

**Hand Composite Employee Benefit Trust
ClearBridge Small Cap CIF**

Independent Auditor's Report and Financial Statements

December 31, 2020



Hand Composite Employee Benefit Trust

December 31, 2020

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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, 2020, 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 ClearBridge Small Cap CIF, included in the Hand Composite Employee Benefit Trust, as of December 31, 2020, 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 27, 2021

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2020

	<u>ClearBridge Small Cap CIF</u>
Assets	
Investments, at cost	\$ 45,059,616
Investments, at fair value	\$ 53,988,592
Cash	573,230
Receivable for:	
Capital shares sold	20,369
Dividends and interest	24,757
Investment advisor waived fees	4,430
Total assets	<u>\$ 54,611,378</u>
Liabilities	
Payable for investments purchased	\$ 1,152,115
Management fee payable	5,592
Accounts payable and accrued liabilities	10,807
Total liabilities	<u>\$ 1,168,514</u>
Net assets held for participants:	
Class R1	\$ 12,342,007
Class R-LM	41,100,857
Total net assets held for participants	<u>\$ 53,442,864</u>
Units outstanding:	
Class R1	895,703
Class R-LM	2,939,537
Total units outstanding	<u>3,835,240</u>
Net asset value per unit:	
Class R1	<u>\$ 13.78</u>
Class R-LM	<u>\$ 13.98</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
ClearBridge Small Cap CIF
December 31, 2020

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
1,791,705	State Street Institutional Investment Trust Treasury Money Market Fund	\$ 1,791,705	\$ 1,791,705
	Total Short Term Investment	3.32% <u>1,791,705</u>	<u>1,791,705</u>
<u>Common Stocks</u>			
<u>Consumer Discretionary</u>			
5,431	Aaron's Co., Inc.	71,908	102,973
10,870	Century Communities, Inc	478,927	475,889
11,640	Frontdoor, Inc.	517,029	584,444
67,735	Gray Television, Inc.	904,260	1,211,779
2,020	Lithia Motors, Inc. Class A	184,028	591,193
6,311	Murphy USA, Inc.	495,909	825,920
24,782	Stride, Inc.	614,719	526,122
6,280	Visteon Corp.	442,044	788,266
	Total Consumer Discretionary	9.46% <u>3,708,824</u>	<u>5,106,586</u>
<u>Consumer Staples</u>			
34,893	Sprouts Farmers Market, Inc.	724,758	701,349
39,980	Utz Brands, Inc.	657,814	881,959
	Total Consumer Staples	2.93% <u>1,382,572</u>	<u>1,583,308</u>
<u>Consumer, Cyclical</u>			
57,323	Advantage Solutions, Inc.	573,230	754,944
	Total Consumer, Cyclical	1.40% <u>573,230</u>	<u>754,944</u>
<u>Energy</u>			
31,470	Brigham Minerals, Inc. Class A	503,753	345,856
31,530	CNX Resources Corp.	340,638	340,524
14,720	Helmerich & Payne, Inc.	280,033	340,915
39,549	International Seaways, Inc.	802,559	645,835
	Total Energy	3.10% <u>1,926,983</u>	<u>1,673,130</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Small Cap CIF (Continued)
December 31, 2020

Number of Shares		Cost	Fair Value
<i>Financials</i>			
15,392	Assured Guaranty Ltd.	\$ 599,211	\$ 484,694
28,274	Bank OZK	771,259	884,128
20,420	BRP Group, Inc. Class A	283,404	611,987
34,160	Conx Corp. UNIT	341,923	356,972
19,340	CVB Financial Corp.	376,996	377,130
33,940	Deerfield Healthcare Technology Acquisitions Corp.	339,400	455,475
31,600	East Resources Acquisition Co. UNIT	316,024	334,012
15,917	Encore Capital Group, Inc.	627,469	619,967
12,328	Essent Group Ltd.	463,113	532,570
15,790	First Interstate BancSystem, Inc. Class A	635,877	643,758
49,500	Insu Acquisition Corp. II Class A	495,000	716,277
13,105	OneMain Holdings, Inc.	367,128	631,137
25,019	Oportun Financial Corp.	378,159	484,618
10,872	PROG Holdings, Inc.	358,901	585,675
28,860	TriState Capital Holdings, Inc.	682,466	502,164
25,111	Washington Federal, Inc.	788,893	646,357
17,281	WesBanco, Inc.	623,246	517,739
14,287	Wintrust Financial Corp.	869,128	872,793
	Total Financials	<i>19.01%</i> <u>9,317,597</u>	<u>10,257,453</u>
<i>Health Care</i>			
14,966	Acadia Healthcare Co., Inc.	420,544	752,191
21,359	Aerie Pharmaceuticals, Inc.	487,750	288,560
144,292	Amarin Corp. PLC ADR	1,121,995	705,588
20,870	Covetrus, Inc.	309,180	599,804
5,431	Encompass Health Corp.	289,873	449,089
15,916	Health Catalyst, Inc.	498,702	692,824
11,909	HealthEquity, Inc.	653,300	830,176
20,651	Intra-Cellular Therapies, Inc.	367,741	656,702
29,430	Lantheus Holdings, Inc.	401,281	397,011
6,330	Omnicell, Inc.	447,458	759,727
130,681	Quotient Ltd.	751,538	680,848
52,019	R1 RCM, Inc.	567,563	1,249,496
33,610	SOC Telemed, Inc.	336,100	263,502
18,510	SOC Telemed, Inc.	146,013	145,118
9,383	Syneos Health, Inc.	441,951	639,264
	Total Health Care	<i>16.87%</i> <u>7,240,989</u>	<u>9,109,900</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Small Cap CIF (Continued)
December 31, 2020

Number of Shares		Cost	Fair Value
<i>Industrials</i>			
4,820	Curtiss-Wright Corp.	\$ 472,880	\$ 560,807
6,340	EnerSys	466,858	526,600
9,197	EnPro Industries, Inc.	669,643	694,558
17,900	Evoqua Water Technologies Corp.	320,114	482,942
6,291	GATX Corp.	413,689	523,285
7,315	ICF International, Inc.	430,356	543,724
9,650	Korn Ferry	402,968	419,775
26,440	Marten Transport Ltd.	319,133	455,561
63,543	Nesco Holdings, Inc.	317,715	401,391
12,355	Rush Enterprises, Inc. Class A	337,680	511,744
13,580	SkyWest, Inc.	655,333	547,410
32,106	Textainer Group Holdings Ltd.	510,516	615,793
11,998	Triton International Ltd.	345,997	582,023
	Total Industrials	<u>12.72%</u> <u>5,662,882</u>	<u>6,865,613</u>
<i>Information Technology</i>			
15,283	2U, Inc.	637,517	611,473
6,924	Advanced Energy Industries, Inc.	403,411	671,420
31,837	Blucora, Inc.	680,757	506,527
17,400	CommVault Systems, Inc.	817,743	963,438
10,100	CSG Systems International, Inc.	413,699	455,207
55,029	Everi Holdings, Inc.	533,848	759,950
6,679	Itron, Inc.	395,737	640,516
12,810	NCR Corp.	380,174	481,272
21,050	NIC, Inc.	449,388	543,721
12,835	nLight, Inc.	297,932	419,063
6,192	Rapid7, Inc.	183,530	558,271
6,197	Semtech Corp.	244,638	446,742
23,860	Switch, Inc. Class A	341,593	390,588
25,008	Tower Semiconductor Ltd.	604,902	645,706
9,377	TTEC Holdings, Inc.	400,225	683,865
11,580	Vertex, Inc. Class A	288,546	403,563
6,026	WNS Holdings Ltd. ADR	242,885	434,173
	Total Information Technology	<u>17.81%</u> <u>7,316,525</u>	<u>9,615,495</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
ClearBridge Small Cap CIF (Continued)
December 31, 2020

Number of Shares		Cost	Fair Value
<i>Materials</i>			
16,450	Avient Corp.	\$ 534,441	\$ 662,606
29,597	Commercial Metals Co.	506,753	607,922
11,470	MP Materials Corp.	166,325	368,990
13,902	Silgan Holdings, Inc.	389,512	515,486
	Total Materials	3.99% <u>1,597,031</u>	<u>2,155,004</u>
<i>Real Estate</i>			
30,338	Brandywine Realty Trust REIT	461,743	361,326
36,435	Kite Realty Group Trust REIT	568,995	545,068
60,010	Lexington Realty Trust REIT	577,559	637,306
22,368	Outfront Media, Inc. REIT	433,141	437,518
28,757	Physicians Realty Trust REIT	553,663	511,875
36,110	RLJ Lodging Trust REIT	335,923	510,956
	Total Real Estate	5.56% <u>2,931,024</u>	<u>3,004,049</u>
<i>Telecommunication Services</i>			
33,305	QuinStreet, Inc.	456,172	714,059
	Total Telecommunication Services	1.32% <u>456,172</u>	<u>714,059</u>
<i>Utilities</i>			
13,233	Black Hills Corp.	778,760	813,168
8,116	NextEra Energy Partners L.P.	375,322	544,178
	Total Utilities	2.51% <u>1,154,082</u>	<u>1,357,346</u>
	Total Common Stocks	96.68% <u>43,267,911</u>	<u>52,196,887</u>
	Total Investments	100.00% <u>\$ 45,059,616</u>	<u>\$ 53,988,592</u>

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, 2020

	ClearBridge Small Cap CIF
Income	
Interest	\$ 6,547
Dividends	745,559
Total income	752,106
Expenses	
Trustee and administrative	76,163
Class R1 expenses	53,884
Total expenses before reimbursement	130,047
Reimbursement of fees	(6,188)
Net expense	123,859
Net Investment Income	628,247
Net Realized Losses on Investments	(3,470,025)
Change in Net Unrealized Appreciation	
Investments	2,709,397
Net realized and unrealized losses on investments	(760,628)
Net Decrease in Net Assets Resulting From Operations	\$ (132,381)

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2020

	ClearBridge Small Cap CIF
Operations	
Net investment income	\$ 628,247
Net realized losses	(3,470,025)
Change in net unrealized appreciation	2,709,397
Net decrease in net assets from operations	(132,381)
Net Decrease in Net Assets From Participant Unit Transactions	(11,010,066)
Decrease in Net Assets	(11,142,447)
Net Assets	
Beginning of year	64,585,311
End of year	\$ 53,442,864

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2020

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 80 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.

The R-INT class was liquidated during 2020.

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, 2020

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 27, 2021, 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, 2020, 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.

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
ClearBridge Small Cap CIF:				
Class R1	0.04%	0.55%	0.12%	0.71%
Class R-LM	0.04%	0.00%	0.12%	0.16%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2020

Note 3: Financial Highlights

	ClearBridge Small Cap CIF	
	Class R1	Class R-LM
Net asset value, beginning of year	\$ 13.32	\$ 13.45
Net investment income	0.10	0.16
Net realized and unrealized gains	0.36	0.37
Net increase from investment operations	0.46	0.53
Net asset value, end of year	\$ 13.78	\$ 13.98
Total return	3.45%	3.94%
Ratio to average net assets:		
Net investment income	0.94%	1.44%
Expenses without reimbursement	0.71%	0.16%
Expenses with reimbursement	0.65%	0.16%

Note 4: Participant Unit Transactions

	ClearBridge Small Cap CIF	
	Units	Dollars
Class R1:		
Proceeds from sales of units	51,738	\$ 660,770
Cost of units redeemed	(428,175)	(4,957,855)
Net change in Class R1 from participant transactions	(376,437)	(4,297,085)
Class R-LM:		
Proceeds from sales of units	240,121	2,481,356
Cost of units redeemed	(837,830)	(9,194,337)
Net change in Class R-LM from participant transactions	(597,709)	(6,712,981)
Net decrease in net assets from participant unit transactions		\$ (11,010,066)

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2020

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, 2020.

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, 2020.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2020

	Fair Value	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)
ClearBridge Small Cap CIF				
Short Term Investment	\$ 1,791,705	\$ 1,791,705	\$ -	\$ -
Common Stocks	52,196,887	52,196,887	-	-
Total	\$ 53,988,592	\$ 53,988,592	\$ 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.

Since January 2020, the COVID-19 pandemic created outbreaks of infectious illnesses, and countries throughout the globe were subject to other public health threats, infectious illnesses, diseases, or similar issues. Any spread of an infectious illness, public health threat or similar issue could alter consumer demand or economic output, result in market closures, travel restrictions or quarantines, and have a significant impact on the global economy, which in turn could adversely affect the Fund's investments and could result in increases or decreases in the Fund's net asset value.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investment Purchases and Sales – Selected Fund
ClearBridge Small Cap CIF
Year Ended December 31, 2020

Purchases	
Investment Class	Cost
Common Stocks	<u>\$ 26,542,699</u>
Total Investments Purchased	<u><u>\$ 26,542,699</u></u>

Sales			
Investment Class	Proceeds	Cost	Loss
Common Stocks	<u>\$ 36,630,157</u>	<u>\$ 40,100,182</u>	<u>\$ (3,470,025)</u>
Total Investments Sold	<u><u>\$ 36,630,157</u></u>	<u><u>\$ 40,100,182</u></u>	<u><u>\$ (3,470,025)</u></u>