

**Hand Composite Employee Benefit Trust
ClearBridge Small Cap 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 Small Cap 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, 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 Small Cap CIF, as of December 31, 2019, 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 15, 2020

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

	ClearBridge Small Cap CIF
Assets	
Investments, at cost	\$ 58,195,943
Investments, at fair value	\$ 64,415,522
Cash	4,042
Receivable for:	
Capital shares sold	249,061
Dividends and interest	47,913
Investment advisor waived fees	4,020
	\$ 64,720,558
Total assets	\$ 64,720,558
Liabilities	
Payable for capital shares redeemed	\$ 113,989
Management fee payable	5,266
Accounts payable and accrued liabilities	15,992
	\$ 135,247
Total liabilities	\$ 135,247
Net assets held for participants:	
Class R1	\$ 11,933,392
Class R-INT	5,060,879
Class R-LM	47,591,040
	\$ 64,585,311
Total net assets held for participants	\$ 64,585,311
Units outstanding:	
Class R1	895,703
Class R-INT	376,437
Class R-LM	3,537,246
	4,809,386
Total units outstanding	4,809,386
Net asset value per unit:	
Class R1	\$ 13.32
Class R-INT	\$ 13.44
Class R-LM	\$ 13.45
	\$ 13.45

Hand Composite Employee Benefit Trust

Schedule of Investments

ClearBridge Small Cap CIF

December 31, 2019

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
1,370,549	State Street Institutional Investment Trust Treasury Money Market Fund, Premier Class 1.52%	\$ 1,370,549	\$ 1,370,549
Total Short Term Investment		2.13%	1,370,549
<u>Common Stocks</u>			
<u>Consumer Discretionary</u>			
19,754	Aaron's, Inc.	768,073	1,128,151
22,667	Chuy's Holdings, Inc.	600,173	587,529
65,003	Gray Television, Inc.	870,721	1,393,664
52,026	Hudson Ltd. Class A	796,786	798,079
35,870	K12, Inc.	919,751	729,955
3,680	Lithia Motors, Inc. Class A	296,583	540,960
7,853	Monro, Inc.	458,884	614,105
6,164	Murphy USA, Inc.	416,087	721,188
31,110	OneSpaWorld Holdings Ltd.	476,478	523,892
6,670	Oxford Industries, Inc.	464,034	503,051
11,242	Service Corp. International	373,122	517,469
16,580	Twin River Worldwide Holdings, Inc.	503,785	425,277
Total Consumer Discretionary		13.17%	6,944,477
<u>Consumer Staples</u>			
5,971	Inter Parfums, Inc.	253,565	434,151
3,540	Sanderson Farms, Inc.	359,384	623,819
50,780	Sprouts Farmers Market, Inc.	1,051,366	982,593
Total Consumer Staples		3.17%	1,664,315
<u>Energy</u>			
26,580	Brigham Minerals, Inc. Class A	484,757	569,875
37,320	Matador Resources Co.	622,595	670,640
52,080	Patterson-UTI Energy, Inc.	473,055	546,840
80,002	Smart Sand, Inc.	688,528	201,605
39,970	US Silica Holdings, Inc.	677,680	245,816
Total Energy		3.47%	2,946,615
<u>Financials</u>			
18,557	Assured Guaranty Ltd.	743,223	909,664
24,280	Bank OZK	662,910	740,661
52,909	Cadence Bancorp	1,134,808	959,240
23,240	Encore Capital Group, Inc.	924,995	821,767
12,390	Essent Group Ltd.	476,619	644,156
17,081	First Interstate BancSystem, Inc. Class A	696,447	716,036
25,390	Great Western Bancorp, Inc.	937,836	882,049
11,683	Main Street Capital Corp.	446,763	503,654
14,082	OneMain Holdings, Inc.	387,773	593,556
26,800	Oportun Financial Corp.	404,489	637,840
64,649	PennantPark Investment Corp.	473,808	422,158
20,636	ProAssurance Corp.	974,311	745,785
32,776	TriState Capital Holdings, Inc.	802,374	856,109
22,291	Washington Federal, Inc.	744,201	816,965
18,600	WesBanco, Inc.	692,105	702,894
10,770	Wintrust Financial Corp.	756,442	763,593
Total Financials		18.19%	11,259,104

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

Number of Shares		Cost	Fair Value
<u>Common Stocks (Continued)</u>			
<i>Health Care</i>			
30,610	Acadia Healthcare Co., Inc.	\$ 868,187	\$ 1,016,864
22,710	Aerie Pharmaceuticals, Inc.	541,430	548,901
59,710	Akebia Therapeutics, Inc.	501,671	377,367
59,608	Amarin Corp. PLC ADR	534,258	1,277,996
54,080	Covetrus, Inc.	765,301	713,856
12,748	Encompass Health Corp.	651,626	883,054
15,350	HealthEquity, Inc.	833,436	1,136,974
10,770	Intra-Cellular Therapies, Inc.	134,906	369,519
106,143	Quotient Ltd.	644,536	1,009,420
70,040	R1 RCM, Inc.	720,691	909,119
16,577	Syneos Health, Inc.	752,297	985,917
	Total Health Care	14.33% 6,948,339	9,228,987
<i>Industrials</i>			
9,790	Dycor Industries, Inc.	816,079	461,598
10,970	EnPro Industries, Inc.	814,856	733,674
29,901	Foundation Building Materials, Inc.	426,342	578,584
8,788	GATX Corp.	570,472	728,086
6,612	ICF International, Inc.	377,552	605,791
6,475	Landstar System, Inc.	623,648	737,308
32,628	Marten Transport Ltd.	573,583	701,176
44,320	MRC Global, Inc.	762,335	604,525
20,818	Rush Enterprises, Inc. Class A	830,105	968,037
19,020	SkyWest, Inc.	972,986	1,229,263
42,226	Textainer Group Holdings Ltd.	682,112	452,240
25,974	Triton International Ltd.	720,387	1,044,155
	Total Industrials	13.73% 8,170,457	8,844,437
<i>Information Technology</i>			
19,489	2U, Inc.	819,409	467,541
14,782	Advanced Energy Industries, Inc.	832,986	1,052,478
36,530	Blucora, Inc.	813,493	954,894
19,020	CommVault Systems, Inc.	916,976	849,053
36,450	Everi Holdings, Inc.	424,718	489,524
24,291	EVERTEC, Inc.	530,986	826,866
11,770	Itron, Inc.	678,567	988,091
34,300	nLight, Inc.	779,857	695,604
11,120	Rapid7, Inc.	293,613	622,942
10,926	Semtech Corp.	431,198	577,985
38,781	Tower Semiconductor Ltd.	942,227	933,071
12,631	WNS Holdings Ltd. ADR	479,651	835,541
	Total Information Technology	14.43% 7,943,681	9,293,590
<i>Materials</i>			
40,730	Commercial Metals Co.	699,531	907,057
27,580	Silgan Holdings, Inc.	756,664	857,187
15,590	US Concrete, Inc.	789,030	649,479
105,590	Venator Materials PLC	1,308,765	404,410
	Total Materials	4.37% 3,553,990	2,818,133

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

Number of Shares		Cost	Fair Value
<u>Common Stocks (Continued)</u>			
<i>Real Estate</i>			
50,940	Brandywine Realty Trust REIT	\$ 799,215	\$ 802,305
47,800	Kite Realty Group Trust REIT	777,557	933,534
75,472	Lexington Realty Trust REIT	718,146	801,513
23,330	Outfront Media, Inc. REIT	456,236	625,710
18,740	PotlatchDeltic Corp. REIT	705,206	810,880
90,623	Summit Hotel Properties, Inc. REIT	1,257,584	1,118,288
	Total Real Estate	7.90% 4,713,944	5,092,230
<i>Telecommunication Services</i>			
60,170	QuinStreet, Inc.	812,850	921,203
	Total Telecommunication Services	1.43% 812,850	921,203
<i>Utilities</i>			
13,360	Black Hills Corp.	784,051	1,049,295
15,003	NextEra Energy Partners L.P.	681,421	789,908
10,499	PNM Resources, Inc.	402,150	532,404
	Total Utilities	3.68% 1,867,622	2,371,607
	Total Common Stocks	97.87% 56,825,394	63,044,973
	Total Investments	100.00% \$ 58,195,943	\$ 64,415,522

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 Small Cap CIF
Income	
Interest	\$ 38,914
Dividends	849,296
Total income	888,210
Expenses	
Trustee and administrative	81,836
Class R1 expenses	58,723
Total expenses before reimbursement	140,559
Reimbursement of fees	(4,166)
Net expense	136,393
Net Investment Income	751,817
Net Realized Gains on Investments	3,289,077
Change in Net Unrealized Appreciation	
Investments	12,361,558
Net realized and unrealized gains on investments	15,650,635
Net Increase in Net Assets Resulting From Operations	\$ 16,402,452

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

	ClearBridge Small Cap CIF
Operations	
Net investment income	\$ 751,817
Net realized gains	3,289,077
Change in net unrealized appreciation	<u>12,361,558</u>
Net increase in net assets from operations	16,402,452
Net Decrease in Net Assets From Participant Unit Transactions	<u>(2,845,281)</u>
Increase in Net Assets	13,557,171
Net Assets	
Beginning of year	<u>51,028,140</u>
End of year	<u><u>\$ 64,585,311</u></u>

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 Small Cap 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 units owned

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

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.

During the year ended December 31, 2019, 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 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 Small Cap CIF:				
Class R1	0.04%	0.55%	0.10%	0.69%
Class R-INT	0.04%	0.00%	0.10%	0.14%
Class R-LM	0.04%	0.00%	0.10%	0.14%

Note 3: Financial Highlights

	ClearBridge Small Cap CIF		
	Class R1	Class R-INT	Class R-LM
Net asset value, beginning of year	\$ 10.07	\$ 10.11	\$ 10.12
Net investment income	0.10	0.16	0.16
Net realized and unrealized gains	3.15	3.17	3.17
Net increase from investment operations	3.25	3.33	3.33
Net asset value, end of year	\$ 13.32	\$ 13.44	\$ 13.45
Total return	32.27%	32.94%	32.91%
Ratio to average net assets:			
Net investment income	0.86%	1.36%	1.37%
Expenses without reimbursement	0.69%	0.14%	0.14%
Expenses with reimbursement	0.65%	0.14%	0.14%

Note 4: Participant Unit Transactions

	ClearBridge Small Cap CIF	
	Units	Dollars
Class R-INT:		
Proceeds from sales of units	178,241	\$ 2,154,934
Cost of units redeemed	(216,827)	(2,610,733)
Net decrease in Class R-INT from participant transactions	(38,586)	(455,799)
Class R-LM:		
Proceeds from sales of units	158,014	1,894,719
Cost of units redeemed	(356,501)	(4,284,201)
Net decrease in Class R-LM from participant transactions	(198,487)	(2,389,482)
Net decrease in net assets from participant unit transactions		\$ (2,845,281)

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Notes to Financial Statements

December 31, 2019

During 2019, there were no participant unit transactions in Class R1.

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 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 year 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.

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

	<u>Fair Value Measurements Using</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
ClearBridge Small Cap CIF				
Financial Instruments - Assets:				
Short Term Investment	\$ 1,370,549	\$ 1,370,549	\$ -	\$ -
Common Stocks	63,044,973	63,044,973	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Financial Instruments -Assets	<u>\$ 64,415,522</u>	<u>\$ 64,415,522</u>	<u>\$ 0</u>	<u>\$ 0</u>

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 Small Cap CIF
Year Ended December 31, 2019

Purchases	
Investment Class	Cost
Common Stocks	<u>\$ 25,975,387</u>
Total Investments Purchased	<u><u>\$ 25,975,387</u></u>

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stocks	<u>\$ 28,297,455</u>	<u>\$ 25,008,378</u>	<u>\$ 3,289,077</u>
Total Investments Sold	<u><u>\$ 28,297,455</u></u>	<u><u>\$ 25,008,378</u></u>	<u><u>\$ 3,289,077</u></u>