

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

**Independent Auditor's Report  
and Financial Statements**

**December 31, 2022**



**Hand Composite Employee Benefit Trust**  
**December 31, 2022**

**Contents**

**Independent Auditor's Report..... 1**

**Basic Financial Statements**

Statement of Assets and Liabilities – Selected Fund ..... 3

Schedule of Investments

    Bowen, Hanes Total Return Fund ..... 4

Statement of Operations – Selected Fund ..... 8

Statement of Changes in Net Assets – Selected Fund ..... 9

Notes to Financial Statements..... 10

**Supplemental Information**

Schedule of Investment Purchases and Sales – Selected Fund..... 16



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## Independent Auditor's Report

To the Unitholders and Board of Directors  
Hand Composite Employee Benefit Trust  
Houston, Texas

### **Opinion**

We have audited the financial statements of the selected fund, Bowen, Hanes Total Return Fund, included in the Hand Composite Employee Benefit Trust, which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2022, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the selected fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2022, 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.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Hand Composite Employee Benefit Trust and the selected fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hand Composite Employee Benefit Trust's and the selected fund's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hand Composite Employee Benefit Trust's and the selected fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hand Composite Employee Benefit Trust's and the selected fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the selected fund's basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

**FORVIS,LLP**

Houston, Texas  
May 26, 2023

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2022**

	<b>Bowen, Hanes Total Return Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 6,201,053
Investments, at fair value	\$ 7,224,140
Receivable for:	
Investment advisor	1,413
Capital shares sold	52,195
Dividends and interest	13,923
Total assets	\$ 7,291,671
<b>Liabilities</b>	
Payable for investment securities purchased	\$ 318,353
Accounts payable and accrued liabilities	2,358
Total liabilities	\$ 320,711
Net assets held for participants:	
Class R	\$ 4,091,585
Class R1	2,879,375
Total net assets held for participants	\$ 6,970,960
Units outstanding:	
Class R	313,040
Class R1	220,419
Total units outstanding	533,459
Net asset value per unit:	
Class R	\$ 13.07
Class R1	\$ 13.06

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Bowen, Hanes Total Return Fund**  
**December 31, 2022**

Number of Principal/ Shares Amount		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
667,960	First American Treasury Obligation Fund V	\$ 667,960	\$ 667,960
	Total Short Term Investment	9.25% <u>667,960</u>	<u>667,960</u>
<b><u>Corporate Bonds</u></b>			
<b><u>Consumer Discretionary</u></b>			
\$ 50,000	Equinix Inc 1.25% 07/15/2025	49,299	45,311
75,000	Fortune Brands Home & Security 4% 06/15/2025	73,122	73,020
50,000	General Motors Finl Co 1.2% 10/15/2024	49,805	46,331
75,000	Marriott International Inc 4.625% 06/15/2030	71,690	70,127
75,000	Netflix Inc 4.875% 04/15/2028	72,793	73,099
75,000	Life Storage Lp 3.5% 07/01/2026	70,769	70,437
	Total Consumer Discretionary	5.24% <u>387,478</u>	<u>378,325</u>
<b><u>Consumer Staples</u></b>			
50,000	Conagra Foods Inc .5% 08/11/2023	48,836	48,627
50,000	Walgreens Boot Alliance Inc .95% 11/17/2023	49,927	48,234
	Total Consumer Staples	1.34% <u>98,763</u>	<u>96,861</u>
<b><u>Energy</u></b>			
50,000	Continental Resources Inc 3.8% 06/01/2024	48,663	48,657
50,000	General Electric Co 4.5% 12/15/2031	45,718	44,720
	Total Energy	1.29% <u>94,381</u>	<u>93,377</u>
<b><u>Financials</u></b>			
75,000	Brookfield Finance Inc 4.85% 03/29/2029	73,432	71,822
50,000	Capital One Financial Corp 3.75% 03/09/2027	45,746	47,515
50,000	Citigroup Inc 5.65% 12/16/2027	50,000	50,412
50,000	Lincoln National Corporation 3.05% 01/15/2030	41,310	41,520
	Total Financials	2.92% <u>210,488</u>	<u>211,269</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Bowen, Hanes Total Return Fund (Continued)**  
**December 31, 2022**

Number of Principal/ Shares Amount		Cost	Fair Value
<i>Healthcare</i>			
\$ 50,000	Baxter International Inc .868% 12/01/2023	\$ 47,885	\$ 48,099
50,000	Gilead Sciences Inc 3.65% 03/01/2026	47,603	48,245
50,000	Mckesson Corp .9% 12/03/2025	48,615	44,495
50,000	Perkinelmer Inc .55% 09/15/2023	49,628	48,402
	Total Healthcare	2.62% <u>193,731</u>	<u>189,241</u>
<i>Industrials</i>			
50,000	Boeing Co 2.25% 06/15/2026	44,736	45,202
50,000	Equifax Inc 2.6% 12/01/2024	48,885	47,750
50,000	Welltower Inc 3.625% 03/15/2024	48,963	48,948
50,000	Westrock Co 4% 03/15/2028	46,975	46,621
	Total Industrials	2.61% <u>189,559</u>	<u>188,521</u>
<i>Information Technology</i>			
75,000	Hp Inc 4.2% 04/15/2032	66,835	64,466
75,000	Motorola Solutions Inc 2.75% 05/24/2031	61,926	59,975
75,000	Vmware Inc 3.9% 08/21/2027	70,820	70,123
	Total Information Technology	2.69% <u>199,581</u>	<u>194,564</u>
<i>Materials</i>			
50,000	Celanese Us Holdings Llc 6.379% 07/15/2032	48,256	47,821
50,000	Freeport-McMoran Copper & Gold 5.25% 09/01/2029	48,035	48,185
50,000	Kennametal Inc 4.625% 06/15/2028	45,852	47,051
	Total Materials	1.98% <u>142,143</u>	<u>143,057</u>
	Total Corporate Bonds	20.69% <u>1,516,124</u>	<u>1,495,215</u>
<u>Common Stock</u>			
<i>Consumer Discretionary</i>			
565	Home Depot Inc	73,535	178,461
1,425	Tesla Motors Inc	174,791	175,532
	Total Consumer Discretionary	4.90% <u>248,326</u>	<u>353,993</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Bowen, Hanes Total Return Fund (Continued)**  
**December 31, 2022**

Number of Shares		Cost	Fair Value
<i>Consumer Staples</i>			
365	Costco Wholesale Corp	\$ 115,467	\$ 166,623
2,120	Mccormick & Co	96,980	175,727
1,210	Procter & Gamble Co	153,262	183,388
	Total Consumer Staples	7.28% <u>365,709</u>	<u>525,738</u>
<i>Energy</i>			
2,240	Blackstone Inc	176,512	166,186
	Total Energy	2.30% <u>176,512</u>	<u>166,186</u>
<i>Financials</i>			
1,160	American Express Co Company	173,562	171,390
1,020	Marsh & McLennan Cos Inc	157,547	168,790
500	S&P Global Inc	72,882	167,470
2,130	Schwab Charles Corporation	159,773	177,344
	Total Financials	9.48% <u>563,764</u>	<u>684,994</u>
<i>Healthcare</i>			
635	Intuitive Surgical Inc	137,333	168,497
685	Lilly Eli & Company	172,403	250,600
315	Thermo Fisher Scientific Inc	175,654	173,467
330	Unitedhealth Group Inc	173,491	174,959
1,195	Zoetis Inc	161,396	175,127
	Total Healthcare	13.05% <u>820,277</u>	<u>942,650</u>
<i>Industrials</i>			
360	Lockheed Martin Corporation	159,827	175,136
475	Teledyne Technologies Inc	45,132	189,957
1,240	Tetra Tech Inc	191,154	180,036
820	Union Pacific Corp	198,979	169,797
1,050	Waste Management Inc	172,019	164,724
	Total Industrials	12.18% <u>767,111</u>	<u>879,650</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Bowen, Hanes Total Return Fund (Continued)**  
**December 31, 2022**

Number of Shares		Cost	Fair Value
<i>Information Technology</i>			
515	Adobe Systems Inc	\$ 174,482	\$ 173,313
1,060	Apple Inc	12,137	137,726
750	Auto Data Processing Inc.	63,122	179,145
685	Microsoft Corporation	87,177	164,277
1,005	Texas Instruments Inc	65,529	166,046
830	Visa Inc Cl A	147,817	172,441
	Total Information Technology	13.74% <u>550,264</u>	<u>992,948</u>
<i>Materials</i>			
930	Avery Dennison Corp	180,755	168,330
	Total Materials	2.33% <u>180,755</u>	<u>168,330</u>
	Total Common Stock	65.26% <u>3,672,718</u>	<u>4,714,489</u>
<i>Foreign Stock</i>			
<i>Energy</i>			
3,000	Canadian Natural Resources Ltd	169,193	166,583
3,365	Schlumberger Ltd	175,058	179,893
	Total Energy	4.80% <u>344,251</u>	<u>346,476</u>
	Total Foreign Stock	4.80% <u>344,251</u>	<u>346,476</u>
	Total Investments	100.00% <u>\$ 6,201,053</u>	<u>\$ 7,224,140</u>

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Year Ended December 31, 2022**

	<b>Bowen, Hanes Total Return Fund</b>
<b>Income</b>	
Interest	\$ 14,371
Dividends	48,643
Total income	63,014
<b>Expenses</b>	
Investment management and administrative	3,529
Class R1 expenses	1,316
Custody	10,000
Total expenses before reimbursement of fees	14,845
Reimbursements of fees	(8,742)
Net expenses	6,103
<b>Net Investment Income</b>	56,911
<b>Net Realized and Unrealized Gains (Losses) on Investments</b>	
Net realized gains	234,734
Change in unrealized appreciation/depreciation	(921,994)
Net realized and unrealized losses on investments	(687,260)
<b>Net Decrease in Net Assets Resulting From Operations</b>	\$ (630,349)

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Year Ended December 31, 2022**

	<b>Bowen, Hanes Total Return Fund</b>
<b>Operations</b>	
Net investment income	\$ 56,911
Net realized gains	234,734
Change in unrealized appreciation/depreciation	(921,994)
Net decrease in net assets from operations	(630,349)
<b>Net Increase in Net Assets From Participant Transactions</b>	<b>2,941,136</b>
<b>Increase in Net Assets</b>	<b>2,310,787</b>
<b>Net Assets</b>	
Beginning of year	4,660,173
End of year	\$ 6,970,960

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2022

### 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 71 portfolios (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 period 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, 2022

### **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 26, 2022, which is the date the financial statements were available to be issued.

### **Investment Management Advisor**

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, 2022, 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, 2022**

**Note 3: Financial Highlights**

	<b>Bowen, Hanes Total Return Fund</b>	
	<b>Class R</b>	<b>Class R1*</b>
Net asset value, beginning of year	\$ 14.92	\$ 14.92
Net investment income	0.15	0.02
Net realized and unrealized losses	(2.00)	(1.88)
Net decrease from investment operations	(1.85)	(1.86)
Net asset value, end of year	\$ 13.07	\$ 13.06
Total return	(12.40)%	(12.47)%
Ratio to average net assets:		
Net investment income**	0.30%	0.97%
Expenses without reimbursements**	0.30%	0.89%
Expenses with reimbursements**	0.11%	0.65%

*\*For the period from November 16, 2022 (inception) to December 31, 2022*

*\*\*Annualized*

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2022**

**Note 4: Participant Unit Transactions**

	<b>Bowen, Hanes Total Return Fund</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R:</b>		
Proceeds from sales of units	7,519	\$ 100,810
Cost of units redeemed	(6,883)	(83,317)
Net change in Class R from participant transactions	636	17,493
<b>Class R1:</b>		
Proceeds from sales of units	220,598	2,925,990
Cost of units redeemed	(179)	(2,347)
Net change in Class R1 from participant transactions	220,419	2,923,643
Net change in net assets from participant transactions		\$ 2,941,136

**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:

- 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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2022

There have been no significant changes in the valuation techniques during the year ended December 31, 2022.

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

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

**Common Stock and Foreign 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 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.

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, 2022:

	<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	\$ 667,960	\$ 667,960	\$ -	\$ -
Corporate Bonds	1,495,215	-	1,495,215	-
Common Stock	4,714,489	4,714,489	-	-
Foreign Stock	346,476	346,476	-	-
Total	<u>\$ 7,224,140</u>	<u>\$ 5,728,925</u>	<u>\$ 1,495,215</u>	<u>\$ 0</u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2022

### **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.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales – Selected Fund**  
**Bowen, Hanes Total Return Fund**  
**Year Ended December 31, 2022**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Corporate Bonds	\$ 1,268,848
Common Stock	3,822,838
Foreign Stock	466,480
U.S. Treasury Bills	299,968
Total Investments Purchased	\$ 5,858,134

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gains</b>
Common Stock	\$ 1,723,683	\$ 1,489,776	\$ 233,907
Foreign Stock	266,830	266,003	827
Total Investments Sold	\$ 1,990,513	\$ 1,755,779	\$ 234,734