

**Hand Composite Employee Benefit Trust
Merganser Funds**

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 selected funds (Merganser Short Term Bond Institutional Trust Fund and Merganser Core Bond Institutional Trust Fund) [two funds] included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which comprise the statements of assets and liabilities, including the schedules 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 these selected funds included in the Hand Composite Employee Benefit Trust as of December 31, 2018, and the results of their operations and changes in their net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment purchases and sales listed in the table of contents are 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
Statements of Assets and Liabilities – Selected Funds
December 31, 2018

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Assets		
Investments, at cost	\$ 1,479,155	\$ 1,304,505
Investments, at fair value	\$ 1,474,247	\$ 1,288,348
Receivable for:		
Capital shares sold	3,860	776
Dividends and interest	6,054	7,263
Investment advisor	3,136	3,212
Total assets	\$ 1,487,297	\$ 1,299,599
Liabilities		
Payable for securities purchased	\$ 19,416	\$ -
Accounts payable and accrued liabilities	7,826	7,867
Total liabilities	\$ 27,242	\$ 7,867
Net assets held for participants - Class R1	\$ 1,460,055	\$ 1,291,732
Units outstanding - Class R1	136,948	117,337
Net asset value per unit - Class R1	\$ 10.66	\$ 11.01

Hand Composite Employee Benefit Trust
Schedules of Investments
Merganser Short Term Bond Institutional Trust Fund
Year Ended December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investment</u>			
93,949	Blackrock Liq Treas Tr Instl Var Rt	\$ 93,949	\$ 93,949
	Total Short Term Investment	6.38% 93,949	93,949
<u>U.S. Government Obligations</u>			
\$ 120,000	U S Treasury Note 2.750% 09/15/2021 Dd 09/15/18	119,729	120,834
111,900	U S Treasury Note 1.125% 02/28/2021 Dd 02/29/16	108,609	108,670
	Total U.S. Government Obligations	15.57% 228,338	229,504
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
15,000	Costco Wholesale Corp 2.150% 05/18/2021 Dd 05/18/17	14,986	14,751
	Total Consumer Discretionary	1.00% 14,986	14,751
<u>Consumer Staples</u>			
15,000	Hershey Co/the 3.100% 05/15/2021 Dd 05/10/18	14,992	15,133
	Total Consumer Staples	1.03% 14,992	15,133
<u>Energy</u>			
15,000	BP Capital Markets Plc 2.315% 02/13/2020 Dd 02/13/15	14,903	14,872
	Total Energy	1.01% 14,903	14,872
<u>Financials</u>			
10,000	American Express Credit Corp 2.375% 05/26/2020 Dd 05/26/15	9,917	9,895
10,000	Bank of America Corp 2.650% 04/01/2019 Dd 04/01/14	10,018	9,990
10,000	Bank of New York Mellon Corp/t 2.050% 05/03/2021 Dd 05/02/16	9,891	9,760
10,000	Bank of Nova Scotia/the 3.125% 04/20/2021 Dd 04/20/18	9,986	9,984
5,000	Caterpillar Financial Services 3.150% 09/07/2021 Dd 09/07/18	4,996	5,013
5,000	General Motors Financial Co In 4.200% 03/01/2021 Dd 03/01/16	5,046	4,997
35,000	Goldman Sachs Group Inc/the Var Rt 10/31/2022 Dd 10/31/17	35,020	34,103
10,000	John Deere Capital Corp 2.875% 03/12/2021 Dd 03/13/18	9,996	9,973
5,000	Toyota Motor Credit Corp 2.125% 07/18/2019 Dd 07/18/14	5,009	4,973
20,000	Wells Fargo & Co 2.625% 07/22/2022 Dd 07/24/17	19,260	19,285
	Total Financials	8.00% 119,139	117,973

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
Year Ended December 31, 2018

Principal Amount		Cost	Fair Value
<i>Healthcare</i>			
\$ 20,000	CVS Health Corp 2.800% 07/20/2020 Dd 07/20/15	\$ 20,218	\$ 19,820
10,000	Gilead Sciences Inc 2.350% 02/01/2020 Dd 11/17/14	10,043	9,933
20,000	Gilead Sciences Inc 2.550% 09/01/2020 Dd 09/14/15	19,879	19,838
15,000	Pfizer Inc 3.000% 09/15/2021 Dd 09/07/18	14,982	15,090
	Total Healthcare	4.39% <u>65,122</u>	<u>64,681</u>
<i>Industrials</i>			
10,000	General Dynamics Corp 3.000% 05/11/2021 Dd 05/11/18	9,945	10,008
	Total Industrials	0.68% <u>9,945</u>	<u>10,008</u>
<i>Information Technology</i>			
5,000	Comcast Corp 3.450% 10/01/2021 Dd 10/05/18	4,995	5,051
5,000	Hewlett Packard Enterprise Co Var Rt 10/05/2021 Dd 09/19/18	5,000	4,956
	Total Information Technology	0.68% <u>9,995</u>	<u>10,007</u>
<i>Materials</i>			
5,000	Dowdupont Inc 3.766% 11/15/2020 Dd 11/28/18	5,000	5,048
	Total Materials	0.34% <u>5,000</u>	<u>5,048</u>
<i>Real Estate</i>			
20,000	ERP Operating LP 2.375% 07/01/2019 Dd 06/19/14	20,058	19,938
15,000	HCP Inc 2.625% 02/01/2020 Dd 11/19/12	14,938	14,893
10,000	Simon Property Group LP 2.200% 02/01/2019 Dd 01/21/14	10,003	9,991
15,000	Ventas Realty LP / Ventas Capi 2.700% 04/01/2020 Dd 03/19/13	15,092	14,872
	Total Real Estate	4.05% <u>60,091</u>	<u>59,694</u>
<i>Utilities</i>			
8,000	AT&T Inc 3.000% 06/30/2022 Dd 05/04/15	7,814	7,802
2,000	AT&T Inc 2.800% 02/17/2021 Dd 02/09/16	2,001	1,975
20,000	Southern Co/the 2.150% 09/01/2019 Dd 08/22/14	20,032	19,877
15,000	Verizon Communications Inc 3.125% 03/16/2022 Dd 03/16/17	15,258	14,900
	Total Utilities	3.02% <u>45,105</u>	<u>44,554</u>
	Total Corporate Bonds	24.20% <u>359,278</u>	<u>356,721</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
Year Ended December 31, 2018

Principal Amount		Cost	Fair Value
<u><i>Mortgage-backed Securities</i></u>			
\$ 30,000	Benchmark 2018-b3 Mortga B3 A2 3.848% 04/10/2051 Dd 04/01/18	\$ 30,889	\$ 30,623
6,936	CD 2017-cd3 Mortgage Tr Cd3 A1 1.965% 02/10/2050 Dd 02/01/17	6,936	6,834
16,592	CD 2017-cd5 Mortgage Tr Cd5 A1 2.028% 08/15/2050 Dd 08/01/17	16,591	16,290
30,000	Comm 2012-ccre2 Mortgag Cr2 A4 3.147% 08/15/2045 Dd 08/01/12	29,795	29,898
20,000	Citigroup Commercial M Gc11 A4 3.093% 04/10/2046 Dd 04/01/13	20,437	19,856
1,695	Comm 2015-lc19 Mortgag Lc19 A1 1.399% 02/10/2048 Dd 02/01/15	1,690	1,686
6,359	Morgan Stanley Capital Bnk2 A1 1.424% 11/15/2049 Dd 11/01/16	6,359	6,216
10,000	Morgan Stanley Capital Hr2 A2 3.345% 12/15/2050 Dd 12/01/17	10,296	10,096
5,987	Sequoia Mortgage Trust 20 8 A1 Var Rt 01/20/2034 Dd 12/23/03	5,801	5,868
11,269	Fresb 2016-sb23 Mortg Sb23 A5f Var Rt 09/25/2021 Dd 10/01/16	11,299	10,969
	Total Mortgage-backed Securities	9.38% 140,093	138,336
<u><i>Asset-backed Securities</i></u>			
1,677	Ally Auto Receivables Tru 3 A2 1.530% 03/16/2020 Dd 05/24/17	1,677	1,675
10,000	Ally Auto Receivables Tru 4 A4 1.960% 07/15/2022 Dd 08/23/17	9,999	9,854
20,000	Ally Master Owner Trust 2 A 3.290% 05/15/2023 Dd 05/30/18	20,000	20,115
15,000	Ally Master Owner Trust 3 A2 2.040% 06/15/2022 Dd 06/28/17	14,999	14,785
22,000	Americredit Automobile Rec 4 C 2.880% 07/08/2021 Dd 11/12/15	21,953	21,959
15,000	Barclays Dryrock Issuance 1 A 2.200% 12/15/2022 Dd 03/12/15	15,055	14,857
13,000	Capital Auto Receivables 2 A4 1.630% 01/20/2021 Dd 07/20/16	13,001	12,925
3,220	Capital Auto Receivables 3 A3 1.540% 08/20/2020 Dd 09/21/16	3,220	3,213
15,000	Carmax Auto Owner Trust 2 1 A4 2.270% 09/15/2022 Dd 01/31/17	14,769	14,777
14,000	Chase Issuance Trust A4 A4 1.580% 08/15/2021 Dd 07/26/12	13,959	13,886
12,000	Citibank Credit Card Iss A1 A1 2.880% 01/23/2023 Dd 01/24/14	12,306	11,993
19,000	Citibank Credit Card Iss A3 A3 1.920% 04/07/2022 Dd 04/11/17	18,993	18,758
20,000	CNH Equipment Trust 2017- B A4 2.170% 04/17/2023 Dd 07/25/17	19,429	19,645
16,804	Educational Funding Of Th 1 A2 Var Rt 04/25/2035 Dd 05/09/11	16,804	16,914
20,000	Ford Credit Auto Owner Tru C B 1.730% 03/15/2022 Dd 10/25/16	19,400	19,615
18,000	Ford Credit Floorplan Mas 1 A1 1.760% 02/15/2021 Dd 02/17/16	18,000	17,966
20,000	Ford Credit Floorplan Mas 1 A1 2.950% 05/15/2023 Dd 03/20/18	19,998	19,946
15,000	Gm Financial Consumer Aut 1 A4 2.460% 07/17/2023 Dd 01/18/18	14,742	14,798
15,000	Hyundai Auto Receivables B A3 1.770% 01/18/2022 Dd 08/16/17	14,997	14,800
20,000	Mercedes-benz Auto Receiv 1 A3 3.030% 01/17/2023 Dd 07/25/18	19,973	20,036
13,537	Mercedes-benz Auto Receiv 1 A4 1.750% 12/15/2021 Dd 07/22/15	13,635	13,465
20,000	Nissan Master Owner Trust A A2 1.540% 06/15/2021 Dd 07/19/16	19,737	19,866
13,724	North Carolina State Educ 2 A2 Var Rt 07/25/2025 Dd 06/02/11	13,603	13,796
15,000	Toyota Auto Receivables 2 B A4 1.520% 08/16/2021 Dd 05/11/16	14,997	14,829
10,000	Toyota Auto Receivables 2 B A4 2.050% 09/15/2022 Dd 05/17/17	9,997	9,821
10,000	Toyota Auto Receivables 2 D A3 3.180% 03/15/2023 Dd 11/07/18	9,998	10,080
8,346	World Omni Auto Receivable A A3 1.770% 09/15/2021 Dd 03/23/16	8,402	8,286
15,000	World Omni Auto Receivable A A3 2.500% 04/17/2023 Dd 02/07/18	14,996	14,892
27,000	World Omni Auto Receivable B A3 1.950% 02/15/2023 Dd 08/02/17	26,507	26,497

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Short Term Bond Institutional Trust Fund (Continued)
Year Ended December 31, 2018

Principal Amount		Cost	Fair Value
<u><i>Asset-backed Securities (Continued)</i></u>			
\$ 20,000	World Omni Auto Receivable B A3 2.870% 07/17/2023 Dd 04/11/18	\$ 19,998	\$ 19,956
15,000	World Omni Auto Receivable A B 2.040% 01/18/2022 Dd 03/04/15	14,988	14,964
15,000	World Omni Automobile Lea B A3 3.190% 12/15/2021 Dd 09/19/18	14,999	15,085
	Total Asset-backed Securities	32.83% <u>485,131</u>	<u>484,054</u>
<u><i>U.S. Government Agencies</i></u>			
<i>Federal National Mortgage Association</i>			
1,331	FNMA Gtd Remic P/t 14-m5 Asq2 2.034% 03/25/2019 Dd 05/01/14	1,333	1,328
9,961	FNMA Pool #0fn0004 3.630% 12/01/2020 Dd 03/01/11	10,328	10,107
16,071	FNMA Pool #0as3988 3.500% 12/01/2029 Dd 12/01/14	16,221	16,323
	Total Federal National Mortgage Association	1.88% <u>27,882</u>	<u>27,758</u>
<i>Federal Home Loan Mortgage Corporation</i>			
40,000	FHLMC Multiclass Mtg K008 A2 3.531% 06/25/2020 Dd 09/01/10	40,886	40,207
10,000	FHLMC Multiclass Mtg K718 A2 2.791% 01/25/2022 Dd 05/01/15	10,107	9,964
13,634	FHLMC Multiclass Mtg K050 A1 2.802% 01/25/2025 Dd 11/01/15	13,708	13,548
13,034	FHLMC Multiclass Mtg K722 A1 2.183% 05/25/2022 Dd 06/01/16	13,046	12,840
18,925	FHLMC Multiclass Mtg KJ17 A1 2.404% 10/25/2024 Dd 11/01/17	18,925	18,700
20,000	FHLMC Multiclass Mtg J19f A2 3.498% 01/25/2023 Dd 03/01/18	20,341	20,372
	Total Federal Home Loan Mortgage Corporation	7.84% <u>117,013</u>	<u>115,631</u>
<i>Government National Mortgage Association</i>			
2,409	GNMA II Pool #0777424 Var Rt 10/20/2062 Dd 11/01/12	2,611	2,427
5,447	GNMA II Pool #0002233 7.500% 06/20/2026 Dd 06/01/96	5,821	6,124
8,052	GNMA II Pool #0002471 7.000% 08/20/2027 Dd 08/01/97	8,499	9,021
4,026	GNMA II Pool #0002755 7.000% 05/20/2029 Dd 05/01/99	4,294	4,604
2,139	GNMA II Pool #0004261 6.500% 10/20/2038 Dd 10/01/08	2,298	2,227
679	GNMA II Pool #0757319 Var Rt 03/20/2061 Dd 03/01/11	721	681
3,068	GNMA Pool #0723371 4.500% 11/15/2024 Dd 11/01/09	3,227	3,210
	Total Government National Mortgage Association	1.92% <u>27,471</u>	<u>28,294</u>
	Total U.S. Government Agencies	11.64% <u>172,366</u>	<u>171,683</u>
	Total Investments	100.00% <u>\$ 1,479,155</u>	<u>\$ 1,474,247</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund
Year Ended December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investment</u>			
71,027	Blackrock Liq Treas Tr Instl Var Rt 12/31/2049 Dd 01/31/12	\$ 71,027	\$ 71,027
	Total Short Term Investment	5.51% 71,027	71,027
<u>U.S. Government Obligations</u>			
\$ 134,500	U.S. Treasury Bond 3.000% 11/15/2045 Dd 11/15/15	132,332	134,222
4,600	U.S. Treasury Note 2.250% 08/15/2027 Dd 08/15/17	4,269	4,452
24,300	U.S. Treasury Note 2.875% 09/30/2023 Dd 09/30/18	24,417	24,695
	Total U.S. Government Obligations	12.68% 161,018	163,369
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
10,000	Autozone Inc 2.875% 01/15/2023 Dd 11/13/12	9,635	9,646
5,000	Ford Motor Co 4.346% 12/08/2026 Dd 12/08/16	5,123	4,454
	Total Consumer Discretionary	1.09% 14,758	14,100
<u>Consumer Staples</u>			
10,000	Anheuser-Busch Inbev Finance I 4.900% 02/01/2046 Dd 01/25/16	9,977	9,274
10,000	Brown-Forman Corp 3.500% 04/15/2025 Dd 03/26/18	9,961	9,958
5,000	General Mills Inc 4.200% 04/17/2028 Dd 04/17/18	4,990	4,900
15,000	Kraft Heinz Foods Co 5.000% 06/04/2042 Dd 12/04/12	15,385	13,414
5,000	Kroger Co/the 3.400% 04/15/2022 Dd 04/16/12	5,011	4,949
	Total Consumer Staples	3.30% 45,324	42,495
<u>Energy</u>			
5,000	Apache Corp 4.375% 10/15/2028 Dd 08/23/18	4,744	4,670
10,000	Petroleos Mexicanos 6.000% 03/05/2020 Dd 09/05/10	10,280	10,183
	Total Energy	1.15% 15,024	14,853
<u>Financials</u>			
20,000	American Express Co Var Rt 08/01/2022 Dd 08/01/17	19,997	19,761
15,000	Bank Of America Corp Var Rt 03/05/2024 Dd 03/05/18	14,980	14,574
5,000	Brookfield Finance Inc 4.250% 06/02/2026 Dd 06/02/16	4,997	4,898
5,000	Charles Schwab Corp/the 3.000% 03/10/2025 Dd 03/10/15	4,991	4,832
5,000	General Motors Financial Co In 4.200% 03/01/2021 Dd 03/01/16	5,046	4,997

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
Year Ended December 31, 2018

Principal Amount		Cost	Fair Value
<i>Financial (Continued)</i>			
\$ 5,000	Goldman Sachs Group Inc/the 3.000% 04/26/2022 Dd 01/26/17	\$ 4,933	\$ 4,842
15,000	JPMorgan Chase & Co 2.750% 06/23/2020 Dd 06/23/15	15,079	14,914
15,000	Morgan Stanley 2.650% 01/27/2020 Dd 01/27/15	15,003	14,887
11,000	Morgan Stanley Var Rt 09/22/2019 Dd 09/22/10	11,066	11,050
15,000	Wells Fargo & Co 3.069% 01/24/2023 Dd 01/24/17	15,000	14,609
	Total Financials	8.49% <u>111,092</u>	<u>109,364</u>
<i>Healthcare</i>			
10,000	Abbvie Inc 3.200% 11/06/2022 Dd 05/14/15	10,277	9,851
10,000	CVS Health Corp 4.300% 03/25/2028 Dd 03/09/18	9,868	9,776
20,000	New York And Presbyterian Hosp 4.763% 08/01/2046 Dd 06/28/16	18,920	19,747
10,000	Teva Pharmaceutical Finance Iv 2.250% 03/18/2020 Dd 12/18/12	9,727	9,731
	Total Healthcare	3.81% <u>48,792</u>	<u>49,105</u>
<i>Industrials</i>			
10,000	Burlington Northern Santa Fe L 8.125% 04/15/2020 Dd 04/14/00	10,729	10,659
10,000	General Electric Co Var Rt 03/15/2023 Dd 03/14/13	10,015	9,021
10,000	Northrop Grumman Corp 2.930% 01/15/2025 Dd 10/13/17	9,999	9,489
20,000	Progressive Corp/the 3.750% 08/23/2021 Dd 08/22/11	20,660	20,262
15,000	Steelcase Inc 6.375% 02/15/2021 Dd 02/03/11	15,956	15,715
	Total Industrials	5.06% <u>67,359</u>	<u>65,146</u>
<i>Information Technology</i>			
15,000	Comcast Corp 3.375% 02/15/2025 Dd 08/12/14	15,370	14,691
	Total Information Technology	1.14% <u>15,370</u>	<u>14,691</u>
<i>Materials</i>			
10,000	Dowdupont Inc 4.493% 11/15/2025 Dd 11/28/18	10,000	10,296
	Total Materials	0.80% <u>10,000</u>	<u>10,296</u>
<i>Real Estate</i>			
15,000	ERP Operating LP 4.625% 12/15/2021 Dd 12/12/11	15,725	15,519
10,000	Essex Portfolio LP 3.250% 05/01/2023 Dd 04/15/13	9,949	9,784
10,000	Hcp Inc 4.000% 06/01/2025 Dd 05/20/15	10,060	9,789
10,000	Ventas Realty LP 3.500% 02/01/2025 Dd 01/14/15	10,094	9,573
5,000	Vornado Realty LP 3.500% 01/15/2025 Dd 12/27/17	4,984	4,820
5,000	Weingarten Realty Investors 4.450% 01/15/2024 Dd 10/15/13	5,212	5,088
10,000	Welltower Inc 4.950% 01/15/2021 Dd 11/16/10	10,418	10,237
	Total Real Estate	5.03% <u>66,442</u>	<u>64,810</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
Year Ended December 31, 2018

Principal Amount		Cost	Fair Value
<i>Utilities</i>			
\$ 14,000	Appalachian Power Co 5.800% 10/01/2035 Dd 09/29/05	\$ 16,215	\$ 15,590
5,000	AT&T Inc 3.400% 05/15/2025 Dd 05/04/15	4,985	4,708
5,000	Sempra Energy 2.400% 03/15/2020 Dd 03/13/15	4,996	4,930
7,437	Southaven Combined Cycle Gener 3.846% 08/15/2033 Dd 08/09/13	7,681	7,506
15,000	Verizon Communications Inc 2.625% 08/15/2026 Dd 08/01/16	14,033	13,599
	Total Utilities	3.60% <u>47,910</u>	<u>46,333</u>
	Total Corporate Bonds	33.47% <u>442,071</u>	<u>431,193</u>
<i>Mortgage-backed Securities</i>			
10,000	Benchmark 2018-b8 Mortga B8 A5 4.232% 01/15/2052 Dd 12/01/18	10,300	10,408
10,000	CFCRE Commercial Mortgag C8 A3 3.305% 06/15/2050 Dd 06/01/17	9,635	9,704
15,000	CGMS Commercial Mortgag B1 Aab 3.243% 08/15/2050 Dd 08/01/17	15,439	14,897
25,000	Citigroup Commercial Mor P8 A4 3.465% 09/15/2050 Dd 09/01/17	25,680	24,702
25,000	Comm 2015-ccre22 Mort Cr22 Asb 3.144% 03/10/2048 Dd 03/01/15	25,973	24,991
10,000	GS Mortgage Securities Gs3 A3 2.592% 10/10/2049 Dd 09/01/16	9,701	9,378
10,000	JPMBB Commercial Mortgag C31 A3 3.801% 08/15/2048 Dd 08/01/15	10,418	10,175
20,000	Morgan Stanley Bank Of C24 A4 3.732% 05/15/2048 Dd 08/01/15	19,913	20,222
8,481	Sequoia Mortgage Trust 20 8 A1 Var Rt 01/20/2034 Dd 12/23/03	8,219	8,313
15,000	Wells Fargo Commercia Lc24 Asb 2.825% 10/15/2049 Dd 09/01/16	14,575	14,716
20,000	Wells Fargo Commercial C42 A4 3.589% 12/15/2050 Dd 12/01/17	19,874	19,869
	Total Mortgage-backed Securities	13.00% <u>169,727</u>	<u>167,375</u>
<i>Asset-backed Securities</i>			
5,000	Americredit Automobile Rec 1 C 2.890% 01/10/2022 Dd 01/21/16	5,000	4,983
148	Bear Stearns Asset Back Bo1 M4 Var Rt 10/25/2034 Dd 10/26/04	148	149
10,000	Carmax Auto Owner Trust 20 3 C 2.680% 06/15/2021 Dd 08/12/15	9,998	9,970
6,403	Centerpoint Energy Restor 1 A3 4.243% 08/15/2023 Dd 11/25/09	6,622	6,559
1,728	Chase Funding Trust Seri 1 1a7 Var Rt 11/25/2033 Dd 02/01/04	1,771	1,783
4,420	Chase Funding Trust Seri 3 1a5 Var Rt 03/25/2033 Dd 05/01/03	4,565	4,492
10,000	Cnh Equipment Trust 2015-a A B 2.140% 08/15/2022 Dd 03/04/15	9,997	9,978
20,000	Cnh Equipment Trust 2017-b B B 2.470% 12/16/2024 Dd 07/25/17	19,998	19,723
13,864	Educational Funding Of Th 1 A2 Var Rt 04/25/2035 Dd 05/09/11	13,864	13,954
13,522	Equity One Mortgage Pass- 2 M1 Var Rt 07/25/2034 Dd 04/01/04	12,950	13,728
11,000	Ford Credit Auto Owner Tru A C 2.410% 07/15/2023 Dd 01/25/17	11,000	10,865
15,000	Hyundai Auto Receivables T B B 2.230% 02/15/2023 Dd 08/16/17	14,999	14,742
7,000	John Deere Owner Trust 20 B A4 2.110% 07/15/2024 Dd 07/18/17	7,000	6,910
13,724	North Carolina State Educ 2 A2 Var Rt 07/25/2025 Dd 06/02/11	13,623	13,796
7,666	SBA Gtd Partn Cfs 2007-20e 1 5.310% 05/01/2027 Dd 05/16/07	8,255	8,052
7,000	World Omni Auto Receivable A B 2.890% 04/15/2025 Dd 02/07/18	6,999	6,992
	Total Asset-backed Securities	11.38% <u>146,789</u>	<u>146,676</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
Merganser Core Bond Institutional Trust Fund (Continued)
Year Ended December 31, 2018

Principal Amount		Cost	Fair Value	
<u><i>U.S. Government Agencies</i></u>				
<i>Federal National Mortgage Association</i>				
\$	3,779	FNMA Gtd Remic P/t 06-w1 1a4 8.000% 12/25/2045 Dd 03/01/06	\$ 4,594	\$ 4,342
	6,921	FNMA Gtd Remic P/t 12-93 Cy 1.500% 09/25/2027 Dd 08/01/12	6,320	6,109
	12,469	FNMA Gtd Remic P/t 16-24 Ta 3.000% 04/25/2042 Dd 04/01/16	12,867	12,401
	4,494	FNMA Gtd Remic P/t 16-m6 A1 2.137% 05/25/2026 Dd 06/01/16	4,483	4,385
	30,000	FNMA Gtd Remic P/t 17-m12 A2 Var Rt 06/25/2027 Dd 10/01/17	29,531	29,500
	25,000	FNMA Gtd Remic P/t 17-m13 A2 Var Rt 09/25/2027 Dd 11/01/17	25,197	24,273
	25,000	FNMA Gtd Remic P/t 17-m15 Av2 Var Rt 11/25/2024 Dd 12/01/17	25,034	24,512
	14,195	FNMA Gtd Remic P/t 17-m7 A1 2.510% 12/25/2026 Dd 06/01/17	14,315	14,095
	30,000	FNMA Gtd Remic P/t 17-m8 A2 Var Rt 05/25/2027 Dd 07/01/17	30,262	29,373
	10,000	FNMA Gtd Remic P/t 18-m7 A2 Var Rt 03/25/2028 Dd 05/01/18	9,595	9,729
	11,352	FNMA Pool #0as5137 4.000% 06/01/2045 Dd 05/01/15	12,121	11,589
	17,251	FNMA Pool #0as6311 3.500% 12/01/2045 Dd 11/01/15	17,813	17,307
	17,662	FNMA Pool #0as6520 3.500% 01/01/2046 Dd 12/01/15	18,226	17,717
	14,885	FNMA Pool #0bm3352 2.546% 12/01/2026 Dd 12/01/17	14,537	14,363
		Total Federal National Mortgage Association	17.05% <u>224,895</u>	<u>219,695</u>
<i>Federal Home Loan Mortgage Corporation</i>				
	2,008	FHLMC Multiclass Mtg 3936 CJ 3.000% 07/15/2040 Dd 10/01/11	2,053.00	1,990.00
	15,000	FHLMC Multiclass Mtg K080 A2 Var Rt 07/25/2028 Dd 09/01/18	15,440.00	15,676.00
	20,000	FHLMC Multiclass Mtg Kir3 A2 3.281% 08/25/2027 Dd 10/01/17	19,367.00	19,848.00
		Total Federal Home Loan Mortgage Corporation	2.91% <u>36,860</u>	<u>37,514</u>
<i>Government National Mortgage Association</i>				
	10,000	GNMA Gtd Remic P/t 15-91 Qa Var Rt 05/20/2045 Dd 06/01/15	10,826	10,002
	14,555	GNMA Gtd Remic P/t 16-h13 Ga 2.000% 12/20/2064 Dd 06/01/16	14,568	14,057
	4,551	GNMA II Pool #0002233 7.500% 06/20/2026 Dd 06/01/96	4,864	5,117
	6,721	GNMA II Pool #0002471 7.000% 08/20/2027 Dd 08/01/97	7,094	7,532
	3,365	GNMA II Pool #0002755 7.000% 05/20/2029 Dd 05/01/99	3,589	3,847
	1,810	GNMA II Pool #0004261 6.500% 10/20/2038 Dd 10/01/08	1,944	1,885
	8,913	GNMA Pool #0ak7613 4.100% 09/15/2037 Dd 02/01/15	9,233	9,059
		Total Government National Mortgage Association	4.00% <u>52,118</u>	<u>51,499</u>
		Total U.S. Government Agencies	23.96% <u>313,873</u>	<u>308,708</u>
		Total Investments	100.00% <u>\$ 1,304,505</u>	<u>\$ 1,288,348</u>

Hand Composite Employee Benefit Trust
Statements of Operations – Selected Funds
Year Ended December 31, 2018

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Income		
Interest	\$ 40,999	\$ 42,064
Expenses		
Investment management and administrative	4,846	4,417
Custody fees	15,713	14,361
Audit	6,000	6,000
Total expenses before reimbursement of fees	26,559	24,778
Reimbursement of fees	(19,632)	(18,706)
Net expenses	6,927	6,072
Net Investment Income	34,072	35,992
Net Realized and Unrealized Gains (Losses) on Investments		
Net realized losses	(14,106)	(18,320)
Net change in unrealized appreciation/depreciation	2,424	(22,327)
Net realized and unrealized losses	(11,682)	(40,647)
Net Increase (Decrease) in Net Assets Resulting From Operations	\$ 22,390	\$ (4,655)

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

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Operations		
Net investment income	\$ 34,072	\$ 35,992
Net realized losses	(14,106)	(18,320)
Change in unrealized appreciation/depreciation	2,424	(22,327)
Net increase (decrease) in net assets from operations	22,390	(4,655)
Net Decrease in Net Assets From Participant Transactions	(506,322)	(405,627)
Decrease in Net Assets Held For Participants	(483,932)	(410,282)
Net Assets Held for Participants		
Beginning of year	1,943,987	1,702,014
End of year	\$ 1,460,055	\$ 1,291,732

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 two 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 Funds 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 Funds are reinvested, thereby increasing the respective unit values.

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 Funds are valued daily.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

Federal Income Taxes

The Funds comply with the requirements under Section 501(a) of the IRC and apportion 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 Advisors

The investment management advisor for the Funds is Merganser Capital Management, Inc.

Note 2: Investment Advisory Fees and Other Transactions With Affiliates

The Funds are charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Funds 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.

During the year ended December 31, 2018, the investment advisor voluntarily reimbursed the Funds for a portion of their expenses.

The following table indicates the fees charged to the Funds and the various classes of units within the Funds (as a percentage of net assets). These charges are calculated using each Fund's average daily net assets:

Fund	Administrative Fees	Investment Advisory Fees	Custody Fees	Total Fees
Merganser Short Term Bond Institutional Trust Fund: Class R1	0.08%	0.20%	0.10%	0.38%
Merganser Core Bond Institutional Trust Fund: Class R1	0.08%	0.25%	0.10%	0.43%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

Note 3: Financial Highlights

	Merganser Short Term Bond Institutional Trust Fund	Merganser Core Bond Institutional Trust Fund
Net asset value, beginning of year	\$ 10.50	\$ 11.02
Net investment income	0.21	0.30
Net realized and unrealized gains (losses)	(0.05)	(0.31)
Net increase (decrease) from investment operations	0.16	(0.01)
Net asset value, end of year	\$ 10.66	\$ 11.01
Total return	1.52%	(0.09%)
Ratio to average net assets:		
Net investment income	2.01%	2.74%
Expenses without reimbursements	1.56%	1.88%
Expenses with reimbursements	0.41%	0.46%

Note 4: Participant Unit Transactions

	Merganser Short Term Bond Institutional Trust Fund		Merganser Core Bond Institutional Trust Fund	
	Units	Dollars	Units	Dollars
Class R1:				
Proceeds from sales of units	17,087	\$ 179,346	8,237	\$ 89,178
Cost of units redeemed	(65,166)	(685,668)	(45,295)	(494,805)
Net decrease in net assets from participant transactions	(48,079)	\$ (506,322)	(37,058)	\$ (405,627)

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 Funds 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 statements 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.

U.S. Government Obligations and U.S. Government Agencies. U.S. Government obligations and U.S. Government Agency Securities are valued using models that incorporate market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers and reference data. Certain securities are valued principally using dealer quotations. These securities are categorized as Level 2 in the hierarchy.

Corporate Bonds. The fair value of corporate bonds and mortgage securities is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. These securities are categorized as Level 2 in the hierarchy.

Mortgage-backed Securities and Asset-backed Securities. These securities are valued using models that incorporate observable data, such as prepayments, delinquencies, yields, bids, offers, collateral seasoning and other factors. Deal specific scenarios are derived from historical performance information and loan level details. These securities are categorized as Level 2 in the hierarchy.

The following table presents the fair value measurements of assets recognized in the accompanying statements 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)
Merganser Short Term Bond Institutional Trust Fund				
Short Term Investment	\$ 93,949	\$ 93,949	\$ -	\$ -
U.S. Government Obligations	229,504	-	229,504	-
Corporate Bonds	356,721	-	356,721	-
Mortgage-backed Securities	138,336	-	138,336	-
Asset-backed Securities	484,054	-	484,054	-
U.S. Government Agencies	171,683	-	171,683	-
Total	<u>\$ 1,474,247</u>	<u>\$ 93,949</u>	<u>\$ 1,380,298</u>	<u>\$ 0</u>
Merganser Core Bond Institutional Trust Fund				
Short Term Investment	\$ 71,027	\$ 71,027	\$ -	\$ -
U.S. Government Obligations	163,369	-	163,369	-
Corporate Bonds	431,193	-	431,193	-
Mortgage-backed Securities	167,375	-	167,375	-
Asset-backed Securities	146,676	-	146,676	-
U.S. Government Agencies	308,708	-	308,708	-
Total	<u>\$ 1,288,348</u>	<u>\$ 71,027</u>	<u>\$ 1,217,321</u>	<u>\$ 0</u>

Note 6: Risk Factors

The Funds invest 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
Schedules of Investment Purchases and Sales – Selected Funds
Merganser Short Term Bond Institutional Trust Fund
Year Ended December 31, 2018

Purchases	
Investment Class	Cost
U.S. Government Obligations	\$ 435,572
Corporate Bonds	124,255
Mortgage-backed Securities	110,242
U.S. Government Agencies	95,240
Asset-backed Securities	6,999
Total Investments Purchased	\$ 772,308

Sales			
Investment Class	Proceeds	Cost	Loss
U.S. Government Obligations	\$ 599,116	\$ 604,637	\$ (5,521)
Corporate Bonds	257,740	260,071	(2,331)
Mortgage-backed Securities	74,798	75,693	(895)
U.S. Government Agencies	46,341	48,745	(2,404)
Asset-backed Securities	238,704	241,659	(2,955)
Total Investments Sold	\$ 1,216,699	\$ 1,230,805	\$ (14,106)

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
Merganser Core Bond Institutional Trust Fund
Year Ended December 31, 2018

Purchases	
Investment Class	Cost
Short Term Investments	\$ 1,001,735
U.S. Government Obligations	854,948
Corporate Bonds	272,683
Mortgage-backed Securities	200,355
U.S. Government Agencies	350,682
Asset-backed Securities	102,021
Total Investments Purchased	\$ 2,782,424

Sales			
Investment Class	Proceeds	Cost	Loss
U.S. Government Obligations	\$ 586,791	\$ 593,164	\$ (6,373)
Corporate Bonds	206,989	208,809	(1,820)
Mortgage-backed Securities	57,727	59,127	(1,400)
U.S. Government Agencies	161,190	169,227	(8,037)
Asset-backed Securities	102,609	103,299	(690)
Total Investments Sold	\$ 1,115,306	\$ 1,133,626	\$ (18,320)