

**Hand Composite Employee Benefit Trust**  
**QS U.S. Small Capitalization Equity CIF**  
Independent Auditor's Report and Financial Statements  
December 31, 2017



**Hand Composite Employee Benefit Trust**  
**December 31, 2017**

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## Independent Auditor's Report

Board of Directors  
Hand Composite Employee Benefit Trust  
Houston, Texas

We have audited the accompanying financial statements of the selected fund, QS U.S. Small Capitalization Equity CIF, 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, 2017, and the related statements of operation and changes in net assets for the period then ended (October 2, 2017 [inception] to December 31, 2017) 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, QS U.S. Small Capitalization Equity CIF, as of December 31, 2017, the results of its operations and the changes in its net assets for the period then ended (October 2, 2017 [inception] to December 31, 2017), 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 is 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 25, 2018

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2017**

	<b>QS U.S. Small Capitalization Equity CIF</b>
<b>Assets</b>	
Investments, at cost	\$ 730,603,609
Investments, at fair value	\$ 749,000,892
Receivable for:	
Capital shares sold	923,578
Dividends and interest	1,077,301
Investment advisor waived fees	5,798
Total assets	\$ 751,007,569
<b>Liabilities</b>	
Payable for capital shares redeemed	\$ 314,785
Management fee payable	273,283
Accounts payable and accrued liabilities	58,521
Total liabilities	\$ 646,589
Net assets held for participants:	
Class R4	\$ 750,360,980
Total net assets held for participants	\$ 750,360,980
Units outstanding:	
Class R4	73,045,209
Total units outstanding	73,045,209
Net asset value per unit:	
Class R4	\$ 10.27

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
3,321,083	State Street Institutional Investment Trust Treasury Money Market Fund, Premier Class 1.16%	\$ 3,321,083	\$ 3,321,083
<b>Total Short Term Investment</b>		<b>0.44%</b>	<b>3,321,083</b>
<b><u>Common Stocks</u></b>			
<b><u>Consumer Discretionary</u></b>			
226,773	Abercrombie & Fitch Co. Class A	3,338,099	3,952,653
68,847	Adtalem Global Education, Inc.	2,506,031	2,895,016
237,519	Ascena Retail Group, Inc.	574,796	558,170
199,168	Barnes & Noble, Inc.	1,543,552	1,334,426
68,828	Big Lots, Inc.	3,573,550	3,864,692
60,393	BJ's Restaurants, Inc.	1,829,908	2,198,305
137,761	Bloomin' Brands, Inc.	2,430,104	2,939,820
136,276	Boyd Gaming Corp.	3,548,627	4,776,474
159,155	Caesars Entertainment Corp.	2,124,719	2,013,311
35,641	Cheesecake Factory, Inc.	1,508,327	1,717,183
101,738	Christopher & Banks Corp.	136,329	129,207
57,965	Cooper Tire & Rubber Co.	2,199,772	2,049,063
29,217	Cooper-Standard Holdings, Inc.	3,435,043	3,579,083
91,009	Dana, Inc.	2,620,149	2,913,198
51,757	Dave & Buster's Entertainment, Inc.	2,689,811	2,855,434
26,870	Deckers Outdoor Corp.	1,854,030	2,156,318
57,045	Denny's Corp.	726,183	755,276
290,192	Express, Inc.	1,938,483	2,945,449
128,164	Finish Line, Inc. Class A	1,484,139	1,862,223
243,811	Francesca's Holdings Corp.	1,818,830	1,782,258
83,461	Genesco, Inc.	2,211,716	2,712,483
68,081	Gray Television, Inc.	1,096,133	1,140,357
113,171	Hibbett Sports, Inc.	1,600,716	2,308,688
14,811	Hooker Furniture Corp.	721,296	628,727
39,666	Jack in the Box, Inc.	3,990,003	3,891,631
10,771	Johnson Outdoors, Inc. Class A	793,392	668,771
203,864	KB Home	5,035,441	6,513,455
56,228	La-Z-Boy, Inc.	1,532,213	1,754,314
31,651	Malibu Boats, Inc. Class A	1,028,974	940,984
36,170	Marriott Vacations Worldwide Corp.	4,534,995	4,890,546
32,520	MCBC Holdings, Inc.	725,546	722,594
72,070	MDC Holdings, Inc.	2,242,178	2,297,592
14,523	Meredith Corp.	808,931	959,244
196,883	Office Depot, Inc.	891,880	696,966
11,868	Oxford Industries, Inc.	769,521	892,355
168,361	Penn National Gaming, Inc.	3,924,495	5,274,750
33,521	Perry Ellis International, Inc.	802,157	839,366
35,448	Pinnacle Entertainment, Inc.	766,031	1,160,213
43,288	Ruth's Hospitality Group, Inc.	911,212	937,185
85,588	Scientific Games Corp. Class A	3,932,769	4,390,664
87,446	Sinclair Broadcast Group, Inc. Class A	2,688,964	3,309,831
71,551	Sonic Corp.	1,791,637	1,966,221
34,892	Sotheby's	1,640,622	1,800,427
91,301	Stoneridge, Inc.	1,879,888	2,087,141
28,069	Sturm Ruger & Co., Inc.	1,501,691	1,567,654
54,700	Tenneco, Inc.	3,376,631	3,202,138
85,205	Tower International, Inc.	2,355,918	2,603,013
39,530	Vera Bradley, Inc.	347,073	481,475
94,523	Wolverine World Wide, Inc.	2,782,757	3,013,393
<b>Total Consumer Discretionary</b>		<b>14.81%</b>	<b>98,565,262</b>
			<b>110,929,737</b>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Common Stocks (Continued)</u></b>			
<b>Consumer Staples</b>			
38,167	Andersons, Inc.	\$ 1,322,487	\$ 1,188,902
197,773	Dean Foods Co.	2,143,859	2,286,256
46,079	Fresh Del Monte Produce, Inc.	2,189,213	2,196,586
10,700	Ingles Markets, Inc. Class A	273,385	370,220
24,904	Medifast, Inc.	1,482,037	1,738,548
41,147	Sanderson Farms, Inc.	6,703,258	5,710,381
36,323	SpartanNash Co.	957,111	969,097
	Total Consumer Staples	1.93% 15,071,350	14,459,990
<b>Energy</b>			
484,217	Abraxas Petroleum Corp.	944,223	1,191,174
61,307	Archrock, Inc.	784,730	643,723
41,897	Bonanza Creek Energy, Inc.	1,410,473	1,155,938
213,693	Cloud Peak Energy, Inc.	814,170	950,934
137,038	Delek US Holdings, Inc.	3,664,396	4,788,108
61,867	Exterran Corp.	2,013,771	1,945,098
26,927	Green Plains, Inc.	552,003	453,720
26,155	Mammoth Energy Services, Inc.	434,173	513,423
67,152	Matador Resources Co.	1,825,191	2,090,442
53,493	Oil States International, Inc.	1,356,048	1,513,852
48,469	Peabody Energy Corp.	1,449,223	1,908,224
295,637	Pioneer Energy Services Corp.	768,656	901,693
26,742	Renewable Energy Group, Inc.	330,264	315,556
14,963	REX American Resources Corp.	1,424,926	1,238,787
427,441	Scorpio Tankers, Inc.	1,522,734	1,303,695
33,345	Stone Energy Corp.	968,672	1,072,375
235,677	Superior Energy Services, Inc.	2,484,036	2,269,569
41,303	Unit Corp.	848,777	908,666
	Total Energy	3.36% 23,596,466	25,164,977
<b>Financials</b>			
89,089	American Equity Investment Life Holding Co.	2,584,472	2,737,705
133,472	Banc of California, Inc.	2,802,912	2,756,197
76,591	Bancorp, Inc.	704,450	756,719
40,041	Berkshire Hills Bancorp, Inc.	1,583,622	1,465,501
167,322	BofI Holding, Inc.	4,681,670	5,002,928
101,027	Brookline Bancorp, Inc.	1,581,073	1,586,124
37,075	Cathay General Bancorp	1,519,704	1,563,453
90,095	CNO Financial Group, Inc.	2,135,251	2,224,446
83,923	Columbia Banking System, Inc.	3,572,602	3,645,615
17,529	Community Trust Bancorp, Inc.	825,616	825,616
51,920	Consumer Portfolio Services, Inc.	239,351	215,468
74,492	Cowen, Inc.	1,337,131	1,016,816
59,707	Customers Bancorp, Inc.	1,970,928	1,551,785
23,903	Employers Holdings, Inc.	1,101,928	1,061,293
97,757	Enova International, Inc.	1,363,710	1,485,906
122,629	Essent Group Ltd.	4,946,854	5,324,551
51,599	Evercore, Inc. Class A	4,200,159	4,643,910
341,924	First BanCorp	1,754,070	1,743,812
111,713	First Commonwealth Financial Corp.	1,596,379	1,599,730
42,996	First Financial Bancorp	1,139,394	1,132,945
48,221	First Interstate BancSystem, Inc. Class A	1,875,797	1,931,251
87,595	First Merchants Corp.	3,831,405	3,684,246
122,138	First Midwest Bancorp, Inc.	2,893,449	2,932,533

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Common Stocks (Continued)</u></b>			
<b><i>Financials (Continued)</i></b>			
234,151	Genworth Financial, Inc. Class A	\$ 789,089	\$ 728,210
38,508	Hancock Holding Co.	1,896,519	1,906,146
125,620	Hanmi Financial Corp.	3,925,625	3,812,567
62,860	HCI Group, Inc.	2,381,765	1,879,514
25,546	Heartland Financial USA, Inc.	1,279,855	1,370,543
109,598	Heritage Insurance Holdings, Inc.	1,534,372	1,974,956
97,464	Hilltop Holdings, Inc.	2,567,202	2,468,763
115,102	Home BancShares, Inc.	2,950,064	2,676,122
59,861	IBERIABANK Corp.	4,989,414	4,639,227
5,747	Infinity Property & Casualty Corp.	547,976	609,182
41,845	INTL. FCStone, Inc.	1,653,714	1,779,668
16,589	Investment Technology Group, Inc.	370,598	319,338
119,882	Ladder Capital Corp. REIT	1,665,161	1,633,992
14,599	LendingTree, Inc.	3,643,910	4,970,230
90,684	Manning & Napier, Inc.	362,736	326,462
18,251	Meridian Bancorp, Inc.	360,275	375,971
18,854	Meta Financial Group, Inc.	1,499,836	1,746,823
451,777	MGIC Investment Corp.	5,647,212	6,374,573
59,062	MTGE Investment Corp. REIT	1,148,756	1,092,647
8,647	Netnet, Inc. Class A	439,873	473,683
94,240	NMI Holdings, Inc. Class A	1,140,304	1,602,080
94,591	OFG Bancorp	884,426	889,155
130,720	OM Asset Management PLC	1,934,656	2,189,560
80,591	Opus Bank	1,954,332	2,200,134
42,369	PennyMac Financial Services, Inc. Class A	762,642	946,947
118,256	PennyMac Mortgage Investment Trust REIT	2,078,940	1,900,374
24,162	Piper Jaffray Cos.	1,456,969	2,083,973
13,929	Primerica, Inc.	1,140,089	1,414,490
179,710	Radian Group, Inc.	3,371,360	3,703,823
17,260	Sandy Spring Bancorp, Inc.	723,021	673,485
47,205	Seacoast Banking Corp. of Florida	1,142,833	1,190,038
12,085	Triumph Bancorp, Inc.	352,388	380,678
24,006	Union Bankshares Corp.	847,412	868,297
147,409	United Community Banks, Inc.	4,267,491	4,148,089
28,616	United Fire Group, Inc.	1,327,210	1,304,317
90,137	Universal Insurance Holdings, Inc.	2,145,261	2,465,247
119,733	Valley National Bancorp	1,448,769	1,343,404
81,531	Western Alliance Bancorp	4,367,616	4,616,285
62,938	Wintrust Financial Corp.	4,991,613	5,184,203
	Total Financials	17.51% 126,233,211	131,151,746
<b><i>Health Care</i></b>			
307,279	Achillion Pharmaceuticals, Inc.	1,450,357	884,964
72,368	Acorda Therapeutics, Inc.	1,881,568	1,552,294
67,452	AMAG Pharmaceuticals, Inc.	1,311,941	893,739
93,983	Amicus Therapeutics, Inc.	1,408,805	1,352,415
50,705	Amphastar Pharmaceuticals, Inc.	947,677	975,564
17,864	Analogic Corp.	1,501,469	1,496,110
27,446	AngioDynamics, Inc.	472,071	456,427
44,869	Aptevo Therapeutics, Inc.	98,712	190,245
18,719	Arena Pharmaceuticals, Inc.	484,822	635,884
43,259	Avid Bioservices, Inc.	137,996	167,845
38,769	Cambrex Corp.	2,132,295	1,860,912
60,241	Cardiovascular Systems, Inc.	1,736,748	1,427,109
71,668	Catalent, Inc.	2,917,654	2,944,121



**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Common Stocks (Continued)</u></b>			
<b><i>Health Care (Continued)</i></b>			
265,508	Celldex Therapeutics, Inc.	\$ 783,249	\$ 754,043
138,252	Chimerix, Inc.	745,178	640,107
74,481	Conatus Pharmaceuticals, Inc.	408,156	344,102
56,453	Concert Pharmaceuticals, Inc.	850,182	1,460,439
118,916	Corcept Therapeutics, Inc.	2,346,213	2,147,623
82,156	Cotiviti Holdings, Inc.	2,964,189	2,646,245
28,043	Eagle Pharmaceuticals, Inc.	1,706,977	1,498,057
70,432	Emergent BioSolutions, Inc.	2,909,546	3,272,975
47,501	Enanta Pharmaceuticals, Inc.	2,259,623	2,787,359
48,622	Ensign Group, Inc.	1,137,755	1,079,408
55,097	Epizyme, Inc.	1,107,450	691,467
499,706	Geron Corp.	1,104,350	899,471
57,257	Halozyme Therapeutics, Inc.	1,015,739	1,160,027
46,396	Halyard Health, Inc.	2,128,185	2,142,567
18,034	Heska Corp.	1,641,094	1,446,507
112,184	Horizon Pharma PLC	1,513,362	1,637,886
16,889	ICU Medical, Inc.	3,175,132	3,648,024
104,549	Infinity Pharmaceuticals, Inc.	127,550	212,235
92,464	Innoviva, Inc.	1,339,803	1,312,064
44,545	Insmed, Inc.	1,413,413	1,388,913
108,909	Insys Therapeutics, Inc.	1,083,645	1,047,705
42,098	Intersect ENT, Inc.	1,296,618	1,363,975
98,159	Lantheus Holdings, Inc.	1,883,688	2,007,352
17,560	LifePoint Health, Inc.	1,029,894	874,488
27,420	Luminex Corp.	569,788	540,174
61,334	Magellan Health, Inc.	5,314,591	5,921,798
18,426	Masimo Corp.	1,601,035	1,562,525
89,997	Merit Medical Systems, Inc.	3,968,868	3,887,870
209,400	MiMedx Group, Inc.	2,678,226	2,640,534
73,206	Molina Healthcare, Inc.	5,015,343	5,613,436
118,403	Momenta Pharmaceuticals, Inc.	2,125,334	1,651,722
57,400	Natus Medical, Inc.	2,192,680	2,192,680
84,664	NewLink Genetics Corp.	879,659	686,625
25,200	NuVasive, Inc.	1,371,384	1,473,948
64,299	NxStage Medical, Inc.	1,771,438	1,557,965
130,125	OraSure Technologies, Inc.	2,968,151	2,454,158
24,091	Orthofix International N.V.	1,161,668	1,317,778
81,286	Osiris Therapeutics, Inc.	369,038	487,716
39,157	PRA Health Sciences, Inc.	2,980,239	3,566,028
148,662	PTC Therapeutics, Inc.	3,105,549	2,479,682
98,079	Repligen Corp.	3,692,674	3,558,306
43,005	Revance Therapeutics, Inc.	1,217,042	1,537,429
87,631	Sangamo Therapeutics, Inc.	1,419,622	1,437,148
69,800	Sucampo Pharmaceuticals, Inc. Class A	841,090	1,252,910
17,958	Supernus Pharmaceuticals, Inc.	734,482	715,626
56,094	Syneos Health, Inc.	2,981,396	2,445,698
106,563	Trevena, Inc.	277,064	170,501
205,797	Vanda Pharmaceuticals, Inc.	3,724,926	3,128,114
	Total Health Care	13.83% 105,414,393	103,581,039
<b><i>Industrials</i></b>			
39,953	AAR Corp.	1,540,188	1,569,753
117,137	ACCO Brands Corp.	1,464,213	1,429,071
115,245	Aircastle Ltd.	2,607,994	2,695,581
5,740	Alamo Group, Inc.	625,029	647,874

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Common Stocks (Continued)</u></b>			
<b><i>Industrials (Continued)</i></b>			
43,435	Argan, Inc.	\$ 2,951,408	\$ 1,954,575
17,729	Barrett Business Services, Inc.	1,011,262	1,143,343
3,826	Briggs & Stratton Corp.	91,747	97,066
55,348	Brink's Co.	4,668,604	4,355,888
103,292	Builders FirstSource, Inc.	1,888,458	2,250,733
66,862	CAI International, Inc.	2,054,669	1,893,532
59,394	Comfort Systems USA, Inc.	2,185,699	2,592,548
55,548	Continental Building Products, Inc.	1,455,358	1,563,676
27,490	Curtiss-Wright Corp.	2,907,892	3,349,656
42,465	Deluxe Corp.	3,138,164	3,263,011
29,899	Dycom Industries, Inc.	2,545,900	3,331,646
67,689	EMCOR Group, Inc.	4,765,982	5,533,576
45,986	Ennis, Inc.	915,121	954,210
91,444	Essendant, Inc.	1,247,296	847,686
104,643	Federal Signal Corp.	2,260,289	2,102,278
6,589	Forward Air Corp.	384,270	378,472
49,085	Generac Holdings, Inc.	2,386,513	2,430,689
57,514	Global Brass & Copper Holdings, Inc.	1,981,357	1,903,713
138,463	Harsco Corp.	2,956,185	2,582,335
65,193	Hawaiian Holdings, Inc.	2,480,594	2,597,941
77,871	Herman Miller, Inc.	2,778,129	3,118,734
94,066	Insperty, Inc.	4,277,651	5,394,685
138,876	Interface, Inc.	3,103,879	3,492,731
79,280	KBR, Inc.	1,498,729	1,572,122
17,565	Kelly Services, Inc. Class A	472,855	478,998
89,589	Knight-Swift Transportation Holdings, Inc.	3,710,776	3,916,831
106,607	Knoll, Inc.	2,131,074	2,456,225
28,303	Meritor, Inc.	745,171	663,988
13,379	Moog, Inc. Class A	1,162,100	1,161,966
67,878	Mueller Water Products, Inc. Class A	873,590	850,511
30,925	MYR Group, Inc.	914,452	1,104,950
73,798	Navigant Consulting, Inc.	1,270,064	1,432,419
80,555	NCI Building Systems, Inc.	1,256,658	1,554,712
28,919	Orion Group Holdings, Inc.	195,782	226,436
50,236	Patrick Industries, Inc.	2,888,570	3,488,890
64,509	Primoris Services Corp.	1,781,021	1,754,000
72,077	Quad/Graphics, Inc.	1,680,115	1,628,940
259,074	RR Donnelley & Sons Co.	2,709,914	2,409,388
33,321	Rush Enterprises, Inc. Class A	1,568,086	1,693,040
29,888	Saia, Inc.	1,876,966	2,114,576
23,342	SPX Corp.	697,226	732,705
226,982	Steelcase, Inc. Class A	3,552,268	3,450,126
59,572	Tetra Tech, Inc.	2,808,820	2,868,392
68,266	TrueBlue, Inc.	1,576,945	1,877,315
68,709	Universal Forest Products, Inc.	2,292,132	2,584,833
224,908	Wabash National Corp.	5,150,393	4,880,504
104,712	Werner Enterprises, Inc.	3,769,643	4,047,119
	Total Industrials	15.01% 107,257,201	112,423,989
<b><i>Information Technology</i></b>			
88,304	A10 Networks, Inc.	675,526	681,707
75,573	ADTRAN, Inc.	1,840,203	1,462,338
52,770	Aerohive Networks, Inc.	215,829	307,649
198,259	Amkor Technology, Inc.	2,111,458	1,992,503
76,276	Axcelis Technologies, Inc.	2,177,680	2,189,121

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<u>Common Stocks (Continued)</u>			
<i>Information Technology (Continued)</i>			
85,640	Barracuda Networks, Inc.	\$ 2,092,185	\$ 2,355,100
26,786	Belden, Inc.	2,216,541	2,067,076
140,402	Benchmark Electronics, Inc.	4,914,070	4,085,698
26,456	Black Box Corp.	92,596	93,919
17,340	Blucora, Inc.	444,771	383,214
21,582	Bottomline Technologies de, Inc.	714,147	748,464
212,993	Box, Inc. Class A	4,002,138	4,498,412
38,049	Brooks Automation, Inc.	1,187,890	907,469
19,538	CACI International, Inc. Class A	2,778,304	2,585,854
62,698	Carbonite, Inc.	1,395,031	1,573,720
82,992	Ciena Corp.	1,872,300	1,737,023
77,401	Cirrus Logic, Inc.	4,259,377	4,014,016
54,620	Cohu, Inc.	1,325,627	1,198,909
25,614	CommVault Systems, Inc.	1,570,138	1,344,735
103,217	Convergys Corp.	2,750,733	2,425,599
53,507	Diodes, Inc.	1,682,690	1,534,046
31,242	Electro Scientific Industries, Inc.	740,707	669,516
92,733	Etsy, Inc.	1,523,026	1,896,390
81,614	Everi Holdings, Inc.	695,873	615,370
63,491	EVERTEC, Inc.	1,028,554	866,652
28,519	Fair Isaac Corp.	4,056,828	4,369,111
93,935	Finisar Corp.	2,106,962	1,911,577
83,648	FormFactor, Inc.	1,448,119	1,309,091
53,285	Hackett Group, Inc.	824,319	837,107
210,790	Hortonworks, Inc.	3,572,890	4,238,987
51,928	Imperva, Inc.	2,229,317	2,061,542
59,649	Insight Enterprises, Inc.	2,772,486	2,283,960
26,420	Integrated Device Technology, Inc.	717,303	785,467
42,222	Intevac, Inc.	360,998	289,221
35,468	j2 Global, Inc.	2,633,854	2,661,164
77,456	Manhattan Associates, Inc.	3,346,099	3,837,170
117,994	MaxLinear, Inc.	2,815,337	3,117,401
75,130	Methode Electronics, Inc.	3,230,590	3,012,713
17,835	MicroStrategy, Inc. Class A	2,301,785	2,341,736
44,614	NETGEAR, Inc.	2,192,778	2,621,072
121,748	NIC, Inc.	2,087,978	2,021,017
41,117	Okta, Inc.	1,136,885	1,053,006
31,507	Pegasystems, Inc.	1,847,886	1,485,555
36,411	Plantronics, Inc.	1,639,951	1,834,386
58,855	Plexus Corp.	3,352,969	3,573,676
14,920	Power Integrations, Inc.	1,095,874	1,097,366
96,045	Progress Software Corp.	3,723,665	4,088,636
89,544	Rubicon Project, Inc.	333,104	167,447
45,103	Rudolph Technologies, Inc.	1,183,954	1,077,962
121,872	Sanmina Corp.	4,704,259	4,021,776
25,454	ScanSource, Inc.	1,135,248	911,253
41,770	Science Applications International Corp.	2,834,930	3,198,329
84,104	Semtech Corp.	3,212,773	2,876,357
37,455	Silicon Laboratories, Inc.	3,050,710	3,307,276
78,881	Super Micro Computer, Inc.	1,833,983	1,650,585
48,725	Tech Data Corp.	4,390,610	4,773,588
112,020	TiVo Corp.	2,223,597	1,747,512
137,973	Travelport Worldwide Ltd.	2,182,733	1,803,307
118,393	Unisys Corp.	1,059,617	964,903
13,795	Varonis Systems, Inc.	578,700	669,747
81,124	VASCO Data Security International, Inc.	981,600	1,127,624

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Common Stocks (Continued)</u></b>			
<b><i>Information Technology (Continued)</i></b>			
41,086	VeriFone Systems, Inc.	\$ 720,076	\$ 727,633
77,485	Verint Systems, Inc.	3,224,070	3,242,747
234,329	Viavi Solutions, Inc.	2,277,678	2,048,035
72,903	Xcerra Corp.	715,907	713,720
31,031	Yelp, Inc.	1,478,771	1,302,061
	Total Information Technology	17.28% 131,924,587	129,397,323
<b><i>Materials</i></b>			
65,985	A Schulman, Inc.	2,345,767	2,457,941
77,459	Boise Cascade Co.	2,699,446	3,090,614
78,013	Chemours Co.	4,115,186	3,905,331
194,169	Coeur Mining, Inc.	1,825,189	1,456,267
86,879	Commercial Metals Co.	1,681,109	1,852,260
294,335	Hecla Mining Co.	1,504,052	1,168,510
29,094	Innophos Holdings, Inc.	1,459,646	1,359,563
200,987	KapStone Paper and Packaging Corp.	4,443,822	4,560,395
43,951	Koppers Holdings, Inc.	2,063,499	2,237,106
87,424	Rayonier Advanced Materials, Inc.	1,195,086	1,787,821
51,093	TimkenSteel Corp.	876,245	776,103
53,551	Trinseo S.A.	3,689,664	3,887,802
	Total Materials	3.81% 27,898,711	28,539,713
<b><i>Real Estate</i></b>			
46,924	Ashford Hospitality Prime, Inc. REIT	448,124	456,570
316,396	Ashford Hospitality Trust, Inc. REIT	2,132,509	2,129,345
162,019	CBL & Associates Properties, Inc. REIT	1,360,960	917,028
63,593	Chatham Lodging Trust REIT	1,398,381	1,447,377
336,417	DiamondRock Hospitality Co. REIT	3,666,945	3,798,148
181,006	Dyax Corporation CVR	-	-
65,268	First Industrial Realty Trust, Inc. REIT	1,990,021	2,053,984
34,894	GEO Group, Inc. REIT	922,946	823,498
126,960	Hersha Hospitality Trust REIT	2,395,735	2,209,104
66,394	HFF, Inc. Class A	2,667,711	3,229,404
55,741	InfraREIT, Inc. REIT	1,253,615	1,035,668
122,927	LaSalle Hotel Properties REIT	3,579,634	3,450,561
328,944	Lexington Realty Trust REIT	3,397,992	3,174,310
48,039	Marcus & Millichap, Inc.	1,277,357	1,566,552
69,824	Media Gen, Inc. CVR	-	-
41,472	Pebblebrook Hotel Trust REIT	1,477,233	1,541,514
87,281	Potlatch Corp. REIT	4,516,792	4,355,322
89,306	Ramco-Gershenson Properties Trust REIT	1,169,909	1,315,477
11,758	RE/MAX Holdings, Inc. Class A	754,276	570,263
296,635	RLJ Lodging Trust REIT	6,552,667	6,517,071
32,932	Ryman Hospitality Properties, Inc. REIT	2,070,764	2,272,967
169,106	Summit Hotel Properties, Inc. REIT	2,705,696	2,575,484
271,083	Sunstone Hotel Investors, Inc. REIT	4,348,171	4,481,002
210,704	Washington Prime Group, Inc. REIT	1,759,378	1,500,212
145,556	Xenia Hotels & Resorts, Inc. REIT	3,069,776	3,142,554
	Total Real Estate	7.28% 54,916,592	54,563,415

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**QS U.S. Small Capitalization Equity CIF**  
**December 31, 2017**

Number of Shares		Cost	Fair Value
<b><u>Common Stocks (Continued)</u></b>			
<b><i>Telecommunication Services</i></b>			
84,165	Boingo Wireless, Inc.	\$ 1,817,964	\$ 1,893,712
76,436	Cogent Communications Holdings, Inc.	3,779,760	3,462,551
111,160	Frontier Communications Corp.	1,352,817	751,442
	Total Telecommunication Services	0.82% 6,950,541	6,107,705
<b><i>Utilities</i></b>			
46,889	ALLETE, Inc.	3,648,902	3,486,666
221,657	Dynegy, Inc.	2,103,525	2,626,635
29,629	El Paso Electric Co.	1,660,705	1,639,965
16,111	IDACORP, Inc.	1,430,335	1,471,901
60,668	New Jersey Resources Corp.	2,584,457	2,438,854
21,564	Northwest Natural Gas Co.	1,396,269	1,286,293
27,317	NRG Yield, Inc. Class C	517,657	516,291
41,339	ONE Gas, Inc.	3,053,299	3,028,495
69,827	Pattern Energy Group, Inc.	1,702,382	1,500,582
112,878	PNM Resources, Inc.	4,605,422	4,565,915
56,100	Portland General Electric Co.	2,586,210	2,557,038
46,801	Southwest Gas Holdings, Inc.	3,642,054	3,766,545
10,412	Unitil Corp.	522,995	474,995
	Total Utilities	3.92% 29,454,212	29,360,175
	<b>Total Common Stocks</b>	<b>99.56% 727,282,526</b>	<b>745,679,809</b>
	<b>Total Investments</b>	<b>100.00% \$ 730,603,609</b>	<b>\$ 749,000,892</b>

**Abbreviations used in this table:**

CVR	Contingent Value Right
REIT	Real Estate Investment Trust

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Period Ended December 31, 2017**

	<b>QS U.S. Small Capitalization Equity CIF*</b>
<b>Income</b>	
Interest	\$ 14,623
Dividends (net of foreign withholding taxes of \$568)	<u>2,734,310</u>
Total income	<u>2,748,933</u>
<b>Expenses</b>	
Trustee and administrative	115,324
Class R4 expenses	<u>783,861</u>
Total expenses before reimbursement	899,185
Reimbursement of fees	<u>(5,949)</u>
Net expenses	<u>893,236</u>
<b>Net Investment Income</b>	<u>1,855,697</u>
<b>Net Realized Losses on Investments</b>	(347,146)
<b>Change in Net Unrealized Appreciation</b>	
Investments	<u>18,397,283</u>
Net realized and unrealized gains on investments	<u>18,050,137</u>
<b>Net Increase in Net Assets Resulting From Operations</b>	<u><u>\$ 19,905,834</u></u>

\*For the period October 2, 2017 (inception date) to December 31, 2017.

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Period Ended December 31, 2017**

	<b>QS U.S. Small Capitalization Equity CIF*</b>
<b>Operations</b>	
Net investment income	\$ 1,855,697
Net realized losses	(347,146)
Change in net unrealized appreciation	<u>18,397,283</u>
Net increase in net assets from operations	19,905,834
<b>Net Increase in Net Assets From Participant Unit Transactions</b>	<u>730,455,146</u>
<b>Increase in Net Assets</b>	750,360,980
<b>Net Assets</b>	
Beginning of year	<u>-</u>
End of year	<u><u>\$ 750,360,980</u></u>

\*For the period October 2, 2017 (inception date) to December 31, 2017.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2017

### 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 105 portfolios (the Funds); the financial statements of one of those funds, the QS U.S. Small Capitalization Equity CIF (the Fund), are included in this report.

Each class of the Fund 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 and foreign currency are allocated to each class of units based on its relative net assets.

The QS U.S. Small Capitalization Equity Fund's inception date was October 2, 2017.

#### ***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 of investments are reported on the identified cost basis.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2017

#### ***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 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 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 25, 2018, which is the date the financial statements were available to be issued.

#### ***Investment Management Advisors***

The investment management advisor for the Fund is QS Investors, 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 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 period ended December 31, 2017, the investment advisor voluntarily 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 prior day's total net assets.

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2017**

Fund	Trustee/ Administrative Fees	Investment Management Fees	Other Fees	Total Fees
QS U.S. Small Capitalization Equity CIF				
Class R4:	0.04%	0.43%	0.01%	0.48%

**Note 3: Financial Highlights**

	<b>QS U.S. Small Capitalization Equity CIF* Class R4</b>
Net asset value, beginning of year	\$ 10.00
Net investment income	0.03
Net realized and unrealized gains	0.24
Net increase from investment operations	0.27
Net asset value, end of year	\$ 10.27
Total return	2.70%
Ratio to average net assets**:	
Net investment income	1.02%
Expenses without reimbursement	0.49%
Expenses with reimbursement	0.49%

\*For the period October 2, 2017 (inception date) to December 31, 2017.

\*\*Annualized.

**Note 4: Participant Unit Transactions**

	<b>QS U.S. Small Capitalization EquityCIF*</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R4:</b>		
Proceeds from sales of units	76,138,073	\$ 761,469,714
Cost of units redeemed	(3,092,864)	(31,014,568)
Net change in Class R1 from participant transactions	73,045,209	\$ 730,455,146

\*For the period October 2, 2017 (inception date) to December 31, 2017.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2017

#### 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.

**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, 2017.

**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 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, 2017.

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2017**

	<b>Fair Value Measurements Using</b>			
	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>QS U.S. Small Capitalization Equity CIF</b>				
Financial Instruments - Assets:				
Short Term Investment	\$ 3,321,083	\$ 3,321,083	\$ -	\$ -
Common Stocks	<u>745,679,809</u>	<u>745,679,809</u>	<u>-</u>	<u>-</u>
Total Financial Instruments - Assets	<u>\$ 749,000,892</u>	<u>\$ 749,000,892</u>	<u>\$ 0</u>	<u>\$ 0</u>

**Note 6: Risk Factors**

***Investment Securities Risk***

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**  
**Period Ended December 31, 2017**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Stocks	\$ 756,842,491
Total Investments Purchased	\$ 756,842,491

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Loss</b>
Common Stocks	\$ 29,212,819	\$ 29,559,965	\$ (347,146)
Total Investments Sold	\$ 29,212,819	\$ 29,559,965	\$ (347,146)