

Hand Composite Employee Benefit Trust
Channing SMID-Cap Intrinsic Value 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 Channing SMID-Cap Intrinsic Value CIF ("Fund"), included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), 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 period May 16, 2018 (inception) to December 31, 2018, 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 Channing SMID-Cap Intrinsic Value CIF included in the Hand Composite Employee Benefit Trust, as of December 31, 2018, and the results of its operations and the changes in its net assets for the period May 16, 2018 (inception) to December 31, 2018, 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

	Channing SMID-Cap Intrinsic Value CIF
Assets	
Investments, at cost	\$ 140,292
Investments, at fair value	\$ 114,561
Receivable for:	
Investment securities sold	205
Capital shares sold	818
Dividends and interest	106
Custody fee reimbursements	2,494
Trustee fee reimbursements	1,658
Total assets	\$ 119,842
Liabilities	
Accounts payable and accrued liabilities	\$ 843
Total liabilities	\$ 843
Net assets held for participants:	
Class R0	\$ 118,983
Class R1	8
Class R2	8
Total net assets held for participants	\$ 118,999
Units outstanding:	
Class R0	14,500
Class R1	1
Class R2	1
Total units outstanding	14,502
Net asset value per unit:	
Class R0	\$ 8.21
Class R1	\$ 8.21
Class R2	\$ 8.21

Hand Composite Employee Benefit Trust
Schedule of Investments
Channing SMID-Cap Intrinsic Value CIF
December 31, 2018

Number of Shares		Cost	Fair Value
<i>Short Term Investment</i>			
4,017	First American Treasury Obligation Fund V	\$ 4,017	\$ 4,017
	Total Short Term Investment	3.51% 4,017	4,017
<i>Common Stock</i>			
<i>Consumer Discretionary</i>			
106	Aramark	4,117	3,071
54	Brunswick Corp	3,471	2,508
134	Interpublic Group of Cos Inc	3,094	2,764
12	Madison Quare Garden Co-A	3,453	3,212
31	PVH Corp	4,487	2,881
	Total Consumer Discretionary	12.60% 18,622	14,436
<i>Consumer Staples</i>			
68	Treehouse Foods Inc	3,493	3,448
	Total Consumer Staples	3.01% 3,493	3,448
<i>Energy</i>			
257	Callon Petroleum Company	2,973	1,668
90	Oil States International Inc	3,088	1,285
100	Parsley Energy Inc	2,999	1,598
	Total Energy	3.97% 9,060	4,551
<i>Financials</i>			
113	Artisan Partners Asset Mgmt Inc	3,667	2,498
41	Comerica Inc	3,970	2,816
148	Corporate Office Properties	4,182	3,113
39	Evercore Partners Inc CL A	4,184	2,791
74	First American Financial Corp	4,016	3,303
33	Hanover Insurance Group Inc	4,081	3,853
53	IberiaBank Corp	4,354	3,407
71	Pinnacle Financial Partners	4,622	3,273
330	SLM Corporation	3,828	2,742
184	Sterling Bancorp	4,332	3,038
	Total Financials	26.91% 41,236	30,834

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value CIF (Continued)
December 31, 2018

Number of Shares		Cost	Fair Value
<i>Healthcare</i>			
35	Charles River Labs Intl Inc	\$ 4,034	\$ 3,961
29	Hill Rom Holdings Inc	2,667	2,568
	Total Healthcare	5.70% 6,701	6,529
<i>Industrials</i>			
68	Hexcel Corp	4,695	3,899
84	ITT Inc	4,791	4,055
87	Masco Corporation	2,581	2,544
152	Rexnord Corp	4,419	3,488
26	Snap-On Inc	4,284	3,778
	Total Industrials	15.51% 20,770	17,764
<i>Information Technology</i>			
86	Booz Allen Hamilton Holdings	4,045	3,876
14	Littelfuse Inc	3,034	2,401
	Total Information Technology	5.48% 7,079	6,277
<i>Materials</i>			
59	Ashland Global Holdings Inc	4,784	4,187
42	Ingevity Corp	3,661	3,515
94	PolyOne Corporation	4,013	2,689
149	Valvoline Inc	3,204	2,883
	Total Materials	11.59% 15,662	13,274
<i>Real Estate</i>			
28	Camden Property Trust	2,549	2,466
120	Healthcare Realty Trust Inc	3,450	3,413
	Total Real Estate	5.13% 5,999	5,879
<i>Utilities</i>			
49	Allete Inc	3,722	3,735
	Total Utilities	3.26% 3,722	3,735
	Total Common Stock	93.16% 132,344	106,727

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value CIF (Continued)
December 31, 2018

Number of Shares		Cost	Fair Value
<i><u>Foreign Stock</u></i>			
<i>Healthcare</i>			
33	Steris PLC	\$ 3,655	\$ 3,526
	Total Healthcare	<u>3,655</u>	<u>3,526</u>
		3.08%	
<i>Information Technology</i>			
18	Marvell Technology Group Ltd	276	291
	Total Information Technology	<u>276</u>	<u>291</u>
		0.25%	
	Total Foreign Stock	<u>3,931</u>	<u>3,817</u>
		3.33%	
	Total Investments	<u>\$ 140,292</u>	<u>\$ 114,561</u>
		100.00%	

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

	Channing SMID-Cap Intrinsic Value CIF
Income	
Interest	\$ 57
Dividends	1,089
Other	1,658
Total income	2,804
Expenses	
Investment management and administrative	65
Custody fees	6,235
Total expenses before reimbursement of fees	6,300
Reimbursement of fees	(6,223)
Net expenses	77
Net Investment Income	2,727
Net Realized and Unrealized Losses on Investments	
Net realized losses on investments	(4,813)
Net change in unrealized appreciation/depreciation on investments	(25,731)
Net realized and unrealized losses on investments	(30,544)
Net Decrease in Net Assets Resulting From Operations	\$ (27,817)

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

	Channing SMID-Cap Intrinsic Value CIF
Operations	
Net investment income	\$ 2,727
Net realized losses	(4,813)
Change in unrealized appreciation/depreciation	(25,731)
Net decrease in net assets from operations	(27,817)
Net Increase in Net Assets From Participant Transactions	146,816
Increase in Net Assets Held for Participants	118,999
Net Assets Held For Participants	
Beginning of period	-
End of period	\$ 118,999

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 Channing SMID-Cap Intrinsic Value CIF (the Fund), are included in this report.

Each class 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 are allocated to each class of units based on its relative net assets.

The reporting period is May 16, 2018 (inception) to December 31, 2018.

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 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

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 apportions 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 Advisor

The investment management advisor for the Fund is Channing Capital Management, 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 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, 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 average daily net assets:

Fund	Trustee/ Administrative Fees	Investment Management Fees	Custody Fees	Other Fees	Total Fees
Channing SMID-Cap Intrinsic Value CIF Trust:					
Class R0	0.08%	0.00%	0.03%	0.02%	0.13%
Class R1	0.08%	0.60%	0.03%	0.02%	0.73%
Class R2	0.08%	0.50%	0.03%	0.02%	0.63%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

Note 3: Financial Highlights

	Channing SMID-Cap Intrinsic Value CIF	
	Class R0*	
Net asset value, beginning of period	\$	10.00
Net investment income		0.24
Net realized and unrealized losses		(2.03)
Net decrease from investment operations		(1.79)
Net asset value, end of period	\$	8.21
Total return		(17.90%)
Ratio to average net assets: **		
Net investment income		3.20%
Expenses without reimbursements		7.38%
Expenses with reimbursements		0.09%

*For the period May 16, 2018 (inception) to December 31, 2018

**Annualized

Note 4: Participant Unit Transactions

	Channing SMID-Cap Intrinsic Value CIF	
	Units	Dollars
Class R0:		
Proceeds from sales of units	14,500	\$ 146,816
Cost of units redeemed	-	-
Net increase in Class R0 from participant transactions	14,500	146,816
Net increase in net assets from participant transactions		\$ 146,816

Hand Composite Employee Benefit Trust

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; 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 Stock and Foreign Stock. 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, 2018.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

	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)
Channing SMID-Cap Intrinsic Value CIF				
Short Term Investment	\$ 4,017	\$ 4,017	\$ -	\$ -
Common Stock	106,727	106,727	-	-
Foreign Stock	3,817	3,817	-	-
Total	\$ 114,561	\$ 114,561	\$ 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 changes 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
Channing SMID-Cap Intrinsic Value CIF
Period Ended December 31, 2018

Purchases	
Investment Class	Cost
Common Stock	\$ 162,295
Foreign Stock	<u>4,963</u>
Total Investments Purchased	<u><u>\$ 167,258</u></u>

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Common Stock	\$ 25,078	\$ 29,952	\$ (4,874)
Foreign Stock	<u>1,091</u>	<u>1,030</u>	<u>61</u>
Total Investments Sold	<u><u>\$ 26,169</u></u>	<u><u>\$ 30,982</u></u>	<u><u>\$ (4,813)</u></u>