

Hand Composite Employee Benefit Trust
ClearBridge Large Cap Growth CIF
Independent Auditor's Report and Financial Statements
December 31, 2019



Hand Composite Employee Benefit Trust
December 31, 2019

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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 Large Cap 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, 2019, and the related statements of operations and changes in net assets for the year 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 Large Cap Growth CIF, as of December 31, 2019, and the results of its operations and the changes in its net assets for the year 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 15, 2020

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2019

	ClearBridge Large Cap Growth CIF
Assets	
Investments, at cost	\$ 162,912,955
Investments, at fair value	\$ 204,751,518
Receivable for:	
Capital shares sold	92,934
Dividends and interest	64,102
Investment advisor waived fees	4,950
Total assets	\$ 204,913,504
Liabilities	
Payable for capital shares redeemed	\$ 98,499
Management fee payable	75,002
Accounts payable and accrued liabilities	22,231
Total liabilities	\$ 195,732
Net assets held for participants:	
Class R1	\$ 35,262,197
Class R2	165,362,569
Class R3	4,093,006
Total net assets held for participants	\$ 204,717,772
Units outstanding:	
Class R1	2,002,847
Class R2	9,345,316
Class R3	231,032
Total units outstanding	11,579,195
Net asset value per unit:	
Class R1	\$ 17.61
Class R2	\$ 17.69
Class R3	\$ 17.72

Hand Composite Employee Benefit Trust
Schedule of Investments
ClearBridge Large Cap Growth CIF
December 31, 2019

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
6,056,853	State Street Institutional Investment Trust Treasury Money Market Fund, Premier Class 1.52%	\$ 6,056,853	\$ 6,056,853
Total Short Term Investment		2.96%	6,056,853
<u>Common Stocks</u>			
<u>Consumer Discretionary</u>			
19,790	Advance Auto Parts, Inc.	3,124,722	3,169,566
7,448	Amazon.com, Inc.	10,365,643	13,762,712
1,180	Booking Holdings, Inc.	2,321,360	2,423,401
87,320	Comcast Corp. Class A	3,340,969	3,926,781
17,370	Home Depot, Inc.	3,053,330	3,793,261
36,030	Walt Disney Co.	4,064,583	5,211,019
Total Consumer Discretionary		15.77%	26,270,607
<u>Consumer Staples</u>			
40,350	Anheuser-Busch InBev S.A. ADR	3,959,374	3,310,314
11,504	Costco Wholesale Corp.	2,381,583	3,381,256
12,017	McCormick & Co., Inc.	1,492,732	2,039,645
Total Consumer Staples		4.26%	7,833,689
<u>Energy</u>			
15,912	Pioneer Natural Resources Co.	2,534,289	2,408,599
Total Energy		1.18%	2,534,289
<u>Financials</u>			
31,810	American Express Co.	3,157,635	3,960,027
2,000	BlackRock, Inc.	899,290	1,005,400
79,760	Charles Schwab Corp.	3,555,818	3,793,385
Total Financials		4.28%	7,612,743
<u>Health Care</u>			
25,690	Alexion Pharmaceuticals, Inc.	3,108,618	2,778,374
24,570	BioMarin Pharmaceutical, Inc.	2,144,008	2,077,394
24,890	Johnson & Johnson	3,281,920	3,630,704
16,250	Thermo Fisher Scientific, Inc.	3,510,503	5,279,137
23,670	UnitedHealth Group, Inc.	5,232,605	6,958,507
40,330	Zoetis, Inc.	3,193,183	5,337,675
Total Health Care		12.73%	20,470,837
<u>Industrials</u>			
17,984	CH Robinson Worldwide, Inc.	1,467,596	1,406,349
23,430	Honeywell International, Inc.	3,405,786	4,147,110
49,029	IHS Markit Ltd.	2,624,183	3,694,335
83,080	Uber Technologies, Inc.	3,255,624	2,470,799
38,110	United Parcel Service, Inc. Class B	4,265,745	4,461,157
12,040	WW Grainger, Inc.	3,144,360	4,075,781
Total Industrials		9.89%	18,163,294

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Large Cap Growth CIF (Continued)
December 31, 2019

Number of Shares		Cost	Fair Value
<u>Common Stocks (Continued)</u>			
<i>Information Technology</i>			
18,570	Adobe, Inc.	\$ 3,637,812	\$ 6,124,572
44,820	Akamai Technologies, Inc.	3,068,488	3,871,552
18,280	Alibaba Group Holding Ltd. ADR	3,055,647	3,877,188
1,839	Alphabet, Inc. Class A	1,860,206	2,463,138
4,634	Alphabet, Inc. Class C	4,653,077	6,195,751
24,320	Apple, Inc.	4,695,238	7,141,568
50,800	Facebook, Inc. Class A	8,247,888	10,426,700
21,360	Fidelity National Information Services, Inc.	2,854,928	2,970,962
66,990	Microsoft Corp.	6,181,526	10,564,323
52,170	Nutanix, Inc. Class A	1,952,840	1,630,834
15,700	NVIDIA Corp.	2,676,674	3,694,210
72,080	Oracle Corp.	3,526,556	3,818,798
13,640	Palo Alto Networks, Inc.	2,298,805	3,154,250
43,030	QUALCOMM, Inc.	2,658,179	3,796,537
15,530	salesforce.com, Inc.	2,507,773	2,525,799
23,305	Splunk, Inc.	2,158,137	3,490,390
21,450	Texas Instruments, Inc.	2,064,715	2,751,820
47,550	Visa, Inc. Class A	5,918,779	8,934,645
19,130	VMware, Inc. Class A	2,457,768	2,903,743
	Total Information Technology	44.12% 66,475,036	90,336,780
<i>Materials</i>			
17,130	Ecolab, Inc.	2,510,849	3,305,919
14,230	Linde PLC	2,394,918	3,029,567
	Total Materials	3.09% 4,905,767	6,335,486
<i>Real Estate</i>			
6,030	Equinix, Inc. REIT	2,589,840	3,519,711
	Total Real Estate	1.72% 2,589,840	3,519,711
	Total Common Stocks	97.04% 156,856,102	198,694,665
	Total Investments	100.00% \$ 162,912,955	\$ 204,751,518

Abbreviations used in this table:

ADR American Depository Receipt
REIT Real Estate Investment Trust

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2019

	ClearBridge Large Cap Growth CIF
Income	
Interest	\$ 85,230
Dividends (net of foreign withholding taxes of \$19,241)	<u>1,633,885</u>
Total income	<u>1,719,115</u>
Expenses	
Trustee and administrative	161,645
Class R1 expenses	11,082
Class R1A expenses	158,798
Class R2 expenses	573,114
Class R3 expenses	<u>15,515</u>
Total expenses	<u>920,154</u>
Net Investment Income	<u>798,961</u>
Net Realized Gains on Investments	4,332,373
Change in Net Unrealized Appreciation	
Investments	<u>39,263,561</u>
Net realized and unrealized gains on investments	<u>43,595,934</u>
Net Increase in Net Assets Resulting From Operations	<u><u>\$ 44,394,895</u></u>

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2019

	ClearBridge Large Cap Growth CIF
Operations	
Net investment income	\$ 798,961
Net realized gains	4,332,373
Change in net unrealized appreciation	39,263,561
Net increase in net assets from operations	44,394,895
Net Increase in Net Assets From Participant Unit Transactions	30,018,211
Increase in Net Assets	74,413,106
Net Assets	
Beginning of year	130,304,666
End of year	\$ 204,717,772

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

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 76 portfolios (the Funds); the financial statements of one of those funds, the ClearBridge Large Cap 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.

The R1A class was liquidated during 2019.

The R1 class which had liquidated in 2018 re-opened on December 6, 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

Investment Income and Distribution of Income

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

Valuation of Participants' Interest

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

Federal Income Taxes

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

Subsequent Events

As a result of the spread of the COVID-19 coronavirus in 2020, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Fund. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through May 15, 2020, 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 a fee by HB&T for trustee/administrative services and other fees which include fund accounting services, transfer agency services, custody 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.

The following table indicates the fees charged to the Fund and 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.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2019

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
ClearBridge Large Cap Growth CIF:				
Class R1	0.04%	0.50%	0.04%	0.58%
Class R2	0.04%	0.45%	0.04%	0.53%
Class R3	0.04%	0.40%	0.04%	0.48%
Class R1A	0.04%	0.50%	0.04%	0.58%

Note 3: Financial Highlights

	ClearBridge Large Cap Growth CIF		
	Class R1 ⁽¹⁾	Class R2	Class R3
Net asset value, beginning of period	\$ 17.09	\$ 13.34	\$ 13.35
Net investment income	-	0.08	0.09
Net realized and unrealized gains	0.52	4.27	4.28
Net increase from investment operations	0.52	4.35	4.37
Net asset value, end of period	\$ 17.61	\$ 17.69	\$ 17.72
Total return	3.04%	32.61%	32.73%
Ratio to average net assets:			
Net investment income	0.52% ⁽²⁾	0.51%	0.56%
Expenses	8.60% ⁽²⁾	0.53%	0.48%

⁽¹⁾ For the period December 6, 2019 (re-inception date) to December 31, 2019. Class R1 shares had previously liquidated on August 17, 2018, and resumed operations on December 6, 2019, upon shareholder investment.

⁽²⁾ Annualized

Note 4: Participant Unit Transactions

	ClearBridge Large Cap Growth CIF	
	Units	Dollars
Class R1A⁽¹⁾:		
Proceeds from sales of units	200,962	\$ 3,160,552
Cost of units redeemed	(2,409,463)	(40,716,010)
Net change in net assets from participant transactions	(2,208,501)	(37,555,458)

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2019

	ClearBridge Large Cap Growth CIF	
	Units	Dollars
Class R1 ⁽²⁾:		
Proceeds from sales of units	2,051,255	\$ 35,066,347
Cost of units redeemed	(48,408)	(839,133)
Net change in net assets from participant transactions	2,002,847	34,227,214
Class R2:		
Proceeds from sales of units	3,543,848	57,852,970
Cost of units redeemed	(1,504,996)	(24,078,099)
Net change in net assets from participant transactions	2,038,852	33,774,871
Class R3:		
Proceeds from sales of units	31,671	500,739
Cost of units redeemed	(58,370)	(929,155)
Net change in net assets from participant transactions	(26,699)	(428,416)
Net increase in net assets from participant unit transactions		\$ 30,018,211

⁽¹⁾ This class liquidated during 2019

⁽²⁾ For the period December 6, 2019 (re-inception date) to December 31, 2019. Class R1 shares had previously liquidated on August 17, 2018, and resumed operations on December 6, 2019, upon shareholder investment.

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

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, 2019.

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. 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 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, 2019:

	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)
ClearBridge Large Cap Growth CIF				
Financial Instruments - Assets:				
Short Term Investment	\$ 6,056,853	\$ 6,056,853	\$ -	\$ -
Common Stocks	198,694,665	198,694,665	-	-
Total Financial Instruments - Assets	<u>\$ 204,751,518</u>	<u>\$ 204,751,518</u>	<u>\$ 0</u>	<u>\$ 0</u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

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
ClearBridge Large Cap Growth CIF
Year Ended December 31, 2019

Purchases	
Investment Class	Cost
Common Stocks	\$ 67,083,160
Total Investments Purchased	\$ 67,083,160

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stocks	\$ 39,202,802	\$ 34,870,429	\$ 4,332,373
Total Investments Sold	\$ 39,202,802	\$ 34,870,429	\$ 4,332,373