

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

Independent Auditor's Report and Financial Statements

December 31, 2019



Hand Composite Employee Benefit Trust
December 31, 2019

Contents

Independent Auditor's Report 1

Basic Financial Statements

Statement of Assets and Liabilities – Selected Fund 3

Schedule of Investments

 The DGI Growth Fund 4

Statement of Operations – Selected Fund 7

Statement of Changes in Net Assets – Selected Fund 8

Notes to Financial Statements 9

Supplemental Information

Schedule of Investment Purchases and Sales – Selected Fund 14

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, 2019, 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, 2019, 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 15, 2020

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
Year Ended December 31, 2019

	<u>The DGI Growth Fund</u>
Assets	
Investments, at cost	\$ 37,795,871
Investments, at fair value	\$ 53,560,538
Receivable for:	
Dividends and interest	11,027
Total assets	<u>\$ 53,571,565</u>
Liabilities	
Payable for capital shares redeemed	\$ 10,249
Accounts payable and accrued liabilities	44,155
Total liabilities	<u>\$ 54,404</u>
Net assets held for participants - Class R1	<u>\$ 53,517,161</u>
Units outstanding - Class R1	<u>3,290,343</u>
Net asset value per unit - Class R1	<u>\$ 16.27</u>

Hand Composite Employee Benefit Trust

Schedule of Investments

The DGI Growth Fund

Year Ended December 31, 2019

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
84,710	First American Treasury Obligation Fund V	\$ 84,710	\$ 84,710
	Total Short Term Investment	0.16% 84,710	84,710
<u>Common Stock</u>			
<i>Consumer Discretionary</i>			
7,131	Cheesecake Factory	338,609	277,111
45,763	Gentex Corp	722,324	1,326,212
10,975	Gentherm Inc	390,185	487,180
19,554	Nordstrom Inc	763,975	800,345
4,007	Ralph Lauren Corp	430,419	469,701
25,971	Royal Caribbean Cruises Ltd	669,282	1,278,812
46,302	Sleep Number Corp	1,423,620	2,827,200
5,046	TJX Companies Inc	286,040	153,297
46,584	Tripadvisor Inc	819,606	1,006,214
9,575	Under Armour Inc Cl A	292,245	265,898
10,605	Urban Outfitters Inc	746,922	1,415,874
	Total Consumer Discretionary	19.25% 6,883,227	10,307,844
<i>Energy</i>			
90,815	Cabot Oil & Gas Corp	1,579,773	1,581,089
184,326	Southwestern Energy Co	1,024,682	446,069
	Total Energy	3.78% 2,604,455	2,027,158
<i>Financials</i>			
5,551	FactSet Research System Inc	942,282	1,489,333
9,282	TCF Financial Corp	299,599	434,398
	Total Financials	3.59% 1,241,881	1,923,731
<i>Healthcare</i>			
7,883	Align Technology Inc	990,356	2,199,672
8,912	Edwards Lifesciences Corp	827,557	2,079,080
3,301	Intuitive Surgical Inc	666,447	1,951,386

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
The DGI Growth Fund (Continued)
Year Ended December 31, 2019

Number of Shares		Cost	Fair Value
<i>Healthcare (Continued)</i>			
29,288	Myriad Genetics Inc	\$ 881,838	\$ 797,512
7,741	Varian Medical Systems Inc	569,676	1,099,299
	Total Healthcare	15.17% <u>3,935,874</u>	<u>8,126,949</u>
<i>Industrials</i>			
14,189	Deluxe Corp	622,885	708,315
14,425	Graco Inc	349,310	750,100
62,673	Jetblue Airways Corp	1,198,828	1,173,239
9,434	Landstar Systems Inc	630,976	1,074,250
6,019	MSC Industrial Direct CO - A	499,391	472,311
13,553	Middleby Corp	1,663,647	1,484,325
7,965	Proto Labs Inc	390,370	808,846
	Total Industrials	12.08% <u>5,355,407</u>	<u>6,471,386</u>
<i>Information Technology</i>			
16,552	Akamai Technologies Inc	1,105,299	1,429,762
7,699	Autodesk Inc	606,660	1,412,459
21,738	Cognex Corporation	1,011,465	1,218,198
18,569	Dolby Laboratories Inc	1,107,547	1,277,547
3,752	IPG Photonics Inc.	499,776	543,740
7,727	Intuit Inc	920,904	2,023,933
5,799	Manhattan Associates	254,656	462,470
9,659	Microchip Technology Inc	504,773	1,011,490
6,045	Paychex Inc	305,247	514,188
17,019	Plantronics Inc	791,644	465,299
25,302	Plexus Corp	1,107,410	1,946,736
14,901	Power Integrations Inc	914,451	1,473,858
36,471	Pure Storage Unc-Class A	580,282	624,019
18,168	Realpage Inc	457,072	976,530
10,334	Stamps.com Inc	704,308	863,096
40,844	Super Micro Computer Inc	990,579	981,073
11,631	Ubiquiti Networks Inc	531,036	2,198,026
11,637	Viasat Inc	730,714	851,770
	Total Information Technology	37.86% <u>13,123,823</u>	<u>20,274,194</u>
	Total Common Stock	91.73% <u>33,144,667</u>	<u>49,131,262</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
The DGI Growth Fund (Continued)
Year Ended December 31, 2019

Number of Shares		Cost	Fair Value
<u>Foreign Stock</u>			
<i>Consumer Discretionary</i>			
14,895	Garmin Ltd	\$ 688,625	\$ 1,453,155
	Total Consumer Discretionary	2.71% <u>688,625</u>	<u>1,453,155</u>
<i>Energy</i>			
154,058	Core Laboratories NV	1,765,911	16,346
9,020	Ultra Petroleum Corp	692,207	339,783
	Total Energy	0.66% <u>2,458,118</u>	<u>356,129</u>
<i>Industrials</i>			
8,747	IHS Markit LTD	307,062	659,086
	Total Industrials	1.23% <u>307,062</u>	<u>659,086</u>
<i>Information Technology</i>			
40,540	Open Text Corp	1,023,091	1,786,598
	Total Information Technology	3.34% <u>1,023,091</u>	<u>1,786,598</u>
	Total Foreign Stock	7.94% <u>4,476,896</u>	<u>4,254,968</u>
<u>Common Trust Fund</u>			
<i>Fixed Income</i>			
89,598	HB&T Short Term Income Fund	89,598	89,598
	Total Fixed Income	0.17% <u>89,598</u>	<u>89,598</u>
	Total Common Trust Fund	0.17% <u>89,598</u>	<u>89,598</u>
	Total Investments	100.00% <u>\$ 37,795,871</u>	<u>\$ 53,560,538</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2019

	The DGI Growth Fund
Income	
Interest	\$ 10,118
Dividends	467,845
Total income	477,963
Expenses	
Investment management and administrative	28,088
Custody	16,606
Audit fees	7,500
Other	310
Class R1 expenses	398,796
Total expenses	451,300
Net Investment Income	26,663
Net Realized and Unrealized Gains on Investments	
Net realized gains on investments	12,563,729
Net change in unrealized appreciation/depreciation on investments	2,117,451
Net realized and unrealized gains	14,681,180
Net Increase in Net Assets Resulting From Operations	\$ 14,707,843

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2019

	The DGI Growth Fund
Operations	
Net investment income	\$ 26,663
Net realized gains	12,563,729
Change in unrealized appreciation/depreciation	2,117,451
Net increase in net assets from operations	14,707,843
Net Decrease in Net Assets From Participant Transactions	(17,457,258)
Decrease in Net Assets	(2,749,415)
Net Assets	
Beginning of year	56,266,576
End of year	\$ 53,517,161

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

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 76 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, 2019

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

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the financial position, results of operations, and cash flows for the Fund. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through May 15, 2020, 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, 2019

Note 3: Financial Highlights

	<u>The DGI Growth Fund</u>
Net asset value, beginning of year	\$ 12.53
Net investment income	0.01
Net realized and unrealized gains	<u>3.73</u>
Net increase from investment operations	<u>3.74</u>
Net asset value, end of year	<u>\$ 16.27</u>
Total return	29.85%
Ratio to average net assets:	
Net investment income	0.05%
Expenses	0.81%

Note 4: Participant Unit Transactions

	<u>The DGI Growth Fund</u>	
	<u>Units</u>	<u>Dollars</u>
Class R1:		
Proceeds from sales of units	104,520	\$ 1,550,454
Cost of units redeemed	<u>(1,304,503)</u>	<u>(19,007,712)</u>
Net decrease in total net assets from participant transactions	<u>(1,199,983)</u>	<u>\$ (17,457,258)</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, 2019

- 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, 2019.

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, 2019.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

	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	\$ 84,710	\$ 84,710	\$ -	\$ -
Common Stock	49,131,262	49,131,262	-	-
Foreign Stock	4,254,968	4,254,968	-	-
Common Trust Fund - Fixed Income (A)	89,598			
Total	<u>\$ 53,560,538</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, 2019

Purchases	
Investment Class	Cost
Common Stock	\$ 6,432,135
Foreign Stock	240,669
Common Trust Fund - Fixed Income	8,835,166
Total Investments Purchased	\$ 15,507,970

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stock	\$ 22,100,949	\$ 10,465,586	\$ 11,635,363
Foreign Stock	2,068,357	1,139,991	928,366
Common Trust Fund - Fixed Income	8,800,766	8,800,766	-
Total Investments Sold	\$ 32,970,072	\$ 20,406,343	\$ 12,563,729