

Hand Composite Employee Benefit Trust
ClearBridge Aggressive Growth 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, ClearBridge Aggressive Growth 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 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, ClearBridge Aggressive Growth 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

	ClearBridge Aggressive Growth CIF
Assets	
Investments, at cost	\$ 8,653,731
Investments, at fair value	\$ 8,711,522
Receivable for:	
Dividends and interest	12,243
Investment advisor waived fees	4,231
Total assets	<u>\$ 8,727,996</u>
Liabilities	
Payable for capital shares redeemed	30,490
Accounts payable and accrued liabilities	\$ 13,878
Total liabilities	<u>\$ 44,368</u>
Net assets held for participants:	
Class R-INT	\$ 2,412,122
Class R-LM	6,271,506
Total net assets held for participants	<u>\$ 8,683,628</u>
Units outstanding:	
Class R-INT	221,720
Class R-LM	578,170
Total units outstanding	<u>799,890</u>
Net asset value per unit:	
Class R-INT	\$ 10.88
Class R-LM	<u>\$ 10.85</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
ClearBridge Aggressive Growth CIF
December 31, 2018

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
2,152,410	State Street Institutional Investment Trust Treasury Money Market Fund, Premier Class 2.25%	\$ 2,152,410	\$ 2,152,410
Total Short Term Investment		24.71%	2,152,410
<u>Common Stocks</u>			
<u>Consumer Discretionary</u>			
2,439	AMC Networks, Inc. Class A	137,082	133,852
50	Ascent Capital Group, Inc. Class A	822	19
498	CBS Corp. Class B	31,110	21,773
12,071	Comcast Corp. Class A	440,297	411,018
5,137	Discovery, Inc. Class A	140,931	127,089
1,828	Discovery, Inc. Class C	49,071	42,190
738	Liberty Broadband Corp. Class A	56,633	52,996
1,048	Liberty Broadband Corp. Class C	81,836	75,487
241	Liberty Expedia Holdings, Inc. Class A	10,481	9,426
405	Liberty Global PLC Class A	14,157	8,643
1,224	Liberty Global PLC Class C	41,139	25,263
105	Liberty Media Corp-Liberty Braves Class A	2,146	2,619
188	Liberty Media Corp-Liberty Braves Class C	3,844	4,679
261	Liberty Media Corp-Liberty Formula One Class A	7,865	7,757
468	Liberty Media Corp-Liberty Formula One Class C	14,098	14,368
1,042	Liberty Media Corp-Liberty SiriusXM Class A	37,604	38,346
1,866	Liberty Media Corp-Liberty SiriusXM Class C	66,292	69,005
249	Liberty TripAdvisor Holdings, Inc. Class A	4,406	3,957
879	Lions Gate Entertainment Corp. Class B	23,100	13,080
502	Madison Square Garden Co. Class A	87,581	134,385
1,506	MSG Networks, Inc. Class A	33,163	35,481
2,481	Qurate Retail, Inc.	48,296	48,429
455	Viacom, Inc. Class B	17,768	11,693
631	World Wrestling Entertainment, Inc. Class A	12,334	47,148
Total Consumer Discretionary		15.37%	1,362,056
<u>Energy</u>			
5,618	Anadarko Petroleum Corp.	388,503	246,293
1,756	Core Laboratories N.V.	211,910	104,763
2,081	National Oilwell Varco, Inc.	77,752	53,482
3,870	Newfield Exploration Co.	158,974	56,734
12,460	Weatherford International PLC	65,998	6,965
Total Energy		5.37%	903,137
<u>Financials</u>			
853	Cohen & Steers, Inc.	30,538	29,275
2,357	New York Community Bancorp, Inc.	36,534	22,179
2,200	Sterling Bancorp	47,090	36,322
Total Financials		1.01%	114,162
<u>Health Care</u>			
82	Aduro Biotech, Inc.	972	217
685	Agios Pharmaceuticals, Inc.	28,857	31,585
610	Alkermes PLC	33,904	18,001
1,558	Allergan PLC	336,102	208,242
2,557	Amgen, Inc.	398,347	497,771
892	Bausch Health Cos., Inc.	13,551	16,475

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Aggressive Growth CIF (Continued)
December 31, 2018

Number of Shares		Cost	Fair Value
<u>Common Stocks (Continued)</u>			
<i>Health Care (Continued)</i>			
1,873	Biogen, Inc.	\$ 488,567	\$ 563,623
76	ImmunoGen, Inc.	185	365
1,797	Ionis Pharmaceuticals, Inc.	85,577	97,146
1,444	Medtronic PLC	108,397	131,346
172	ProQR Therapeutics N.V.	795	2,714
257	Spark Therapeutics, Inc.	14,544	10,059
231	Ultragenyx Pharmaceutical, Inc.	13,167	10,044
2,566	UnitedHealth Group, Inc.	413,327	639,242
1,247	Vertex Pharmaceuticals, Inc.	107,532	206,641
217	Wright Medical Group N.V.	5,458	5,907
	Total Health Care	28.00% 2,049,282	2,439,378
<i>Industrials</i>			
164	Engility Holdings, Inc.	5,212	4,667
2,599	Fluor Corp.	137,985	83,688
3,895	Johnson Controls International PLC	169,376	115,487
967	L3 Technologies, Inc.	146,056	167,929
354	NOW, Inc.	7,354	4,121
472	nVent Electric PLC	9,228	10,601
472	Pentair PLC	18,493	17,832
	Total Industrials	4.64% 493,704	404,325
<i>Information Technology</i>			
2,074	Autodesk, Inc.	174,428	266,737
1,423	Broadcom, Inc.	260,256	361,840
1,358	Citrix Systems, Inc.	100,848	139,141
2,659	Cree, Inc.	72,758	113,739
540	Dolby Laboratories, Inc. Class A	26,401	33,393
343	Facebook, Inc. Class A	44,622	44,964
1,777	Intel Corp.	65,316	83,395
348	LogMeIn, Inc.	37,624	28,386
5,656	Nuance Communications, Inc.	89,650	74,829
5,922	Seagate Technology PLC	217,937	228,530
2,006	TE Connectivity Ltd.	139,781	151,714
3,984	Twitter, Inc.	68,494	114,500
1,779	Western Digital Corp.	129,929	65,770
	Total Information Technology	19.59% 1,428,044	1,706,938
<i>Materials</i>			
4,194	Freeport-McMoRan, Inc.	62,622	43,240
572	Nucor Corp.	34,497	29,636
	Total Materials	0.84% 97,119	72,876
<i>Telecommunication Services</i>			
765	AT&T, Inc.	31,258	21,833
361	GCI Liberty, Inc. Class A	14,910	14,859

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Aggressive Growth CIF (Continued)
December 31, 2018

Number of Shares		Cost	Fair Value
<u>Common Stocks (Continued)</u>			
<i>Telecommunication Services (Continued)</i>			
72	Liberty Latin America Ltd. Class A	\$ 1,630	\$ 1,043
215	Liberty Latin America Ltd. Class C	4,697	3,132
	Total Telecommunication Services	0.47% 52,495	40,867
	Total Common Stocks	75.29% 6,499,999	6,559,100
<u>Rights</u>			
952	Wright Medical Group N.V.	\$ 1,322	\$ 12
	Total Rights	1,322	12
	Total Investments	100.00% \$ 8,653,731	\$ 8,711,522

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

	ClearBridge Aggressive Growth CIF
Income	
Interest	\$ 32,802
Dividends (net of foreign withholding taxes of \$21,708)	<u>363,409</u>
Total income	<u>396,211</u>
Expenses	
Trustee and administrative	<u>69,537</u>
Total expenses	69,537
Reimbursement of fees	<u>(4,231)</u>
Net Investment Income	<u>330,905</u>
Net Realized Gains on Investments	4,647,551
Change in Net Unrealized Appreciation (Depreciation)	
Investments	<u>(3,447,091)</u>
Net realized and unrealized gains on investments	<u>1,200,460</u>
Net Increase in Net Assets Resulting From Operations	<u><u>\$ 1,531,365</u></u>

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

	ClearBridge Aggressive Growth CIF
Operations	
Net investment income	\$ 330,905
Net realized gains	4,647,551
Change in net unrealized appreciation (depreciation)	(3,447,091)
Net increase in net assets from operations	1,531,365
Net Decrease in Net Assets From Participant Unit Transactions	(29,252,414)
Decrease in Net Assets	(27,721,049)
Net Assets	
Beginning of year	36,404,677
End of year	\$ 8,683,628

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 ClearBridge Aggressive Growth 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 then re-incepted on June 18, 2018, upon shareholder investment.

The Fund was closed on April 15, 2019.

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.

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

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

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 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 ClearBridge Investments, LLC.

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.

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 total net assets.

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
ClearBridge Aggressive Growth CIF:				
Class R-INT	0.04%	0.00%	0.11%	0.15%
Class R-LM	0.04%	0.00%	0.11%	0.15%

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Notes to Financial Statements

December 31, 2018

Note 3: Financial Highlights

	ClearBridge Aggressive Growth CIF	
	Class R-INT⁽¹⁾	Class R-LM
Net asset value, beginning of period	\$ 12.17	\$ 11.19
Net investment income	0.10	0.13
Net realized and unrealized gains	(1.39)	(0.47)
Net increase from investment operations	(1.29)	(0.34)
Net asset value, end of period	\$ 10.88	\$ 10.85
Total return	(10.60)%	(3.04)%
Ratio to average net assets:		
Net investment income	1.34% ⁽²⁾	1.09%
Expenses without reimbursement	0.58% ⁽²⁾	0.22%
Expenses with reimbursement	0.23% ⁽²⁾	0.15%

⁽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

Note 4: Participant Unit Transactions

	ClearBridge Aggressive Growth CIF	
	Units	Dollars
Class R-INT⁽¹⁾:		
Proceeds from sales of units	247,183	\$ 2,964,786
Cost of units redeemed	(345,727)	(4,112,951)
Net decrease in Class R-INT from participant transactions	(98,544)	(1,148,165)
Class R-LM:		
Proceeds from sales of units	403,147	4,688,269
Cost of units redeemed	(2,760,003)	(32,792,518)
Net decrease in Class R-LM from participant transactions	(2,356,856)	(28,104,249)
Net decrease in net assets from participant unit transactions		\$ (29,252,414)

⁽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.

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Notes to Financial Statements

December 31, 2018

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 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 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 period 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.

Common Stocks and Rights. 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 Depositary Receipts and the movement of certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as either Level 1 or 2 of the hierarchy.

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, 2018.

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

	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)
	Fair Value	(Level 1)	(Level 2)	(Level 3)
ClearBridge Aggressive Growth CIF				
Financial Instruments - Assets:				
Short Term Investment	\$ 2,152,410	\$ 2,152,410	\$ -	\$ -
Common Stocks	6,559,100	6,559,100	-	-
Rights	12	12	-	-
Total Financial Instruments - Assets	\$ 8,711,522	\$ 8,711,522		

Note 6: 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.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investment Purchases and Sales - Selected Fund
Year Ended December 31, 2018

Purchases	
Investment Class	Cost
Common Stocks	\$ 59,280
Total Investments Purchased	\$ 59,280

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stocks	\$ 29,512,782	\$ 24,865,264	\$ 4,647,518
Rights	3,997	3,964	33
Total Investments Sold	\$ 29,516,779	\$ 24,869,228	\$ 4,647,551