

Hand Composite Employee Benefit Trust
Channing SMID-Cap Intrinsic Value Fund
Independent Auditor's Report and Financial Statements
December 31, 2021



Hand Composite Employee Benefit Trust
December 31, 2021

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Independent Auditor's Report

To the Unitholders and Board of Directors
Hand Composite Employee Benefit Trust
Houston, Texas

Opinion

We have audited the accompanying financial statements of the selected fund, Channing SMID-Cap Intrinsic Value Fund (one fund), included in the Hand Composite Employee Benefit Trust (the Trust), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2021, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the selected fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Trust and the selected fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's and the selected fund's ability to continue as going concerns within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's and the selected fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's and the selected fund's ability to continue as going concerns for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the selected fund's basic financial statements. 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 basic financial statements. Such information is the responsibility of

To the Unitholders and Board of Directors
Hand Composite Employee Benefit Trust
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management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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, 2022

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2021

| | Channing SMID-Cap Intrinsic Value Fund |
|------------------------------------------|-----------------------------------------------------------|
| | |
| Assets | |
| Investments, at cost | \$ 3,535,477 |
| Investments, at fair value | \$ 3,687,392 |
| Receivable for: | |
| Investment advisor | 1,487 |
| Dividends and interest | 1,471 |
| Total assets | \$ 3,690,350 |
| Liabilities | |
| Investment securities purchased | \$ 4,358 |
| Accounts payable and accrued liabilities | 2,190 |
| Total liabilities | \$ 6,548 |
| Net assets held for participants: | |
| Class R0 | \$ 241,245 |
| Class R1 | 14 |
| Class R2 | 3,442,543 |
| Total net assets held for participants | \$ 3,683,802 |
| Units outstanding: | |
| Class R0 | 17,389 |
| Class R1 | 1 |
| Class R2 | 248,721 |
| Total units outstanding | 266,111 |
| Net asset value per unit: | |
| Class R0 | \$ 13.87 |
| Class R1 | \$ 13.88 |
| Class R2 | \$ 13.84 |

Hand Composite Employee Benefit Trust
Schedule of Investments
Channing SMID-Cap Intrinsic Value Fund
December 31, 2021

| Number of Shares | | Cost | Fair Value |
|--------------------------------------|-------------------------------------------|----------------|------------|
| <u>Short Term Investment</u> | | | |
| 66,134 | First American Treasury Obligation Fund V | \$ 66,134 | \$ 66,134 |
| | Total Short Term Investment | 1.79% 66,134 | 66,134 |
| <u>Common Stock</u> | | | |
| <u>Consumer Discretionary</u> | | | |
| 2,791 | Aramark | 105,424 | 102,848 |
| 743 | Caesars Entertainment Inc | 70,942 | 69,493 |
| 4,309 | Hanesbrands Inc | 86,299 | 72,046 |
| 3,741 | Norwegian Cruise Line Holdings | 109,288 | 77,588 |
| 806 | PVH Corp | 86,508 | 85,960 |
| | Total Consumer Discretionary | 11.06% 458,461 | 407,935 |
| <u>Consumer Staples</u> | | | |
| 1,354 | Darling International Inc | 96,753 | 93,819 |
| | Total Consumer Staples | 2.54% 96,753 | 93,819 |
| <u>Energy</u> | | | |
| 850 | Diamondback Energy Inc | 71,255 | 91,673 |
| 6,530 | Nov Inc | 103,084 | 88,482 |
| | Total Energy | 4.89% 174,339 | 180,155 |
| <u>Financials</u> | | | |
| 546 | Affiliated Managers Group | 85,226 | 89,822 |
| 623 | Hanover Insurance Group Inc | 83,410 | 81,650 |
| 73 | Markel Corp | 85,675 | 90,082 |
| 961 | Pinnacle Financial Partners | 85,695 | 91,776 |
| 1,446 | South State Corp | 123,341 | 115,839 |
| 1,362 | Stifel Financial Corp | 90,583 | 95,912 |
| 2,091 | Synovus Financial Corp New | 95,995 | 100,096 |
| | Total Financials | 18.04% 649,925 | 665,177 |

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value Fund (Continued)
December 31, 2021

| Number of Shares | | Cost | Fair Value |
|-------------------------------|------------------------------|-----------------------|------------------|
| <i>Healthcare</i> | | | |
| 199 | Charles River Labs Intl Inc | \$ 63,063 | \$ 74,979 |
| 1,278 | Dentsply Sirona Inc | 81,057 | 71,300 |
| 945 | Syneos Health Inc | 85,578 | 97,033 |
| | Total Healthcare | 6.60% <u>229,698</u> | <u>243,312</u> |
| <i>Industrials</i> | | | |
| 1,436 | Alaska Air Group Inc | 93,262 | 74,816 |
| 2,026 | Colfax Corp | 87,342 | 93,135 |
| 795 | GXO Logistics Inc | 9,117 | 72,210 |
| 1,395 | Ii-Vi Inc | 89,616 | 95,320 |
| 1,021 | ITT Inc | 91,557 | 104,336 |
| 613 | Regal Rexnord Corp | 31,390 | 104,320 |
| 1,146 | SPX Flow Inc | 73,831 | 99,106 |
| 1,276 | Timken Company | 110,360 | 88,414 |
| 1,071 | Wabtec Corp | 85,239 | 98,650 |
| 1,278 | XPO Logistics Inc | 137,404 | 98,956 |
| 2,292 | Zurn Water Solutions Corp | 104,347 | 83,429 |
| | Total Industrials | 27.46% <u>913,465</u> | <u>1,012,692</u> |
| <i>Information Technology</i> | | | |
| 1,094 | Booz Allen Hamilton Holdings | 91,623 | 92,760 |
| 1,483 | Ciena Corp | 84,041 | 114,147 |
| 796 | Euronet Worldwide Inc | 110,790 | 94,859 |
| 1,085 | Lumentum Holdings Inc | 97,239 | 114,760 |
| 1,616 | Maxlinear Inc-class A | 56,960 | 121,830 |
| 638 | MKS Instruments Inc | 114,349 | 111,120 |
| | Total Information Technology | 17.61% <u>555,002</u> | <u>649,476</u> |
| <i>Materials</i> | | | |
| 4,787 | Allegheny Technologies Inc | 103,750 | 76,257 |
| 1,937 | Avient Corp | 94,501 | 108,375 |
| | Total Materials | 5.01% <u>198,251</u> | <u>184,632</u> |

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value Fund (Continued)
December 31, 2021

| Number of Shares | | Cost | Fair Value |
|-----------------------------------|----------------------------------|-----------------------------|---------------------|
| <i>Telecommunication Services</i> | | | |
| 1,331 | Madison Square Garden Entert Co | \$ 103,380 | \$ 93,623 |
| 599 | Nexstar Media Group Inc Cl A | 90,069 | 90,437 |
| | Total Telecommunication Services | 5.00% <u>193,449</u> | <u>184,060</u> |
| | Total Common Stock | 98.21% <u>3,469,343</u> | <u>3,621,258</u> |
| | Total Investments | 100.00% <u>\$ 3,535,477</u> | <u>\$ 3,687,392</u> |

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2021

| | Channing SMID-Cap Intrinsic Value Fund |
|------------------------------------------------------------------|-----------------------------------------------------------|
| Income | |
| Interest | \$ 6 |
| Dividends | 19,387 |
| Total income | 19,393 |
| Expenses | |
| Investment management and administrative | 2,687 |
| Custody fees | 10,000 |
| Class R2 expenses | 8,921 |
| Total expenses before reimbursement of fees | 21,608 |
| Reimbursement of fees | (9,230) |
| Net expenses | 12,378 |
| Net Investment Income | 7,015 |
| Net Realized and Unrealized Gains (Losses) on Investments | |
| Net realized losses | (47,169) |
| Net change in unrealized appreciation/depreciation | 118,798 |
| Net realized and unrealized gains on investments | 71,629 |
| Net Increase in Net Assets Resulting From Operations | \$ 78,644 |

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2021

| | Channing SMID-Cap Intrinsic Value Fund |
|-----------------------------------------------------------------|-----------------------------------------------------------|
| | |
| Operations | |
| Net investment income | \$ 7,015 |
| Net realized losses | (47,169) |
| Change in unrealized appreciation/depreciation | 118,798 |
| Net increase in net assets from operations | 78,644 |
| Net Increase in Net Assets From Participant Transactions | 3,446,958 |
| Increase in Net Assets | 3,525,602 |
| Net Assets | |
| Beginning of year | 158,200 |
| End of year | \$ 3,683,802 |

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2021

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

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 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2021

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, 2022, 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 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, 2021, 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 | 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% |

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2021

Note 3: Financial Highlights

| | Channing SMID-Cap Intrinsic Value Fund | | |
|-----------------------------------------|----------------------------------------|----------|----------|
| | Class R0 | Class R1 | Class R2 |
| Net asset value, beginning of year | \$ 11.39 | \$ 11.39 | \$ 11.39 |
| Net investment income | 0.07 | 0.06 | 0.03 |
| Net realized and unrealized gains | 2.41 | 2.43 | 2.42 |
| Net increase from investment operations | 2.48 | 2.49 | 2.45 |
| Net asset value, end of year | \$ 13.87 | \$ 13.88 | \$ 13.84 |
| Total return | 21.77% | 21.86% | 21.51% |
| Ratio to average net assets: | | | |
| Net investment income | 0.49 % | 0.45 % | 0.18 % |
| Expenses without reimbursements | 0.39 % | 0.36 % | 0.62 % |
| Expenses with reimbursements | 0.11 % | 0.10 % | 0.36 % |

Note 4: Participant Unit Transactions

| | Channing SMID-Cap Intrinsic Value Fund | |
|---------------------------------------------------------|-------------------------------------------|--------------|
| | Units | Dollars |
| Class R0: | | |
| Proceeds from sales of units | 3,674 | \$ 49,148 |
| Cost of units redeemed | (173) | (2,190) |
| Net change in Class R0 from participant transactions | 3,501 | 46,958 |
| Class R2: | | |
| Proceeds from sales of units | 248,720 | 3,400,000 |
| Net change in Class R2 from participant transactions | 248,720 | 3,400,000 |
| Net increase from participant transactions | | \$ 3,446,958 |

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2021

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, 2021.

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. 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, 2021.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2021

| | 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 | \$ 66,134 | \$ 66,134 | \$ - | \$ - |
| Common Stock | 3,621,258 | 3,621,258 | - | - |
| Total | <u>\$ 3,687,392</u> | <u>\$ 3,687,392</u> | <u>\$ 0</u> | <u>\$ 0</u> |

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.

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, 2021

| Purchases | |
|-----------------------------|----------------------------|
| Investment Class | Cost |
| Common Stock | \$ 4,801,872 |
| Foreign Stock | <u>98,363</u> |
| Total Investments Purchased | <u><u>\$ 4,900,235</u></u> |

| Sales | | | |
|-------------------------|----------------------------|----------------------------|---------------------------|
| Investment Class | Proceeds | Cost | Losses |
| Common Stock | \$ 1,411,753 | \$ 1,452,352 | \$ (40,599) |
| Foreign Stock | <u>91,793</u> | <u>98,363</u> | <u>(6,570)</u> |
| Total Investments Sold | <u><u>\$ 1,503,546</u></u> | <u><u>\$ 1,550,715</u></u> | <u><u>\$ (47,169)</u></u> |