

**Hand Composite Employee Benefit Trust  
Bowen, Hanes Total Return Fund**

Independent Auditor's Report and Financial Statements

December 31, 2020



**Hand Composite Employee Benefit Trust**  
**December 31, 2020**

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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 a selected fund (Bowen, Hanes Total Return Fund) included in the Hand Composite Employee Benefit Trust ("Trust" or "Fund"), which statements comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2020, and the related statements of operations 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bowen, Hanes Total Return Fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2020, and the results of its operations and 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 audits 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 27, 2021

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2020**

	<b>Bowen, Hanes Total Return Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 2,448,028
Investments, at fair value	\$ 3,993,157
Receivable for:	
Investment advisor	1,444
Dividends and interest	2,929
Total assets	\$ 3,997,530
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 1,099
Total liabilities	\$ 1,099
Net assets held for participants:	
Class R	\$ 3,996,418
Class R1	13
Total net assets held for participants	\$ 3,996,431
Units outstanding:	
Class R	316,289
Class R1	1
Total units outstanding	316,290
Net asset value per unit:	
Class R	\$ 12.64
Class R1	\$ 12.63

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Bowen, Hanes Total Return Fund**  
**December 31, 2020**

Number of Shares/ Principal Amount		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
343,946	First American Treasury Obligation Fund V	\$ 343,946	\$ 343,946
	Total Short Term Investment	8.61% 343,946	343,946
<b><u>US Government Obligation</u></b>			
\$ 400,000	US Treasury Bill 02/25/2021	399,969	399,969
	Total US Government Obligation	10.02% 399,969	399,969
<b><u>Corporate Bonds</u></b>			
<b><i>Consumer Discretionary</i></b>			
50,000	Campbell Soup Co 2.5% 08/02/2022	49,628	51,685
	Total Consumer Discretionary	1.29% 49,628	51,685
	Total Corporate Bonds	1.29% 49,628	51,685
<b><u>Common Stocks</u></b>			
<b><i>Consumer Discretionary</i></b>			
50	Amazon.com Inc	93,612	162,847
585	Home Depot Inc	57,467	177,556
980	Walt Disney	31,850	155,388
	Total Consumer Discretionary	12.42% 182,929	495,791
<b><i>Consumer Staples</i></b>			
480	Costco Wholesale Corp	151,847	180,854
1,710	McCormick & Co	62,056	163,476
1,070	Procter & Gamble Co	132,899	148,880
	Total Consumer Staples	12.35% 346,802	493,210

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Bowen, Hanes Total Return Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<i><b>Financials</b></i>			
1,475	American Express Co Company	\$ 117,998	\$ 178,342
1,490	JP Morgan Chase & Co	167,385	189,334
450	S&P Global Inc	39,618	147,929
	Total Financials	12.91% <u>325,001</u>	<u>515,605</u>
<i><b>Healthcare</b></i>			
1,075	Johnson & Johnson Corporation	63,232	169,184
1,060	Zoetis Inc	138,708	175,430
	Total Healthcare	8.63% <u>201,940</u>	<u>344,614</u>
<i><b>Industrials</b></i>			
795	Honeywell International	78,155	169,097
465	Teledyne Technologies Inc	23,173	182,271
	Total Industrials	8.80% <u>101,328</u>	<u>351,368</u>
<i><b>Information Technology</b></i>			
1,280	Apple Inc	14,655	169,841
870	Auto Data Processing Inc	72,173	153,294
770	Microsoft Corporation	82,821	171,263
1,090	Texas Instruments Inc	55,937	178,902
730	Visa Inc Cl A	127,118	159,673
	Total Information Technology	20.86% <u>352,704</u>	<u>832,973</u>
	Total Common Stocks	75.97% <u>1,510,704</u>	<u>3,033,561</u>
<i><b>Foreign Stock</b></i>			
<i><b>Healthcare</b></i>			
1,400	Medtronic Plc	143,781	163,996
	Total Healthcare	4.11% <u>143,781</u>	<u>163,996</u>
	Total Foreign Stock	4.11% <u>143,781</u>	<u>163,996</u>
	Total Investments	100.00% <u>\$ 2,448,028</u>	<u>\$ 3,993,157</u>

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Year Ended December 31, 2020**

	<b>Bowen, Hanes Total Return Fund</b>
<b>Income</b>	
Interest	\$ 4,810
Dividends	78,359
Total income	83,169
<b>Expenses</b>	
Investment management and administrative	3,720
Custody	10,000
Total expenses before reimbursement of fees	13,720
Reimbursements of fees	(8,623)
Net expenses	5,097
<b>Net Investment Income</b>	78,072
<b>Net Realized and Unrealized Gains (Losses) on Investments</b>	
Net realized gains	478,228
Change in unrealized appreciation	(104,843)
Net realized and unrealized gains on investments	373,385
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 451,457



**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Year Ended December 31, 2020**

	<b>Bowen, Hanes Total Return Fund</b>
<b>Operations</b>	
Net investment income	\$ 78,072
Net realized gains	478,228
Change in unrealized appreciation	(104,843)
Net increase in net assets from operations	451,457
<b>Net Decrease in Net Assets From Participant Transactions</b>	(1,395,424)
<b>Decrease in Net Assets</b>	(943,967)
<b>Net Assets</b>	
Beginning of year	4,940,398
End of year	\$ 3,996,431

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

### 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 80 Funds (the Funds); the financial statements of one of those funds are included in this report.

Each class of units 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 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 year ending date.

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

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

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

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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

### **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 their taxable income to their participants. Therefore, no federal income tax provision is required.

### **Subsequent Events**

Subsequent events have been evaluated through May 27, 2021, which is the date the financial statements were available to be issued.

### **Investment Management Advisors**

The investment management advisor for the Fund is Bowen, Hanes & Company.

## **Note 2: 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, 2020, 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 average daily net assets.

<b>Fund</b>	<b>Administrative Fees</b>	<b>Investment Advisory Fees</b>	<b>Custody Fees</b>	<b>Total Fees</b>
Bowen, Hanes Total				
Return Fund:				
Class R	0.08%	0.00%	0.03%	0.11%
Class R1	0.08%	0.55%	0.03%	0.66%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

### Note 3: Financial Highlights

	Bowen, Hanes Total Return Fund	
	Class R	Class R1
Net asset value, beginning of year	\$ 11.40	\$ 11.40
Net investment income	0.19	0.25
Net realized and unrealized gains	1.05	0.98
Net increase from investment operations	1.24	1.23
Net asset value, end of year	\$ 12.64	\$ 12.63
Total return	10.88%	10.79%
Ratio to average net assets:		
Net investment income	0.30%	2.20%
Expenses without reimbursements	0.30%	0.39%
Expenses with reimbursements	0.11%	0.14%

### Note 4: Participant Unit Transactions

	Bowen, Hanes Total Return Fund	
	Units	Dollars
<b>Class R:</b>		
Proceeds from sales of units	8,556	\$ 100,000
Cost of units redeemed	(125,666)	(1,495,424)
Net decrease in Class R from participant transactions	(117,110)	(1,395,424)
Net decrease in total net assets from participant transactions		\$ (1,395,424)

### Note 5: Disclosures About Fair Value of Financial Instruments

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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2020

- Level 1:** Quoted prices in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of assets and liabilities, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020.

**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.

**Common and Foreign Stocks:** 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 the certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as Level 1 in the hierarchy. For those foreign securities where additional foreign market activities are taken into consideration by the pricing service, those securities are categorized as Level 2 in the hierarchy.

**US Government Obligations:** U.S. Government issued securities are normally 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 issued securities are categorized in either Level 1 or Level 2 of the fair value hierarchy, depending on market activity levels and whether quotations or other data are used.

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

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2020**

The following table presents the fair value measurements of assets recognized in the accompanying statement of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020:

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Bowen, Hanes Total Return Fund</b>				
Short Term Investment	\$ 343,946	\$ 343,946	\$ -	\$ -
US Government Obligation	399,969	-	399,969	-
Corporate Bonds	51,685	-	51,685	-
Common Stocks	3,033,561	3,033,561	-	-
Foreign Stock	163,996	163,996	-	-
Total	<u>\$ 3,993,157</u>	<u>\$ 3,541,503</u>	<u>\$ 451,654</u>	<u>\$ 0</u>

**Note 6: Risk Factors**

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.

Since January 2020, the COVID-19 pandemic created outbreaks of infectious illnesses, and countries throughout the globe were subject to other public health threats, infectious illnesses, diseases, or similar issues. Any spread of an infectious illness, public health threat or similar issue could alter consumer demand or economic output, result in market closures, travel restrictions or quarantines, and have a significant impact on the global economy, which in turn could adversely affect the Fund's investments and could result in increases or decreases in the Fund's net asset value.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales – Selected Fund**  
**Bowen, Hanes Total Return Fund**  
**Year Ended December 31, 2020**

**Purchases**

<b>Investment Class</b>	<b>Cost</b>
Corporate Bonds	\$ 399,969
Common Stocks	1,109,230
Foreign Stocks	169,460
Partnerships	<u>125,009</u>
Total Investments Purchases	<u>\$ 1,803,668</u>

**Sales**

<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Corporate Bonds	\$ 140,141	\$ 139,644	\$ 497
Common Stocks	2,020,671	1,516,799	503,872
Foreign Stocks	570,610	568,701	1,909
Partnerships	<u>172,310</u>	<u>200,360</u>	<u>(28,050)</u>
Total Investments Sold	<u>\$ 2,903,732</u>	<u>\$ 2,425,504</u>	<u>\$ 478,228</u>