

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

Independent Auditor's Report and Financial Statements

December 31, 2018



Hand Composite Employee Benefit Trust
December 31, 2018

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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, 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, 2018, and the related statements of operations, 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, 2018, 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 24, 2019

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2018

	BrandywineGLOBAL - Global Investment Grade Fixed Income CIF
Assets	
Investments, at cost	\$ 187,533,221
Investments, at fair value	\$ 171,637,391
Cash denominated in foreign currencies (Cost - \$5)	2
Unrealized gain on foreign currency forward exchange contracts	681,007
Receivable for:	
Capital shares sold	15,180
Dividends and interest	1,438,809
Investment advisor waived fees	367,271
Total assets	\$ 174,139,660
Liabilities	
Payable for capital shares redeemed	\$ 658,364
Management fee payable	61,579
Unrealized loss on foreign currency forward exchange contracts	1,154,331
Accounts payable and accrued liabilities	40,885
Total liabilities	\$ 1,915,159
Net assets held for participants:	
Class R1	\$ 150,974,408
Class R3	18,999,035
Class R-INT	2,251,058
Total net assets held for participants	\$ 172,224,501
Units outstanding:	
Class R1	12,794,237
Class R3	1,612,533
Class R-INT	190,737
Total units outstanding	14,597,507
Net asset value per unit:	
Class R1	\$ 11.80
Class R3	\$ 11.78
Class R-INT	\$ 11.80

Hand Composite Employee Benefit Trust
Schedule of Investments
BrandywineGLOBAL - Global Investment Grade Fixed Income CIF
December 31, 2018

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
2,542,478	State Street Institutional U.S. Government Money Market Fund, Premier Class 2.25%	\$ 2,542,478	\$ 2,542,478
Total Short Term Investment		1.48%	2,542,478
<hr/>			
Principal Amount†		Cost	Fair Value
<u>Corporate Bonds</u>			
Communications			
3,510,000	NBCUniversal Enterprise, Inc. Company Guarantee 144A 3.197% 04/01/2021	3,510,000	3,475,647
Total Communications		2.03%	3,510,000
Consumer, Cyclical			
1,975,000	BMW US Capital LLC Company Guarantee 144A 2.788% 04/06/2020	1,977,361	1,964,671
2,700,000	Daimler Finance North America LLC Company Guarantee 144A 3.127% 02/22/2021	2,700,000	2,666,663
3,375,000	Ford Motor Credit Co. LLC Sr Unsecured 3.218% 04/05/2021	3,375,000	3,288,428
3,540,000	General Motors Financial Co., Inc. Company Guarantee 3.366% 04/13/2020	3,544,495	3,517,867
Total Consumer, Cyclical		6.66%	11,596,856
Financials			
1,600,000	American Express Co. Sr Unsecured 3.192% 11/05/2021	1,600,000	1,593,701
2,375,000	Citibank NA Sr Unsecured 2.968% 02/12/2021	2,375,000	2,349,816
5,335,000	Goldman Sachs Group, Inc. Sr Unsecured 3.427% 02/23/2023	5,335,000	5,156,042
2,025,000	Macquarie Bank Ltd. Sr Unsecured 144A 2.758% 04/04/2019	2,025,000	2,024,641
2,095,000	Metropolitan Life Global Funding I Sr Secured 144A 2.638% 01/08/2021	2,088,771	2,069,572
2,050,000	Metropolitan Life Global Funding I Sr Secured 144A 3.024% 09/19/2019	2,050,000	2,047,891
2,170,000	National Australia Bank Ltd. Sr Unsecured 144A 3.187% 05/22/2020	2,171,501	2,169,044
1,750,000	New York Life Global Funding Secured 144A 2.957% 10/01/2020	1,750,000	1,741,814
2,700,000	Wells Fargo & Co. Sr Unsecured 3.533% 07/26/2021	2,708,642	2,712,539
Total Financials		12.74%	22,103,914
Industrials			
2,870,000	Caterpillar Financial Services Corp. Sr Unsecured MTN 3.018% 03/15/2021	2,869,152	2,850,613
Total Industrials		1.66%	2,869,152
Total Corporate Bonds		23.09%	40,079,922
<u>Foreign Government</u>			
Australia			
AUD	5,055,000 Australia Government Bond Sr Local Government Guarantee Unsecured REGS 2.75% 10/21/2019	3,891,532	3,582,952
AUD	1,050,000 New South Wales Treasury Corp. Local Government Guarantee 3.50% 03/20/2019	807,080	741,918
AUD	2,970,000 Queensland Treasury Corp. Local Government Guarantee 144A, REGS 4.00% 06/21/2019	2,381,273	2,110,575
AUD	2,655,000 Western Australian Treasury Corp. Local Government Guarantee 7.00% 10/15/2019	2,148,643	1,940,344
Total Australia		4.88%	9,228,528

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
BrandywineGLOBAL - Global Investment Grade Fixed Income CIF (Continued)
December 31, 2018

Principal Amount†		Cost	Fair Value
<u>Foreign Government (Continued)</u>			
<i>Brazil</i>			
BRL	1,575,000 Brazil Notas do Tesouro Nacional 10.00% 01/01/2021	\$ 653,683	\$ 425,068
BRL	11,540,000 Brazil Notas do Tesouro Nacional 10.00% 01/01/2023	4,602,079	3,118,368
	Total Brazil	2.06% 5,255,762	3,543,436
<i>Malaysia</i>			
MYR	12,280,000 Malaysia Government Bond Sr Unsecured 3.659% 10/15/2020	3,008,692	2,977,873
MYR	8,015,000 Malaysia Government Bond Sr Unsecured 3.48% 03/15/2023	2,134,813	1,913,980
MYR	6,845,000 Malaysia Government Bond Sr Unsecured 3.882% 03/10/2022	1,646,358	1,665,280
MYR	7,805,000 Malaysia Government Bond Sr Unsecured 3.899% 11/16/2027	1,813,342	1,846,877
MYR	3,455,000 Malaysia Government Bond Sr Unsecured 3.955% 09/15/2025	794,817	831,888
MYR	6,840,000 Malaysia Government Bond Sr Unsecured 4.048% 09/30/2021	1,903,210	1,672,234
	Total Malaysia	6.36% 11,301,232	10,908,132
<i>Mexico</i>			
MXN	45,800,000 Mexican Bonos 8.00% 11/07/2047	2,623,304	2,104,864
MXN	28,900,000 Mexican Bonos Sr Unsecured 7.75% 11/23/2034	1,430,381	1,333,679
MXN	152,000,000 Mexican Bonos Sr Unsecured 7.75% 11/13/2042	11,064,385	6,829,568
MXN	89,200,000 Mexican Bonos Sr Unsecured 8.50% 05/31/2029	7,048,835	4,462,417
MXN	10,100,000 Mexican Bonos Sr Unsecured 8.50% 11/18/2038	567,729	494,666
MXN	98,900,000 Mexican Bonos Sr Unsecured 8.50% 11/18/2038	7,487,144	4,843,806
	Total Mexico	11.69% 30,221,778	20,069,000
<i>Peru</i>			
PEN	14,390,000 Peru Government Bond Sr Unsecured 144A, REGS 5.94% 02/12/2029	4,257,419	4,325,330
	Total Peru	2.52% 4,257,419	4,325,330
<i>Poland</i>			
PLN	13,715,000 Poland Government Bond .01% 04/25/2019	3,764,828	3,654,182
PLN	8,690,000 Poland Government Bond 1.50% 04/25/2020	2,561,186	2,329,092
PLN	8,990,000 Poland Government Bond 3.25% 07/25/2019	2,519,743	2,432,838
	Total Poland	4.90% 8,845,757	8,416,112
<i>South Africa</i>			
ZAR	64,200,000 South Africa Government International Bond 6.50% 02/28/2041	4,542,398	3,112,380
ZAR	16,180,000 South Africa Government International Bond 8.75% 02/28/2048	1,025,509	1,001,220
ZAR	92,340,000 South Africa Government International Bond 8.75% 02/28/2048	6,452,822	5,714,009
	Total South Africa	5.73% 12,020,729	9,827,609
<i>United Kingdom</i>			
GBP	7,780,000 United Kingdom Gilt REGS 1.75% 07/22/2019	10,244,905	9,970,034
	Total United Kingdom	5.81% 10,244,905	9,970,034
<i>Venezuela</i>			
	1,420,000 Corp. Andina de Fomento Sr Unsecured 2.00% 05/10/2019	1,419,985	1,414,866
	Total Venezuela	0.82% 1,419,985	1,414,866
	Total Foreign Government	44.77% 92,796,095	76,850,308

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
BrandywineGLOBAL - Global Investment Grade Fixed Income CIF (Continued)
December 31, 2018

Principal Amount†		Cost	Fair Value
<u>U.S. Government & Agency Obligations</u>			
\$ 205,000	United States Treasury Bond 2.875% 11/15/2046	\$ 200,517	\$ 199,322
4,075,000	United States Treasury Bond 2.875% 11/15/2046	3,975,868	3,962,142
12,690,000	United States Treasury Bond 3.375% 11/15/2048	13,263,609	13,570,369
13,550,000	United States Treasury Note 2.514% 04/30/2020	13,551,055	13,545,104
1,575,000	United States Treasury Note 2.526% 10/31/2020	1,572,777	1,572,620
19,465,000	United States Treasury Note 2.875% 08/15/2028	19,550,900	19,766,099
	Total U.S. Government & Agency Obligations	30.66%	52,615,656
	Total Investments	100.00%	\$ 187,533,221
		\$ 187,533,221	\$ 171,637,391

† 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
PEN	Peruvian Nuevo Sol
PLN	Polish Zloty
ZAR	South African Rand

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2018

	BrandywineGLOBAL - Global Investment Grade Fixed Income CIF
Income	
Interest (net of foreign withholding taxes of \$18,993)	\$ 6,102,996
Total income	6,102,996
Expenses	
Trustee and administrative	216,597
Class R1 expenses	697,872
Class R3 expenses	83,942
Total expenses before reimbursement	998,411
Reimbursement of fees	(167,791)
Net expenses	830,620
Net Investment Income	5,272,376
Net Realized Losses on Investments and Foreign Currency	
Net realized losses on investments	(701,596)
Net realized losses on foreign currency transactions	(185,579)
Net realized losses on foreign currency forward exchange contracts	(2,617,524)
Net realized losses	(3,504,699)
Change in Net Unrealized Appreciation (Depreciation)	
Investments	(6,138,721)
Foreign currencies	273,434
Foreign currency forward exchange contracts	(233,410)
Change in net unrealized appreciation (depreciation)	(6,098,697)
Net realized and unrealized losses on investments and foreign currency	(9,603,396)
Net Decrease in Net Assets Resulting From Operations	\$ (4,331,020)

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2018

	BrandywineGLOBAL - Global Investment Grade Fixed Income CIF
Operations	
Net investment income	\$ 5,272,376
Net realized losses	(3,504,699)
Change in net unrealized appreciation (depreciation)	(6,098,697)
Net decrease in net assets from operations	(4,331,020)
Net Decrease in Net Assets From Participant Unit Transactions	(7,366,005)
Decrease in Net Assets	(11,697,025)
Net Assets	
Beginning of year	183,921,526
End of year	\$ 172,224,501

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

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 92 portfolios (the Funds); the financial statements of one of those funds, the BrandywineGLOBAL - 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.

Class R-INT was liquidated on January 25, 2018, and re-incepted on June 18, 2018, upon shareholder investment.

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, 2018

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, 2018, 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

Subsequent Events

Subsequent events have been evaluated through May 24, 2019, which is the date the financial statements were available to be issued.

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, 2018, the Fund had the following open foreign currency forward exchange contracts:

Currency Purchased		Currency Sold		Counterparty	Settlement Date	Unrealized Appreciation (Depreciation)
SEK	48,500,000	USD	5,505,952	HSBC Bank USA, N.A.	1/14/2019	\$ (28,622)
CAD	11,900,000	USD	9,150,608	Goldman Sachs International	1/18/2019	(430,288)
NOK	61,000,000	USD	7,468,443	HSBC Bank USA, N.A.	1/24/2019	(406,735)
SEK	50,600,000	USD	5,681,499	HSBC Bank USA, N.A.	2/15/2019	47,453
NOK	30,000,000	USD	3,553,702	HSBC Bank USA, N.A.	2/22/2019	(76,176)
JPY	1,385,000,000	USD	12,283,814	JPMorgan Chase Bank, N.A.	2/22/2019	398,459
AUD	7,210,000	USD	5,214,777	Morgan Stanley & Co. International PLC	2/25/2019	(131,476)
SEK	50,600,000	USD	5,694,671	HSBC Bank USA, N.A.	3/15/2019	47,286
GBP	5,050,000	USD	6,425,948	Citibank, N.A.	3/18/2019	34,118
USD	1,593,170	ZAR	23,200,000	Barclays Bank PLC	3/19/2019	(4,799)
NOK	29,900,000	USD	3,546,310	HSBC Bank USA, N.A.	3/22/2019	(76,235)
JPY	751,000,000	USD	6,805,927	Citibank, N.A.	3/26/2019	89,573
SEK	33,800,000	USD	3,781,184	HSBC Bank USA, N.A.	4/15/2019	64,118
Total						\$ (473,324)

Abbreviations used in this table:

AUD	Australian Dollar
CAD	Canadian Dollar
GBP	British Pound
JPY	Japanese Yen
NOK	Norwegian Krone
SEK	Swedish Krona
USD	United States Dollar
ZAR	South African Rand

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

During the year ended December 31, 2018, 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%	0.05%	0.56%
Class R3	0.04%	0.42%	0.05%	0.51%
Class R-INT	0.04%	0.00%	0.05%	0.09%

Note 4: Financial Highlights

	BrandywineGLOBAL - Global Investment Grade Fixed Income CIF		
	Class R1	Class R3	Class R-INT ⁽¹⁾
Net asset value, beginning of period	\$ 12.17	\$ 12.17	\$ 11.92
Net investment income	0.38	0.37	0.26
Net realized and unrealized losses	(0.75)	(0.76)	(0.38)
Net decrease from investment operations	(0.37)	(0.39)	(0.12)
Net asset value, end of period	<u>\$ 11.80</u>	<u>\$ 11.78</u>	<u>\$ 11.80</u>
Total return	(2.96)%	(3.20)%	(1.01)%
Ratio to average net assets:			
Net investment income	3.11%	3.09%	3.49% ⁽²⁾
Expenses without reimbursement	0.60%	0.55%	0.13% ⁽²⁾
Expenses with reimbursement	0.49%	0.51%	0.09% ⁽²⁾

⁽¹⁾ For the period June 18, 2018 (re-inception date) to December 31, 2018. Class R-INT shares had previously liquidated on January 25, 2018, and resumed operations on June 18, 2018, upon shareholder investment.

⁽²⁾ Annualized

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2018

Note 5: Participant Unit Transactions

	BrandywineGLOBAL - Global Investment Grade Fixed Income CIF	
	Units	Dollars
Class R1:		
Proceeds from sales of units	1,436,822	\$ 17,366,851
Cost of units redeemed	(1,823,609)	(23,043,347)
Net change in Class R1 from participant transactions	<u>(386,787)</u>	<u>(5,676,496)</u>
Class R3:		
Proceeds from sales of units	481,587	5,871,556
Cost of units redeemed	(407,808)	(4,908,817)
Net change in Class R3 from participant transactions	<u>73,779</u>	<u>962,739</u>
Class R-INT⁽¹⁾:		
Proceeds from sales of units	213,983	2,581,282
Cost of units redeemed	(414,808)	(5,233,529)
Net change in Class R-INT from participant transactions	<u>(200,825)</u>	<u>(2,652,248)</u>
Net decrease in net assets from participant unit transactions		<u>\$ (7,366,005)</u>

⁽¹⁾ For the period June 18, 2018 (re-inception date) to December 31, 2018. Class R-INT shares had previously liquidated on January 25, 2018, and resumed operations on June 18, 2018, upon shareholder investment.

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities that the entity can access at the measurement date; 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 and liabilities measured at fair value on a recurring basis and recognized in the accompanying statement of assets and liabilities, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2018.

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 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 & Agency Obligations. U.S. Government & 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 & Agency 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, 2018.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2018

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
BrandywineGLOBAL - Global Investment				
Grade Fixed Income CIF				
Financial Instruments - Assets:				
Short Term Investment	\$ 2,542,478	\$ 2,542,478	\$ -	\$ -
Corporate Bonds	39,628,949	-	39,628,949	-
Foreign Government U.S. Government & Agency Obligations	76,850,308	-	76,850,308	-
	<u>52,615,656</u>	<u>-</u>	<u>52,615,656</u>	<u>-</u>
 Total Financial Instruments - Assets	 <u>\$ 171,637,391</u>	 <u>\$ 2,542,478</u>	 <u>\$ 169,094,913</u>	 <u>\$ 0</u>
Derivative Instruments - Assets:				
Foreign Currency Exchange Contracts	<u>\$ 681,007</u>	<u>\$ 0</u>	<u>\$ 681,007</u>	<u>\$ 0</u>
Derivative Instruments - Liabilities:				
Foreign Currency Exchange Contracts	<u>\$ 1,154,331</u>	<u>\$ 0</u>	<u>\$ 1,154,331</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 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.

Hand Composite Employee Benefit Trust

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December 31, 2018

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

The following table, grouped by derivative type, provides information about the fair value and the location of derivatives within the statement of assets and liabilities at December 31, 2018:

	Asset Derivatives ⁽¹⁾	
	Foreign Exchange Risk	Total
Foreign currency forward exchange contracts	\$ 681,007	\$ 681,007
Total	\$ 681,007	\$ 681,007
	Liability Derivatives ⁽¹⁾	
	Foreign Exchange Risk	Total
Foreign currency forward exchange contracts	\$ 1,154,331	\$ 1,154,331
Total	\$ 1,154,331	\$ 1,154,331

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

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, 2018. 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 (depreciation) resulting from the Fund's derivatives and hedging activities during the year.

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Notes to Financial Statements
December 31, 2018

	Amount of Realized Loss on Derivatives Recognized	
	Foreign Exchange Risk	Total
Forward foreign currency contracts	\$ (2,617,524)	\$ (2,617,524)
Total	\$ (2,617,524)	\$ (2,617,524)

	Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized	
	Foreign Exchange Risk	Total
Forward foreign currency contracts	\$ (233,410)	\$ (233,410)
Total	\$ (233,410)	\$ (233,410)

During the year ended December 31, 2018, the volume of derivative activity for the Fund was as follows:

	Average Market Value
Forward foreign currency contracts (to buy)	\$ 73,546,814
Forward foreign currency contracts (to sell)	9,731,408

The following table presents, by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2018.

	Gross Amount of Derivative Assets in the Statement of Assets and Liabilities ⁽¹⁾	Collateral Received	Net Amount
Foreign currency forward exchange contracts	\$ 681,007	\$ -	\$ 681,007
Total	\$ 681,007	\$ -	\$ 681,007

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

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The following table presents, by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at December 31, 2018:

	Derivative Liabilities in the Statement of Assets and Liabilities ⁽¹⁾	Collateral Pledged	Net Amount
Foreign currency forward exchange contracts	<u>\$ 1,154,331</u>	<u>\$ -</u>	<u>\$ 1,154,331</u>
Total	<u>\$ 1,154,331</u>	<u>\$ -</u>	<u>\$ 1,154,331</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, 2018

Purchases	
Investment Class	Cost
Corporate Bonds	\$ 24,069,196
Foreign Government	22,839,838
U.S. Government Obligations	25,433,441
Total Investments Purchased	\$ 72,342,475

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Corporate Bonds	\$ 7,264,866	\$ 7,069,893	\$ 194,973
Foreign Government	11,302,861	11,517,582	(214,721)
Municipals	816,457	683,037	133,420
U.S. Government Obligations	37,913,879	37,868,280	45,599
Total Investments Sold	\$ 57,298,063	\$ 57,138,792	\$ 159,271