

Hand Composite Employee Benefit Trust
Channing SMID-Cap Intrinsic Value Fund
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 a selected fund (Channing SMID-Cap Intrinsic Value Fund) included in the Hand Composite Employee Benefit Trust ("Trust" or "Fund"), which statements comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2020, and the related statements of operations and 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 Channing SMID-Cap Intrinsic Value Fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2020, and the results of its operations and 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 audits 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

	Channing SMID-Cap Intrinsic Value Fund
Assets	
Investments, at cost	\$ 124,145
Investments, at fair value	\$ 157,262
Receivable for:	
Investment advisor	1,660
Capital shares sold	154
Dividends and interest	131
Total assets	\$ 159,207
Liabilities	
Investment securities purchased	\$ 160
Accounts payable and accrued liabilities	847
Total liabilities	\$ 1,007
Net assets held for participants:	
Class R0	\$ 158,178
Class R1	11
Class R2	11
Total net assets held for participants	\$ 158,200
Units outstanding:	
Class R0	13,886
Class R1	1
Class R2	1
Total units outstanding	13,888
Net asset value per unit:	
Class R0	\$ 11.39
Class R1	\$ 11.39
Class R2	\$ 11.39

Hand Composite Employee Benefit Trust
Schedule of Investments
Channing SMID-Cap Intrinsic Value Fund
December 31, 2020

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
4,322	First American Treasury Obligation Fund V	\$ 4,322	\$ 4,322
	Total Short Term Investment	2.75% 4,322	4,322
<u>Common Stocks</u>			
<i>Consumer Discretionary</i>			
97	Aramark	2,211	3,733
68	Brinker International Inc	2,598	3,847
60	Ceasars Entertainment Inc	3,077	4,456
35	Columbia Sportswear Co	2,839	3,058
107	Hillenbrand Inc	2,810	4,259
11	Lithia Motors Inc	1,601	3,219
19	Madison Square Garden Corp	4,494	3,498
33	Pvh Corp	2,989	3,098
	Total Consumer Discretionary	18.55% 22,619	29,168
<i>Consumer Staples</i>			
58	Darling International Inc	1,380	3,345
90	Treehouse Foods Inc	3,752	3,824
	Total Consumer Staples	4.56% 5,132	7,169
<i>Energy</i>			
221	Parsley Energy Inc	2,286	3,138
	Total Energy	2.00% 2,286	3,138
<i>Financials</i>			
31	Affiliated Managers Group	3,107	3,153
112	Corporate Office Properties	2,815	2,921
31	Hanover Insurance Group Inc	3,621	3,625
4	Markel Corp	4,010	4,133
76	Pinnacle Financial Partners	4,009	4,894
74	Stifel Financial Corp	2,656	3,709

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value Fund (Continued)
December 31, 2020

Number of Shares		Cost	Fair Value
<i>Financials (Continued)</i>			
139	Synovus Financial Corp New	\$ 3,612	\$ 4,499
51	Wintrust Financial Corporation	2,500	3,116
	Total Financials	19.11% <u>26,330</u>	<u>30,050</u>
<i>Healthcare</i>			
14	Charles River Labs Intl Inc	1,904	3,498
67	Dentsply Sirona Inc	3,244	3,508
	Total Healthcare	4.45% <u>5,148</u>	<u>7,006</u>
<i>Industrials</i>			
74	Alaska Air Group Inc	3,054	3,848
55	Brinks Co	3,861	3,960
52	Itt Inc	2,964	4,005
99	Rexnord Corp	2,950	3,910
56	Spx Flow Inc	2,245	3,246
206	Wabash National Corp	2,456	3,549
47	Wabtec Corp	2,927	3,440
32	XPO Logistics Inc	2,962	3,814
	Total Industrials	18.93% <u>23,419</u>	<u>29,772</u>
<i>Information Technology</i>			
74	Ciena Corp	3,098	3,911
30	Euronet Worldwide Inc	2,821	4,348
34	Lumentum Holdings Inc	2,210	3,225
23	MKS Instruments Inc	2,245	3,460
46	Mantech International Corp	3,199	4,091
119	On Semiconductor Corp	2,051	3,895
	Total Information Technology	14.58% <u>15,624</u>	<u>22,930</u>
<i>Materials</i>			
316	Allegheny Technologies Inc	4,352	5,299
126	Avient Corp	3,482	5,075
81	Louisiana Pacific	2,079	3,011
	Total Materials	8.51% <u>9,913</u>	<u>13,385</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value Fund (Continued)
December 31, 2020

Number of Shares		Cost	Fair Value
<i>Real Estate</i>			
38	Cyrusone Inc	\$ 2,590	\$ 2,780
122	Healthcare Realty Trust Inc	3,454	3,611
	Total Real Estate	<u>4.06%</u> 6,044	<u>6,391</u>
<i>Telecommunication Services</i>			
36	Nexstar Media Group Inc Cl A	3,308	3,931
	Total Telecommunication Services	<u>2.50%</u> 3,308	<u>3,931</u>
	Total Common Stocks	<u>97.25%</u> 119,823	<u>152,940</u>
	Total Investments	<u>100.00%</u> \$ 124,145	<u>\$ 157,262</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2020

	Channing SMID-Cap Intrinsic Value Fund
Income	
Interest	\$ 18
Dividends	1,975
Total income	1,993
Expenses	
Investment management and administrative	137
Custody fees	10,000
Miscellaneous	8
Total expenses before reimbursement of fees	10,145
Reimbursement of fees	(9,961)
Net expenses	184
Net Investment Income	1,809
Net Realized and Unrealized Gains (Losses) on Investments	
Net realized losses	(18,426)
Change in unrealized appreciation	19,483
Net realized and unrealized gains on investments	1,057
Net Increase in Net Assets Resulting From Operations	\$ 2,866

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

	Channing SMID-Cap Intrinsic Value Fund
Operations	
Net investment income	\$ 1,809
Net realized losses	(18,426)
Change in unrealized appreciation	19,483
Net increase in net assets from operations	2,866
Net Decrease in Net Assets From Participant Transactions	(31,550)
Decrease in Net Assets	(28,684)
Net Assets	
Beginning of year	186,884
End of year	\$ 158,200

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 funds (the Funds); the financial statements of one of those funds is 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.

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 on investments are reported on the identified cost basis.

Investment Income and Distribution of Income

Dividend income less foreign taxes, 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

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2020

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 is reinvested, thereby increasing the respective unit value.

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 Advisor

The investment management advisor for the Fund is Channing Capital Management, LLC.

Revision

An immaterial revision has been made to correct 2019 end of year net assets, which is presented as beginning of year net assets on the accompanying Statement of Changes in Net Assets - Selected Fund. This revision did not have a significant impact on the financial statement line item impacted.

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 various third-party advisors. These fees compensate the advisors for the services they provide and for expenses borne by the advisors under the various agreements.

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 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2020

Fund	Administrative Fees	Investment Advisory Fees	Custody Fees	Other Fees	Total Fees
Channing SMID-Cap Intrinsic Value Fund:					
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%

Note 3: Financial Highlights

	Channing SMID-Cap Intrinsic Value Fund		
	Class R0	Class R1	Class R2
Net asset value, beginning of year	\$ 10.31	\$ 10.31	\$ 10.31
Net investment income	0.12	0.13	0.13
Net realized and unrealized gains	0.96	0.95	0.95
Net increase from investment operations	1.08	1.08	1.08
Net asset value, end of year	\$ 11.39	\$ 11.39	\$ 11.39
Total return	10.48%	10.48%	10.48%
Ratio to average net assets:			
Net investment income	1.35 %	1.47 %	1.47 %
Expenses without reimbursements	7.60 %	8.27 %	8.27 %
Expenses with reimbursements	0.14 %	0.15 %	0.15 %

Note 4: Participant Unit Transactions

	Channing SMID-Cap Intrinsic Value Fund	
	Units	Dollars
Class R0:		
Proceeds from sales of units	3,772	\$ 30,286
Cost of units redeemed	(8,004)	(61,836)
Net decrease in Class R0 from participant transactions	(4,232)	(31,550)
Net decrease in total net assets from participant transactions		\$ (31,550)

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, as shown below:

- 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 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.

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.

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Notes to Financial Statements
December 31, 2020

	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 Fund:				
Short Term Investment	\$ 4,322	\$ 4,322	\$ -	\$ -
Common Stocks	152,940	152,940	-	-
Total	\$ 157,262	\$ 157,262	\$ 0	\$ 0

Note 6: Risk Factors

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
Channing SMID-Cap Intrinsic Value Fund
Year Ended December 31, 2020

Purchases	
Investment Class	Cost
Common Stocks	\$ 211,947
Foreign Stocks	4,485
Total Investments Purchased	\$ 216,432

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
Common Stocks	\$ 231,963	\$ 250,481	\$ (18,518)
Foreign Stocks	13,500	13,408	92
Total Investments Sold	\$ 245,463	\$ 263,889	\$ (18,426)