International Bond Sr Unsecured 4.75% 03/08/2044	1,211,537	1,166,080
	Total Mexico	1.56% 1,211,537	1,166,080
<b><i>New Zealand</i></b>			
NZD	3,300,000 New Zealand Government Bond Sr Unsecured REGS 3.00% 04/15/2020	2,458,338	2,265,077
	Total New Zealand	3.03% 2,458,338	2,265,077
<b><i>Nigeria</i></b>			
	220,000 Nigeria Government International Bond REGS 6.375% 07/12/2023	207,037	193,600
	Total Nigeria	0.26% 207,037	193,600
<b><i>Peru</i></b>			
	810,000 Peruvian Government International Bond Sr Unsecured 4.125% 08/25/2027	805,792	793,800
	800,000 Peruvian Government International Bond Sr Unsecured 5.625% 11/18/2050	857,822	816,000
	Total Peru	2.15% 1,663,614	1,609,800
<b><i>Poland</i></b>			
	1,130,000 Poland Government International Bond Sr Unsecured 4.00% 01/22/2024	1,189,617	1,182,127
	Total Poland	1.58% 1,189,617	1,182,127
	<b>Total Foreign Government</b>	<b>25.43% 19,670,411</b>	<b>19,002,075</b>
<b><u>Asset-Backed Securities</u></b>			
	580,960 Bear Stearns Asset Backed Securities Trust Series 2002-1, Class 2A 1.062% 12/25/2034	549,015	553,248
	247,021 Countrywide Asset-Backed Certificates Series 2007-4, Class A4W 5.317% 04/25/2047	248,502	239,862
	612,231 GSAMP Trust Series 2003-HE2, Class A3C 1.462% 08/25/2033	584,878	586,656
	210,947 Option One Mortgage Loan Trust Series 2002-3, Class A2 .962% 08/25/2032	193,630	193,144
	375,828 Structured Asset Investment Loan Trust Series 2004-8, Class M1 1.322% 09/25/2034	359,679	358,660
	<b>Total Asset-Backed Securities</b>	<b>2.58% 1,935,704</b>	<b>1,931,570</b>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Global Strategic Fixed Income Fund (Continued)**  
**December 31, 2015**

Principal Amount †		Cost	Fair Value
<b><u>Mortgage-backed Securities</u></b>			
\$	1,168,529 Federal Home Loan Mortgage Corp. 3.50% 03/01/2045	\$ 1,223,312	\$ 1,207,248
	500,000 Federal Home Loan Mortgage Corp. TBA 3.50% 01/01/2046	512,109	514,692
	1,600,000 Federal Home Loan Mortgage Corp. TBA 4.00% 02/11/2046	1,684,000	1,686,844
	362,544 Federal National Mortgage Association 3.50% 01/01/2044	378,351	375,747
	691,748 Federal National Mortgage Association 3.50% 10/01/2045	721,230	714,219
	199,373 Federal National Mortgage Association 3.50% 10/01/2045	207,870	205,852
	399,146 Federal National Mortgage Association 3.50% 12/01/2045	410,808	412,116
	100,000 Federal National Mortgage Association 3.50% 12/01/2045	103,477	103,373
	1,132,940 Federal National Mortgage Association 4.00% 01/01/2045	1,217,158	1,206,231
	780,720 Federal National Mortgage Association 4.00% 07/01/2045	842,069	833,152
	685,082 Federal National Mortgage Association 4.00% 07/01/2045	729,484	726,442
	1,600,000 Federal National Mortgage Association TBA 3.00% 01/01/2031	1,651,250	1,648,229
	1,600,000 Federal National Mortgage Association TBA 4.00% 01/01/2046	1,686,367	1,693,075
	585,675 Government National Mortgage Association 4.00% 11/20/2045	625,108	630,174
	213,190 Government National Mortgage Association 4.00% 11/20/2045	227,544	229,370
	<b>Total Mortgage-backed Securities</b>	<b>16.31%</b>	<b>12,220,137</b>
			<b>12,186,764</b>
<b><u>U.S. Government Obligations</u></b>			
	50,000 United States Treasury Bond 3.00% 11/15/2044	54,872	49,819
	80,000 United States Treasury Note 2.00% 08/15/2025	79,452	78,003
	<b>Total U.S. Government Obligations</b>	<b>0.17%</b>	<b>134,324</b>
			<b>127,822</b>
<b><u>Contracts</u></b>			
<b><u>Call Options Purchased</u></b>			
9,070,000	Credit default swaption with Banc of America Securities LLC to sell protection on Markit CDX.NA.IG.25 Index, Call @ 80.00 basis points spread	11,111	1,326
9,440,000	Credit default swaption with Barclays Capital Inc. to buy protection on Markit CDX.NA.HY.25 Index, Call @ \$104.00	32,096	250
22,000	United States Treasury Long-Term Bonds Futures, Call @ \$157.00	8,665	8,937
	<b>Total Call Options Purchased</b>	<b>0.01%</b>	<b>51,872</b>
			<b>10,513</b>
<b><u>Put Options Purchased</u></b>			
2,200	E-mini S&P 500 Index Futures, Put @ \$1,900.00	48,543	6,600
1,250	E-mini S&P 500 Index Futures, Put @ \$1,950.00	39,456	30,000
2,500	E-mini S&P 500 Index Futures, Put @ \$1,950.00	107,638	91,250
	<b>Total Purchased Options</b>	<b>0.17%</b>	<b>195,637</b>
			<b>127,850</b>
	<b>Total Investments</b>	<b>100.00%</b>	<b>\$ 78,871,368</b>
			<b>\$ 74,722,527</b>

† Principal amount denominated in U.S. dollars, unless otherwise noted.

**Abbreviations used in this table:**

AUD Australian Dollar  
CAD Canadian Dollar  
EUR Euro  
GBP British Pound  
NZD New Zealand Dollar

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Global Strategic Fixed Income Fund (Continued)**  
**December 31, 2015**

**SCHEDULE OF WRITTEN OPTIONS**

SECURITY	EXPIRATION DATE	STRIKE PRICE	CONTRACTS	VALUE
E-mini S&P 500 Index Futures, Put	1/15/16	\$ 1,800.00	44	\$ 1,980
Credit default swaption with Barclays Capital Inc. to buy protection on Markit CDX.NA.HY.25 Index, Put	1/20/16	96.00	9,440,000	5,659
E-mini S&P 500 Index Futures, Put	2/19/16	1,850.00	25	13,750
Credit default swaption with BNP Paribas to buy protection on Markit CDX.NA.HY.25 Index, Put	3/16/16	97.00	9,360,000	76,734
<b>TOTAL WRITTEN OPTIONS (Premiums received - \$182,924)</b>				<b>\$ 98,123</b>

**Hand Composite Employee Benefit Trust**  
**Statement of Operations - Selected Fund**  
**Year Ended December 31, 2015**

	<b>Western Asset Global Strategic Fixed Income Fund</b>
<b>Income</b>	
Interest (net of foreign withholding taxes of \$1,551)	\$ 2,679,459
Total income	<u>2,679,459</u>
<b>Expenses</b>	
Trustee and administrative	91,451
Class R3 expenses	<u>318,658</u>
Total expenses before reimbursement	410,109
Reimbursement of fees	<u>(7,611)</u>
Net expenses	<u>402,498</u>
<b>Net Investment Income</b>	<u>2,276,961</u>
<b>Net Realized Gains (Losses) on Investments, Options Written, Futures Contracts, Swap Contracts and Foreign Currency</b>	
Net realized losses on investments	(1,782,588)
Net realized gains on options written	58,697
Net realized gains on futures contracts	89,813
Net realized losses on swap contracts	(781,575)
Net realized losses on foreign currency transactions	(32,057)
Net realized gains on foreign currency forward exchange contracts	<u>1,104,416</u>
Net realized losses on Investments, Options Written, Futures Contracts, Swap Contracts and Foreign Currency	<u>(1,343,294)</u>
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	
Investments	(4,084,062)
Options written	84,801
Futures contracts	208
Swap contracts	(941,671)
Foreign currencies	(11,913)
Foreign currency forward exchange contracts	<u>194,246</u>
Change in net unrealized appreciation (depreciation)	<u>(4,758,391)</u>
Net realized and unrealized losses on Investments, Options Written, Futures Contracts, Swap Contracts and Foreign Currency	<u>(6,101,685)</u>
<b>Net Decrease in Net Assets Resulting From Operations</b>	<u>\$ (3,824,724)</u>

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets - Selected Fund**  
**Year Ended December 31, 2015**

	<b>Western Asset Global Strategic Fixed Income Fund</b>
<b>Operations</b>	
Net investment income	\$ 2,276,961
Net realized losses	(1,343,294)
Change in net unrealized appreciation (depreciation)	(4,758,391)
Net decrease in net assets from operations	(3,824,724)
<b>Net Decrease in Net Assets From Participation Unit Transactions</b>	<b>(7,111,637)</b>
<b>Decrease in Net Assets</b>	<b>(10,936,361)</b>
<b>Net Assets</b>	
Beginning of year	82,529,086
End of year	\$ 71,592,725

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

### Note 1: Nature of Operations and Summary of Significant Accounting Policies

#### *Nature of Operations*

Hand Composite Employee Benefit Trust ("HB&T" or "the Trust") was created in order to provide broad and uniform diversification programs for pension and profit sharing plans which, having complied with the requirements of the Internal Revenue Code (the IRC), are exempt from taxation under the provisions of the IRC. The Trust is comprised of 94 portfolios (the Funds); the financial statements of one of those funds, Western Asset Global Strategic Fixed Income Fund (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.

#### *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.

#### *Foreign Currency*

Investment securities and other assets and liabilities denominated in, or expected to settle in, foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

The Fund isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

Reported net realized foreign exchange gains or losses arise from sales of portfolio securities, sales and maturities of short term securities, sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, including investments in securities at December 31, 2015, resulting from changes in the exchange rates.

### ***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.

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.

### ***Foreign Currency Forward Exchange Contracts***

The Fund may enter into foreign currency forward exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. The Fund's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations. These instruments involve market risk, credit risk or both kinds of risks in excess of the amount recognized in the statement of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and movement in currency and securities values and interest rates.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

### ***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 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.

### ***Swap Agreements***

The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with other portfolio transactions. Swap agreements are privately negotiated in the over-the-counter market (OTC Swaps) or may be executed on a registered exchange (Centrally Cleared Swaps). Unlike Centrally Cleared Swaps, the Fund has credit exposure to the counterparties of OTC Swaps.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of Centrally Cleared Swaps, if any, is recorded as a receivable or payable for variation margin on the statement of assets and liabilities. Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the Schedule of Investments and restricted cash, if any, is identified on the statement of assets and liabilities. Risks may exceed amounts recorded in the statement of assets and liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms, and the possible lack of liquidity with respect to the swap agreements.

OTC swap payments received or made at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the statement of assets and liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the statement of operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the statement of operations.

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of December 31, 2015, the total notional value of all credit default swaps to sell protection was \$640,000. This amount would be offset by the value of the swap's reference entity, upfront premiums received on the swap and any amounts received from the settlement of a credit default swap where the Fund bought protection for the same referenced security/entity.

For average notional amounts of swaps held during the year ended December 31, 2015, see Note 11.

### **Credit Default Swaps**

The Fund enters into credit default swap (CDS) contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (*i.e.*, to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the period end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the notes to financial statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

The Fund's maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). As the protection seller, the Fund's maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized on the statement of assets and liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

### ***Interest Rate Swaps***

The Fund enters into interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate, on a notional principal amount. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss in the statement of operations. When a swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the original cost and the settlement amount of the closing transaction.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

The risks of interest rate swaps include changes in market conditions that will affect the value of the contract or changes in the present value of the future cash flow streams and the possible inability of the counterparty to fulfill its obligations under the agreement. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that that amount is positive. This risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

### ***Total Return Swaps***

The Fund enters into total return swaps for investment purposes. Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument. For example, the agreement to pay a predetermined or fixed interest rate in exchange for a market-linked return based on a notional amount. To the extent the total return of a referenced index or instrument exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent it is less, the Fund will make a payment to the counterparty.

### ***Swaptions***

The Fund purchases and writes swaption contracts to manage exposure to an underlying instrument. The Fund may also purchase or write swaptions to manage exposure to fluctuations in interest rates or to enhance yield. Swaption contracts written by the Fund represent an option that gives the purchaser the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date. Swaption contracts purchased by the Fund represent an option that gives the Fund the right, but not the obligation, to enter into a previously agreed upon swap contract at a future date.

When the Fund writes a swaption, 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 swaption written. If the swaption expires, the Fund realizes a gain equal to the amount of the premium received.

Swaptions are marked-to-market daily based upon quotations from market makers. Changes in the value of the swaption are reported as unrealized gains or losses in the statement of operations.

### ***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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

### 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, 2015, the Fund had the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Fair Value	Unrealized Appreciation (Depreciation)
<b>Contracts to Buy:</b>					
U.S. Treasury 10-Year Notes	10,300,000	3/16	\$ 12,943,903	\$ 12,968,344	24,441
U.S. Treasury Ultra Long-Term Bonds	900,000	3/16	1,436,811	1,428,188	(8,623)
					<u>15,818</u>
<b>Contracts to Sell:</b>					
90-Day Eurodollar	20,250,000	3/16	20,090,874	20,101,162	(10,288)
Canada Treasury 10-Year Notes	2,500,000	3/16	2,545,782	2,547,337	(1,555)
Euro-Bobl	1,400,000	3/16	2,002,812	1,988,079	14,733
Euro-Bund	1,500,000	3/16	2,580,134	2,574,293	5,841
U.S. Treasury 5-Year Notes	4,100,000	3/16	4,862,531	4,851,133	11,398
U.S. Treasury Long-Term Bonds	9,100,000	3/16	13,955,511	13,991,250	(35,739)
					<u>(15,610)</u>
					<u>\$ 208</u>

## Note 3: Foreign Currency Forward Exchange Contracts

At December 31, 2015, the Fund had the following open forward foreign currency contracts.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

	Currency Purchased	Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
CAD	1,013,454	USD	766,763	Bank of America, N.A.	1/19/16	\$ (34,320)
CAD	423,688	USD	321,997	Bank of America, N.A.	1/19/16	(15,789)
EUR	3,420,000	USD	3,899,894	Bank of America, N.A.	1/19/16	(181,898)
KRW	900,903,282	USD	763,963	Bank of America, N.A.	1/19/16	4,068
SGD	2,244,248	USD	1,598,980	Bank of America, N.A.	1/19/16	(16,989)
USD	581,381	CAD	755,900	Bank of America, N.A.	1/19/16	35,078
USD	775,382	CAD	1,020,000	Bank of America, N.A.	1/19/16	38,209
USD	101,970	CAD	136,001	Bank of America, N.A.	1/19/16	3,679
USD	1,526,586	EUR	1,410,000	Bank of America, N.A.	1/19/16	(6,272)
USD	839,553	EUR	780,000	Bank of America, N.A.	1/19/16	(8,411)
USD	785,476	EUR	720,000	Bank of America, N.A.	1/19/16	2,740
USD	1,890,750	KRW	2,223,900,000	Bank of America, N.A.	1/19/16	(5,151)
USD	757,772	KRW	884,850,000	Bank of America, N.A.	1/19/16	3,427
USD	519,133	MXN	8,673,667	Bank of America, N.A.	1/19/16	16,372
USD	1,594,436	SGD	2,244,248	Bank of America, N.A.	1/19/16	12,445
USD	1,132,116	TWD	37,190,000	Bank of America, N.A.	1/19/16	(166)
COP	2,535,270,000	USD	761,342	Barclays Bank PLC	1/19/16	36,160
COP	2,217,190,000	USD	669,745	Barclays Bank PLC	1/19/16	27,701
EUR	1,031,173	USD	1,181,884	Barclays Bank PLC	1/19/16	(60,861)
GBP	210,000	USD	319,923	Barclays Bank PLC	1/19/16	(10,329)
IDR	5,220,640,000	USD	371,312	Barclays Bank PLC	1/19/16	6,268
JPY	191,645,335	USD	1,602,808	Barclays Bank PLC	1/19/16	(7,843)
MXN	12,902,926	USD	762,742	Barclays Bank PLC	1/19/16	(14,837)
NZD	1,139,964	USD	754,517	Barclays Bank PLC	1/19/16	24,528
USD	1,143,525	AUD	1,580,000	Barclays Bank PLC	1/19/16	(7,040)
USD	363,428	IDR	5,220,640,000	Barclays Bank PLC	1/19/16	(14,152)
USD	1,585,307	JPY	191,645,335	Barclays Bank PLC	1/19/16	(9,659)
USD	569,039	MXN	9,529,135	Barclays Bank PLC	1/19/16	16,693
USD	99,440	NZD	150,000	Barclays Bank PLC	1/19/16	(3,070)
AUD	68,750	USD	48,656	Citibank, N.A.	1/19/16	1,409
AUD	2,192,134	USD	1,599,184	Citibank, N.A.	1/19/16	(2,859)
GBP	1,530,000	USD	2,331,353	Citibank, N.A.	1/19/16	(75,736)
INR	102,840,000	USD	1,556,767	Citibank, N.A.	1/19/16	(5,801)
MXN	51,090,490	USD	3,057,608	Citibank, N.A.	1/19/16	(96,198)
NZD	99,041	USD	66,505	Citibank, N.A.	1/19/16	1,179
RUB	80,617,858	USD	1,254,167	Citibank, N.A.	1/19/16	(152,077)
USD	2,348,950	AUD	3,249,883	Citibank, N.A.	1/19/16	(17,634)
USD	181,648	AUD	251,001	Citibank, N.A.	1/19/16	(1,133)
USD	611,538	BRL	2,470,000	Citibank, N.A.	1/19/16	(9,745)
USD	409,433	CAD	532,317	Citibank, N.A.	1/19/16	24,718
USD	58,323	CAD	78,001	Citibank, N.A.	1/19/16	1,950
USD	7,658,378	EUR	6,690,000	Citibank, N.A.	1/19/16	385,455
USD	4,848,254	GBP	3,145,011	Citibank, N.A.	1/19/16	211,693
USD	1,915,914	MXN	31,970,865	Citibank, N.A.	1/19/16	62,755
USD	2,215,643	NZD	3,296,891	Citibank, N.A.	1/19/16	(37,434)
USD	1,123,046	RUB	80,617,858	Citibank, N.A.	1/19/16	20,956
USD	607,205	CAD	793,945	Bank of America, N.A.	2/16/16	33,360
USD	111,786	CAD	149,001	Bank of America, N.A.	2/16/16	4,091
USD	194,962	EUR	178,926	Citibank, N.A.	2/16/16	312
USD	43,581	EUR	40,000	Citibank, N.A.	2/16/16	66
USD	110,379	EUR	100,000	Citibank, N.A.	2/16/16	1,591
USD	27,179	EUR	25,000	Citibank, N.A.	2/16/16	(18)
USD	481,924	GBP	318,217	Citibank, N.A.	2/16/16	12,765
						\$ 194,246

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2015

**Abbreviations used in this table:**

AUD	Australian Dollar
BRL	Brazilian Real
CAD	Canadian Dollar
COP	Colombian Peso
EUR	Euro
GBP	British Pound
IDR	Indonesian Rupiah
INR	Indian Rupee
JPY	Japanese Yen
KRW	South Korean Won
MXN	Mexican Peso
NZD	New Zealand Dollar
RUB	Russian Ruble
SGD	Singapore Dollar
TWD	Taiwan Dollar
USD	United States Dollar

#### Note 4: Swap Contracts

At December 31, 2015, the Fund had the following open swap contracts:

##### OTC Interest Rate Swaps

Swap Counterparty	Notional Amount*	Termination Date	Payments Made by the Fund <sup>†</sup>	Payments Received by the Fund <sup>†</sup>	Upfront Premiums Paid (Received)	Unrealized Depreciation
Banc of America Securities LLC	\$11,226,104 <sup>BRL</sup>	1/4/21	1 Time 1.078%	1 Time BRL- CDI	\$ —	\$ (105,634)

##### Centrally Cleared Interest Rate Swaps

Central Counterparty	Notional Amount	Termination Date	Payments Made by the Fund <sup>†</sup>	Payments Received by the Fund <sup>†</sup>	Upfront Premiums Paid (Received)	Unrealized Appreciation
Chicago Mercantile Exchange	\$ 12,028,000	11/30/22	1.900% semi-annually	3-Month LIBOR BBA	\$ —	\$ 90,679

##### OTC Credit Default Swaps On Corporate Issues - Sell Protection<sup>1</sup>

Swap Counterparty (Reference Entity)	Notional Amount <sup>2</sup>	Termination Date	Implied Credit Spread at December 31, 2015 <sup>3</sup>	Periodic Payments Received by the Fund <sup>†</sup>	Market Value	Upfront Premiums Paid (Received)	Unrealized Depreciation
Citigroup Global Markets (Genon Energy Inc., 7.875%, due 06/15/17)	\$640,000	6/20/17	11.08%	5.000% quarterly	\$ (53,730)	\$ 785	\$ (54,515)



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2015

#### OTC Credit Default Swaps On Corporate Issues - Buy Protection<sup>4</sup>

Swap Counterparty (Reference Entity)	Notional Amount <sup>2</sup>	Termination Date	Implied Credit Spread at December 31, 2015 <sup>3</sup>	Periodic Payments Made by the Fund <sup>†</sup>	Market Value	Upfront Premiums Paid (Received)	Unrealized Appreciation
Citigroup Global Markets (NRG Energy Inc., 6.250%, due 07/15/22)	\$1,280,000	6/20/17	2.72%	5.000% quarterly	\$ (40,832)	\$ (75,986)	\$ 35,154

#### OTC Total Return Swaps

Swap Counterparty	Notional Amount	Termination Date	Periodic Payments Made by the Fund <sup>‡</sup>	Periodic Payments Received by the Fund <sup>‡</sup>	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Barclays Capital Inc.	\$ 793,582	1/15/16	3-Month LIBOR BBA	SPTRHLTH	—	\$ 37,092
Barclays Capital Inc.	792,945	1/15/16	SPTRUTIL	3-Month LIBOR BBA	—	17,488
Barclays Capital Inc.	748,666	1/19/16	3-Month LIBOR BBA	SPTRINFT	—	(18,310)
Barclays Capital Inc.	746,226	1/19/16	SPTR5RET	3-Month LIBOR BBA	—	(34,685)
Barclays Capital Inc.	798,712	2/3/16	3-Month LIBOR BBA	SPTRCOND	—	(30,831)
Barclays Capital Inc.	797,813	2/3/16	SPTRCONS	3-Month LIBOR BBA	—	(15,197)
JPMorgan Chase & Co.	33,200,000	3/21/16	3-Month LIBOR BBA	IBOXHY	—	(941,775)
<b>Total</b>	<b>\$ 37,877,944</b>				<b>—</b>	<b>\$ (986,218)</b>

\* Notional amount denominated in U.S. dollars, unless otherwise noted.

<sup>1</sup> If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

<sup>2</sup> The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

<sup>3</sup> Implied credit spreads, utilized in determining the market value of credit default swap agreements on corporate issues or sovereign issues of an emerging country as of period end serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for the credit derivative. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to be made to enter into the agreement. Wider credit spreads represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. A credit spread identified as "Defaulted" indicates a credit event has occurred for the referenced entity or obligation.

<sup>4</sup> If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or the underlying securities comprising the referenced index or (ii) receive a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or the underlying securities comprising the referenced index.

<sup>†</sup> Percentage shown is an annual percentage rate.

<sup>‡</sup> Periodic payments made/received by the Fund are based on the total return of the referenced entity.

Abbreviation used in this table:

BRL - Brazilian Real

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2015

#### Note 5: Written Options Rollforward

During the year ended December 31, 2015, written option transactions for the Fund were as follows:

	Number of Contracts/ Notional Amount	Premiums
Written options, outstanding as of December 31, 2014	—	—
Options written	214,227,075	\$1,328,311
Options closed	(28,881,739)	(717,147)
Options expired	(166,545,267)	(428,240)
Written options, outstanding as of December 31, 2015	18,800,069	\$182,924

#### Note 6: 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.

During the year ended December 31, 2015, 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 various classes 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
<b>Western Asset Global Strategic Fixed Income Fund:</b>				
Class R3	0.04%	0.40%	0.11%	0.55%

#### Note 7: Financial Highlights

	Western Asset Global Strategic Fixed Income Fund	
	Class R3	
Net asset value, beginning of year	\$	9.99
Net investment income		0.29
Net realized and unrealized losses		(0.79)
Net decrease from investment operations		(0.50)
Net asset value, end of year	\$	9.49
Total return		(5.01)%

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

**Western Asset Global Strategic**  
**Fixed Income Fund**  


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**Class R3**

Ratio to average net assets:	
Net investment income	2.86%
Expenses without reimbursement	0.51%
Expenses with reimbursement	0.50%

**Note 8: Participant Unit Transactions**

	<b>Western Asset Global Strategic</b>	
	<b>Fixed Income Fund</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R3:</b>		
Proceeds from sales of units	1,305,661	\$ 13,059,195
Cost of units redeemed	<u>(2,027,201)</u>	<u>(20,170,832)</u>
Net decrease in total net assets from participant transactions	<u>(721,540)</u>	<u>\$ (7,111,637)</u>

**Note 9: 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.

**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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

Following is a description of the valuation methodologies and inputs used for assets and liabilities 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 and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2015.

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

**Corporate Bonds.** The fair value of corporate bonds are 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.

**Collateralized Mortgage Obligations and Asset-backed 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.

**U.S. Government 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.

**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.

**Futures 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.

**Foreign Currency Contracts.** Foreign currency contracts that are actively traded are valued based on quoted prices from the exchanges and are categorized in Level 1 of the hierarchy.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

**Credit Default Swaps.** Credit default swaps are traded on the over-the-counter (OTC) market. Fair value for credit default swaps is based on models, which take into account multiple inputs including specific contract terms, interest rate yield curves, interest rates, credit curves, recovery rates and current credit spreads obtained from swap counterparties and other market participants. Many inputs into the model do not require material subjectivity as they are observable in the marketplace or set per the contract. Other than the contract terms, valuation is heavily determined by the difference between the contract spread and the current market spread. The contract spread (or rate) is generally fixed and the market spread is determined by the credit risk of the underlying debt or reference entity. As the underlying debt on credit default swaps held by the Fund are liquid and the OTC market for the current spread is active, credit default swaps are categorized as Level 2 in the hierarchy.

**Centrally Cleared and OTC Interest Rate Swaps.** The Fund enters into interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate, on a notional principal amount. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss in the statement of operations. When a swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the original cost and the settlement amount of the closing transaction.

The risks of interest rate swaps include changes in market conditions that will affect the value of the contract or changes in the present value of the future cash flow streams and the possible inability of the counterparty to fulfill its obligations under the agreement. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that that amount is positive. This risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

**OTC Total Return Swaps.** The Fund enters into total return swaps for investment purposes. Total return swaps are agreements to exchange the return generated by one instrument for the return generated by another instrument. For example, the agreement to pay a predetermined or fixed interest rate in exchange for a market-linked return based on a notional amount. To the extent the total return of a referenced index or instrument exceeds the offsetting interest obligation, the Fund will receive a payment from the counterparty. To the extent it is less, the Fund will make a payment to the counterparty.

The following tables present the fair value measurements of assets and liabilities 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, 2015.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Western Asset Global Strategic Fixed Income Fund</b>				
Financial Instruments - Assets:				
Short Term Investments	\$ 3,300,769	\$ 3,300,769	\$ —	\$ —
Collateralized Mortgage Obligations	2,448,242	—	2,448,242	—
Corporate Bonds	35,586,922	—	35,586,922	—
Foreign Government	19,002,075	—	19,002,075	—
Asset-Backed Securities	1,931,570	—	1,931,570	—
Mortgage-Backed Securities	12,186,764	—	12,186,764	—
U.S. Government & Agency Obligations	127,822	—	127,822	—
Call Options Purchased	10,513	8,937	1,576	—
Put Options Purchased	127,850	127,850	—	—
Total financial instruments - assets	\$ 74,722,527	\$ 3,437,556	\$ 71,284,971	\$ 0
Derivative Instruments - Assets:				
Futures Contracts	\$ 56,413	\$ 56,413	\$ —	\$ —
Foreign Currency Exchange Contracts	989,668	—	989,668	—
Centrally Cleared Interest Rate Swaps	90,679	—	90,679	—
OTC Total Return Swaps	54,580	—	54,580	—
Total derivative instruments – assets	\$ 1,191,340	\$ 56,413	\$ 1,134,927	\$ 0
Derivative Instruments - Liabilities:				
Options Written	\$ 98,123	\$ 15,730	\$ 82,393	\$ —
Futures Contracts	56,205	56,205	—	—
Foreign Currency Exchange Contracts	795,422	—	795,422	—
OTC Interest Rate Swaps	105,634	—	105,634	—
OTC Credit Default Swaps on Corporate Issues - Sell Protection	53,730	—	53,730	—
OTC Credit Default Swaps on Corporate Issues - Buy Protection	40,832	—	40,832	—
OTC Total Return Swaps	1,040,798	—	1,040,798	—
Total derivative instruments – liabilities	\$ 2,190,744	\$ 71,935	\$ 2,118,809	\$ 0

## Note 10: 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, 2015

### **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.

### **Currency Risk**

Securities and other instruments in which the Fund invests may be denominated or quoted in currencies other than the U.S. dollar. Changes in foreign currency exchange rates may affect the value of the Fund's portfolio. Because the Fund's assets are primarily invested in securities of foreign countries, the U.S. dollar equivalent of the Fund's net assets would be adversely affected by reductions in the value of the foreign currencies relative to the U.S. dollar. For this reason, changes in foreign currency exchange rates can affect the value of the Fund's portfolio. Generally, when the U.S. dollar rises in value against a foreign currency, a security denominated in that currency loses value because the currency is worth fewer U.S. dollars. Conversely, when the U.S. dollar decreases in value against a foreign currency, a security denominated in that currency gains value because the currency is worth more U.S. dollars. This risk, generally known as "currency risk," means that a strong U.S. dollar may reduce returns for U.S. investors in foreign stocks while a weak U.S. dollar may increase those returns.

## **Note 11: 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, 2015.

	Asset Derivatives <sup>1</sup>				
	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Equity Risk	Total
Purchased options <sup>2</sup>	\$ 8,937	\$ -	\$ 1,576	\$ 127,850	\$ 138,363
Futures contracts <sup>3</sup>	56,413	-	-	-	56,413
OTC swap contracts <sup>4</sup>	-	-	-	54,580	54,580
Centrally cleared swap contracts <sup>5</sup>	90,679	-	-	-	90,679
Forward foreign currency contracts	-	989,668	-	-	989,668
Total	\$ 156,029	\$ 989,668	\$ 1,576	\$ 182,430	\$ 1,329,703

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2015

#### Liability Derivatives<sup>1</sup>

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Equity Risk	Total
Written options	\$ -	\$ -	\$ 82,393	\$ 15,730	\$ 98,123
Futures contracts <sup>3</sup>	56,205	-	-	-	56,205
OTC swap contracts <sup>4</sup>	105,634	-	94,562	1,040,798	1,240,994
Forward foreign currency contracts	-	795,422	-	-	795,422
Total	\$ 161,839	\$ 795,422	\$ 176,955	\$ 1,056,528	\$ 2,190,744

<sup>1</sup> Generally, the statement of assets and liabilities location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

<sup>2</sup> Market value of purchased options is reported in Investments at value in the statement of assets and liabilities.

<sup>3</sup> 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.

<sup>4</sup> Values include premiums paid (received) on swap contracts which are shown separately in the statement of assets and liabilities.

<sup>5</sup> Includes cumulative appreciation (depreciation) of centrally cleared swap contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables on the statement of assets and liabilities.

The following tables provide information about the effect of derivatives and hedging activities on the Fund's statement of operations for the year ended December 31, 2015. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the year. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the year.

#### Amount of Realized Gain (Loss) on Derivatives Recognized

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Equity Risk	Total
Purchased options <sup>1</sup>	\$ (555)	\$ (14,371)	\$ (223,810)	\$ 523,542	\$ 284,806
Written options	32	54,715	179,823	(175,873)	58,697
Futures contracts	154,587	-	-	(64,774)	89,813
Swap contracts	(193,478)	-	141,539	(729,636)	(781,575)
Forward foreign currency contracts	-	1,104,416	-	-	1,104,416
Total	\$ (39,414)	\$ 1,144,760	\$ 97,552	\$ (446,741)	\$ 756,157

<sup>1</sup> Net realized gain (loss) from purchased options is reported in net realized gain (loss) from investment transactions in the Statement of Operations.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2015

#### Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Equity Risk	Total
Purchased options <sup>1</sup>	\$ 272	\$ -	\$ (41,631)	\$ (67,787)	\$ (109,146)
Written options	-	-	57,343	27,458	84,801
Futures contracts	208	-	-	-	208
Swap contracts	(14,955)	-	59,502	(986,218)	(941,671)
Forward foreign currency contracts	-	194,246	-	-	194,246
<b>Total</b>	<b>\$ (14,475)</b>	<b>\$ 194,246</b>	<b>\$ 75,214</b>	<b>\$ (1,026,547)</b>	<b>\$ (771,562)</b>

<sup>1</sup> The change in unrealized appreciation (depreciation) from purchased options is reported in the change in net unrealized appreciation (depreciation) from investments in the statement of operations.

During the year ended December 31, 2015, the volume of derivative activity for the Fund was as follows:

	<u>Average Market Value</u>
Purchased options	\$ 101,117
Written options	78,470
Futures contracts (to buy)	10,096,950
Futures contracts (to sell)	22,678,012
Forward foreign currency contracts (to buy)	13,294,058
Forward foreign currency contracts (to sell)	23,562,192
	<u>Average Notional Balance</u>
Interest rate swap contracts	\$ 5,096,899
Credit default swap contracts (to buy protection)	787,692
Credit default swap contracts (to sell protection)	20,492,615
Total return swap contracts	16,029,189

The following table presents by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2015.

	<b>Gross Amount of Derivative Assets in the Statement of Assets and Liabilities<sup>1</sup></b>		<b>Collateral Received</b>	<b>Net Amount</b>
Purchased options <sup>2</sup>	\$ 138,363	\$ -	\$ -	\$ 138,363
Futures contracts <sup>3</sup>	18,677	-	-	18,677
OTC swap contracts	54,580	-	-	54,580
Forward foreign currency contracts	989,668	-	-	989,668
<b>Total</b>	<b>\$ 1,201,288</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 1,201,288</b>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2015

The following table presents by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at December 31, 2015:

	<b>Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities<sup>1</sup></b>		<b>Collateral Pledged<sup>4,5</sup></b>	<b>Net Amount</b>		
Written options	\$	98,123	\$	–	\$	98,123
Centrally cleared swap contracts <sup>3</sup>		30,194		(30,194)		–
OTC swap contracts		1,240,994		(1,100,000)		140,994
Forward foreign currency contracts		795,422		–		795,422
Total	\$	2,164,733	\$	(1,130,194)	\$	1,034,539

<sup>1</sup> 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.

<sup>2</sup> Market value of purchased options is shown in investments at value in the statement of assets and liabilities.

<sup>3</sup> 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.

<sup>4</sup> Gross amounts are not offset in the statement of assets and liabilities.

<sup>5</sup> In some instances, the actual collateral received and/or pledged may be more than the amount shown here due to overcollateralization.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales**  
**Western Asset Global Strategic Fixed Income Fund**  
**December 31, 2015**

**Purchases**

<b>Investment Class</b>	<b>Cost</b>
Collateralized Mortgage Obligations	\$ 2,848,753
Corporate Bonds	43,838,483
Foreign Government	23,769,613
Asset-backed Securities	2,117,149
Mortgage-backed Securities	96,035,349
U.S. Government and Agency Obligations	9,498,944
Exchange-traded Funds	1,003,560
Total Investments Purchased	<u>\$ 179,111,851</u>

**Sales**

<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Collateralized Mortgage Obligations	\$ 447,772	\$ 446,944	\$ 828
Corporate Bonds	11,731,246	12,539,826	(808,580)
Foreign Government	11,518,167	12,698,770	(1,180,603)
Mortgage-backed Securities	83,424,026	83,470,616	(46,590)
U.S. Government and Agency Obligations	11,893,793	11,860,824	32,969
Exchange-traded Funds	938,170	1,003,560	(65,390)
Total Investments Sold	<u>\$ 119,953,174</u>	<u>\$ 122,020,540</u>	<u>\$ (2,067,366)</u>