

**Hand Composite Employee Benefit Trust
DSM US Large Cap Growth Fund**

Independent Auditor's Report and Financial Statements

December 31, 2019



Hand Composite Employee Benefit Trust

December 31, 2019

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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 statements 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 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, 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 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 29, 2020

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

| | DSM US Large Cap Growth Fund |
|--|---|
| Assets | |
| Investments, at cost | <u>\$ 54,145,562</u> |
| Investments, at fair value | \$ 84,827,262 |
| Receivable for: | |
| Dividends and interest | 32,777 |
| Investment advisor | <u>3,309</u> |
| Total assets | <u><u>\$ 84,863,348</u></u> |
| Liabilities | |
| Capital shares redeemed | \$ 10,090 |
| Accounts payable and accrued liabilities | <u>45,648</u> |
| Total liabilities | <u><u>\$ 55,738</u></u> |
| Net assets held for participants: | |
| Class R1 | \$ 84,807,574 |
| Class R2 | 18 |
| Class R3 | <u>18</u> |
| Total net assets held for participants | <u><u>\$ 84,807,610</u></u> |
| Units outstanding: | |
| Class R1 | 4,709,768 |
| Class R2 | 1 |
| Class R3 | <u>1</u> |
| Total units outstanding | <u><u>4,709,770</u></u> |
| Net asset value per unit: | |
| Class R1 | <u>\$ 18.01</u> |
| Class R2 | <u>\$ 18.23</u> |
| Class R3 | <u><u>\$ 18.23</u></u> |

Hand Composite Employee Benefit Trust
Schedule of Investments
DSM US Large Cap Growth Fund
December 31, 2019

| Number of Shares | | Cost | Fair Value |
|--------------------------------------|---|-------------------|------------|
| <u>Short Term Investment</u> | | | |
| 127,011 | First American Treasury Obligation Fund V | \$ 127,011 | \$ 127,011 |
| | Total Short Term Investment | 0.15% 127,011 | 127,011 |
| <u>Common Stocks</u> | | | |
| <i>Consumer Discretionary</i> | | | |
| 2,470 | Amazon.com Inc | 4,223,935 | 4,564,162 |
| 1,160 | Booking Holdings Inc | 1,908,650 | 2,382,327 |
| 7,825 | Burlington Stores Inc | 1,267,653 | 1,784,335 |
| 13,800 | Royal Caribbean Cruises Ltd | 1,206,424 | 1,842,438 |
| 266,200 | Sirius Xm Holdings Inc | 1,563,436 | 1,903,330 |
| | Total Consumer Discretionary | 14.71% 10,170,098 | 12,476,592 |
| <i>Consumer Staples</i> | | | |
| 20,925 | Monster Beverage Corp | 1,106,207 | 1,329,784 |
| | Total Consumer Staples | 1.57% 1,106,207 | 1,329,784 |
| <i>Healthcare</i> | | | |
| 22,000 | Abbott Laboratories | 1,236,380 | 1,910,920 |
| 9,550 | Becton Dickinson And Co | 1,998,528 | 2,597,314 |
| 28,575 | Boston Scientific Corp. | 1,208,035 | 1,292,162 |
| 59,800 | Elanco Animal Health Inc | 1,817,074 | 1,761,110 |
| 9,075 | Neurocrine Biosciences Inc | 786,999 | 975,472 |
| 5,700 | Thermo Fisher Scientific Inc | 1,258,689 | 1,851,759 |
| 26,025 | Zoetis Inc | 1,461,959 | 3,444,409 |
| | Total Healthcare | 16.30% 9,767,664 | 13,833,146 |
| <i>Information Technology</i> | | | |
| 20,100 | Adobe Systems Inc | 2,277,256 | 6,629,181 |
| 4,665 | Alphabet Inc | 4,182,924 | 6,248,254 |
| 22,750 | Auto Data Processing Inc | 3,289,120 | 3,878,875 |
| 10,625 | Epam Systems Inc | 1,632,432 | 2,254,200 |
| 22,250 | Facebook Inc | 2,704,076 | 4,566,813 |

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
DSM US Large Cap Growth Fund (Continued)
December 31, 2019

| Number of Shares | | Cost | Fair Value |
|---|---|------------------------------|----------------------|
| <i>Information Technology (Continued)</i> | | | |
| 7,850 | Global Payments Inc | \$ 1,111,416 | \$ 1,433,096 |
| 8,775 | Intuit Inc | 1,713,667 | 2,298,436 |
| 49,725 | Microsoft Corporation | 3,947,190 | 7,841,633 |
| 9,900 | Palo Alto Networks Inc | 2,299,552 | 2,289,375 |
| 33,775 | Paypal Holdings Inc | 2,258,134 | 3,653,442 |
| 27,150 | Visa Inc CL A | 2,262,282 | 5,101,485 |
| | Total Information Technology | 54.46% <u>27,678,049</u> | <u>46,194,790</u> |
| | Total Common Stocks | 87.04% <u>48,722,018</u> | <u>73,834,312</u> |
| <u>Foreign Stocks</u> | | | |
| <i>Information Technology</i> | | | |
| 28,150 | Alibaba Group Holding Limited Spons ADR | 2,503,256 | 5,970,615 |
| 98,725 | Tencent Holdings Ltd Unsponsored ADR | 2,637,740 | 4,739,787 |
| | Total Information Technology | 12.63% <u>5,140,996</u> | <u>10,710,402</u> |
| | Total Foreign Stocks | 12.63% <u>5,140,996</u> | <u>10,710,402</u> |
| <u>Common Trust Fund</u> | | | |
| <i>Fixed Income</i> | | | |
| 155,537 | HB&T Short Term Income Fund | 155,537 | 155,537 |
| | Total Fixed Income | 0.18% <u>155,537</u> | <u>155,537</u> |
| | Total Common Trust Fund | 0.18% <u>155,537</u> | <u>155,537</u> |
| | Total Investments | 100.00% <u>\$ 54,145,562</u> | <u>\$ 84,827,262</u> |

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

| | DSM US Large Cap Growth Fund |
|---|---|
| Income | |
| Interest | \$ 3,531 |
| Dividends | 425,143 |
| Total income | 428,674 |
| Expenses | |
| Investment management and administrative | 61,856 |
| Audit | 5,000 |
| Custody | 23,390 |
| Other | 45 |
| Class R1 expenses | 347,913 |
| Total expenses before reimbursement of fees | 438,204 |
| Reimbursement of fees | (97,855) |
| Net expenses | 340,349 |
| Net Investment Income | 88,325 |
| Net Realized and Unrealized Gains on Investments | |
| Net realized gains | 5,403,215 |
| Net change in unrealized appreciation | 18,207,659 |
| Net realized and unrealized gains on investments | 23,610,874 |
| Net Increase in Net Assets Resulting From Operations | \$ 23,699,199 |

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

| | DSM US Large Cap Growth Fund |
|---|---|
| | |
| Operations | |
| Net investment income | \$ 88,325 |
| Net realized gains | 5,403,215 |
| Change in unrealized appreciation | 18,207,659 |
| Net increase in net assets from operations | 23,699,199 |
| Net Decrease in Net Assets From Participant Transactions | (4,509,172) |
| Increase in Net Assets | 19,190,027 |
| Net Assets | |
| Beginning of year | 65,617,583 |
| End of year | \$ 84,807,610 |

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 funds (the Funds); the financial statements of one of those funds is 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

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

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.

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

As a result of the spread of the COVID-19 coronavirus in 2020, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of 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 29, 2020, 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.

During the year ended December 31, 2019, the investment advisor 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.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

| Fund | Administrative Fees | Investment Advisory Fees | Custody Fees | Total Fees |
|----------------------------------|------------------------|--------------------------------|-----------------|---------------|
| 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% |

Note 3: Financial Highlights

| | DSM US Large Cap Growth Fund | | |
|---|------------------------------|----------|----------|
| | Class R1 | Class R2 | Class R3 |
| Net asset value, beginning of year | \$ 13.14 | \$ 13.25 | \$ 13.25 |
| Net investment income | 0.02 | 0.83 | 0.83 |
| Net realized and unrealized gains | 4.85 | 4.15 | 4.15 |
| Net increase from investment operations | 4.87 | 4.98 | 4.98 |
| Net asset value, end of year | \$ 18.01 | \$ 18.23 | \$ 18.23 |
| Total return | 37.06% | 37.58% | 37.58% |
| Ratio to average net assets: | | | |
| Net investment income | 0.11 % | 5.06 % | 5.06 % |
| Expenses | 0.56 % | 1.35 % | 1.35 % |
| Expenses with reimbursements | 0.44 % | 1.35 % | 1.35 % |

Note 4: Participant Unit Transactions

| | DSM US Large Cap Growth Fund | |
|---|---------------------------------|----------------|
| | Units | Dollars |
| Class R1: | | |
| Proceeds from sales of units | 334,300 | \$ 5,253,821 |
| Cost of units redeemed | (619,672) | (9,762,993) |
| Net decrease in Class R1 from participant transactions | (285,372) | (4,509,172) |
| Net decrease in total net assets from participant transactions | | \$ (4,509,172) |

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

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, 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 Stocks. 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.

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) |
| DSM US Large Cap Growth Fund | | | | |
| Short Term Investment | \$ 127,011 | \$ 127,011 | \$ - | \$ - |
| Common Stocks | 73,834,312 | 73,834,312 | - | - |
| Foreign Stocks | 10,710,402 | 10,710,402 | - | - |
| Common Trust Fund - Fixed Income (A) | <u>155,537</u> | | | |
| Total | <u>\$ 84,827,262</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 and Sales – Selected Fund
DSM US Large Cap Growth Fund
Year Ended December 31, 2019

| Purchases | |
|-----------------------------|---------------|
| Investment Class | Cost |
| Common Stocks | \$ 18,269,005 |
| Foreign Stocks | 34,036 |
| Common Trust Funds | 6,681,162 |
| Total Investments Purchased | \$ 24,984,203 |

| Sales | | | |
|-------------------------|-----------------|---------------|--------------|
| Investment Class | Proceeds | Cost | Gain |
| Common Stocks | \$ 19,346,725 | \$ 14,307,029 | \$ 5,039,696 |
| Foreign Stocks | 3,475,551 | 3,112,032 | 363,519 |
| Common Trust Funds | 6,547,175 | 6,547,175 | - |
| Total Investments Sold | \$ 29,369,451 | \$ 23,966,236 | \$ 5,403,215 |