

**Hand Composite Employee Benefit Trust
Western Asset Global Strategic Fixed Income Fund**

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 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, 2016, 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, 2016, 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.

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

BKD, LLP

Houston, Texas
May 26, 2016

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2016

	Western Asset Global Strategic Fixed Income Fund
Assets	
Investments, at cost	\$ 79,296,893
Investments, at fair value	\$ 78,788,007
Cash	99,193
Cash denominated in foreign currencies (cost - \$538,012)	523,520
Receivable from broker - variation margin on open futures contracts	32,181
Unrealized gain on foreign currency forward exchange contracts	861,629
Deposits with brokers for open futures contracts	60,132
Deposits with brokers for Centrally Cleared Swap contracts	196,000
Foreign currency collateral for open futures contracts, at value (cost - \$331,345)	319,262
Foreign currency collateral for Centrally Cleared Swap contracts, at value (cost - \$875)	820
OTC Swaps, at value (net premiums paid - \$0)	501,348
Receivable for open OTC Swap contracts	1,067
Receivable for:	
Investment securities sold	1,988,099
Capital shares sold	2,726
Dividend and interest	932,085
Investment advisor waived fees	5,070
Total assets	\$ 84,311,139
Liabilities	
Payable for investment securities purchased	\$ 1,836,946
Payable for capital shares redeemed	13,893
Management fee payable	52,907
Written options, at value (premiums received - \$142,033)	11,565
OTC Swaps, at value (net premiums received - \$23,851)	198,585
Payable to broker - variation margin on Centrally Cleared Swap contracts	32,799
Unrealized loss on foreign currency forward exchange contracts	90,148
Payable for open OTC Swap contracts	2,133
Accounts payable and accrued liabilities	31,877
Total liabilities	\$ 2,270,853
Net assets held for participants:	
Class R3	\$ 82,040,286
Total net assets held for participants	\$ 82,040,286
Units outstanding:	
Class R3	7,802,154
Total units outstanding	7,802,154
Net asset value per unit:	
Class R3	\$ 10.52

Hand Composite Employee Benefit Trust
Schedule of Investments
Western Asset Global Strategic Fixed Income Fund
December 31, 2016

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
409,519	State Street Institutional U.S. Government Money Market Fund, Premier Class .411%	\$ 409,519	\$ 409,519
Total Short Term Investment		0.52%	409,519
<u>Exchange Traded Fund</u>			
110,410	PowerShares Senior Loan Portfolio	2,561,805	2,579,178
Total Exchange Traded Fund		3.27%	2,561,805
<u>Preferred Stock</u>			
<u>Health Care</u>			
247	Allergan PLC Series A	202,590	188,328
Total Health Care		0.24%	202,590
Total Preferred Stock		0.24%	202,590
Principal Amount†		Cost	Fair Value
<u>Collateralized Mortgage Obligations</u>			
\$ 600,000	Federal Home Loan Mortgage Corp. Series 2014-HQ3, Class M3 5.506% 10/25/2024	614,982	651,189
329,802	Federal Home Loan Mortgage Corp. Series 2015-DNA2, Class B 8.306% 12/25/2027	329,802	347,708
723,320	Federal Home Loan Mortgage Corp. Series 2015-DNA2, Class M2 3.356% 12/25/2027	732,638	737,154
570,000	Federal Home Loan Mortgage Corp. Series 2015-DNA3, Class M2 3.606% 04/25/2028	585,259	586,450
570,000	Federal Home Loan Mortgage Corp. Series 2016-DNA2, Class M3 5.406% 10/25/2028	588,224	607,602
48,420	Federal Home Loan Mortgage Corp. Series 3422, Class AI, IO, REMIC .25% 01/15/2038	378	539
	Federal Home Loan Mortgage Corp. Series 4194, Class BI, IO, REMIC 3.50%		
372,910	04/15/2043	45,394	54,604
	Federal Home Loan Mortgage Corp. Series 4415, Class IO, IO, REMIC 2.11%		
127,870	04/15/2041	8,032	7,665
	Federal National Mortgage Association Series 2005-88, Class IP, IO, REMIC 1.649%		
146,916	10/25/2035	5,761	6,827
	Federal National Mortgage Association Series 2006-118, Class IP1, IO, REMIC 2.39%		
149,898	12/25/2036	5,939	11,755
	Federal National Mortgage Association Series 2006-118, Class IP2, IO, REMIC 1.864%		
138,374	12/25/2036	3,271	7,075
	Federal National Mortgage Association Series 2006-28, Class 1P, IO, REMIC 1.845%		
105,773	04/25/2036	8,398	7,208
	Federal National Mortgage Association Series 2006-59, Class IP, IO, REMIC 2.386%		
125,677	07/25/2036	4,986	10,436
	Federal National Mortgage Association Series 2012-134, Class SK, IO, REMIC 5.394%		
734,692	12/25/2042	102,634	150,592
	Federal National Mortgage Association Series 2013-73, Class IB, IO, REMIC 3.50%		
536,539	07/25/2028	48,753	55,918
	Government National Mortgage Association Series 2012-34, Class SD, IO 5.343%		
704,331	03/16/2042	85,959	145,312
	Government National Mortgage Association Series 2012-43, Class SN, IO 5.893%		
146,818	04/16/2042	27,650	34,109
	Government National Mortgage Association Series 2013-150, Class IA, IO 1.532%		
114,241	11/20/2042	500	5,310

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
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December 31, 2016

Principal Amount†		Cost	Fair Value
<i><u>Collateralized Mortgage Obligations (continued)</u></i>			
\$	259,991	\$ 35,538	\$ 56,488
	403,475	378,671	375,064
	Total Collateralized Mortgage Obligations	4.90%	3,612,769
			3,859,005
<i><u>Corporate Bonds</u></i>			
<i>Consumer Discretionary</i>			
	120,000	124,297	125,400
GBP	140,000	232,526	203,775
	250,000	249,664	256,532
	200,000	204,266	210,500
	150,000	150,321	154,350
	250,000	259,299	264,705
	500,000	610,195	552,739
	60,000	61,952	62,239
	100,000	102,499	105,125
	200,000	191,953	181,500
	400,000	397,008	391,000
	320,000	339,404	341,600
	80,000	84,818	86,200
	260,000	263,986	267,720
	260,000	277,234	281,450
	240,000	253,227	268,200
	100,000	78,858	74,250
	200,000	212,763	141,500
	210,000	197,054	200,812
	220,000	211,798	234,618
	20,000	23,183	24,603
	180,000	166,119	166,356
	210,000	164,637	167,277
GBP	150,000	236,707	195,501
GBP	150,000	237,586	192,051
	575,000	599,283	600,875
		7.30%	5,930,637
			5,750,878
<i>Consumer Staples</i>			
	150,000	133,162	128,625
	230,000	241,602	247,442
	320,000	335,798	339,680
	90,000	91,937	100,300
	230,000	237,821	239,701
	300,000	358,903	361,987
	22,000	21,997	22,543
	80,000	81,069	94,730
		1.95%	1,502,289
			1,535,008

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
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Principal Amount†		Cost	Fair Value
<i><u>Corporate Bonds (continued)</u></i>			
<i>Energy</i>			
\$ 400,000	Anadarko Petroleum Corp. Sr Unsecured 4.50% 07/15/2044	\$ 414,784	\$ 375,821
80,000	Apache Corp. Sr Unsecured 4.25% 01/15/2044	69,794	78,866
110,000	Carrizo Oil & Gas, Inc. Company Guarantee 6.25% 04/15/2023	110,000	112,750
200,000	Chesapeake Energy Corp. Company Guarantee 6.125% 02/15/2021	177,533	195,000
40,000	Chesapeake Energy Corp. Company Guarantee 6.625% 08/15/2020	30,295	40,400
	Crestwood Midstream Partners L.P. / Crestwood Midstream Finance Corp. Company		
350,000	Guarantee 6.125% 03/01/2022	336,852	358,750
180,000	Devon Energy Corp. Sr Unsecured 5.00% 06/15/2045	178,311	176,820
10,000	Devon Energy Corp. Sr Unsecured 5.60% 07/15/2041	10,125	10,300
250,000	Eagle Spinco, Inc. Company Guarantee 4.625% 02/15/2021	233,588	259,375
	EP Energy LLC / Everest Acquisition Finance, Inc. Company Guarantee 6.375%		
250,000	06/15/2023	197,690	197,500
280,000	Kinder Morgan, Inc. Company Guarantee REGS 5.625% 11/15/2023	301,427	307,331
160,000	Oasis Petroleum, Inc. Company Guarantee 6.875% 03/15/2022	151,046	164,000
30,000	Occidental Petroleum Corp. Sr Unsecured 4.625% 06/15/2045	29,771	31,215
240,000	Oversea-Chinese Banking Corp., Ltd. REGS 4.25% 06/19/2024	242,629	240,995
190,000	Petrobras Global Finance BV Company Guarantee 5.375% 01/27/2021	184,637	185,820
90,000	Petrobras Global Finance BV Company Guarantee 6.85% 06/05/2115	71,782	72,900
250,000	Pride International, Inc. Company Guarantee 7.875% 08/15/2040	205,469	223,750
90,000	Rice Energy, Inc. Company Guarantee 6.25% 05/01/2022	84,487	92,475
70,000	Rice Energy, Inc. Company Guarantee 7.25% 05/01/2023	51,149	74,200
	Rose Rock Midstream L.P. / Rose Rock Finance Corp. Company Guarantee 5.625%		
250,000	11/15/2023	245,485	243,750
350,000	Sabine Pass Liquefaction LLC Sr Secured 5.75% 05/15/2024	371,351	375,375
160,000	Sanchez Energy Corp. Company Guarantee 6.125% 01/15/2023	94,486	152,000
30,000	Shell International Finance BV Company Guarantee 4.125% 05/11/2035	30,221	30,632
120,000	Shell International Finance BV Company Guarantee 4.375% 05/11/2045	119,768	121,557
	Summit Midstream Holdings LLC / Summit Midstream Finance Corp. Company		
40,000	Guarantee 5.50% 08/15/2022	38,396	39,000
	Summit Midstream Holdings LLC / Summit Midstream Finance Corp. Company		
10,000	Guarantee 7.50% 07/01/2021	9,938	10,500
90,000	Vale Overseas Ltd. Company Guarantee 6.25% 08/10/2026	90,000	93,600
170,000	Vale Overseas Ltd. Company Guarantee 6.875% 11/10/2039	152,293	165,325
100,000	Whiting Petroleum Corp. Company Guarantee 5.75% 03/15/2021	100,246	99,584
120,000	Whiting Petroleum Corp. Company Guarantee 6.25% 04/01/2023	113,718	120,000
450,000	William Lyon Homes, Inc. Company Guarantee 7.00% 08/15/2022	464,390	465,750
520,000	Williams Cos., Inc. Sr Unsecured 8.75% 03/15/2032	631,116	627,900
250,000	WPX Energy, Inc. Sr Unsecured 8.25% 08/01/2023	283,291	279,375
	Total Energy	7.64% 5,826,068	6,022,616
<i>Financial</i>			
	MGM Growth Properties Operating Partnership LP / MGP Finance Co-Issuer, Inc.		
150,000	Company Guarantee REGS 4.50% 09/01/2026	145,170	144,000
	Total Financial	0.18% 145,170	144,000
<i>Financials</i>			
140,000	American International Group, Inc. Sr Unsecured 3.75% 07/10/2025	139,575	140,904
600,000	Bank of America Corp. Jr Subordinated Series Z 6.50% 10/23/2024	627,679	627,000
20,000	Bank of America Corp. Sr Unsecured 5.00% 01/21/2044	21,926	21,902
70,000	Bank of America Corp. Sr Unsecured 3.875% 08/01/2025	69,888	71,178
100,000	Bank of America Corp. Subordinated 4.00% 01/22/2025	99,285	100,126
90,000	Bank of America Corp. Subordinated 4.20% 08/26/2024	91,220	91,683

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
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Principal Amount†		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Financials (continued)</i>			
\$	600,000 Citigroup, Inc. Jr Subordinated Series M 6.30% 05/15/2024	\$ 607,315	\$ 594,900
	160,000 Citigroup, Inc. Jr Subordinated Series P 5.95% 05/15/2025	159,975	158,032
	105,000 Citigroup, Inc. Sr Unsecured 4.65% 07/30/2045	104,885	110,675
	101,000 Citigroup, Inc. Sr Unsecured 8.125% 07/15/2039	145,562	150,079
	347,000 Citigroup, Inc. Subordinated 5.30% 05/06/2044	392,233	373,780
	110,000 Citigroup, Inc. Subordinated 4.40% 06/10/2025	109,708	112,535
	30,000 CoreCivic, Inc. Company Guarantee 4.125% 04/01/2020	28,387	29,925
	60,000 CoreCivic, Inc. Company Guarantee 4.625% 05/01/2023	58,229	59,100
	120,000 CoreCivic, Inc. Company Guarantee 5.00% 10/15/2022	114,009	119,700
	80,000 Goldman Sachs Group, Inc. Sr Unsecured 3.50% 11/16/2026	79,795	78,159
	650,000 Goldman Sachs Group, Inc. Subordinated 6.75% 10/01/2037	840,782	802,650
	30,000 Goldman Sachs Group, Inc. Subordinated 5.15% 05/22/2045	29,935	31,550
	200,000 Goodman HK Finance Company Guarantee REGS 4.375% 06/19/2024	203,480	203,320
GBP	150,000 Grainger PLC Sr Secured REGS 5.00% 12/16/2020	239,135	203,167
	500,000 HSBC Holdings PLC Jr Subordinated 6.375% 09/17/2024	514,145	491,875
	30,000 Iron Mountain, Inc. Company Guarantee 6.00% 08/15/2023	31,513	31,875
	230,000 Itau CorpBanca Sr Unsecured REGS 3.875% 09/22/2019	232,760	237,042
	250,000 Itau Unibanco Holding S.A. REGS 2.85% 05/26/2018	245,072	250,625
	150,000 JPMorgan Chase & Co. Subordinated 3.625% 12/01/2027	149,743	145,528
	90,000 JPMorgan Chase & Co. Subordinated 4.95% 06/01/2045	89,764	95,968
	200,000 Lloyds Banking Group PLC Jr Subordinated 7.50% 06/27/2024	206,121	206,000
	400,000 Lloyds Banking Group PLC Subordinated 4.65% 03/24/2026	408,830	405,157
GBP	150,000 Nationwide Building Society Jr Subordinated REGS 6.875% 06/20/2019	228,266	185,451
	750,000 Quicken Loans, Inc. Company Guarantee REGS 5.75% 05/01/2025	724,720	729,375
	200,000 Royal Bank of Scotland Group PLC Jr Subordinated 8.625% 08/15/2021	199,800	204,000
	350,000 Royal Bank of Scotland Group PLC Subordinated 5.125% 05/28/2024	352,064	348,978
GBP	200,000 Santander UK Group Holdings PLC Jr Subordinated REGS 7.375% 06/24/2022	310,207	246,493
	600,000 Standard Chartered PLC Subordinated REGS 5.70% 03/26/2044	642,729	599,246
	460,000 Universal Hospital Services, Inc. Secured 7.625% 08/15/2020	422,167	455,400
	190,000 Wells Fargo & Co. Subordinated 4.30% 07/22/2027	189,653	195,429
	Total Financials	11.31% 9,110,557	8,908,807
<i>Health Care</i>			
	80,000 AbbVie, Inc. Sr Unsecured 3.60% 05/14/2025	79,880	79,239
	79,000 Becton Dickinson and Co. Sr Unsecured 4.875% 05/15/2044	86,522	82,253
	250,000 BioScrip, Inc. Company Guarantee 8.875% 02/15/2021	204,641	187,500
	500,000 Celgene Corp. Sr Unsecured 4.625% 05/15/2044	547,052	489,559
	210,000 Centene Corp. Sr Unsecured 4.75% 05/15/2022	213,302	212,100
	250,000 Centene Corp. Sr Unsecured 4.75% 01/15/2025	240,108	244,062
	420,000 DaVita, Inc. Company Guarantee 5.00% 05/01/2025	412,810	413,175
	90,000 Genesis Energy L.P. / Genesis Energy Finance Corp. Company Guarantee 6.00% 05/15/2023	90,000	91,575
	50,000 Genesis Energy L.P. / Genesis Energy Finance Corp. Company Guarantee 6.75% 08/01/2022	49,429	51,950
	190,000 HCA, Inc. Company Guarantee 5.375% 02/01/2025	193,757	190,475
	110,000 HCA, Inc. Sr Secured 4.75% 05/01/2023	112,447	112,613
	60,000 HCA, Inc. Sr Secured 5.25% 06/15/2026	61,145	62,025
	270,000 Immucor, Inc. Company Guarantee 11.125% 08/15/2019	236,207	253,800
	80,000 Tenet Healthcare Corp. Sr Unsecured 8.125% 04/01/2022	86,830	75,480
	Total Health Care	3.23% 2,614,130	2,545,806

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Global Strategic Fixed Income Fund
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Principal Amount†		Cost	Fair Value
<i><u>Corporate Bonds (continued)</u></i>			
<i>Industrials</i>			
\$ 50,000	Actavis Funding SCS Company Guarantee 3.45% 03/15/2022	\$ 49,946	\$ 50,750
80,000	Actavis Funding SCS Company Guarantee 4.75% 03/15/2045	79,867	78,539
150,000	AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust Company Guarantee 4.625% 07/01/2022	140,713	154,500
150,000	AerCap Ireland Capital Ltd. / AerCap Global Aviation Trust Company Guarantee 5.00% 10/01/2021	151,621	157,688
162,922	American Airlines Pass-Through Trust Secured 3.70% 11/01/2024	162,922	158,849
100,000	CBC Ammo LLC / CBC FinCo, Inc. Sr Unsecured REGS 7.25% 11/15/2021	95,249	98,250
220,000	CBRE Services, Inc. Company Guarantee 5.25% 03/15/2025	236,677	226,855
300,000	CTR Partnership L.P. / CareTrust Capital Corp. Company Guarantee 5.875% 06/01/2021	304,227	305,250
250,000	Florida East Coast Holdings Corp. Sr Secured REGS 6.75% 05/01/2019	249,154	258,750
50,000	General Electric Co. Subordinated 5.30% 02/11/2021	55,487	55,453
50,000	H&E Equipment Services, Inc. Company Guarantee 7.00% 09/01/2022	45,063	52,625
180,000	IASIS Healthcare LLC / IASIS Capital Corp. Company Guarantee 8.375% 05/15/2019	168,066	156,600
500,000	International Lease Finance Corp. Sr Unsecured 8.625% 01/15/2022	600,346	600,625
300,000	Johnson Controls International PLC Sr Unsecured 4.95% 07/02/2064	285,682	279,768
200,000	LMI Aerospace, Inc. Secured 7.375% 07/15/2019	199,445	199,500
186,000	MPT Operating Partnership L.P. / MPT Finance Corp. Company Guarantee 5.25% 08/01/2026	176,699	182,280
250,000	Navient Corp. Sr Unsecured 8.00% 03/25/2020	250,000	277,350
500,000	Navios Maritime Acquisition Corp. / Navios Acquisition Finance US, Inc. Sr Secured REGS 8.125% 11/15/2021	454,254	425,000
250,000	Teck Resources Ltd. Company Guarantee 5.20% 03/01/2042	226,164	220,000
490,000	Wachovia Capital Trust III Limited Guarantee 5.57% 01/30/2017	485,194	480,837
140,000	Windstream Services LLC Company Guarantee 7.75% 10/15/2020	135,144	143,920
	Total Industrials	5.79% 4,551,920	4,563,389
<i>Information Technology</i>			
200,000	Activision Blizzard, Inc. Company Guarantee REGS 6.125% 09/15/2023	211,773	218,822
250,000	Alibaba Group Holding Ltd. Company Guarantee 3.125% 11/28/2021	242,454	249,824
469,000	NRG REMA LLC Pass-Through Trust Series C 9.681% 07/02/2026	505,963	302,505
250,000	SFR Group S.A. Sr Secured REGS 6.00% 05/15/2022	250,468	256,563
60,000	Sinclair Television Group, Inc. Company Guarantee 6.125% 10/01/2022	62,478	62,550
	Total Information Technology	1.38% 1,273,136	1,090,264
<i>Materials</i>			
250,000	ArcelorMittal Sr Unsecured 8.00% 10/15/2039	273,750	274,335
120,000	Arconic, Inc. Sr Unsecured 5.125% 10/01/2024	119,812	123,000
30,000	Ball Corp. Company Guarantee 5.25% 07/01/2025	31,487	31,350
167,000	Barrick Gold Corp. Sr Unsecured 4.10% 05/01/2023	150,743	171,316
200,000	Berry Petroleum Co. LLC Sr Unsecured 6.75% 11/01/2020	43,761	127,500
300,000	Freeport-McMoRan, Inc. Company Guarantee 3.55% 03/01/2022	262,988	279,000
450,000	Rio Tinto Finance USA Ltd. Company Guarantee 3.75% 06/15/2025	441,488	463,413
530,000	Yamana Gold, Inc. Company Guarantee 4.95% 07/15/2024	483,539	519,400
	Total Materials	2.53% 1,807,568	1,989,314

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Schedule of Investments (Continued)
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Principal Amount†		Cost	Fair Value		
<u>Corporate Bonds (continued)</u>					
<u>Telecommunication Services</u>					
\$	250,000	Alice Financing S.A. Sr Secured REGS 6.625% 02/15/2023	\$ 250,248	\$ 256,875	
	200,000	Bharti Airtel International Netherlands BV Company Guarantee REGS 5.35% 05/20/2024	213,398	209,487	
	250,000	CenturyLink, Inc. Sr Unsecured Series T 5.80% 03/15/2022	259,064	255,532	
	250,000	HC2 Holdings, Inc. Company Guarantee REGS 11.00% 12/01/2019	245,112	245,000	
	130,000	Niska Gas Storage Ltd. / Niska Gas Storage Canada Finance Corp. Company Guarantee 6.50% 04/01/2019	129,410	130,650	
	600,000	Sprint Corp. Company Guarantee 7.875% 09/15/2023	605,742	640,500	
GBP	100,000	Telefonica Europe BV Company Guarantee REGS 6.75% 11/26/2020	160,110	128,170	
	450,000	Verizon Communications, Inc. Sr Unsecured 6.55% 09/15/2043	581,132	562,040	
	200,000	West Corp. Company Guarantee REGS 5.375% 07/15/2022	191,562	193,250	
		Total Telecommunication Services	3.33%	2,635,778	2,621,504
<u>Utilities</u>					
	250,000	AES Corp. Sr Unsecured 7.375% 07/01/2021	277,390	278,475	
GBP	150,000	Anglian Water Osprey Financing PLC Sr Secured REGS 5.00% 04/30/2023	229,570	193,616	
	250,000	Comision Federal de Electricidad Sr Unsecured REGS 5.75% 02/14/2042	243,150	231,875	
GBP	140,000	Enel S.p.A. Jr Subordinated REGS 7.75% 09/10/2075	231,602	188,679	
	500,000	FirstEnergy Corp. Sr Unsecured Series C 7.375% 11/15/2031	628,270	644,449	
	200,000	ICICI Bank Ltd. Sr Unsecured REGS 4.80% 05/22/2019	208,795	210,299	
		Total Utilities	2.22%	1,818,777	1,747,393
		Total Corporate Bonds	46.86%	37,216,030	36,918,979
<u>Floating Rate Loans</u>					
<u>Consumer Discretionary</u>					
	79,796	1011778 B.C. Unlimited Liability Company Term Loan B2 3.75% 12/10/2021	80,287	80,394	
	200,000	Albertsons LLC USD 2016 Term Loan B6 4.00% 06/22/2023	201,750	202,750	
	200,000	American Builders & Contractors Supply Co., Inc. Term Loan B 3.50% 10/31/2023	201,099	201,750	
	233,645	Aristocrat Technologies, Inc. 2016 Term Loan B 3.631% 10/20/2021	235,032	235,865	
	200,000	Bass Pro Group LLC Term Loan B 5.75% 12/16/2023	198,750	198,107	
	79,799	Charter Communications Operating LLC 2016 Term Loan I Add 2.25% 01/15/2024	80,397	80,397	
	79,800	Hilton Worldwide Finance LLC Term Loan B2 2.50% 10/25/2023	80,298	80,612	
	108,894	Landry's, Inc. 2016 Term Loan B 4.00% 10/04/2023	109,651	109,928	
	79,800	Leslie's Poolmart, Inc. 2016 Term Loan 5.25% 08/16/2023	80,399	80,432	
	200,000	Lions Gate Entertainment Corp. 2016 1st Lien Term Loan 3.75% 12/08/2023	200,450	200,875	
	79,799	MGM Growth Prop. Operating Partnership L.P. 2016 Term Loan B 3.52% 04/25/2023	79,897	80,373	
	99,750	Party City Holdings, Inc. 2016 Term Loan 4.24% 08/19/2022	100,623	100,296	
	80,000	Petco Animal Supplies, Inc. 2016 Term Loan B1 5.00% 01/26/2023	80,500	80,522	
	80,000	PetSmart, Inc. Term Loan B2 4.00% 03/11/2022	80,200	80,245	
	199,491	Scientific Games International, Inc. 2014 Term Loan B2 6.00% 10/01/2021	201,848	201,771	
	79,800	Station Casinos LLC 2016 Term Loan B 3.75% 06/08/2023	80,196	80,660	
	79,786	Univision Communications, Inc. Term Loan C4 4.00% 03/01/2020	79,767	80,108	
		Total Consumer Discretionary	2.76%	2,171,144	2,175,085
<u>Consumer Staples</u>					
	239,400	Reynolds Group Holdings, Inc. 2016 USD Term Loan 4.25% 02/05/2023	240,558	241,848	
		Total Consumer Staples	0.31%	240,558	241,848

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Global Strategic Fixed Income Fund
December 31, 2016

Principal Amount†		Cost	Fair Value
<i>Floating Rate Loans (continued)</i>			
<i>Financials</i>			
\$ 40,000	Ancestry.com Operations, Inc. 1st Lien Term Loan 5.25% 10/19/2023	\$ 40,050	\$ 40,214
199,500	Communications Sales & Leasing, Inc. Term Loan B 4.50% 10/24/2022	200,741	201,647
216,381	RPI Finance Trust Term Loan B5 3.498% 10/14/2022	218,315	218,738
	Total Financials	0.58% 459,106	460,599
<i>Health Care</i>			
79,795	DaVita HealthCare Partners, Inc. Term Loan B 3.52% 06/24/2021	79,992	80,427
249,375	HCA, Inc. Term Loan B7 3.52% 02/15/2024	251,850	251,913
199,494	Jaguar Holding Company II 2015 Term Loan B 4.25% 08/18/2022	200,026	201,281
193,976	MPH Acquisition Holdings LLC 2016 Term Loan B 5.00% 06/07/2023	196,158	197,232
	Total Health Care	0.93% 728,026	730,853
<i>Industrials</i>			
85,057	Air Canada 2016 Term Loan B 3.614% 10/06/2023	85,373	85,518
72,453	CBS Radio, Inc. Term Loan B 4.50% 10/17/2023	72,722	73,155
200,000	Prime Security Services Borrower LLC 2016 1st Lien Term Loan 4.75% 05/02/2022	201,863	202,050
149,246	T-Mobile USA, Inc. Term Loan B 3.52% 11/09/2022	150,705	150,792
80,000	XPO Logistics, Inc. Term Loan B2 4.25% 11/01/2021	80,695	80,940
	Total Industrials	0.75% 591,358	592,455
<i>Information Technology</i>			
100,000	CWGS Group LLC 2016 Term Loan 4.50% 11/08/2023	99,505	100,719
	Total Information Technology	0.13% 99,505	100,719
<i>Materials</i>			
200,000	Berry Plastics Group, Inc. Term Loan H 3.75% 10/01/2022	201,400	201,650
	Total Materials	0.26% 201,400	201,650
<i>Telecommunication Services</i>			
200,000	Level 3 Financing, Inc. 2015 Term Loan B2 3.50% 05/31/2022	201,915	201,625
65,495	Virgin Media Investment Holdings Limited USD Term Loan I 2.75% 01/31/2025	65,331	65,741
35,556	Windstream Services LLC Delayed Draw Term Loan 4.75% 03/29/2021	35,467	35,656
53,200	Windstream Services LLC Repriced Term Loan B6 4.75% 03/29/2021	53,333	53,349
	Total Telecommunication Services	0.45% 356,046	356,371
<i>Utilities</i>			
200,000	UFC Holdings LLC 1st Lien Term Loan 5.00% 08/18/2023	201,494	202,042
	Total Utilities	0.26% 201,494	202,042
	Total Floating Rate Loans	6.43% 5,048,637	5,061,622

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Global Strategic Fixed Income Fund
December 31, 2016

Principal Amount†		Cost	Fair Value
<i>Foreign Government</i>			
<i>Argentina</i>			
ARS \$ 2,470,000	Argentine Bonos del Tesoro 22.75% 03/05/2018	\$ 167,654	\$ 157,418
810,000	Republic of Argentina 7.00% 04/17/2017	806,343	831,777
	Total Argentina	1.25% 973,997	989,195
<i>Australia</i>			
AUD 2,500,000	Australia Government Bond REGS 2.75% 10/21/2019	1,992,637	1,842,647
	Total Australia	2.34% 1,992,637	1,842,647
<i>Brazil</i>			
BRL 2,400,000	Brazil Notas do Tesouro Nacional 10.00% 01/01/2021	651,991	710,133
350,000	Brazilian Government International Bond Sr Unsecured 6.00% 04/07/2026	357,016	362,250
	Total Brazil	1.36% 1,009,007	1,072,383
<i>Canada</i>			
250,000	Province of British Columbia Canada Sr Unsecured 2.00% 10/23/2022	248,047	244,655
500,000	Province of Ontario Canada Sr Unsecured 2.50% 09/10/2021	507,122	503,849
	Total Canada	0.95% 755,169	748,504
<i>Ecuador</i>			
200,000	Ecuador Government International Bond Sr Unsecured REGS 10.75% 03/28/2022	200,000	217,000
	Total Ecuador	0.27% 200,000	217,000
<i>Hungary</i>			
710,000	Hungary Government International Bond Sr Unsecured 5.75% 11/22/2023	780,598	787,212
	Total Hungary	1.00% 780,598	787,212
<i>Indonesia</i>			
1,290,000	Indonesia Government International Bond REGS 5.25% 01/17/2042	1,205,495	1,300,079
IDR 9,285,000,000	Indonesia Treasury Bond Sr Unsecured 8.375% 09/15/2026	789,229	707,789
IDR 342,000,000	Indonesia Treasury Bond Sr Unsecured 8.375% 03/15/2034	28,450	25,512
	Total Indonesia	2.58% 2,023,174	2,033,380
<i>Ireland</i>			
EUR 1,100,000	Republic of Ireland Government 5.40% 03/13/2025	1,579,731	1,605,950
	Total Ireland	2.04% 1,579,731	1,605,950
<i>Jamaica</i>			
200,000	Jamaica Government International Bond Sr Unsecured 6.75% 04/28/2028	205,111	219,000
	Total Jamaica	0.28% 205,111	219,000
<i>Kazakhstan</i>			
810,000	Kazakhstan Government International Bond REGS 5.125% 07/21/2025	807,283	865,410
	Total Kazakhstan	1.10% 807,283	865,410

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Global Strategic Fixed Income Fund
December 31, 2016

Principal Amount†		Cost	Fair Value
<i><u>Foreign Government (continued)</u></i>			
<i>Mexico</i>			
MXN \$ 11,920,000	Mexican Bonos Sr Unsecured 8.50% 11/18/2038	\$ 782,176	\$ 610,775
1,280,000	Mexico Government International Bond Sr Unsecured 4.75% 03/08/2044	1,212,666	1,163,904
	Total Mexico	2,25% 1,994,842	1,774,679
<i>New Zealand</i>			
NZD 3,300,000	New Zealand Government Bond Sr Unsecured REGS 3.00% 04/15/2020	2,463,507	2,327,980
	Total New Zealand	2,95% 2,463,507	2,327,980
<i>Nigeria</i>			
220,000	Nigeria Government International Bond REGS 6.375% 07/12/2023	208,379	212,375
	Total Nigeria	0,27% 208,379	212,375
<i>Peru</i>			
810,000	Peruvian Government International Bond Sr Unsecured 4.125% 08/25/2027	806,080	841,387
800,000	Peruvian Government International Bond Sr Unsecured 5.625% 11/18/2050	857,208	906,000
	Total Peru	2,22% 1,663,288	1,747,387
<i>Poland</i>			
1,130,000	Republic of Poland Government International Bond Sr Unsecured 4.00% 01/22/2024	1,183,029	1,155,717
	Total Poland	1,47% 1,183,029	1,155,717
<i>Russia</i>			
RUB 56,910,000	Russian Federal Bond 7.05% 01/19/2028	816,697	848,113
	Total Russia	1,08% 816,697	848,113
	Total Foreign Government	23,41% 18,656,449	18,446,932
<i><u>Asset-Backed Securities</u></i>			
293,836	Argent Securities, Inc. Series 2003-W6, Class AV1 1.616% 01/25/2034	247,653	261,346
566,213	Bear Stearns Asset-Backed Securities Trust Series 2002-1, Class 2A 1.396% 12/25/2034	536,723	528,225
239,948	Countrywide Asset-Backed Certificates Series 2007-4, Class A4W 5.173% 04/25/2047	241,342	236,867
266,105	CWHEQ Revolving Home Equity Loan Trust Series 2007-A, Class A .824% 04/15/2037	234,150	233,279
322,261	First Franklin Mortgage Loan Trust Series 2004-FF7, Class M1 1.626% 09/25/2034	311,166	307,916
528,964	GSAMP Trust Series 2003-HE2, Class A3C 1.796% 08/25/2033	506,673	502,563
880,000	Merrill Lynch Mortgage Investors Trust Series 2006-FF1, Class M5 1.146% 08/25/2036	825,472	824,901
97,071	National Collegiate Student Loan Trust Series 2006-4, Class A3 1.016% 02/26/2029	93,309	94,147
750,000	New Century Home Equity Loan Trust Series 2005-4, Class M4 1.386% 09/25/2035	503,750	526,423
186,362	Option One Mortgage Loan Trust Series 2002-3, Class A2 1.296% 08/25/2032	171,984	173,972
280,000	SLM Private Credit Student Loan Trust Series 2005-B, Class A4 1.293% 06/15/2039	251,252	253,654
300,000	SLM Private Credit Student Loan Trust Series 2007-A, Class A4A 1.203% 12/16/2041	256,549	262,511

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Global Strategic Fixed Income Fund
December 31, 2016

Principal Amount†		Cost	Fair Value
<i><u>Asset-Backed Securities (continued)</u></i>			
\$ 502,049	SLM Student Loan Trust Series 2008-4, Class A4 2.532% 07/25/2022	\$ 503,642	\$ 504,959
275,262	Structured Asset Investment Loan Trust Series 2004-8, Class M1 1.656% 09/25/2034	264,067	264,999
620,000	Structured Asset Investment Loan Trust Series 2005-HE3, Class M1 1.476% 09/25/2035	576,568	577,581
Total Asset-Backed Securities		7.05%	5,524,300
<i><u>Mortgage-Backed Securities</u></i>			
430,000	CD Mortgage Trust Series 2016-CD2, Class C 4.031% 11/10/2049	426,509	426,200
425,000	CSAIL Commercial Mortgage Trust Series 2016-C7, Class C 4.394% 11/15/2049	394,868	385,304
93,216	Federal National Mortgage Association 3.50% 12/01/2045	96,349	95,819
601,919	Federal National Mortgage Association 3.50% 12/01/2045	629,977	617,388
92,232	Federal National Mortgage Association 3.50% 01/01/2046	94,784	94,808
957,808	Federal National Mortgage Association 4.00% 01/01/2045	1,026,546	1,013,552
410,000	JP Morgan Chase Commercial Mortgage Securities Trust Series 2013-LC11, Class C 3.958% 04/15/2046	409,506	404,006
400,000	JP Morgan Chase Commercial Mortgage Securities Trust Series 2016-JP3, Class C 3.483% 08/15/2049	388,936	363,232
400,000	JP Morgan Chase Commercial Mortgage Securities Trust Series 2016-JP4, Class C 3.462% 12/15/2049	358,824	356,684
410,000	Morgan Stanley Bank of America Merrill Lynch Trust Series 2016-C32, Class C 4.297% 12/15/2049	397,877	395,935
410,000	Morgan Stanley Capital I Trust Series 2016-BNK2, Class C 3.912% 11/15/2049	412,548	398,802
410,000	Morgan Stanley Capital I Trust Series 2016-UB12, Class C 4.151% 12/15/2049	392,204	386,967
410,000	Wells Fargo Commercial Mortgage Trust Series 2016-C37, Class C 4.495% 12/15/2049	397,273	397,967
400,000	WFRBS Commercial Mortgage Trust Series 2014-C20, Class C 4.513% 05/15/2047	400,168	399,412
Total Mortgage-Backed Securities		7.28%	5,826,369
<i><u>U.S. Government & Agency Obligation</u></i>			
<i>U.S. Government Obligation</i>			
10,000	United States Treasury Bond 2.875% 11/15/2046	9,946	9,655
Total U.S. Government Obligation		0.01%	9,946
Total U.S. Government & Agency Obligation		0.01%	9,946
Contracts		Cost	Fair Value
<i><u>Put Options Purchased</u></i>			
158	E-mini S&P 500 Index Futures, Put @ \$2,000.00	153,263	7,900
35	E-mini S&P 500 Index Futures, Put @ \$2,050.00	59,164	3,150
16	E-mini S&P 500 Index Futures, Put @ \$2,150.00	16,052	14,320
Total Purchased Options		0.03%	228,479
Total Investments		100.00%	\$ 79,296,893
		\$	\$ 78,788,007

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

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Western Asset Global Strategic Fixed Income Fund
December 31, 2016

Abbreviations used in this table:

ARS	Argentine Peso
AUD	Australian Dollar
BRL	Brazilian Real
EUR	Euro
GBP	British Pound
IDR	Indonesian Rupiah
MXN	Mexican Peso
NZD	New Zealand Dollar
RUB	Russian Ruble

SCHEDULE OF WRITTEN OPTIONS

SECURITY	EXPIRATION DATE	STRIKE PRICE	CONTRACTS	VALUE
E-mini S&P 500 Index Futures, Put,	01/20/17	\$ 1,900.00	32	\$ 3,300
E-mini S&P 500 Index Futures, Put,	01/20/17	1,950.00	79	2,963
U.S. Dollar/Mexican Peso, Put.,	02/14/17	20.00	830,000	4,724
United States Treasury 5-Year Notes Futures, Call	01/27/17	120.00	37	578
TOTAL WRITTEN OPTIONS (Premiums received \$142,033)				\$ 11,565

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

	Western Asset Global Strategic Fixed Income Fund
Income	
Interest (net of foreign withholding taxes of \$8,404)	\$ 3,277,604
Dividends (net of foreign withholding taxes of \$679)	44,619
Total income	3,322,223
Expenses	
Trustee and administrative	101,725
Class R3 expenses	357,181
Total expenses before reimbursement	458,906
Reimbursement of fees	(5,070)
Net expenses	453,836
Net Investment Income	2,868,387
Net Realized Gains (Losses) on Investments, Options Written, Futures Contracts, Swap Contracts, Investments Sold Short and Foreign Currency	
Net realized losses on investments	(990,457)
Net realized gains on options written	7,262
Net realized losses on futures contracts	(1,017,073)
Net realized gains on swap contracts	822,527
Net realized losses on investments sold short	(3,727)
Net realized gains on foreign currency transactions	9,133
Net realized losses on foreign currency forward exchange contracts	(69,532)
Net realized and unrealized losses	(1,241,867)
Change in Net Unrealized Appreciation (Depreciation) on:	
Investments	3,639,955
Options written	45,667
Futures contracts	63,153
Swap contracts	1,644,385
Foreign currencies	(19,118)
Foreign currency forward exchange contracts	577,235
Change in net unrealized appreciation (depreciation)	5,951,277
Net realized and unrealized gains on investments, options written, futures contracts, swap contracts, investments sold short and foreign currency	4,709,410
Net Increase in Net Assets Resulting From Operations	\$ 7,577,797

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

	Western Asset Global Strategic Fixed Income Fund
Operations	
Net investment income	\$ 2,868,387
Net realized losses	(1,241,867)
Change in net unrealized appreciation (depreciation)	<u>5,951,277</u>
Net increase in net assets from operations	7,577,797
Net Increase in Net Assets From Participant Unit Transactions	<u>2,869,764</u>
Increase in Net Assets	10,447,561
Net Assets	
Beginning of year	<u>71,592,725</u>
End of year	<u><u>\$ 82,040,286</u></u>

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 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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.

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, 2016, 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

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2016

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.

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, 2016

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, 2016, 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, 2016, 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

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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.

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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.

When the Fund purchases a swaption, 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 daily to reflect the current market value of the swaption purchased. If the swaption expires, the Fund realizes a loss equal to the amount of the premium paid.

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

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Short Sales

The Fund may sell a security that it does not own in anticipation of a decline in the fair value of that security. When the Fund sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Fund sold the security short, or a loss, unlimited in size, will be recognized upon the termination of a short sale. The Fund is also subject to the risk that it may be unable to reacquire a security to terminate a short position except at a price substantially in excess of the last quoted price. The Fund's borrowing agreements with broker-dealers are not subject to master netting or similar agreements or collateral agreements.

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 apportions 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.

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	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Appreciation (Depreciation)
Contracts to Buy:					
90-Day Eurodollar	49	06/17/17	\$ 12,128,184	\$ 12,102,387	\$ (25,797)
Australian 10-Year Bonds	55	03/17/17	5,051,264	5,070,198	18,934
Euro-BTP	16	03/17/17	2,245,647	2,278,946	33,299
U.S. Treasury 5-Year Notes	139	03/17/17	16,395,952	16,355,305	(40,647)
U.S. Treasury 10-Year Notes	36	03/17/17	4,450,554	4,474,125	23,571
U.S. Treasury Ultra Long-Term Bonds	15	03/17/17	2,424,622	2,403,750	(20,872)
					<u>(11,512)</u>
Contracts to Sell:					
90-Day Eurodollar	83	03/17/17	20,535,943	20,534,200	1,743
90-Day Eurodollar	49	06/19/17	12,095,066	11,983,563	111,503
Euro-Bund	20	03/17/17	3,409,668	3,455,851	(46,183)
U.S. Treasury Long-Term Bonds	27	03/17/17	4,075,529	4,067,719	7,810
					<u>74,873</u>
Net unrealized appreciation (depreciation) on open futures contracts					<u>\$ 63,361</u>

Note 3: Foreign Currency Forward Exchange Contracts

At December 31, 2016, the Fund had the following open forward foreign currency exchange contracts:

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
IDR	\$ 277,952,007	USD	\$ 21,132	Bank of America, N.A.	01/20/17	\$ (546)
RUB	22,080,000	USD	345,162	Barclays Bank PLC	01/20/17	13,921
RUB	28,110,000	USD	433,977	Barclays Bank PLC	01/20/17	23,170
USD	2,411,390	AUD	3,173,528	Barclays Bank PLC	01/20/17	122,172
USD	410,026	CAD	540,000	Barclays Bank PLC	01/20/17	7,748
USD	1,312,431	GBP	1,030,000	Barclays Bank PLC	01/20/17	42,452
USD	833,293	KRW	921,330,000	Barclays Bank PLC	01/20/17	70,476
USD	2,501,237	NZD	3,507,850	Barclays Bank PLC	01/20/17	65,602
BRL	1,030,000	USD	296,608	Citibank, N.A.	01/20/17	18,406
CAD	1,080,000	USD	803,218	Citibank, N.A.	01/20/17	1,336
GBP	720,000	USD	892,409	Citibank, N.A.	01/20/17	(4,657)
IDR	5,374,320,000	USD	407,454	Citibank, N.A.	01/20/17	(9,415)
INR	39,980,000	USD	591,508	Citibank, N.A.	01/20/17	(3,327)

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Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
INR	\$ 49,230,000	USD	\$ 729,225	Citibank, N.A.	01/20/17	\$ (4,960)
JPY	9,470,000	USD	82,130	Citibank, N.A.	01/20/17	(1,023)
MXN	3,869,750	USD	198,060	Citibank, N.A.	01/20/17	(11,810)
MXN	7,800,000	USD	399,912	Citibank, N.A.	01/20/17	(24,501)
RUB	29,350,000	USD	458,236	Citibank, N.A.	01/20/17	19,077
USD	27,541	AUD	37,002	Citibank, N.A.	01/20/17	849
USD	647,200	BRL	2,150,000	Citibank, N.A.	01/20/17	(10,351)
USD	1,355,799	CAD	1,783,716	Citibank, N.A.	01/20/17	27,005
USD	1,298,801	CAD	1,710,000	Citibank, N.A.	01/20/17	24,923
USD	206,603	CNY	1,420,000	Citibank, N.A.	01/20/17	2,406
USD	1,112,740	EUR	991,376	Citibank, N.A.	01/20/17	68,215
USD	33,408	EUR	30,000	Citibank, N.A.	01/20/17	1,800
USD	16,616	EUR	15,000	Citibank, N.A.	01/20/17	812
USD	798,647	GBP	640,869	Citibank, N.A.	01/20/17	8,462
USD	1,360,953	GBP	1,090,000	Citibank, N.A.	01/20/17	16,995
USD	1,508,530	JPY	155,460,000	Citibank, N.A.	01/20/17	177,076
USD	205,300	JPY	21,801,668	Citibank, N.A.	01/20/17	18,578
USD	309,713	MXN	6,390,000	Citibank, N.A.	01/20/17	2,165
USD	1,866,880	TWD	58,340,000	Citibank, N.A.	01/20/17	55,522
USD	99,630	MXN	1,870,000	Goldman Sachs International	01/20/17	9,627
GBP	1,090,000	USD	1,327,598	JPMorgan Chase Bank, N.A.	01/20/17	16,360
USD	124,723	GBP	100,000	JPMorgan Chase Bank, N.A.	01/20/17	1,424
USD	366,835	MXN	7,590,000	JPMorgan Chase Bank, N.A.	01/20/17	1,532
CAD	851,650	USD	637,263	Bank of America, N.A.	02/13/17	(2,640)
USD	1,123,832	GBP	910,000	Bank of America, N.A.	02/13/17	1,199
USD	738,034	EUR	663,926	Citibank, N.A.	02/13/17	37,772
USD	359,960	GBP	288,217	Citibank, N.A.	02/13/17	4,397
ARS	890,000	USD	54,103	Citibank, N.A.	02/15/17	150
ARS	4,391,000	USD	268,563	Citibank, N.A.	02/15/17	(891)
ARS	6,700,000	USD	424,454	JPMorgan Chase Bank, N.A.	02/15/17	(16,027)
Total						<u>\$ 771,481</u>

Abbreviations used in the above table:

ARS Argentine Peso
AUD Australian Dollar
BRL Brazilian Real
CAD Canadian Dollar
CNY Chinese Yuan Reminbi
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
TWD Taiwan Dollar
USD United States Dollar

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Note 4: Swap Contracts

At December 31, 2016, the Fund had the following open swap contracts:

OTC Interest Rate Swaps							
Swap Counterparty	Notional Amount*	Termination Date	Payments Made by the Fund†	Payments Received by the Fund†	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)	
Banc of America Securities LLC	\$ 11,226,104	01/04/21	1 Time 1.078%	1 Time BRL-CDI	\$ 0	\$ 317,594	
Centrally Cleared Interest Rate Swaps							
Central Counterparty	Notional Amount*	Termination Date	Payments Made by the Fund†	Payments Received by the Fund†	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)	
Chicago Mercantile Exchange	\$ 17,190,000	GBP 12/06/18	0.664% semi-annually	6-Month LIBOR-BBA	-	\$ (23,779)	
Chicago Mercantile Exchange	22,000,000	12/08/18	3-Month LIBOR-BBA	1.340% semi-annually	-	(41,199)	
Chicago Mercantile Exchange	26,780,000	CAD 12/09/18	1.085% semi-annually	3-Month CDOR-BA	-	2,171	
Chicago Mercantile Exchange	20,430,000	12/13/18	3-Month LIBOR-BBA	1.355% semi-annually	-	(33,189)	
Chicago Mercantile Exchange	9,840,000	02/28/21	1.269% semi-annually	3-Month LIBOR-quarterly	-	238,427	
Chicago Mercantile Exchange	1,240,000	06/13/21	3-Month LIBOR-BBA	1.185% semi-annually	-	(38,654)	
Chicago Mercantile Exchange	880,000	08/02/21	1.084% semi-annually	3-Month LIBOR-BBA	-	32,877	
Chicago Mercantile Exchange	880,000	08/02/21	1.081% semi-annually	3-Month LIBOR-BBA	-	32,994	
Chicago Mercantile Exchange	1,270,000	NZD 08/02/21	3-Month BBR-FRA	2.103% semi-annually	-	(33,503)	
Chicago Mercantile Exchange	1,270,000	NZD 08/02/21	3-Month BBR-FRA	2.128% semi-annually	-	(32,558)	
Chicago Mercantile Exchange	870,000	08/04/21	1.144% semi-annually	3-Month LIBOR-BBA	-	30,253	
Chicago Mercantile Exchange	870,000	08/04/21	1.142% semi-annually	3-Month LIBOR-BBA	-	30,331	
Chicago Mercantile Exchange	1,250,000	NZD 08/04/21	3-Month BBR FRA	2.105% semi-annually	-	(32,966)	
Chicago Mercantile Exchange	1,250,000	NZD 08/04/21	3-Month BBR FRA	2.105% semi-annually	-	(32,966)	
Chicago Mercantile Exchange	12,028,000	11/30/22	1.900% semi-annually	3-Month LIBOR-BBA	-	116,496	
Chicago Mercantile Exchange	1,240,000	06/13/26	1.580% semi-annually	3-Month LIBOR-BBA	166	80,088	
Total					\$ 166	\$ 294,823	
OTC Credit Default Swaps on Corporate Issues - Sell Protection ¹							
Swap Counterparty (Reference Entity)	Notional Amount ²	Termination Date	Implied Credit Spread at December 31, 2016 ³	Periodic Payments Received by the Fund**	Market Value	Upfront Premiums Paid (Received)	Unrealized Depreciation
Citigroup Global Markets (Genon Energy Inc., 7.875%, due 06/15/17)	\$ 640,000	06/20/17	81.60%	5.000% quarterly	\$ (170,488)	\$ 249	\$ (170,737)
OTC Credit Default Swaps on Corporate Issues - Buy Protection ⁴							
Swap Counterparty (Reference Entity)	Notional Amount ²	Termination Date	Implied Credit Spread at December 31, 2016 ³	Periodic Payments Made by the Fund**	Market Value	Upfront Premiums Paid (Received)	Unrealized Depreciation
Citigroup Global Markets (NRG Energy Inc., 6.250%, due 07/15/22)	\$ 1,280,000	06/20/17	0.37%	5.000% quarterly	\$ (28,097)	\$ (24,100)	\$ (3,997)

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Centrally Cleared Credit Default Swaps on Credit Indices - Sell Protection ¹						
Central Counterparty (Reference Entity)	Notional Amount ²	Termination Date	Periodic Payments Received by the Fund**	Market Value ⁵	Upfront Premiums Paid (Received)	Unrealized Depreciation
Chicago Mercantile Exchange (Markit CDX.NA.IG.27 Index)	\$ 660,000	12/20/21	1.000% quarterly	\$ 9,992	\$ 7,578	\$ 2,414
OTC Total Return Swaps						
Swap Counterparty	Notional Amount	Termination Date	Periodic Payments Made by the Fund**	Periodic Payments Received by the Fund†	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Bank of America Securities LLC	\$ 690,000	04/25/46	1Time 1.964%	1Time CPURNSA	\$ -	\$ 73,721
Bank of America Securities LLC	5,700,000	03/22/19	1Time 1.690%	1Time CPURNSA	-	75,777
Barclays Capital Inc.	350,000	04/08/46	1Time 1.990%	1Time CPURNSA	-	34,256
Total	\$ 6,740,000				\$ 0	\$ 183,754

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

¹ 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.

² 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.

³ 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.

⁴ 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.

⁵ The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative had the notional amount of the swap agreement been closed /sold as of the period end. Decreasing market values (sell protection) or increasing market values (buy protection) 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.

† Percentage shown is an annual percentage rate.

** Periodic payments made/received by the Fund are based on the total return of the referenced entity.

Abbreviations used in this table:

BRL - Brazilian Real
 CDA - Canadian Dollar
 GBP - British Pound
 NZD - New Zealand Dollar

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Note 5: Written Options Rollforward

During the year 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	\$ 18,800,069	\$ 182,924
Options written	204,813,740	1,652,767
Options closed	(103,956,226)	(1,112,948)
Options expired	<u>(118,827,335)</u>	<u>(580,710)</u>
Written options, outstanding as of December 31, 2016	<u>\$ 830,248</u>	<u>\$ 142,033</u>

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, 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 Global Strategic Fixed Income Fund:				
Class R3	0.04%	0.40%	0.07%	0.51%

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Note 7: Financial Highlights

	Western Asset Global Strategic Fixed Income Fund Class R3
Net asset value, beginning of year	\$ 9.49
Net investment income	0.38
Net realized and unrealized gains	0.65
Net increase from investment operations	1.03
Net asset value, end of year	\$ 10.52
Total return	10.96%
Ratio to average net assets:	
Net investment income	3.71%
Expenses without reimbursement	0.59%
Expenses with reimbursement	0.59%

Note 8: Participant Unit Transactions

	Western Asset Global Strategic Fixed Income Fund	
	Units	Dollars
Class R3:		
Proceeds from sales of units	2,614,398	\$ 25,683,717
Cost of units redeemed	(2,354,369)	(22,813,953)
Net increase in net assets from participant transactions	260,029	\$ 2,869,764

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 that the Fund can access at the measurement date.

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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 year ended December 31, 2016.

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

Preferred Stock. Securities traded on a national securities exchange (or reported on the NASDAQ national market) are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments, such as American Depository Receipts and the movement of certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as either Level 1 or 2 of the hierarchy.

Collateralized Mortgage Obligations and Corporate Bonds. The fair value of collateralized mortgage obligations and 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. Collateralized mortgage obligations and 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.

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U.S. Government and Agency Obligations. U.S. Government and agency 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 and agency 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.

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.

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.

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

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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 table presents 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, 2016.

	Fair Value	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Western Asset Global Strategic Fixed Income Fund				
Financial Instruments - Assets:				
Short Term Investment	\$ 409,519	\$ 409,519	\$ -	\$ -
Exchange Traded Fund	2,579,178	2,579,178	-	-
Preferred Stock	188,328	188,328	-	-
Collateralized Mortgage Obligations	3,859,005	-	3,859,005	-
Corporate Bonds	36,918,979	-	36,918,979	-
Floating Rate Loans	5,061,622	-	5,025,966	35,656
Foreign Government	18,446,932	-	18,446,932	-
Asset-Backed Securities	5,553,343	-	5,553,343	-
Mortgage-Backed Securities	5,736,076	-	5,736,076	-
U.S. Government and Agency Obligations	9,655	-	9,655	-
Put Options Purchased	25,370	25,370	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Financial Instruments - Assets	\$ 78,788,007	\$ 3,202,395	\$ 75,549,956	\$ 35,656

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	Fair Value	Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Derivative Instruments - Assets:				
Futures Contracts	\$ 196,860	\$ 196,860	\$ -	\$ -
Foreign Currency Exchange Contracts	861,629	-	861,629	-
Centrally Cleared Interest Rate Swaps	563,637	-	563,637	-
OTC Interest Rate Swaps	317,594	-	317,594	-
Centrally Cleared Credit Default Swaps on Credit Indices - Sell Protection	2,414	-	2,414	-
OTC Total Return Swaps	183,754	-	183,754	-
	<u>\$ 2,125,888</u>	<u>\$ 196,860</u>	<u>\$ 1,929,028</u>	
Derivative Instruments - Liabilities:				
Options Written	\$ 11,565	\$ 6,841	\$ 4,724	\$ -
Futures Contracts	133,499	133,499	-	-
Foreign Currency Exchange Contracts	90,148	-	90,148	-
Centrally Cleared Interest Rate Swaps	268,814	-	268,814	-
Centrally Cleared Credit Default Swaps on Credit Indices - Buy Protection	28,097	-	28,097	-
OTC Credit Default Swaps on Corporate Issues - Sell Protection	170,488	-	170,488	-
	<u>\$ 702,611</u>	<u>\$ 140,340</u>	<u>\$ 562,271</u>	

Level 3 Reconciliation

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying statements of assets and liabilities using significant unobservable (Level 3) inputs.

	Floating Rate Loans
Balance as of December 31, 2015	\$ -
Included in net income:	
Change in unrealized appreciation (depreciation) on securities	189
Purchases	<u>35,467</u>
Balance, December 31, 2016	<u>\$ 35,656</u>
Total gains or losses for the period included in net income attributable to the change in unrealized gains or losses related to assets and liabilities still held at December 31, 2016	<u>\$ 189</u>

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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.

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, 2016.

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Asset Derivatives¹					
	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Equity Risk	Total
Purchased options ²	\$ -	\$ -	\$ -	\$ 25,370	\$ 25,370
Futures contracts ³	196,860	-	-	-	196,860
OTC swap contracts ⁴	501,348	-	-	-	501,348
Centrally cleared swap contracts ⁵	563,637	-	2,414	-	566,051
Forward foreign currency contracts	-	861,629	-	-	861,629
Total	\$ 1,261,845	\$ 861,629	\$ 2,414	\$ 25,370	\$ 2,151,258
Liability Derivatives¹					
	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Equity Risk	Total
Written Options	\$ 578	\$ 4,724	\$ -	\$ 6,263	\$ 11,565
Futures contracts ³	133,499	-	-	-	133,499
OTC swap contracts ⁴	-	-	198,585	-	198,585
Centrally cleared swap contracts ⁵	268,814	-	-	-	268,814
Forward foreign currency contracts	-	90,148	-	-	90,148
Total	\$ 402,891	\$ 94,872	\$ 198,585	\$ 6,263	\$ 702,611

¹ 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).

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.

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

⁵ 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, 2016. 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.

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Amount of Realized Gain (Loss) on Derivatives Recognized

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Equity Risk	Total
Purchased options ¹	\$ (50,555)	\$ (34,859)	\$ 302,705	\$ (510,293)	\$ (293,002)
Written options	257,104	84,621	(539,595)	205,132	7,262
Futures contracts	(1,017,073)	-	-	-	(1,017,073)
Swap contracts	160,343	-	414,247	247,937	822,527
Forward foreign currency contracts	-	(69,532)	-	-	(69,532)
Total	\$ (650,181)	\$ (19,770)	\$ 177,357	\$ (57,224)	\$ (549,818)

Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized

	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total	
Purchased options ¹	\$ (272)	\$ -	\$ 41,631	\$ (135,322)	\$ (93,963)
Written options	6,630	4,899	(57,343)	91,481	45,667
Futures contracts	63,153	-	-	-	63,153
Swap contracts	811,126	-	(152,959)	986,218	1,644,385
Forward foreign currency contracts	-	577,235	-	-	577,235
Total	\$ 880,637	\$ 582,134	\$ (168,671)	\$ 942,377	\$ 2,236,477

¹ 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, 2016, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Purchased options	\$ 97,192
Written options	119,645
Futures contracts (to buy)	41,089,216
Futures contracts (to sell)	35,875,606
Forward foreign currency contracts (to buy)	15,290,580
Forward foreign currency contracts (to sell)	26,562,321

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	Average Notional Balance
Interest rate swap contracts	\$ 61,296,525
Credit default swap contracts (to buy protection)	1,280,000
Credit default swap contracts (to sell protection)	10,995,615
Total return swap contracts	13,583,688

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 Liabilities¹	Collateral Received	Net Amount
Purchased options ²	\$ 25,370	\$ -	\$ 25,370
Futures contracts ³	32,181	-	32,181
OTC swap contracts	501,348	-	501,348
Forward foreign currency contracts	861,629	-	861,629
Total	\$ 1,420,528	\$ 0	\$ 1,420,528

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities¹	Collateral Pledged^{4,5}	Net Amount
Written options	\$ 11,565	\$ -	\$ 11,565
Centrally cleared swap contracts ³	32,799	(32,799)	-
OTC swap contracts	198,585	-	198,585
Forward foreign currency contracts	90,148	-	90,148
Total	\$ 333,097	\$ (32,799)	\$ 300,298

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 shown in Investments at value in the statement of assets and liabilities.

³ 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.

⁴ Gross amounts are not offset in the statement of assets and liabilities.

⁵ 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 – Selected Fund
Year Ended December 31, 2016

Purchases	
Investment Class	Cost
Collateralized Mortgage Obligations	\$ 86,976,935
Corporate Bonds	11,506,651
Floating Rate Loans	5,179,558
Foreign Government	3,789,424
Asset-Backed Securities	3,841,204
U.S. Government and Agency Obligations	5,671,262
Preferred Stocks	202,590
Exchange-traded Funds	4,072,065
Total Investments Purchased	\$ 121,239,689

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Collateralized Mortgage Obligations	\$ 90,907,108	\$ 90,865,929	\$ 41,179
Corporate Bonds	12,711,386	13,195,168	(483,782)
Floating Rate Loans	130,176	130,588	(412)
Foreign Government	4,580,578	4,608,630	(28,052)
U.S. Government and Agency Obligations	5,732,517	5,795,478	(62,961)
Exchange-traded Funds - Other	1,503,982	1,510,261	(6,279)
Total Investments Sold	\$ 115,565,747	\$ 116,106,054	\$ (540,307)