

**Hand Composite Employee Benefit Trust
River and Mercantile 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 (River and Mercantile Return Seeking Fund and River and Mercantile Long Credit 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 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 24, 2019

Hand Composite Employee Benefit Trust
Statements of Assets and Liabilities – Selected Funds
December 31, 2018

	River and Mercantile Return Seeking Fund	River and Mercantile Long Credit Fund
Assets		
Investments, at cost	\$ 23,513,168	\$ 115,680,616
Investments, at fair value	\$ 23,791,458	\$ 108,032,032
Receivable for:		
Investment advisor fees	1,449	1,449
Dividends and interest	13,430	347,280
Total assets	\$ 23,806,337	\$ 108,380,761
Liabilities		
Accounts payable and accrued liabilities	\$ 4,561	\$ 24,304
Total liabilities	\$ 4,561	\$ 24,304
Net assets held for participants - Class R	\$ 23,801,776	\$ 108,356,457
Units outstanding - Class R	1,914,090	8,343,224
Net asset value per unit - Class R	\$ 12.44	\$ 12.99

Hand Composite Employee Benefit Trust
Schedules of Investments
River and Mercantile Return Seeking Fund
December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<i><u>Short Term Investment</u></i>			
1,269,455	Blackrock Liq Treas Tr Instl Fd 62	\$ 1,269,455	\$ 1,269,455
	Total Short Term Investment	5.34% <u>1,269,455</u>	<u>1,269,455</u>
<i><u>U.S. Government Obligations</u></i>			
\$ 1,883,000	U S Treasury Bd Prin Strip 0.000% 11/15/2026 Dd 11/15/96	1,506,344	1,533,708
1,458,000	U S Treasury Bill 0.000% 03/28/2019 Dd 03/29/18	1,450,205	1,449,837
1,216,000	U S Treasury Bill 0.000% 06/20/2019 Dd 06/21/18	1,202,021	1,202,021
484,000	U S Treasury Note 2.875% 08/15/2028 Dd 08/15/18	472,186	491,487
	Total U.S. Government Obligations	19.66% <u>4,630,756</u>	<u>4,677,053</u>
<i><u>Mutual Funds</u></i>			
<i>Fixed Income</i>			
64,856	Fidelity Total Bond Fund-TB	690,012	664,122
61,019	TCW Core Fxd Incm-I	682,039	654,737
	Total Fixed Income	5.54% <u>1,372,051</u>	<u>1,318,859</u>
<i>Equity</i>			
75,831	Boston Part All Cap Val-Inst	1,668,657	1,666,014
43,484	Dodge & Cox Intl Stck	1,587,042	1,604,992
25,993	Hrdng Lvnr Inst Em Mrkt-I	394,868	474,638
120,020	Lazard Inter Strat Eq-Inst	1,638,791	1,547,054
	Total Equity	22.25% <u>5,289,358</u>	<u>5,292,698</u>
	Total Mutual Funds	27.79% <u>6,661,409</u>	<u>6,611,557</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
River and Mercantile Return Seeking Fund (Continued)
December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<i><u>Exchange-traded Funds</u></i>			
<i>Fixed Income</i>			
19,422	Vanguard Total Bond Market	\$ 1,612,268	\$ 1,538,417
	Total Fixed Income	6.47% <u>1,612,268</u>	<u>1,538,417</u>
<i>Equity</i>			
75,358	iShares Core Intl Stock ETF	4,463,319	3,958,556
8,656	iShares Edge MSCI USA Quality	741,221	664,435
69,867	Schwab Us Broad Market ETF	3,290,963	4,187,126
6,933	Vanguard Total Stock Mkt ETF	843,777	884,859
	Total Equity	40.74% <u>9,339,280</u>	<u>9,694,976</u>
	Total Exchange-traded Funds	47.21% <u>10,951,548</u>	<u>11,233,393</u>
	Total Investments	100.00% <u>\$ 23,513,168</u>	<u>\$ 23,791,458</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
River and Mercantile Long Credit Fund
December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<u>Short Term Investment</u>			
1,768,453	BlackRock Liq Treas Tr Instl Var RT 12/31/2049 dd 01/31/12	\$ 1,768,453	\$ 1,768,453
	Total Short Term Investment	1.64% 1,768,453	1,768,453
<u>U.S. Government Obligations</u>			
\$ 3,722,000	U S Treasury Bd Prin Strip 0.000% 08/15/2045 Dd 08/17/15	1,560,246	1,652,815
1,485,000	U S Treasury Bond 3.000% 08/15/2048 Dd 08/15/18	1,441,122	1,477,981
	Total U.S. Government Obligations	2.90% 3,001,368	3,130,796
<u>Non-U.S. Government Obligations</u>			
435,000	Mexico Government International 4.750% 03/08/2044 Dd 03/08/12	431,341	395,415
	Total Non-U.S. Government Obligations	0.37% 431,341	395,415
<u>Municipals</u>			
205,000	California St 7.300% 10/01/2039 Dd 10/15/09	280,763	281,408
215,000	New York City NY Muni Wtr Fin 5.750% 06/15/2041 Dd 11/05/09	269,336	268,881
	Total Municipals	0.51% 550,099	550,289
<u>Corporate Bonds</u>			
<u>Consumer Discretionary</u>			
130,000	Ford Motor Co 4.750% 01/15/2043 Dd 01/08/13	115,529	100,254
355,000	General Motors Co 6.750% 04/01/2046 Dd 02/23/16	402,904	343,677
315,000	Lowe's Cos Inc 4.050% 05/03/2047 Dd 05/03/17	306,179	271,622
560,000	Walmart Inc 3.950% 06/28/2038 Dd 06/27/18	557,024	554,816
	Total Consumer Discretionary	1.18% 1,381,636	1,270,369

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
River and Mercantile Long Credit Fund (Continued)
December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<i>Consumer Staples</i>			
\$ 295,000	Conagra Brands Inc 5.400% 11/01/2048 Dd 10/22/18	\$ 218,089	\$ 207,218
225,000	Constellation Brands Inc 5.250% 11/15/2048 Dd 10/29/18	296,106	296,024
175,000	General Mills Inc 4.550% 04/17/2038 Dd 04/17/18	172,718	162,363
225,000	Kroger Co 4.450% 02/01/2047 Dd 01/24/17	213,184	197,132
	Total Consumer Staples	0.80% <u>900,097</u>	<u>862,737</u>
<i>Energy</i>			
350,000	Baker Hughes A Ge Co LLC / Bak 4.080% 12/15/2047 Dd 12/11/17	333,733	288,418
110,000	Boardwalk Pipelines LP 4.450% 07/15/2027 Dd 01/12/17	110,177	101,564
225,000	Boardwalk Pipelines LP 5.950% 06/01/2026 Dd 05/16/16	245,129	232,452
355,000	Energy Transfer Operating LP 5.950% 10/01/2043 Dd 09/19/13	387,491	337,531
40,000	Energy Transfer Operating LP 6.500% 02/01/2042 Dd 01/17/12	43,353	39,921
445,000	Enterprise Products Operating Var Rt 02/15/2078 Dd 02/15/18	435,123	367,942
315,000	EQT Corp 3.900% 10/01/2027 Dd 10/04/17	308,084	271,556
335,000	Kinder Morgan Energy Partners 6.500% 09/01/2039 Dd 09/16/09	377,777	357,283
185,000	Marathon Petroleum Corp 5.850% 12/15/2045 Dd 12/14/15	194,348	182,651
150,000	MPLX LP 5.500% 02/15/2049 Dd 11/15/18	145,001	145,907
251,000	Petroleos Mexicanos 6.750% 09/21/2047 Dd 09/21/16	253,133	207,549
155,000	Shell International Finance Bv 3.750% 09/12/2046 Dd 09/12/16	139,414	143,471
55,000	Williams Cos Inc 4.850% 03/01/2048 Dd 03/05/18	50,610	49,907
	Total Energy	2.52% <u>3,023,373</u>	<u>2,726,152</u>
<i>Financials</i>			
325,000	Banco Santander Sa 5.179% 11/19/2025 Dd 11/19/15	328,408	323,391
410,000	Bank of America Corp Var Rt 04/24/2038 Dd 04/24/17	404,377	390,031
295,000	Bank of New York Mellon Corp/t 2.450% 08/17/2026 Dd 08/16/16	267,509	270,289
305,000	Capital One Financial Corp 3.750% 03/09/2027 Dd 03/09/17	306,599	283,282
225,000	Capital One Financial Corp 3.800% 01/31/2028 Dd 01/30/18	224,864	207,937
299,000	GE Capital International Fundi 4.418% 11/15/2035 Dd 05/15/16	297,290	250,432
265,000	Goldman Sachs Group Inc Var Rt 04/23/2039 Dd 04/23/18	255,087	242,901
420,000	HSBC Bank Usa Na/new York NY 5.875% 11/01/2034 Dd 10/25/04	481,639	470,568
565,000	JPMorgan Chase & Co Var Rt 07/24/2038 Dd 07/24/17	519,627	513,126
215,000	National Rural Utilities Coope 4.400% 11/01/2048 Dd 10/31/18	214,170	223,915
305,000	Royal Bank Of Scotland Group P Var Rt 05/18/2029 Dd 05/18/18	304,446	291,137
440,000	Wells Fargo & Co 5.375% 02/07/2035 Dd 02/07/05	482,125	483,512
	Total Financials	3.66% <u>4,086,141</u>	<u>3,950,521</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
River and Mercantile Long Credit Fund (Continued)
December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<i>Healthcare</i>			
\$ 387,000	Abbvie Inc 4.300% 05/14/2036 Dd 05/12/16	\$ 386,299	\$ 345,271
385,000	Celgene Corp 4.350% 11/15/2047 Dd 11/09/17	388,205	324,210
80,000	Celgene Corp 4.550% 02/20/2048 Dd 02/20/18	78,859	69,328
545,000	CVS Health Corp 5.050% 03/25/2048 Dd 03/09/18	550,768	530,072
335,000	Duke University Health System 3.920% 06/01/2047 Dd 06/06/17	341,779	326,995
210,000	Mckesson Corp 4.750% 05/30/2029 Dd 11/30/18	209,812	211,309
155,000	Stanford Health Care 3.795% 11/15/2048 Dd 01/17/18	152,374	148,329
155,000	UnitedHealth Group Inc 4.450% 12/15/2048 Dd 12/17/18	156,635	159,547
	Total Healthcare	1.96% <u>2,264,731</u>	<u>2,115,061</u>
<i>Industrials</i>			
110,000	American International Group I 4.500% 07/16/2044 Dd 07/16/14	98,177	98,167
375,000	Brighthouse Financial Inc 4.700% 06/22/2047 Dd 12/22/17	370,545	279,243
210,000	Burlington Northern Santa Fe L 5.150% 09/01/2043 Dd 08/22/13	235,367	235,136
290,000	Fedex Corp 4.950% 10/17/2048 Dd 10/17/18	287,754	280,248
280,000	General Electric Co 4.500% 03/11/2044 Dd 03/11/14	301,763	228,362
180,000	Hasbro Inc 6.350% 03/15/2040 Dd 03/11/10	207,593	186,965
55,000	Lincoln National Corp 4.350% 03/01/2048 Dd 02/12/18	49,055	50,744
370,000	ManuLife Financial Corp Var Rt 02/24/2032 Dd 02/24/17	370,318	348,915
290,000	Norfolk Southern Corp 4.450% 06/15/2045 Dd 06/02/15	288,581	284,065
310,000	Nucor Corp 4.400% 05/01/2048 Dd 04/26/18	301,908	299,461
330,000	United Parcel Service Inc 3.750% 11/15/2047 Dd 11/14/17	320,400	297,984
	Total Industrials	2.40% <u>2,831,461</u>	<u>2,589,290</u>
<i>Information Technology</i>			
240,000	21st Century Fox America Inc 6.200% 12/15/2034 Dd 12/03/04	270,713	291,796
185,000	Apple Inc 4.375% 05/13/2045 Dd 05/13/15	189,333	187,880
145,000	Arrow Electronics Inc 3.875% 01/12/2028 Dd 06/12/17	133,082	132,083
165,000	CBS Corp 4.850% 07/01/2042 Dd 06/20/12	172,019	151,422
655,000	Comcast Corp 4.250% 01/15/2033 Dd 01/14/13	664,250	650,530
140,000	Comcast Corp 4.600% 10/15/2038 Dd 10/05/18	139,414	141,369
75,000	Intel Corp 3.734% 12/08/2047 Dd 06/08/18	67,646	69,444
305,000	Interpublic Group Of Cos Inc/t 5.400% 10/01/2048 Dd 09/21/18	300,077	288,836
485,000	Microsoft Corp 4.100% 02/06/2037 Dd 02/06/17	493,926	497,688
445,000	Oracle Corp 3.800% 11/15/2037 Dd 11/09/17	449,177	416,147
60,000	Texas Instruments Inc 4.150% 05/15/2048 Dd 05/07/18	59,191	59,870
120,000	Time Warner Cable LLC 6.550% 05/01/2037 Dd 04/09/07	144,053	123,149
25,000	Time Warner Cable LLC 6.750% 06/15/2039 Dd 06/29/09	28,565	25,403
335,000	Warner Media LLC 4.650% 06/01/2044 Dd 05/28/14	296,714	293,187
	Total Information Technology	3.08% <u>3,408,160</u>	<u>3,328,804</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
River and Mercantile Long Credit Fund (Continued)
December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<i>Materials</i>			
\$ 390,000	BHP Billiton Finance Usa Ltd 5.000% 09/30/2043 Dd 09/30/13	\$ 432,312	\$ 426,071
155,000	DowDuPont Inc 5.319% 11/15/2038 Dd 11/28/18	155,000	159,601
205,000	DowDuPont Inc 5.419% 11/15/2048 Dd 11/28/18	206,670	212,983
175,000	International Paper Co 4.350% 08/15/2048 Dd 08/09/17	159,944	149,725
	Total Materials	0.88% <u>953,926</u>	<u>948,380</u>
<i>Real Estate</i>			
80,000	ERP Operating LP 4.150% 12/01/2028 Dd 11/30/18	80,260	81,519
255,000	Kimco Realty Corp 4.450% 09/01/2047 Dd 08/10/17	242,471	231,078
	Total Real Estate	0.29% <u>322,731</u>	<u>312,597</u>
<i>Utilities</i>			
293,000	Alabama Power Co 4.300% 01/02/2046 Dd 01/13/16	304,444	295,830
295,000	American Water Capital Corp 4.200% 09/01/2048 Dd 08/09/18	294,439	286,963
405,000	AT&T Inc 4.350% 06/15/2045 Dd 06/15/13	356,989	342,252
295,000	AT&T Inc 4.500% 05/15/2035 Dd 05/04/15	273,736	264,852
295,000	Atmos Energy Corp 4.300% 10/01/2048 Dd 10/04/18	293,232	296,405
270,000	Commonwealth Edison Co 4.000% 03/01/2048 Dd 02/20/18	270,404	260,456
375,000	Consolidated Edison Co Of New 4.200% 03/15/2042 Dd 03/13/12	356,397	365,369
340,000	Consumers Energy Co 4.350% 04/15/2049 Dd 11/13/18	337,423	353,117
85,000	Duke Energy Progress LLC 3.600% 09/15/2047 Dd 09/08/17	83,966	75,443
280,000	Duke Energy Progress LLC 4.375% 03/30/2044 Dd 03/06/14	293,910	285,139
80,000	Entergy Louisiana LLC 4.000% 03/15/2033 Dd 03/23/18	79,320	80,924
190,000	Exelon Generation Co LLC 5.600% 06/15/2042 Dd 12/15/12	204,399	184,971
130,000	Georgia Power Co 4.300% 03/15/2042 Dd 03/06/12	120,087	119,753
310,000	MidAmerican Energy Co 4.800% 09/15/2043 Dd 09/19/13	348,827	339,356
140,000	Pacific Gas & Electric Co 4.300% 03/15/2045 Dd 11/06/14	123,832	110,876
70,000	Pacific Gas & Electric Co 6.050% 03/01/2034 Dd 03/23/04	86,240	64,859
235,000	Pacificorp 4.125% 01/15/2049 Dd 07/13/18	231,953	231,260
25,000	Pacificorp 6.250% 10/15/2037 Dd 10/03/07	30,641	31,181
210,000	Potomac Electric Power Co 4.150% 03/15/2043 Dd 03/18/13	223,182	207,613
255,000	PPL Electric Utilities Corp 4.750% 07/15/2043 Dd 07/11/13	285,595	277,168
302,000	Sempra Energy 3.800% 02/01/2038 Dd 01/12/18	299,210	258,195
235,000	Southern California Edison Co 4.650% 10/01/2043 Dd 10/02/13	259,255	235,727
235,000	Southwestern Public Service Co 4.400% 11/15/2048 Dd 11/05/18	232,634	236,993
145,000	Southwestern Public Service Co 4.500% 08/15/2041 Dd 08/10/11	157,200	147,009
300,000	Wisconsin Electric Power Co 4.300% 10/15/2048 Dd 10/04/18	299,437	308,900
	Total Utilities	5.24% <u>5,846,752</u>	<u>5,660,611</u>
	Total Corporate Bonds	22.01% <u>25,019,008</u>	<u>23,764,522</u>

Hand Composite Employee Benefit Trust
Schedules of Investments (Continued)
River and Mercantile Long Credit Fund (Continued)
December 31, 2018

Number of Shares or Principal Amount		Cost	Fair Value
<u>Mutual Funds</u>			
<i>Fixed Income</i>			
3,688,015	Delaware Extnd Duration Bd-I	\$ 24,008,793	\$ 22,091,209
2,043,523	PIMCO Long-term Credit-Inst	24,654,852	22,294,833
2,398,396	Vanguard L/T Invest Gr-Adm	24,825,905	22,952,652
	Total Fixed Income	62.32% <u>73,489,550</u>	<u>67,338,694</u>
	Total Mutual Funds	62.32% <u>73,489,550</u>	<u>67,338,694</u>
<u>Exchange-traded Funds</u>			
<i>Fixed Income</i>			
82,655	iShares Long-term Corporate	4,725,836	4,653,477
54,520	Vanguard Long-term Corp Bond	4,712,906	4,644,014
	Total Fixed Income	8.61% <u>9,438,742</u>	<u>9,297,491</u>
	Total Exchange-traded Funds	8.61% <u>9,438,742</u>	<u>9,297,491</u>
<u>Private Placements</u>			
\$ 440,000	Anheuser-Busch Cos LLC / 144a 4.700% 02/01/2036 Dd 08/01/18	424,204	408,055
330,000	AXA Equitable Holdings In 144a 5.000% 04/20/2048 Dd 04/20/18	318,432	292,720
150,000	Bayer US Finance Ii LLC 144a 4.875% 06/25/2048 Dd 06/25/18	142,456	134,811
150,000	Electricite De France Sa 144a 4.875% 09/21/2038 Dd 09/21/18	145,779	137,104
335,000	Electricite De France Sa 144a 4.950% 10/13/2045 Dd 10/13/15	374,364	303,048
215,000	Enel Finance International 144a 4.750% 05/25/2047 Dd 05/25/17	224,901	182,548
300,000	Glencore Funding LLC 144a 4.000% 03/27/2027 Dd 03/27/17	292,530	273,293
55,000	SC Johnson & Son Inc 144a 4.350% 09/30/2044 Dd 10/03/14	59,389	54,793
	Total Private Placements	1.64% <u>1,982,055</u>	<u>1,786,372</u>
	Total Investments	100.00% <u>\$ 115,680,616</u>	<u>\$ 108,032,032</u>

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

	River and Mercantile Return Seeking Fund	River and Mercantile Long Credit Fund
Income		
Interest	\$ 136,092	\$ 1,349,265
Dividends	<u>574,339</u>	<u>3,675,983</u>
Total income	<u>710,431</u>	<u>5,025,248</u>
Expenses		
Investment management and administrative	28,815	132,009
Custody fees	32,866	62,809
Other	<u>3</u>	<u>-</u>
Total expenses before reimbursement of fees	61,684	194,818
Reimbursement of fees	<u>(17,094)</u>	<u>(17,094)</u>
Net expenses	<u>44,590</u>	<u>177,724</u>
Net Investment Income	<u>665,841</u>	<u>4,847,524</u>
Net Realized and Unrealized Gains (Losses) on Investments		
Net realized gains (losses)	4,771,909	(1,334,650)
Net change in unrealized appreciation/depreciation	<u>(6,776,574)</u>	<u>(11,598,803)</u>
Net realized and unrealized losses	<u>(2,004,665)</u>	<u>(12,933,453)</u>
Net Decrease in Net Assets Resulting From Operations	<u>\$ (1,338,824)</u>	<u>\$ (8,085,929)</u>

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

	River and Mercantile Return Seeking Fund	River and Mercantile Long Credit Fund
Operations		
Net investment income	\$ 665,841	\$ 4,847,524
Net realized gains (losses)	4,771,909	(1,334,650)
Change in unrealized appreciation/depreciation	(6,776,574)	(11,598,803)
Net decrease in net assets from operations	(1,338,824)	(8,085,929)
Net Decrease in Net Assets From Participant Transactions	(37,250,444)	(12,692,247)
Decrease in Net Assets Held for Participants	(38,589,268)	(20,778,176)
Net Assets Held for Participants		
Beginning of year	62,391,044	129,134,633
End of year	\$ 23,801,776	\$ 108,356,457

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 those funds are included in this report.

In 2018, the P-Solve Return Seeking Fund and P-Solve Long Credit Fund names were changed to River and Mercantile Return Seeking Fund and River and Mercantile Long Credit Fund, respectively.

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 recorded on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation on investments are determined using 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 and includes accretion of discounts and amortization of premiums. 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 these other funds are reinvested, thereby increasing the respective unit values.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2018

Valuation of Participants' Interest

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. All Funds are valued daily.

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 Advisor

The investment management advisor for the Funds is River and Mercantile Group PLC.

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 have also entered into an investment advisory and service agreement 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 each of 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	Other Fees	Total Fees
River and Mercantile Return Seeking Fund:				
Class R	0.07%	0.00%	0.04%	0.11%
River and Mercantile Long Credit Fund:				
Class R	0.07%	0.00%	0.02%	0.09%

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Notes to Financial Statements

December 31, 2018

Note 3: Financial Highlights

	Class R	
	River and Mercantile Return Seeking Fund	River and Mercantile Long Credit Fund
Net asset value, beginning of year	\$ 13.30	\$ 13.92
Net investment income	0.22	0.56
Net realized and unrealized losses	(1.08)	(1.49)
Net decrease from investment operations	(0.86)	(0.93)
Net asset value, end of year	\$ 12.44	\$ 12.99
Total return	(6.47%)	(6.68%)
Ratio to average net assets:		
Net investment income	1.69%	4.26%
Expenses without reimbursements	0.16%	0.17%
Expenses with reimbursements	0.11%	0.16%

Note 4: Participant Unit Transactions

	River and Mercantile Return Seeking Fund		River and Mercantile Long Credit Fund	
	Units	Dollars	Units	Dollars
Class R:				
Proceeds from sales of units	41,215	\$ 519,839	1,015,414	\$ 13,234,728
Cost of units redeemed	(2,819,307)	(37,770,283)	(1,948,057)	(25,926,975)
Net decrease in net assets from participant transactions	(2,778,092)	\$ (37,250,444)	(932,643)	\$ (12,692,247)

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.

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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. U.S. Government obligations 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, Non-U.S. Government Obligations and Municipals. The fair value of corporate bonds, foreign government obligations and municipals 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.

Mutual Funds and Exchange-traded Funds. 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.

Private Placements and Non-U.S. Government Private Placements. Private placements are primarily determined using discounted cash flow models. These models primarily use observable inputs that include Treasury or similar base rates plus estimated credit spreads to value each security. The credit spreads are obtained through a survey of private market intermediaries who are active in both primary and secondary transactions, and consider, among other factors, the credit quality and industry sector of the issuer, and the reduced liquidity associated with private

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Notes to Financial Statements

December 31, 2018

placements. Since most private placements are market observable data including observable inputs and inputs derived from, or corroborated by, market observable data including observed prices and spreads for similar publicly trades or privately traded issues, they have been 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:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
River and Mercantile Return Seeking Fund				
Short Term Investment	\$ 1,269,455	\$ 1,269,455	\$ -	\$ -
U.S. Government Obligations	4,677,053	-	4,677,053	-
Mutual Funds - Fixed Income	1,318,859	1,318,859	-	-
Mutual Funds - Equity	5,292,698	5,292,698	-	-
Exchange-traded Fund - Fixed Income	1,538,417	1,538,417	-	-
Exchange-traded Funds - Equity	9,694,976	9,694,976	-	-
Total	<u>\$ 23,791,458</u>	<u>\$ 19,114,405</u>	<u>\$ 4,677,053</u>	<u>\$ 0</u>
River and Mercantile Long Credit Fund				
Short Term Investment	\$ 1,768,453	\$ 1,768,453	\$ -	\$ -
U.S. Government Obligations	3,130,796	-	3,130,796	-
Non-U.S. Government Obligations	395,415	-	395,415	-
Municipals	550,289	-	550,289	-
Corporate Bonds	23,764,522	-	23,764,522	-
Mutual Funds - Fixed Income	67,338,694	67,338,694	-	-
Exchange-traded Funds - Fixed Income	9,297,491	9,297,491	-	-
Private Placements	1,786,372	-	1,786,372	-
Total	<u>\$ 108,032,032</u>	<u>\$ 78,404,638</u>	<u>\$ 29,627,394</u>	<u>\$ 0</u>

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December 31, 2018

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 statements of assets and liabilities.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds
River and Mercantile Return Seeking Fund
Year Ended December 31, 2018

Purchases	
Investment Class	Cost
U.S. Government Obligations	\$ 2,433,747
Mutual Funds - Fixed Income	99,986
Mutual Funds - Equity	535,742
Exchange-traded Funds - Equity	<u>1,867,258</u>
Total Investments Purchased	<u>\$ 4,936,733</u>

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
U.S. Government Obligations	\$ 1,764,346	\$ 1,903,872	\$ (139,526)
Mutual Funds - Fixed Income	6,581,458	6,523,821	57,637
Mutual Funds - Equity	10,464,543	9,285,759	1,178,784
Exchange-traded Funds - Fixed Income	2,229,796	2,362,297	(132,501)
Exchange-traded Funds - Equity	<u>19,704,133</u>	<u>15,896,618</u>	<u>3,807,515</u>
Total Investments Sold	<u>\$ 40,744,276</u>	<u>\$ 35,972,367</u>	<u>\$ 4,771,909</u>

Hand Composite Employee Benefit Trust
Schedules of Investment Purchases and Sales – Selected Funds (Continued)
River and Mercantile Long Credit Fund
Year Ended December 31, 2018

Purchases	
Investment Class	Cost
U.S. Government Obligations	\$ 22,675,387
Non-U.S. Government Obligations	451,856
Corporate Bonds	29,617,079
Municipal Bonds	550,837
Mutual Funds - Fixed Income	5,410,313
Exchange-traded Funds - Fixed Income	10,844,858
Private Placements	1,604,100
	<u>1,604,100</u>
Total Investments Purchased	<u>\$ 71,154,430</u>

Sales			
Investment Class	Proceeds	Cost	Gain (Loss)
U.S. Government Obligations	\$ 22,321,998	\$ 22,387,022	\$ (65,024)
Non-U.S. Government Obligations	1,077,883	1,117,119	(39,236)
Corporate Bonds	33,734,611	33,241,939	492,672
Municipal Bonds	294,589	311,592	(17,003)
Mutual Funds - Fixed Income	10,400,000	10,771,799	(371,799)
Exchange-traded Funds - Fixed Income	8,572,531	8,542,819	29,712
Private Placements	1,619,898	2,985,320	(1,365,422)
Non-U.S. Government Private Placements	185,252	183,802	1,450
	<u>185,252</u>	<u>183,802</u>	<u>1,450</u>
Total Investments Sold	<u>\$ 78,206,762</u>	<u>\$ 79,541,412</u>	<u>\$ (1,334,650)</u>