

**Hand Composite Employee Benefit Trust
The DGI Growth Fund**

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 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, 2018, 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, 2018, 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 24, 2019

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2018

	<u>The DGI Growth Fund</u>
Assets	
Investments, at cost	\$ 42,636,520
Investments, at fair value	\$ 56,283,736
Receivable for:	
Capital shares sold	1,942
Investment securities sold	9,187
Dividends and interest	23,347
Total assets	<u>\$ 56,318,212</u>
Liabilities	
Payable for capital shares redeemed	\$ 1,161
Accounts payable and accrued liabilities	50,475
Total liabilities	<u>\$ 51,636</u>
Net assets held for participants - Class R1	<u>\$ 56,266,576</u>
Units outstanding - Class R1	<u>4,490,327</u>
Net asset value per unit - Class R1	<u>\$ 12.53</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
The DGI Growth Fund
December 31, 2018

Number of Shares		Cost	Fair Value
<i><u>Short Term Investment</u></i>			
27,123	First American Treasury Obligation Fund V	\$ 27,123	\$ 27,123
	Total Short Term Investment	0.05% 27,123	27,123
<i><u>Common Stock</u></i>			
<i>Consumer Discretionary</i>			
9,657	Cheesecake Factory	380,497	420,176
60,732	Gentex Corp	833,409	1,227,394
15,176	Gentherm Inc	545,127	606,736
27,848	L Brands Inc	1,433,329	714,858
19,773	Nordstrom Inc	830,910	921,620
5,565	Ralph Lauren Corp	532,804	575,755
14,925	Royal Caribbean Cruises Ltd	818,297	1,459,516
35,688	Sleep Number Corp	854,252	1,132,380
64,499	TJX Companies Inc	1,496,050	2,885,685
6,777	Tripadvisor Inc	405,126	365,551
31,958	Under Armour Inc Cl A	559,682	564,698
12,968	Urban Outfitters Inc	413,951	430,538
	Total Consumer Discretionary	20.09% 9,103,434	11,304,907
<i>Energy</i>			
178,580	Southwestern Energy Co	1,046,033	608,958
	Total Energy	1.08% 1,046,033	608,958
<i>Financials</i>			
8,438	FactSet Research System Inc	1,132,384	1,688,697
25,749	TCF Financial Corp	373,541	501,848
	Total Financials	3.89% 1,505,925	2,190,545

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
The DGI Growth Fund (Continued)
December 31, 2018

Number of Shares		Cost	Fair Value
<i>Healthcare</i>			
10,958	Align Technology Inc	\$ 1,097,288	\$ 2,294,934
26,953	Edwards Lifesciences Corp	1,745,680	4,128,391
4,295	Intuitive Surgical Inc	741,573	2,056,961
9,223	Medidata Solutions Inc	543,898	621,815
19,032	Myriad Genetics Inc	561,305	553,260
11,098	Varian Medical Systems Inc	731,622	1,257,514
	Total Healthcare	19.39% <u>5,421,366</u>	<u>10,912,875</u>
<i>Industrials</i>			
19,956	Graco Inc	433,767	835,159
67,537	Jetblue Airways Corp	1,133,991	1,084,644
12,932	Landstar Systems Inc	765,190	1,237,204
7,927	MSC Industrial Direct CO - A	658,768	609,745
19,481	Middleby Corp	1,762,835	2,001,283
11,507	Proto Labs Inc	548,210	1,297,875
	Total Industrials	12.55% <u>5,302,761</u>	<u>7,065,910</u>
<i>Information Technology</i>			
22,120	Akamai Technologies Inc	1,218,640	1,351,090
16,387	Autodesk Inc	960,612	2,107,532
8,185	Cognex Corporation	264,592	316,514
20,924	Dolby Laboratories Inc	1,098,442	1,293,940
4,958	IPG Photonics Inc.	660,276	561,692
10,968	Intuit Inc	986,118	2,159,051
12,912	Manhattan Associates	561,780	547,081
13,379	Microchip Technology Inc	627,806	962,218
8,826	Paychex Inc	381,428	575,014
21,820	Plantronics Inc	907,409	722,242
35,946	Plexus Corp	1,332,732	1,836,122
21,225	Power Integrations Inc	1,212,474	1,294,301
24,557	Realpage Inc	568,464	1,183,402
4,049	Stamps.com Inc	646,413	630,186
39,749	Super Micro Computer Inc	1,054,539	548,536
8,080	Synaptics Inc	579,286	300,657
21,914	Ubiquiti Networks Inc	900,045	2,178,471
13,588	Viasat Inc	837,540	801,013
	Total Information Technology	34.41% <u>14,798,596</u>	<u>19,369,062</u>
	Total Common Stock	91.41% <u>37,178,115</u>	<u>51,452,257</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
The DGI Growth Fund (Continued)
December 31, 2018

Number of Shares		Cost	Fair Value
<u>Foreign Stock</u>			
<i>Consumer Discretionary</i>			
20,737	Garmin Ltd	\$ 883,509	\$ 1,313,066
	Total Consumer Discretionary	2.33% <u>883,509</u>	<u>1,313,066</u>
<i>Energy</i>			
4,805	Core Laboratories NV	524,214	286,666
154,058	Ultra Petroleum Corp	1,765,912	117,099
	Total Energy	0.72% <u>2,290,126</u>	<u>403,765</u>
<i>Industrials</i>			
11,796	IHS Markit LTD	412,840	565,854
	Total Industrials	1.01% <u>412,840</u>	<u>565,854</u>
<i>Information Technology</i>			
57,960	Open Text Corp	1,196,418	1,889,496
14,955	Seagate Technology Plc	593,327	577,113
	Total Information Technology	4.38% <u>1,789,745</u>	<u>2,466,609</u>
	Total Foreign Stock	8.44% <u>5,376,220</u>	<u>4,749,294</u>
<u>Common Trust Fund</u>			
<i>Fixed Income</i>			
55,062	HB&T Short Term Income Fund	55,062	55,062
	Total Fixed Income	0.10% <u>55,062</u>	<u>55,062</u>
	Total Common Trust Fund	0.10% <u>55,062</u>	<u>55,062</u>
	Total Investments	100.00% <u>\$ 42,636,520</u>	<u>\$ 56,283,736</u>

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

	The DGI Growth Fund
Income	
Interest	\$ 5,787
Dividends	475,082
Total income	480,869
Expenses	
Investment management and administrative	25,156
Custody	15,247
Audit fees	7,500
Other	94
Class R1 expenses	357,171
Total expenses	405,168
Net Investment Income	75,701
Net Realized and Unrealized Gains (Losses) on Investments	
Net realized gains on investments	3,442,733
Net change in unrealized appreciation/depreciation on investments	(6,513,033)
Net realized and unrealized losses	(3,070,300)
Net Decrease in Net Assets Resulting From Operations	\$ (2,994,599)

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

	The DGI Growth Fund
Operations	
Net investment income	\$ 75,701
Net realized gains	3,442,733
Change in unrealized appreciation/depreciation	(6,513,033)
Net decrease in net assets from operations	(2,994,599)
Net Increase in Net Assets From Participant Transactions	11,862,097
Increase in Net Assets	8,867,498
Net Assets	
Beginning of year	47,399,078
End of year	\$ 56,266,576

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 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, 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 their taxable income to their 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 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, 2018

Note 3: Financial Highlights

	<u>The DGI Growth Fund</u>
Net asset value, beginning of year	\$ 13.01
Net investment income	0.02
Net realized and unrealized losses	<u>(0.50)</u>
Net decrease from investment operations	<u>(0.48)</u>
Net asset value, end of year	<u>\$ 12.53</u>
Total return	-3.69%
Ratio to average net assets:	
Net investment income	0.15%
Expenses	0.79%

Note 4: Participant Unit Transactions

	<u>The DGI Growth Fund</u>	
	<u>Units</u>	<u>Dollars</u>
Class R1:		
Proceeds from sales of units	1,155,438	\$ 16,156,159
Cost of units redeemed	<u>(307,446)</u>	<u>(4,294,062)</u>
Net increase in total net assets from participant transactions	<u>847,992</u>	<u>\$ 11,862,097</u>

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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

- 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 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	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)
The DGI Growth Fund				
Short Term Investment	\$ 27,123	\$ 27,123	\$ -	\$ -
Common Stock	51,452,257	51,452,257	-	-
Foreign Stock	4,749,294	4,749,294	-	-
Common Trust Fund - Fixed Income (A)	<u>55,062</u>			
Total	<u>\$ 56,283,736</u>			

(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.

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
The DGI Growth Fund
Year Ended December 31, 2018

Purchases	
Investment Class	Cost
Common Stock	\$ 3,780,917
Foreign Stock	120,418
Common Trust Fund - Fixed Income	880,107
Total Investments Purchased	\$ 4,781,442

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stock	\$ 4,317,994	\$ 1,478,512	\$ 2,839,482
Foreign Stock	721,755	421,133	300,622
Exchange-traded Funds - Fixed Income	720,632	418,003	302,629
Common Trust Fund - Fixed Income	938,183	938,183	-
Total Investments Sold	\$ 6,698,564	\$ 3,255,831	\$ 3,442,733