

**Hand Composite Employee Benefit Trust  
The DGI Growth 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 the selected fund (The DGI Growth 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, 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 the selected 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 are 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**

	<b>The DGI Growth Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 29,858,542
Investments, at fair value	\$ 48,551,957
Receivable for:	
Capital shares sold	11
Total assets	\$ 48,551,968
<b>Liabilities</b>	
Payable for capital shares redeemed	\$ 5,595
Accounts payable and accrued liabilities	39,627
Total liabilities	\$ 45,222
Net assets held for participants - Class R1	\$ 48,506,746
Units outstanding - Class R1	2,365,953
Net asset value per unit - Class R1	\$ 20.50

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**The DGI Growth Fund**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
257,729	First American Treasury Obligation Fund V	\$ 257,729	\$ 257,729
	Total Short Term Investment	0.53% 257,729	257,729
<b><u>Common Stock</u></b>			
<b><i>Consumer Discretionary</i></b>			
50,282	Gentex Corp	1,108,919	1,706,068
8,118	Gentherm Inc	288,613	529,456
14,460	Nordstrom Inc	548,966	451,297
12,079	Royal Caribbean Cruises LTD	952,653	902,181
19,200	Sleep Number Corp	537,181	1,571,712
24,831	Stitch Fix Inc Cl A	639,860	1,458,076
7,499	Strategic Education Inc	819,688	714,880
26,832	TJX Companies Inc	1,007,474	1,832,357
52,730	Under Armour Inc Class C Cl A	877,328	905,374
	Total Consumer Discretionary	20.74% 6,780,682	10,071,401
<b><i>Energy</i></b>			
67,337	Cabot Oil & Gas Corp	1,133,783	1,096,246
194,809	Southwestern Energy Co	780,033	580,531
	Total Energy	3.45% 1,913,816	1,676,777
<b><i>Financials</i></b>			
1,510	Cullen Frost Bankers Inc	94,943	131,717
2,009	Factset Research Systems Inc	343,750	667,993
	Total Financials	1.65% 438,693	799,710
<b><i>Healthcare</i></b>			
4,114	Align Technology Inc	707,374	2,198,439
1,618	Intuitive Surgical Inc	392,460	1,323,686
21,657	Myriad Genetics Inc	682,642	428,267
	Total Healthcare	8.14% 1,782,476	3,950,392

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**The DGI Growth Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<i>Industrials</i>			
9,147	Deluxe Corp	\$ 402,025	\$ 267,092
9,574	Graco Inc	257,869	692,679
39,038	Jetblue Airways Corp	487,870	567,613
6,973	Landstar Systems Inc	520,693	938,984
8,164	Middleby Corp	1,127,168	1,052,503
4,446	MSC Industrial Direct CO - A	369,640	375,198
5,892	Proto Labs Inc	297,566	903,833
2,641	Snap-On Inc	397,124	451,981
	Total Industrials	10.81% <u>3,859,955</u>	<u>5,249,883</u>
<i>Information Technology</i>			
14,981	Akamai Technologies Inc	1,082,922	1,572,855
13,828	Alarm.Com Holdings Inc	762,597	1,430,507
779	Arista Networks Inc	149,777	226,354
6,800	Autodesk Inc	557,979	2,076,312
15,485	Cognex Corporation	746,801	1,243,213
20,094	Dolby Laboratories Inc	1,293,451	1,951,730
4,184	Intuit Inc	522,534	1,589,292
2,773	IPG Photonics Inc.	369,358	620,570
5,849	Manhattan Associates	263,670	615,198
7,145	Microchip Technology Inc	408,161	986,796
4,470	Paychex Inc	237,948	416,515
24,615	Plantronics Inc	809,887	665,343
18,706	Plexus Corp	934,812	1,462,996
22,034	Power Integrations Inc	689,419	1,803,703
48,626	Pure Storage Inc-Class A	789,298	1,099,434
8,771	Realpage Inc	286,996	765,182
7,936	Stamps.com Inc	570,987	1,556,964
30,199	Super Micro Computer Inc	721,700	956,100
3,870	Ubiquiti Networks Inc	155,544	1,077,834
24,103	Viasat Inc	1,090,523	786,963
	Total Information Technology	47.17% <u>12,444,364</u>	<u>22,903,861</u>
	Total Common Stock	91.96% <u>27,219,986</u>	<u>44,652,024</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**The DGI Growth Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<b><u>Foreign Stock</u></b>			
<b><i>Consumer Discretionary</i></b>			
15,460	Garmin Ltd	\$ 989,615	\$ 1,849,943
	Total Consumer Discretionary	3.81% <u>989,615</u>	<u>1,849,943</u>
<b><i>Energy</i></b>			
5,837	Core Laboratories NV	339,373	154,739
	Total Energy	0.32% <u>339,373</u>	<u>154,739</u>
<b><i>Industrials</i></b>			
6,213	IHS Markit LTD	222,643	558,114
	Total Industrials	1.15% <u>222,643</u>	<u>558,114</u>
<b><i>Information Technology</i></b>			
19,943	Open Text Corp	656,397	906,609
	Total Information Technology	1.87% <u>656,397</u>	<u>906,609</u>
	Total Foreign Stock	7.15% <u>2,208,028</u>	<u>3,469,405</u>
<b><u>Common Trust Fund</u></b>			
<b><i>Fixed Income</i></b>			
172,799	HB&T Short Term Income Fund	172,799	172,799
	Total Fixed Income	0.36% <u>172,799</u>	<u>172,799</u>
	Total Common Trust Fund	0.36% <u>172,799</u>	<u>172,799</u>
	Total Investments	100.00% <u>\$ 29,858,542</u>	<u>\$ 48,551,957</u>



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

	<b>The DGI Growth Fund</b>
<b>Income</b>	
Interest	\$ 347
Dividends (net of \$3,024 in foreign taxes paid)	394,983
Total income	395,330
<b>Expenses</b>	
Investment management and administrative	22,183
Custody	12,886
Audit fees	7,500
Other	180
Class R1 expenses	315,358
Total expenses	358,107
<b>Net Investment Income</b>	37,223
<b>Net Realized and Unrealized Gains on Investments</b>	
Net realized gains on investments	6,197,446
Net change in unrealized appreciation on investments	2,928,748
Net realized and unrealized gains	9,126,194
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 9,163,417

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

	<b>The DGI Growth Fund</b>
<b>Operations</b>	
Net investment income	\$ 37,223
Net realized gains	6,197,446
Change in unrealized appreciation	2,928,748
Net increase in net assets from operations	9,163,417
<b>Net Decrease in Net Assets From Participant Transactions</b>	<b>(14,173,832)</b>
<b>Decrease in Net Assets</b>	<b>(5,010,415)</b>
<b>Net Assets</b>	
Beginning of year	53,517,161
End of year	\$ 48,506,746

# 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 these funds are included in this report.

#### ***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 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 is reinvested, thereby increasing the respective unit values.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2020

#### ***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 their taxable income to their 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 Disciplined Growth Investors.

#### **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.

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	Total Fees
The DGI Growth Fund: Class R1	0.05%	0.71%	0.03%	0.79%

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

**Note 3: Financial Highlights**

	<b>The DGI Growth Fund</b>
Net asset value, beginning of year	\$ 16.27
Net investment income	0.01
Net realized and unrealized gains	4.22
Net increase from investment operations	4.23
Net asset value, end of year	\$ 20.50
Total return	26.00%
Ratio to average net assets:	
Net investment income	0.09%
Expenses	0.83%

**Note 4: Participant Unit Transactions**

	<b>The DGI Growth Fund</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R1:</b>		
Proceeds from sales of units	90,663	\$ 1,424,676
Cost of units redeemed	(1,015,054)	(15,598,508)
Net decrease in total net assets from participant transactions	(924,391)	\$ (14,173,832)

**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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2020

**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, 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 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, 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)
<b>The DGI Growth Fund</b>				
Short Term Investment	\$ 257,729	\$ 257,729	\$ -	\$ -
Common Stock	44,652,024	44,652,024	-	-
Foreign Stock	3,469,405	3,469,405	-	-
Common Trust Fund - Fixed Income (A)	172,799			
Total	\$ 48,551,957			

(A) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets and liabilities.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

### 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**  
**The DGI Growth Fund**  
**Year Ended December 31, 2020**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Stock	\$ 7,367,219
Foreign Stock	461,807
Common Trust Fund - Fixed Income	2,504,205
Total Investments Purchased	\$ 10,333,231

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Common Stock	\$ 20,705,619	\$ 13,291,897	\$ 7,413,722
Foreign Stock	1,514,402	2,730,678	(1,216,276)
Common Trust Fund - Fixed Income	2,421,023	2,421,023	-
Total Investments Sold	\$ 24,641,044	\$ 18,443,598	\$ 6,197,446