

**Hand Composite Employee Benefit Trust  
BrandywineGLOBAL - Global Investment  
Grade Fixed Income CIF**

Independent Auditor's Report and Financial Statements

December 31, 2017



# Hand Composite Employee Benefit Trust

## December 31, 2017

### Contents

<b>Independent Auditor's Report .....</b>	<b>1</b>
---	----------

#### **Basic Financial Statements**

Statement of Assets and Liabilities - Selected Fund.....	3
Schedule of Investments	
BrandywineGLOBAL - Global Investment Grade Fixed Income CIF .....	4
Statement of Operations - Selected Fund.....	7
Statement of Changes in Net Assets - Selected Fund .....	8
Notes to Financial Statements.....	9

#### **Supplemental Information**

Schedule of Investment Purchases and Sales - Selected Fund.....	19
---	----

## 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, BrandywineGLOBAL - Global Investment Grade Fixed Income CIF, included in the Hand Composite Employee Benefit Trust ("Trust" or "Fund"), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2017, and the related statements of operations and changes in net assets for the year then ended and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our 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, BrandywineGLOBAL - Global Investment Grade Fixed Income CIF, as of December 31, 2017, 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 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

**BKD, LLP**

Houston, Texas  
May 25, 2018

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2017**

	<b>BrandywineGLOBAL - Global Investment Grade Fixed Income CIF</b>
<b>Assets</b>	
Investments, at cost	\$ 192,741,208
Investments, at fair value	\$ 182,984,099
Unrealized gain on foreign currency forward exchange contracts	766,850
Receivable for:	
Dividends and interest	1,273,088
Investment advisor waived fees	24,766
Total assets	\$ 185,048,803
<b>Liabilities</b>	
Payable for capital shares redeemed	\$ 14,602
Management fee payable	69,544
Cash overdraft denominated in foreign currencies (Cost - \$243)	238
Unrealized loss on foreign currency forward exchange contracts	1,006,764
Accounts payable and accrued liabilities	36,129
Total liabilities	\$ 1,127,277
Net assets held for participants:	
Class R1	\$ 160,357,567
Class R3	18,734,262
Class R-INT	4,829,697
Total net assets held for participants	\$ 183,921,526
Units outstanding:	
Class R1	13,181,024
Class R3	1,538,754
Class R-INT	391,562
Total units outstanding	15,111,340
Net asset value per unit:	
Class R1	\$ 12.17
Class R3	\$ 12.17
Class R-INT	\$ 12.33

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**BrandywineGLOBAL - Global Investment Grade Fixed Income CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
3,662,946	State Street Institutional U.S. Government Money Market Fund, Premier Class 1.219%	\$ 3,662,946	\$ 3,662,946
<b>Total Short Term Investment</b>		<b>2.00%</b>	<b>3,662,946</b>
<hr/>			
Principal Amount <sup>f</sup>		Cost	Fair Value
<b><u>Corporate Bonds</u></b>			
<b><u>Consumer Discretionary</u></b>			
\$ 3,540,000	General Motors Financial Co., Inc. Company Guarantee 2.289% 04/13/2020	3,547,920	3,575,410
3,460,000	Nederlandse Waterschapsbank N.V. Sr Unsecured 144A 1.643% 02/14/2018	3,460,500	3,460,207
<b>Total Consumer Discretionary</b>		<b>3.84%</b>	<b>7,008,420</b>
<b><u>Financials</u></b>			
4,850,000	Citigroup, Inc. Sr Unsecured 2.065% 04/27/2018	4,848,588	4,856,432
4,350,000	Ford Motor Credit Co. LLC Sr Unsecured 2.489% 06/15/2018	4,344,918	4,360,816
3,490,000	Goldman Sachs Group, Inc. Sr Unsecured 2.516% 11/15/2018	3,500,049	3,511,595
1,070,000	JPMorgan Chase Bank NA Sr Unsecured 2.092% 09/21/2018	1,070,000	1,072,078
2,050,000	Metropolitan Life Global Funding I Sr Secured 144A 1.833% 09/19/2019	2,050,000	2,050,611
2,170,000	National Australia Bank Ltd. Sr Unsecured 144A 1.956% 05/22/2020	2,172,558	2,179,226
2,700,000	Wells Fargo & Co. Sr Unsecured 2.396% 07/26/2021	2,711,903	2,756,860
<b>Total Financials</b>		<b>11.36%</b>	<b>20,698,016</b>
<b><u>Health Care</u></b>			
2,025,000	Macquarie Bank Ltd. Sr Unsecured 144A 1.686% 04/04/2019	2,025,000	2,027,083
<b>Total Health Care</b>		<b>1.11%</b>	<b>2,025,000</b>
<b><u>Industrials</u></b>			
3,510,000	NBCUniversal Enterprise, Inc. Company Guarantee 144A 2.095% 04/01/2021	3,510,000	3,521,015
<b>Total Industrials</b>		<b>1.92%</b>	<b>3,510,000</b>
<b><u>Information Technology</u></b>			
2,415,000	Apple, Inc. Sr Unsecured 4.65% 02/23/2046	2,500,680	2,828,049
<b>Total Information Technology</b>		<b>1.55%</b>	<b>2,500,680</b>
<b>Total Corporate Bonds</b>		<b>19.78%</b>	<b>35,742,116</b>
<b><u>Foreign Government</u></b>			
<b><u>Australia</u></b>			
AUD 5,055,000	Australia Government Bond Sr Local Government Guarantee Unsecured REGS 2.75% 10/21/2019	3,927,224	3,997,230
AUD 1,460,000	New South Wales Treasury Corp. Local Government Guarantee 3.50% 03/20/2019	1,139,586	1,160,776
AUD 3,380,000	Queensland Treasury Corp. Local Government Guarantee 144A, REGS 4.00% 06/21/2019	2,758,560	2,713,969
AUD 3,135,000	Western Australian Treasury Corp. Local Government Guarantee 7.00% 10/15/2019	2,648,571	2,654,163
<b>Total Australia</b>		<b>5.75%</b>	<b>10,473,941</b>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**BrandywineGLOBAL - Global Investment Grade Fixed Income CIF (Continued)**  
**December 31, 2017**

Principal Amount <sup>f</sup>		Cost	Fair Value
<b><u>Foreign Government (Continued)</u></b>			
<b><i>Brazil</i></b>			
BRL	1,575,000 Brazil Notas do Tesouro Nacional 10.00% 01/01/2021	\$ 646,048	\$ 488,524
BRL	11,540,000 Brazil Notas do Tesouro Nacional 10.00% 01/01/2023	4,558,948	3,520,105
	Total Brazil	2.19% 5,204,996	4,008,629
<b><i>France</i></b>			
\$	8,115,000 Dexia Credit Local S.A. 144A 1.695% 06/05/2018	8,112,140	8,116,392
	Total France	4.44% 8,112,140	8,116,392
<b><i>Luxembourg</i></b>			
	1,925,000 European Investment Bank Sr Unsecured 144A 1.42% 10/09/2018	1,925,000	1,925,693
	Total Luxembourg	1.05% 1,925,000	1,925,693
<b><i>Malaysia</i></b>			
MYR	14,525,000 Malaysia Government Bond Sr Unsecured 3.659% 10/15/2020	3,570,735	3,620,982
MYR	8,015,000 Malaysia Government Bond Sr Unsecured 3.48% 03/15/2023	2,126,506	1,949,855
MYR	6,845,000 Malaysia Government Bond Sr Unsecured 3.882% 03/10/2022	1,652,159	1,713,635
MYR	7,805,000 Malaysia Government Bond Sr Unsecured 3.899% 11/16/2027	1,813,500	1,923,671
MYR	1,280,000 Malaysia Government Bond Sr Unsecured 3.90% 11/30/2026	293,993	312,216
MYR	3,455,000 Malaysia Government Bond Sr Unsecured 3.955% 09/15/2025	794,360	848,039
MYR	6,840,000 Malaysia Government Bond Sr Unsecured 4.048% 09/30/2021	1,907,603	1,718,868
	Total Malaysia	6.61% 12,158,856	12,087,266
<b><i>Mexico</i></b>			
MXN	33,600,000 Mexican Bonos Sr Unsecured 7.75% 11/23/2034	1,663,373	1,708,016
MXN	159,000,000 Mexican Bonos Sr Unsecured 7.75% 11/13/2042	11,820,559	8,037,940
MXN	95,200,000 Mexican Bonos Sr Unsecured 8.50% 05/31/2029	7,749,724	5,127,655
MXN	109,600,000 Mexican Bonos Sr Unsecured 8.50% 11/18/2038	8,320,803	5,975,395
MXN	4,200,000 Mexican Bonos Sr Unsecured 8.50% 05/31/2029	246,247	226,220
	Total Mexico	11.52% 29,800,706	21,075,226
<b><i>Norway</i></b>			
	3,830,000 Kommunalbanken AS Sr Unsecured 144A 1.616% 02/20/2018	3,830,307	3,830,000
	Total Norway	2.09% 3,830,307	3,830,000
<b><i>Poland</i></b>			
PLN	12,470,000 Poland Government Bond .01% 04/25/2019	3,340,948	3,507,907
PLN	11,330,000 Poland Government Bond 3.25% 07/25/2019	3,224,928	3,334,668
PLN	8,555,000 Poland Government Bond 3.25% 07/25/2025	2,271,263	2,478,307
PLN	2,000,000 Poland Government Bond 4.00% 10/25/2023	627,909	612,074
	Total Poland	5.43% 9,465,048	9,932,956

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**BrandywineGLOBAL - Global Investment Grade Fixed Income CIF (Continued)**  
**December 31, 2017**

Principal Amount†		Cost	Fair Value
<b><u>Foreign Government (Continued)</u></b>			
<b>South Africa</b>			
ZAR 71,485,000	South Africa Government International Bond 6.50% 02/28/2041	\$ 5,040,455	\$ 4,077,924
ZAR 102,040,000	South Africa Government International Bond 8.75% 02/28/2048	7,127,919	7,477,847
	Total South Africa	6.32% 12,168,374	11,555,771
<b>United Kingdom</b>			
GBP 8,025,000	United Kingdom Gilt REGS 1.25% 07/22/2018	11,431,877	10,890,219
	Total United Kingdom	5.95% 11,431,877	10,890,219
<b>Venezuela</b>			
1,460,000	Corp. Andina de Fomento Sr Unsecured 1.928% 01/29/2018	1,460,000	1,460,304
1,420,000	Corp. Andina de Fomento Sr Unsecured 2.00% 05/10/2019	1,419,941	1,415,016
	Total Venezuela	1.57% 2,879,941	2,875,320
	<b>Total Foreign Government</b>	<b>52.92% 107,451,186</b>	<b>96,823,610</b>
<b><u>Municipals</u></b>			
160,000	Municipal Electric Auth. of Georgia 6.637% 04/01/2057	153,059	205,095
505,000	Municipal Electric Auth. of Georgia 6.655% 04/01/2057	529,971	636,098
	Total Municipals	0.46% 683,030	841,193
<b><u>U.S. Government &amp; Agency Obligations</u></b>			
4,515,000	United States Treasury Bond 2.875% 11/15/2046	4,403,156	4,631,579
15,470,000	United States Treasury Note 1.51% 07/31/2019	15,471,302	15,479,537
8,817,000	United States Treasury Note 1.59% 01/31/2019	8,820,013	8,831,100
7,280,000	United States Treasury Note 1.52% 04/30/2019	7,282,842	7,286,188
5,690,000	United States Treasury Note 1.51% 07/31/2019	5,691,243	5,694,254
830,000	United States Treasury Note 1.59% 01/31/2019	830,517	831,453
2,700,000	United States Treasury Note 1.52% 04/30/2019	2,702,857	2,702,857
	Total U.S. Government & Agency Obligations	24.84% 45,201,930	45,456,968
	<b>Total Investments</b>	<b>100.00% \$ 192,741,208</b>	<b>\$ 182,984,099</b>

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

**Abbreviations used in this table:**

AUD	Australian Dollar
BRL	Brazilian Real
GBP	British Pound
MXN	Mexican Peso
MYR	Malaysian Ringgit
PLN	Polish Zloty
ZAR	South African Rand



**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Year Ended December 31, 2017**

	<b>BrandywineGLOBAL - Global Investment Grade Fixed Income CIF</b>
<b>Income</b>	
Interest (net of foreign withholding taxes of \$61,817)	\$ 5,987,344
Total income	5,987,344
<b>Expenses</b>	
Trustee and administrative	190,942
Class R1 expenses	772,519
Class R3 expenses	85,397
Total expenses before reimbursement	1,048,858
Reimbursement of fees	(58,164)
Net expenses	990,694
<b>Net Investment Income</b>	4,996,650
<b>Net Realized Gains (Losses) on Investments and Foreign Currency</b>	
Net realized losses on investments	(876,317)
Net realized gains on foreign currency transactions	77,945
Net realized gains on foreign currency forward exchange contracts	3,759,652
Net realized gains	2,961,280
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	
Investments	9,264,043
Foreign currencies	42,978
Foreign currency forward exchange contracts	1,489,613
Change in net unrealized appreciation (depreciation)	10,796,634
Net realized and unrealized gains on investments and foreign currency	13,757,914
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 18,754,564

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Year Ended December 31, 2017**

	<b>BrandywineGLOBAL - Global Investment Grade Fixed Income CIF</b>
<b>Operations</b>	
Net investment income	\$ 4,996,650
Net realized gains	2,961,280
Change in net unrealized appreciation (depreciation)	10,796,634
Net increase in net assets from operations	18,754,564
<b>Net Decrease in Net Assets From Participant Unit Transactions</b>	(8,620,255)
<b>Increase in Net Assets</b>	10,134,309
<b>Net Assets</b>	
Beginning of year	173,787,217
End of year	\$ 183,921,526

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2017

### 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 105 portfolios (the Funds); the financial statements of one of those funds, the BrandywineGLOBAL - Global Investment Grade Fixed Income CIF (formerly BW Global Investment Grade Fixed Income CIF) (the Fund), are included in this report.

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

#### ***Use of Estimates***

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

#### ***Investment Valuation***

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

#### ***Investment Transactions***

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

#### ***Foreign Currency***

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

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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2017

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, 2017, resulting from changes in the exchange rates.

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

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

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

Dividend income less foreign taxes withheld, if any, is recorded on the ex-dividend date and interest income is recorded on the accrual basis. Investment income is allocated ratably on the valuation dates among all participants. No distributions are made to participants in the Fund until units owned are redeemed, at which time the market value of redeemed units is distributed. Investment income and realized gains (if any) earned by the Fund are reinvested, thereby increasing the respective unit values.

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

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. The Fund is valued daily.

#### ***Federal Income Taxes***

The Fund complies with the requirements under Section 501(a) of the IRC and apportion all of its taxable income to its participants. Therefore, no federal income tax provision is required.

#### ***Subsequent Events***

Subsequent events have been evaluated through May 25, 2018, which is the date the financial statements were available to be issued.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2017

#### **Investment Management Advisors**

The investment management advisor for the Fund is Brandywine Global Investment Management, LLC.

#### **Note 2: Foreign Currency Forward Exchange Contracts**

At December 31, 2017, the Fund had the following open foreign currency forward exchange contracts:

	<b>Currency Purchased</b>	<b>Currency Sold</b>	<b>Counterparty</b>	<b>Settlement Date</b>	<b>Unrealized Appreciation (Depreciation)</b>
ZAR	3,300,000	USD 231,825	Goldman Sachs International	1/11/2018	\$ 34,565
USD	574,497	ZAR 7,800,000	HSBC Bank USA, N.A.	1/11/2018	(55,152)
USD	189,339	ZAR 2,600,000	HSBC Bank USA, N.A.	1/11/2018	(20,544)
USD	188,995	ZAR 2,600,000	HSBC Bank USA, N.A.	1/11/2018	(20,888)
USD	564,016	ZAR 7,800,000	HSBC Bank USA, N.A.	1/11/2018	(65,633)
USD	626,440	ZAR 8,700,000	HSBC Bank USA, N.A.	1/11/2018	(75,860)
PLN	15,760,000	USD 4,397,640	Morgan Stanley & Co. International PLC	1/18/2018	129,908
USD	782,397	PLN 2,860,000	Morgan Stanley & Co. International PLC	1/18/2018	(39,227)
NOK	82,800,000	USD 10,384,724	HSBC Bank USA, N.A.	1/19/2018	(295,422)
SEK	97,900,000	USD 12,080,976	HSBC Bank USA, N.A.	1/23/2018	(132,414)
SEK	19,500,000	USD 2,363,158	HSBC Bank USA, N.A.	1/23/2018	16,790
SEK	10,600,000	USD 1,279,127	HSBC Bank USA, N.A.	1/23/2018	14,588
JPY	279,000,000	USD 2,481,456	JPMorgan Chase Bank, N.A.	2/2/2018	(1,914)
JPY	910,000,000	USD 8,089,234	JPMorgan Chase Bank, N.A.	2/2/2018	(1,841)
JPY	418,000,000	USD 3,780,701	JPMorgan Chase Bank, N.A.	2/2/2018	(65,833)
CAD	7,060,000	USD 5,482,431	Goldman Sachs International	2/6/2018	137,029
USD	2,612,489	CAD 3,360,000	Goldman Sachs International	2/6/2018	(61,928)
USD	2,880,162	CAD 3,700,000	Goldman Sachs International	2/6/2018	(64,881)
NOK	58,000,000	USD 7,157,180	HSBC Bank USA, N.A.	2/15/2018	(84,637)
NOK	16,900,000	USD 2,081,383	HSBC Bank USA, N.A.	2/15/2018	(20,590)
NZD	5,240,000	USD 3,619,478	Citibank, N.A.	2/28/2018	91,472
NZD	3,810,000	USD 2,637,663	Goldman Sachs International	2/28/2018	60,566
NZD	3,940,000	USD 2,751,562	Goldman Sachs International	2/28/2018	38,732
SEK	45,800,000	USD 5,465,981	HSBC Bank USA, N.A.	3/9/2018	138,987
GBP	9,090,000	USD 12,197,144	Citibank, N.A.	3/15/2018	104,213
Total					<u>\$ (239,914)</u>

**Abbreviations used in this table:**

CAD	Canadian Dollar
GBP	British Pound
JPY	Japanese Yen
NOK	Norwegian Krone
NZD	New Zealand Dollar
PLN	Polish Zloty
SEK	Swedish Krona
USD	United States Dollar
ZAR	South African Rand

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 3: 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, 2017, the investment advisor voluntarily reimbursed the Fund for a portion of its expenses.

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

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
BW Global Investment Grade				
Fixed Income CIF:				
Class R1	0.04%	0.47%	0.04%	0.55%
Class R3	0.04%	0.42%	0.04%	0.50%
Class R-INT	0.04%	0.00%	0.04%	0.08%

**Note 4: Financial Highlights**

	BrandywineGLOBAL - Global Investment Grade Fixed Income CIF		
	Class R1	Class R3	Class R-INT
Net asset value, beginning of year	\$ 10.98	\$ 10.97	\$ 11.08
Net investment income	0.31	0.32	0.37
Net realized and unrealized gains	0.88	0.88	0.88
Net increase from investment operations	1.19	1.20	1.25
Net asset value, end of year	\$ 12.17	\$ 12.17	\$ 12.33
Total return	10.95%	10.34%	11.28%
Ratio to average net assets:			
Net investment income	2.63%	2.71%	3.08%
Expenses without reimbursement	0.58%	0.47%	0.10%
Expenses with reimbursement	0.55%	0.47%	0.10%

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2017**

**Note 5: Participant Unit Transactions**

	<b>BrandywineGLOBAL - Global Investment Grade Fixed Income CIF</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R1:</b>		
Proceeds from sales of units	2,413,592	\$ 28,318,696
Cost of units redeemed	<u>(1,923,236)</u>	<u>(22,925,593)</u>
Net change in Class R1 from participant transactions	<u>490,356</u>	<u>5,393,103</u>
<b>Class R3:</b>		
Proceeds from sales of units	473,689	5,545,664
Cost of units redeemed	<u>(1,843,482)</u>	<u>(21,379,022)</u>
Net change in Class R3 from participant transactions	<u>(1,369,793)</u>	<u>(15,833,358)</u>
<b>Class R-INT:</b>		
Proceeds from sales of units	193,416	2,213,000
Cost of units redeemed	<u>(33,373)</u>	<u>(393,000)</u>
Net change in Class R-INT from participant transactions	<u>160,043</u>	<u>1,820,000</u>
Net decrease in net assets from participant unit transactions		<u>\$ (8,620,255)</u>

**Note 6: Disclosures About Fair Value of Financial Instruments**

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

**Level 1:** Quoted prices in active markets for identical assets or liabilities that the fund can access at the measurement date.

**Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2017

**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, 2017.

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

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

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

**Foreign Currency Contracts.** These contracts are valued at the prevailing forward exchange rate of the underlying currencies on the reporting date and unrealized gains or losses recorded daily. Foreign currency contracts are generally categorized as Level 2 in the hierarchy.

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, 2017.



**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2017**

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>BrandywineGLOBAL - Global Investment Grade Fixed Income CIF</b>				
Financial Instruments - Assets:				
Short Term Investment	\$ 3,662,946	\$ 3,662,946	\$ -	\$ -
Corporate Bonds	36,199,382	-	36,199,382	-
Foreign Government Municipals	96,823,610	-	96,823,610	-
U.S. Government and Agency Obligations	841,193	-	841,193	-
	45,456,968	-	45,456,968	-
Total Financial Instruments - Assets	<u>\$ 182,984,099</u>	<u>\$ 3,662,946</u>	<u>\$ 179,321,153</u>	<u>\$ 0</u>
Derivative Instruments - Assets:				
Foreign Currency Exchange Contracts	\$ 766,850	\$ -	\$ 766,850	\$ -
Total	<u>\$ 766,850</u>	<u>\$ 0</u>	<u>\$ 766,850</u>	<u>\$ 0</u>
Derivative Instruments - Liabilities:				
Foreign Currency Exchange Contracts	\$ 1,006,764	\$ -	\$ 1,006,764	\$ -
Total Liabilities	<u>\$ 1,006,764</u>	<u>\$ 0</u>	<u>\$ 1,006,764</u>	<u>\$ 0</u>

**Note 7: 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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2017

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 8: 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, 2017.

	<b>Asset Derivatives <sup>(1)</sup></b>	
	<b>Foreign Exchange Risk</b>	<b>Total</b>
Foreign currency forward exchange contracts	\$ 766,850	\$ 766,850
Total	\$ 766,850	\$ 766,850
	<b>Liability Derivatives <sup>(1)</sup></b>	
	<b>Foreign Exchange Risk</b>	<b>Total</b>
Foreign currency forward exchange contracts	\$ 1,006,764	\$ 1,006,764
Total	\$ 1,006,764	\$ 1,006,764

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

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2017**

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, 2017. The first table provides additional detail about the amounts and sources of gains realized on derivatives during the year. The second table provides additional information about the change in unrealized appreciation resulting from the Fund's derivatives and hedging activities during the year.

	<b>Amount of Realized Gain on Derivatives Recognized</b>	
	<b>Foreign Exchange Risk</b>	<b>Total</b>
Forward foreign currency contracts	\$ 3,759,652	\$ 3,759,652
Total	\$ 3,759,652	\$ 3,759,652

	<b>Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized</b>	
	<b>Foreign Exchange Risk</b>	<b>Total</b>
Forward foreign currency contracts	\$ 1,489,613	\$ 1,489,613
Total	\$ 1,489,613	\$ 1,489,613

During the year ended December 31, 2017, the volume of derivative activity for the Fund was as follows:

	<b>Average Market Value</b>
Forward foreign currency contracts (to buy)	\$ 90,874,420
Forward foreign currency contracts (to sell)	20,995,803

The following table presents, by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2017.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2017

	<b>Gross Amount of Derivative Assets in the Statement of Assets and Liabilities <sup>(1)</sup></b>	<b>Collateral Received</b>	<b>Net Amount</b>
Foreign currency forward exchange contracts	\$ 766,850	\$ -	\$ 766,850
Total	<u>\$ 766,850</u>	<u>\$ 0</u>	<u>\$ 766,850</u>

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

The following table presents, by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at December 31, 2017:

	<b>Derivative Liabilities in the Statement of Assets and Liabilities <sup>(1)</sup></b>	<b>Collateral Pledged</b>	<b>Net Amount</b>
Foreign currency forward exchange contracts	\$ 1,006,764	\$ -	\$ 1,006,764
Total	<u>\$ 1,006,764</u>	<u>\$ 0</u>	<u>\$ 1,006,764</u>

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

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales - Selected Fund**  
**Year Ended December 31, 2017**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Corporate Bonds	\$ 13,308,293
Foreign Government	34,344,030
U.S. Government Obligations	61,606,617
Total Investments Purchased	\$ 109,258,940

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Corporate Bonds	\$ 4,728,634	\$ 4,481,174	\$ 247,460
Foreign Government	35,882,394	35,498,547	383,847
U.S. Government Obligations	53,933,565	53,734,619	198,946
Total Investments Sold	\$ 94,544,593	\$ 93,714,340	\$ 830,253