

Hand Composite Employee Benefit Trust
ClearBridge Large Cap Growth CIF
Independent Auditor's Report and Financial Statements
December 31, 2017



Hand Composite Employee Benefit Trust

December 31, 2017

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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, 2017, and the related statements of operations and changes in net assets for the year ended December 31, 2017 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, 2017, and the results of its operations and the changes in its net assets for the year ended December 31, 2017, 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 25, 2018

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2017

	ClearBridge Large Cap Growth CIF
Assets	
Investments, at cost	\$ 62,654,789
Investments, at fair value	\$ 78,124,939
Receivable for:	
Capital shares sold	54,282,703
Dividends and interest	37,534
Total assets	\$ 132,445,176
Liabilities	
Payable for investment securities purchased	\$ 164,381
Payable for capital shares redeemed	25,880
Management fee payable	28,657
Accounts payable and accrued liabilities	18,934
Total liabilities	\$ 237,852
Net assets held for participants:	
Class R1A	\$ 31,745,510
Class R2	37,168,362
Class R3	54,180,446
Class R-INT	7,254,591
Class R-LM	1,858,415
Total net assets held for participants	\$ 132,207,324
Units outstanding:	
Class R1A	2,375,228
Class R2	2,777,575
Class R3	4,046,337
Class R-INT	540,572
Class R-LM	138,268
Total units outstanding	9,877,980
Net asset value per unit:	
Class R1A	\$ 13.37
Class R2	\$ 13.38
Class R3	\$ 13.39
Class R-INT	\$ 13.42
Class R-LM	\$ 13.44

Hand Composite Employee Benefit Trust

Schedule of Investments

ClearBridge Large Cap Growth CIF

December 31, 2017

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
2,378,385	State Street Institutional Trust Treasury Money Market Fund, Premier Class 1.157%	\$ 2,378,385	\$ 2,378,385
Total Short Term Investment		3.04%	2,378,385
<u>Common Stocks</u>			
<u>Consumer Discretionary</u>			
3,476	Amazon.com, Inc.	2,677,636	4,065,078
2,410	Chipotle Mexican Grill, Inc.	914,468	696,562
45,910	Comcast Corp. Class A	1,583,525	1,838,695
11,810	Home Depot, Inc.	1,593,965	2,238,349
14,590	Walt Disney Co.	1,484,302	1,568,571
34,790	Yum China Holdings, Inc.	959,032	1,392,296
Total Consumer Discretionary		15.10%	9,212,928
<u>Consumer Staples</u>			
12,250	Anheuser-Busch InBev S.A. ADR	1,469,965	1,366,610
31,710	Coca-Cola Co.	1,393,770	1,454,855
6,810	Costco Wholesale Corp.	1,089,326	1,267,477
16,730	CVS Health Corp.	1,538,098	1,212,925
7,427	McCormick & Co., Inc.	679,963	756,886
Total Consumer Staples		7.76%	6,171,122
<u>Energy</u>			
7,280	Pioneer Natural Resources Co.	1,300,556	1,258,348
23,730	Schlumberger Ltd.	1,901,794	1,599,165
Total Energy		3.66%	3,202,350
<u>Financials</u>			
13,610	American Express Co.	908,588	1,351,609
3,800	BlackRock, Inc.	1,347,672	1,952,098
29,410	Charles Schwab Corp.	902,275	1,510,792
Total Financials		6.16%	3,158,535
<u>Health Care</u>			
10,200	Alexion Pharmaceuticals, Inc.	1,293,058	1,219,818
5,470	Biogen, Inc.	1,349,779	1,742,578
20,490	Celgene Corp.	2,199,170	2,138,336
19,581	DENTSPLY SIRONA, Inc.	1,156,126	1,289,017
8,860	Johnson & Johnson	1,064,688	1,237,919
2,710	Regeneron Pharmaceuticals, Inc.	1,006,905	1,018,852
7,700	Thermo Fisher Scientific, Inc.	1,147,984	1,462,076
10,030	UnitedHealth Group, Inc.	1,476,196	2,211,214
23,090	Zoetis, Inc.	1,157,699	1,663,404
Total Health Care		17.90%	11,851,605
<u>Industrials</u>			
10,450	Honeywell International, Inc.	1,336,750	1,602,612
5,760	Rockwell Collins, Inc.	495,857	781,171
12,120	United Parcel Service, Inc. Class B	1,336,457	1,444,098
5,680	WW Grainger, Inc.	1,239,984	1,341,900
Total Industrials		6.62%	4,409,048

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Large Cap Growth CIF
December 31, 2017

Number of Shares		Cost	Fair Value
<i><u>Common Stocks (Continued)</u></i>			
<i>Information Technology</i>			
11,440	Adobe Systems, Inc.	\$ 1,154,995	\$ 2,004,746
29,000	Akamai Technologies, Inc.	1,745,072	1,886,160
1,708	Alphabet, Inc. Class A	1,292,764	1,799,207
2,419	Alphabet, Inc. Class C	1,791,955	2,531,242
8,950	Apple, Inc.	941,318	1,514,609
18,810	eBay, Inc.	501,012	709,889
11,780	Facebook, Inc. Class A	1,427,702	2,078,699
34,460	Microsoft Corp.	1,923,103	2,947,708
26,490	Oracle Corp.	1,290,083	1,252,447
8,410	Palo Alto Networks, Inc.	1,084,232	1,218,945
20,690	PayPal Holdings, Inc.	804,725	1,523,198
14,900	Red Hat, Inc.	1,088,344	1,789,490
14,560	Splunk, Inc.	873,247	1,206,150
13,730	Texas Instruments, Inc.	919,778	1,433,961
22,680	Visa, Inc. Class A	1,771,708	2,585,974
10,850	VMware, Inc. Class A	728,649	1,359,722
	Total Information Technology	35.64% 19,338,687	27,842,147
<i>Materials</i>			
10,540	Ecolab, Inc.	1,253,807	1,414,257
7,260	Monsanto Co.	755,919	847,823
6,200	Praxair, Inc.	922,403	959,016
	Total Materials	4.12% 2,932,129	3,221,096
	Total Common Stocks	96.96% 60,276,404	75,746,554
	Total Investments	100.00% \$ 62,654,789	\$ 78,124,939

Abbreviations used in this table:

ADR American Depository Receipt

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2017

	ClearBridge Large Cap Growth CIF
Income	
Interest	\$ 14,366
Dividends (net of foreign withholding taxes of \$22,975)	981,944
	996,310
Expenses	
Trustee and administrative	121,429
Class R1A expenses	162,448
Class R2 expenses	230,704
Class R3 expenses	5
	514,586
Total expenses before reimbursement	514,586
Reimbursement of fees	(432)
	514,154
Net Investment Income	482,156
Net Realized Gains on Investments	7,836,060
Change in Net Unrealized Appreciation (Depreciation)	
Investments	12,343,268
	20,179,328
Net Increase in Net Assets Resulting From Operations	\$ 20,661,484

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2017

	ClearBridge Large Cap Growth CIF
Operations	
Net investment income	\$ 482,156
Net realized gains	7,836,060
Change in net unrealized appreciation (depreciation)	<u>12,343,268</u>
Net increase in net assets from operations	20,661,484
Net Increase in Net Assets From Participant Unit Transactions	<u>43,003,607</u>
Increase in Net Assets	63,665,091
Net Assets	
Beginning of year	<u>68,542,233</u>
End of year	<u><u>\$ 132,207,324</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2017

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 105 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.

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

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Notes to Financial Statements

December 31, 2017

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

Subsequent events have been evaluated through May 25, 2018, 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. These fees compensate the advisor for the services it provides and for expenses borne by the advisor under the agreement.

During the period ended December 31, 2017, the investment advisor voluntarily reimbursed the Fund for a portion of its expenses.

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, 2017

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
ClearBridge Large Cap Growth CIF:				
Class R1A	0.04%	0.50%	0.17%	0.71%
Class R2	0.04%	0.45%	0.07%	0.56%
Class R3	0.04%	0.40%	0.07%	0.51%
Class R-INT	0.04%	0.00%	0.07%	0.11%
Class R-LM	0.04%	0.00%	0.07%	0.11%

Note 3: Financial Highlights

	ClearBridge Large Cap Growth CIF				
	Class R1A ¹	Class R2	Class R3 ²	Class R-INT ³	Class R-LM ⁴
Net asset value, beginning of period	\$ 10.92	\$ 10.60	\$ 12.61	\$ 11.00	\$ 10.90
Net investment income	0.05	0.06	0.02	0.11	0.12
Net realized and unrealized gains	2.40	2.72	0.76	2.31	2.42
Net increase from investment operations	2.45	2.78	0.78	2.42	2.54
Net asset value, end of period	\$ 13.37	\$ 13.38	\$ 13.39	\$ 13.42	\$ 13.44
Total return	22.44%	26.23%	6.19%	22.00%	23.30%
Ratio to average net assets:					
Net investment income	0.40% ⁵	0.54%	0.90% ⁵	1.02% ⁵	1.01% ⁵
Expenses without reimbursement	0.70% ⁵	0.54%	0.44% ⁵	0.10% ⁵	0.10% ⁵
Expenses with reimbursement	0.70% ⁵	0.54%	0.44% ⁵	0.10% ⁵	0.10% ⁵

¹ For the period January 13, 2017 (inception date) to December 31, 2017.

² For the period October 26, 2017 (inception date) to December 31, 2017.

³ For the period February 1, 2017 (inception date) to December 31, 2017.

⁴ For the period January 17, 2017 (inception date) to December 31, 2017.

⁵ Annualized

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2017

Note 4: Participant Unit Transactions

	ClearBridge Large Cap Growth CIF	
	Units	Dollars
Class R1A¹:		
Proceeds from sales of units	3,186,075	\$ 35,165,345
Cost of units redeemed	(810,847)	(10,295,096)
	<u>2,375,228</u>	<u>24,870,249</u>
Net increase in net assets from participant transactions		
Class R2:		
Proceeds from sales of units	1,226,792	15,568,292
Cost of units redeemed	(4,914,151)	(59,183,581)
	<u>(3,687,359)</u>	<u>(43,615,289)</u>
Net increase in net assets from participant transactions		
Class R3²:		
Proceeds from sales of units	4,046,338	54,180,071
Cost of units redeemed	(1)	(10)
	<u>4,046,337</u>	<u>54,180,061</u>
Net increase in net assets from participant transactions		
Class R-INT³:		
Proceeds from sales of units	576,158	6,368,000
Cost of units redeemed	(35,586)	(433,000)
	<u>540,572</u>	<u>5,935,000</u>
Net increase in net assets from participant transactions		
Class R-LM⁴:		
Proceeds from sales of units	147,337	1,744,490
Cost of units redeemed	(9,069)	(110,904)
	<u>138,268</u>	<u>1,633,586</u>
Net increase in net assets from participant transactions		
Net increase in net assets from participant unit transactions		<u>\$ 43,003,607</u>

¹ For the period January 13, 2017 (inception date) to December 31, 2017.

² For the period October 26, 2017 (inception date) to December 31, 2017.

³ For the period February 1, 2017 (inception date) to December 31, 2017.

⁴ For the period January 17, 2017 (inception date) to December 31, 2017.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2017

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, 2017.

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 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, 2017.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2017

	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	\$ 2,378,385	\$ 2,378,385	\$ -	\$ -
Common Stocks	75,746,554	75,746,554	-	-
 Total Financial Instruments - Assets	 \$ 78,124,939	 \$ 78,124,939	 \$ 0	 \$ 0

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, 2017

Purchases	
Investment Class	Cost
Common Stocks	\$ 48,661,611

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stocks	\$ 60,613,784	\$ 52,777,724	\$ 7,836,060