

**Hand Composite Employee Benefit Trust**  
**DSM US Large Cap 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 statement of assets and liabilities of a selected fund (DSM US Large Cap Growth Fund) included in the Hand Composite Employee Benefit Trust ("Trust" or "Fund"), 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 this statement of assets and liabilities 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 the statement of assets and liabilities that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on this statement of assets and liabilities 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 statement of assets and liabilities is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of assets and liabilities. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statement of assets and liabilities, 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 statement of assets and liabilities 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 statement of assets and liabilities.

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 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 24, 2019

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

	<b>DSM US Large Cap Growth Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 53,147,269
Investments, at fair value	\$ 65,621,310
Receivable for:	
Investment securities sold	23,434
Dividends and interest	28,566
Total assets	\$ 65,673,310
<b>Liabilities</b>	
Capital shares redeemed	\$ 18,872
Accounts payable and accrued liabilities	36,855
Total liabilities	\$ 55,727
Net assets held for participants:	
Class R1	\$ 65,617,557
Class R2	13
Class R3	13
Total net assets held for participants	\$ 65,617,583
Units outstanding:	
Class R1	4,995,139
Class R2	1
Class R3	1
Total units outstanding	4,995,141
Net asset value per unit:	
Class R1	\$ 13.14
Class R2	\$ 13.25
Class R3	\$ 13.25

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**DSM US Large Cap Growth Fund**  
**December 31, 2018**

Number of Shares		Cost	Fair Value
<b><i>Short Term Investment</i></b>			
147,000	First American Treasury Obligation Fund V	\$ 147,000	\$ 147,000
	Total Short Term Investment	0.22% 147,000	147,000
<b><i>Common Stock</i></b>			
<b><i>Consumer Discretionary</i></b>			
1,050	Amazon.com Inc	1,588,836	1,577,066
1,345	Booking Holdings Inc	2,050,723	2,316,655
8,325	Burlington Stores Inc	1,347,624	1,354,228
14,900	Royal Caribbean Cruises Ltd	1,299,035	1,457,071
	Total Consumer Discretionary	10.22% 6,286,218	6,705,020
<b><i>Consumer Staples</i></b>			
48,900	Monster Beverage Corp	2,364,972	2,406,858
	Total Consumer Staples	3.67% 2,364,972	2,406,858
<b><i>Financials</i></b>			
16,900	MSCI Inc A	2,510,462	2,491,567
31,050	Schwab Charles Corporation	1,428,633	1,289,507
	Total Financials	5.76% 3,939,095	3,781,074
<b><i>Healthcare</i></b>			
39,975	Abbott Laboratories	2,059,043	2,891,392
9,300	Becton Dickinson And Co	1,897,007	2,095,476
5,290	Regeneron Pharmaceuticals	2,117,790	1,975,815
9,150	Thermo Fisher Scientific Inc	2,004,822	2,047,679
32,950	Zoetis Inc	1,830,873	2,818,543
	Total Healthcare	18.03% 9,909,535	11,828,905
<b><i>Information Technology</i></b>			
20,125	Adobe Systems Inc	2,083,004	4,553,080
4,250	Alphabet Inc	3,548,860	4,441,080
15,000	Auto Data Processing Inc	2,059,652	1,966,800

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**DSM US Large Cap Growth Fund (Continued)**  
**December 31, 2018**

Number of Shares		Cost	Fair Value
<i>Information Technology (Continued)</i>			
29,250	Facebook Inc	\$ 3,522,880	\$ 3,834,383
11,575	Intuit Inc	2,093,901	2,278,539
52,975	Microsoft Corporation	4,166,204	5,380,671
32,475	Paypal Holdings Inc	1,833,134	2,730,823
35,900	Visa Inc Class A	2,952,588	4,736,646
	Total Information Technology	45.60% <u>22,260,223</u>	<u>29,922,022</u>
	Total Common Stock	83.28% <u>44,760,043</u>	<u>54,643,879</u>
<i>Foreign Stock</i>			
<i>Financials</i>			
19,375	Toronto-Dominion Bank	1,101,077	963,325
	Total Financials	1.47% <u>1,101,077</u>	<u>963,325</u>
<i>Industrials</i>			
9,125	Canadian Pacific Railway Ltd	1,692,930	1,620,783
	Total Industrials	2.47% <u>1,692,930</u>	<u>1,620,783</u>
<i>Information Technology</i>			
29,800	Alibaba Group Holding Limited Spons ADR	2,645,428	4,084,686
104,900	Tencent Holdings Ltd Unsponsored ADR	2,779,557	4,140,403
	Total Information Technology	12.53% <u>5,424,985</u>	<u>8,225,089</u>
	Total Foreign Stock	16.47% <u>8,218,992</u>	<u>10,809,197</u>
<i>Common Trust Fund</i>			
<i>Fixed Income</i>			
21,234	HB&T Short Term Income Fund	21,234	21,234
	Total Fixed Income	0.03% <u>21,234</u>	<u>21,234</u>
	Total Common Trust Fund	0.03% <u>21,234</u>	<u>21,234</u>
	Total Investments	100.00% <u>\$ 53,147,269</u>	<u>\$ 65,621,310</u>

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

	<b>DSM US Large Cap Growth Fund</b>
<b>Income</b>	
Interest	\$ 3,061
Dividends	448,244
Total income	451,305
 <b>Expenses</b>	
Investment management and administrative	59,114
Audit	5,000
Custody	22,090
Other	22
Class R1 expenses	332,479
Total expenses	418,705
 <b>Net Investment Income</b>	 32,600
 <b>Net Realized and Unrealized Gains (Losses) on Investments</b>	
Net realized gains on investments	1,972,577
Net change in unrealized appreciation (depreciation) on investments	(4,879,356)
Net realized and unrealized losses	(2,906,779)
 <b>Net Decrease in Net Assets Resulting From Operations</b>	 \$ (2,874,179)



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

	<b>DSM US Large Cap Growth Fund</b>
<b>Operations</b>	
Net investment income	\$ 32,600
Net realized gains	1,972,577
Change in unrealized appreciation (depreciation)	(4,879,356)
Net decrease in net assets from operations	(2,874,179)
<b>Net Decrease in Net Assets From Participant Transactions</b>	<b>(3,591,016)</b>
<b>Decrease in Net Assets</b>	<b>(6,465,195)</b>
<b>Net Assets</b>	
Beginning of year	72,082,778
End of year	\$ 65,617,583

# 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 funds (the Funds); the financial statements of one of those funds is included in this report, DSM US Large Cap Growth Fund.

For those funds with more than one class of units, 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, 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 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 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 DSM Capital Partners, 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.

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:

<b>Fund</b>	<b>Administrative Fees</b>	<b>Investment Advisory Fees</b>	<b>Custody Fees</b>	<b>Total Fees</b>
The DSM US Large Cap Growth Fund:				
Class R1	0.08%	0.45%	0.03%	0.56%
Class R2	0.08%	0.55%	0.03%	0.66%
Class R3	0.08%	0.45%	0.03%	0.56%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### Note 3: Financial Highlights

	<u>Class R1</u> <u>DSM US Large</u> <u>Cap Growth</u> <u>Fund</u>
Net asset value, beginning of year	\$ 13.74
Net investment income	0.01
Net realized and unrealized losses	<u>(0.61)</u>
Net decrease from investment operations	<u>(0.60)</u>
Net asset value, end of year	<u>\$ 13.14</u>
Total return	(4.37%)
Ratio to average net assets:	
Net investment income	0.04 %
Expenses	0.57 %

### Note 4: Participant Unit Transactions

	<u>The DSM US Large Cap</u> <u>Growth Fund</u>	
	<u>Units</u>	<u>Dollars</u>
<b>Class R1:</b>		
Proceeds from sales of units	293,827	\$ 4,279,740
Cost of units redeemed	<u>(546,742)</u>	<u>(7,870,756)</u>
Net decrease in Class R1 from participant transactions	<u>(252,915)</u>	<u>(3,591,016)</u>
Net decrease in total net assets from participant transactions		<u>\$ (3,591,016)</u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2018

#### 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, 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 the certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as Level 1 in the hierarchy. For those foreign securities where additional foreign market activities are taken into consideration by the pricing service, those securities are categorized as Level 2 in the hierarchy.

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2018**

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:

	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 DSM US Large Cap Growth Fund</b>				
Short Term Investment	\$ 147,000	\$ 147,000	\$ -	\$ -
Common Stock	54,643,879	54,643,879	-	-
Foreign Stock	10,809,197	10,809,197	-	-
Common Trust Fund - Fixed Income (A)	<u>21,234</u>			
Total	<u>\$ 65,621,310</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 statement 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 & Sales – Selected Fund**  
**Year Ended December 31, 2018**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Stock	\$ 21,805,070
Foreign Stock	1,719,584
Common Trust Funds	4,722,973
Total Investments Purchased	\$ 28,247,627

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain</b>
Common Stock	\$ 25,394,821	\$ 23,680,778	\$ 1,714,043
Foreign Stock	1,599,395	1,340,861	258,534
Common Trust Fund	4,827,662	4,827,662	-
Total Investments Sold	\$ 31,821,878	\$ 29,849,301	\$ 1,972,577