

**Hand Composite Employee Benefit Trust**  
**Royce Total Return Collective Trust Fund**  
Independent Auditor's Report and Financial Statements  
December 31, 2020



**Hand Composite Employee Benefit Trust**  
**December 31, 2020**

**Contents**

**Independent Auditor's Report** ..... **1**

**Basic Financial Statements**

Statement of Assets and Liabilities – Selected Fund ..... 3

Schedule of Investments

    Royce Total Return Collective Trust Fund ..... 4

Statement of Operations – Selected Fund ..... 10

Statement of Changes in Net Assets – Selected Fund ..... 11

Notes to Financial Statements ..... 12

**Supplemental Information**

Schedule of Investment Purchases and Sales – Selected Fund ..... 19

## Independent Auditor's Report

Board of Directors  
Hand Composite Employee Benefit Trust  
Houston, Texas

We have audited the accompanying financial statements of the Royce Total Return Collective Trust Fund (Fund) included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which statements comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2020, 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 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 Royce Total Return Collective Trust Fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2020, and the results of its operations and the changes in its net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of investment purchases and sales listed in the table of contents is presented for purposes of additional analysis and 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 27, 2021

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2020**

	<b>Royce Total Return Collective Trust Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 56,333,515
Investments, at fair value	\$ 75,464,308
Cash denominated in foreign currencies (cost - \$12)	12
Receivable for:	
Investment securities sold	71,816
Dividends and interest	148,196
Investment advisor	2,716
Total assets	\$ 75,687,048
<b>Liabilities</b>	
Payable for capital shares redeemed	\$ 302
Accounts payable and accrued liabilities	62,350
Total liabilities	\$ 62,652
Net assets held for participants:	
Class R – INSTL	\$ 65,367,812
Class R – LM	10,256,584
Total net assets held for participants	\$ 75,624,396
Units outstanding:	
Class R – INSTL	5,167,315
Class R – LM	782,294
Total units outstanding	5,949,609
Net asset value per unit:	
Class R – INSTL	\$ 12.65
Class R – LM	\$ 13.11

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Royce Total Return Collective Trust Fund**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
1,920,357	Dreyfus Treasury & Agency and Cash Mg	\$ 1,920,357	\$ 1,920,357
	Total Short Term Investment	2.54% 1,920,357	1,920,357
<b><u>Common Stock</u></b>			
<b><u>Consumer Discretionary</u></b>			
30,198	Avnet Inc	823,426	1,060,252
5,902	Carlisle Cos Inc	762,863	921,774
5,791	Chase Corp	327,010	584,949
11,845	Ethan Allen Interiors Inc	195,847	239,387
22,955	Gentex Corp	390,098	778,863
6,278	Hubbell Inc	581,515	984,328
5,260	Hyatt Hotels Corp	296,562	390,555
14,732	Leggett & Platt Inc	569,432	652,628
49,800	Levi Strauss & Co	696,426	999,984
24,863	Methode Electronics Inc	641,251	951,756
11,864	MSC Industrial Direct Co Inc	756,075	1,001,203
13,498	National Instruments Corp	440,465	593,102
15,825	PC Connection Inc	600,621	748,364
13,811	Ralph Lauren Corp	974,688	1,432,753
8,397	Reynolds Consumer Products Inc	272,548	252,246
16,110	Shoe Carnival Inc	537,251	631,190
10,961	Spectrum Brands Holdings Inc	500,058	865,700
13,984	Systemax Inc	252,779	501,886
28,431	Vishay Intertechnology Inc	446,786	588,806
3,016	Watsco Inc	486,182	683,270
20,880	World Wrestling Entertainment	875,897	1,003,284
	Total Consumer Discretionary	21.03% 11,427,780	15,866,280
<b><u>Consumer Staples</u></b>			
18,482	Flowers Foods Inc	316,192	418,248
49,224	Healthcare Services Group Inc	1,205,602	1,383,194
23	Hershey Creamery Co	44,633	74,750
	Total Consumer Staples	2.49% 1,566,427	1,876,192

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<i>Energy</i>			
5,407	Futurefuel Corp	\$ 61,411	\$ 68,669
1,993	Unit Corp	120,495	14,594
	Total Energy	0.11% <u>181,906</u>	<u>83,263</u>
<i>Financials</i>			
6,421	Amerisafe Inc	390,878	368,758
14,594	Ares Management Corp	290,995	686,648
17,100	Artisan Partners Asset Managem	435,530	860,814
30,722	Bankunited Inc	598,852	1,068,511
14,058	BOK Financial Corp	783,994	962,692
20,976	Eastern Bankshares Inc	260,816	342,119
22,781	Equitable Holdings Inc	449,962	582,966
1,579	Erie Indemnity Co	193,199	387,802
20,093	First American Financial Corp	947,675	1,037,402
2,156	First Citizens Bancshares Inc/	621,932	1,238,126
6,670	First Financial Bankshares Inc	203,466	241,287
49,314	First Hawaiian Inc	868,363	1,162,824
539	First National Bank Alaska	82,344	100,200
8,937	German American Bancorp Inc	258,535	295,725
9,483	Glacier Bancorp Inc	335,164	436,313
3,545	Hanover Insurance Group Inc/th	347,658	414,481
20,283	HBT Financial Inc	256,599	307,287
9,862	Heritage Financial Corp/wa	199,996	230,672
72,810	Home Bancshares Inc/ar	1,077,091	1,418,339
22,298	Independent Bank Group Inc	820,999	1,394,071
18,347	Moelis & Co	647,179	857,906
33,479	Oceanfirst Financial Corp	613,415	623,714
42,115	Proassurance Corp	658,402	749,226
2,994	Prosperity Bancshares Inc	195,976	207,664
10,678	Signature Bank/New York NY	1,028,947	1,444,627
5,701	South State Corp	326,706	412,182
25,297	Triumph Bancorp Inc	956,547	1,228,169
4,949	Umb Financial Corp	269,713	341,432
86,788	Valley National Bancorp	692,373	846,183
7,378	Virtu Financial Inc	132,304	185,704
	Total Financials	27.08% <u>14,945,610</u>	<u>20,433,844</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<i>Healthcare</i>			
5,338	Hill-Rom Holdings Inc	\$ 335,877	\$ 522,964
21,851	Patterson Cos Inc	358,911	647,445
	Total Healthcare	1.55% <u>694,788</u>	<u>1,170,409</u>
<i>Industrials</i>			
8,613	Arcosa Inc	125,256	473,112
14,356	Crane Co	791,645	1,114,887
31,453	Deluxe Corp	739,892	918,428
6,288	Fortune Brands Home & Security	348,163	539,007
15,555	Gorman-Rupp Co/the	271,556	504,760
9,058	Hackett Group Inc/the	124,834	130,345
31,448	KBR Inc	513,839	972,687
4,970	LCI Industries	436,253	644,510
6,812	Lincoln Electric Holdings Inc	247,964	791,895
5,533	Lindsay Corp	321,319	710,769
7,652	Manpowergroup Inc	628,155	690,057
2,261	Pultegroup Inc	56,032	97,494
16,834	Resources Connection Inc	270,752	211,603
11,890	UFP Industries Inc	536,972	660,490
10,991	Werner Enterprises Inc	400,134	431,067
	Total Industrials	11.78% <u>5,812,766</u>	<u>8,891,111</u>
<i>Information Technology</i>			
27,034	Kulicke & sofa industries Inc	639,536	859,952
3,366	MKS instruments Inc	302,928	506,415
	Total Information Technology	1.81% <u>942,464</u>	<u>1,366,367</u>
<i>Materials</i>			
4,812	Albemarle Corp	336,815	709,866
4,353	Aptargroup Inc	252,790	595,882
59,784	Element Solutions Inc	887,625	1,059,970



**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<i>Materials (Continued)</i>			
48,907	Graphic Packaging Holding Co	\$ 712,773	\$ 828,485
10,852	Innospec Inc	890,580	984,602
16,755	Minerals Technologies Inc	872,384	1,040,821
20,243	Mueller Industries Inc	445,400	710,732
2,181	Packaging Corp Of America	217,546	300,782
2,864	Quaker Chemical Corp	433,927	725,709
1,132	Royal Gold Inc	121,578	120,400
12,717	Silgan Holdings Inc	466,358	471,546
15,891	Sonoco Products Co	674,776	941,542
11,099	Timken Co/the	485,962	858,619
581	Worthington Industries Inc	23,696	29,829
	Total Materials	12.43% <u>6,822,210</u>	<u>9,378,785</u>
<i>Real Estate</i>			
44,974	Kennedy-Wilson Holdings Inc	782,480	804,585
14,581	Lexington Realty Trust	106,515	154,850
12,091	Mcgrath Rentcorp	407,805	811,306
76	Morgan Group Holding Co	590	532
13,157	RMR Group Inc/the	400,762	508,123
	Total Real Estate	3.02% <u>1,698,152</u>	<u>2,279,396</u>
<i>Telecommunication Services</i>			
11,655	ATN International Inc	501,039	486,713
	Total Telecommunication Services	0.64% <u>501,039</u>	<u>486,713</u>
<i>Utilities</i>			
7,050	Allete Inc	474,704	436,677
3,710	Essential Utilities Inc	134,507	175,446
3,165	SJW Group	187,890	219,524
	Total Utilities	1.10% <u>797,101</u>	<u>831,647</u>
	Total Common Stock	83.04% <u>45,390,243</u>	<u>62,664,007</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<b><u>Foreign Stock</u></b>			
<b><i>Energy</i></b>			
23,081	Pason Systems Inc	\$ 187,529	\$ 142,762
23,870	TGS Nopec Geophysical Co Asa	566,863	369,956
	Total Energy	0.68% <u>754,392</u>	<u>512,718</u>
<b><i>Financial</i></b>			
92,904	Ashmore Group Plc	408,292	547,603
25,495	Assured Guaranty Ltd	645,865	802,838
24,939	Axis Capital Holdings Ltd	998,580	1,256,676
23,702	Bank of NT Butterfield & Son L	726,625	738,554
23,141	James River Group Holdings Ltd	883,327	1,137,380
15,195	Lazard Ltd	510,641	642,749
5,106	Renaissancere Holdings Ltd	821,292	846,677
19,465	Sprott Inc New	499,925	564,699
5,843	TMX Group Ltd	355,933	583,108
	Total Financial	9.44% <u>5,850,480</u>	<u>7,120,284</u>
<b><i>Industrials</i></b>			
23,797	Clarkson Plc	661,790	878,291
8,834	Evertec Inc	275,104	347,353
	Total Industrials	1.62% <u>936,894</u>	<u>1,225,644</u>
<b><i>Information Technology</i></b>			
53,675	Computer Modelling Group Ltd	268,258	205,600
	Total Information Technology	0.27% <u>268,258</u>	<u>205,600</u>
<b><i>Materials</i></b>			
61,021	Gold Fields LTD ADR	287,204	565,665
	Total Materials	0.75% <u>287,204</u>	<u>565,665</u>
	Total Foreign Stock	12.76% <u>8,097,228</u>	<u>9,629,911</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Royce Total Return Collective Trust Fund (Continued)**  
**December 31, 2020**

Number of Shares		Cost	Fair Value
<b><u>Exchange-traded Fund</u></b>			
<b><i>Fixed Income</i></b>			
2,444	Eagle Point Income Co Inc	\$ 48,568	\$ 35,218
	Total Fixed Income	0.05% <u>48,568</u>	<u>35,218</u>
	Total Exchange-traded Fund	0.05% <u>48,568</u>	<u>35,218</u>
<b><u>Limited Partnerships</u></b>			
<b><i>Public Equity</i></b>			
13,424	Alliancebernstein Holding Lp	232,965	453,328
39,151	Compass Diversified Holdings	644,154	761,487
	Total Public Equity	1.61% <u>877,119</u>	<u>1,214,815</u>
	Total Limited Partnerships	1.61% <u>877,119</u>	<u>1,214,815</u>
	Total Investments	100.00% <u>\$ 56,333,515</u>	<u>\$ 75,464,308</u>
ADR American Depository Receipt			

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Year Ended December 31, 2020**

	<b>Royce Total Return Collective Trust Fund</b>
<b>Income</b>	
Interest	\$ 13,457
Dividends	2,035,041
Total income	2,048,498
<b>Expenses</b>	
Investment management and administrative	504,140
Custody fees	48,307
Audit fees	5,000
Total expenses before reimbursement of fees	557,447
Reimbursement of fees	(38,771)
Net expenses	518,676
<b>Net Investment Income</b>	1,529,822
<b>Net Realized Gains (Losses) on Investments and Foreign Currency</b>	
Net realized gains on investments	11,878,919
Net realized losses on foreign currency transactions	(353,977)
Net realized losses on foreign currency forward exchange contracts	(3,519)
Net realized gains on investments and foreign currency	11,521,423
<b>Change in Unrealized Appreciation (Depreciation) on Investments and Foreign Currency</b>	
Net change in unrealized appreciation on investments	(10,869,719)
Translation of assets and liabilities in foreign currencies	338,571
Change in unrealized appreciation (depreciation) on investments and foreign currency	(10,531,148)
Net realized and unrealized gains on investments and foreign currency	990,275
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 2,520,097

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Year Ended December 31, 2020**

	<b>Royce Total Return Collective Trust Fund</b>
<b>Operations</b>	
Net investment income	\$ 1,529,822
Net realized gains	11,521,423
Change in unrealized appreciation (depreciation)	(10,531,148)
Net increase in net assets from operations	2,520,097
<b>Net Decrease in Net Assets From Participant Transactions</b>	<b>(8,303,985)</b>
<b>Decrease in Net Assets Held for Participants</b>	<b>(5,783,888)</b>
<b>Net Assets Held for Participants</b>	
Beginning of year	81,408,284
End of year	\$ 75,624,396

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

### 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 80 portfolios (the Funds); the financial statement of one of these funds 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.

#### ***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.

#### ***Foreign Currency***

Investment securities and other assets and liabilities denominated in, or expected to settle in, foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

The Fund isolates that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held.

Reported net realized foreign exchange gains or losses arise from sales of portfolio securities, sales and maturities of short-term securities, sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the values of assets and liabilities, including investments in securities at December 31, 2020, resulting from changes in the exchange rates.

### ***Foreign Currency Forward Exchange Contracts***

The Fund may enter into foreign currency forward exchange contracts primarily to hedge against foreign currency exchange rate risks on its non-U.S. dollar denominated investment securities. When entering into a forward currency contract, the Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed-upon price on an agreed future date. The Fund's net equity therein, representing unrealized gain or loss on the contracts, as measured by the difference between the forward foreign exchange rates at the dates of entry into the contracts and the forward rates at the reporting date, is included in the statement of assets and liabilities. Realized and unrealized gains and losses are included in the statement of operations. These instruments involve market risk, credit risk or both kinds of risks in excess of the amount recognized in the statement of assets and liabilities. Risks arise from the possible inability of counterparties to meet the terms of their contracts and movement in currency and securities values and interest rates.

### ***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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2020

#### ***Federal Income Taxes***

The Fund complies with the requirements under Section 501(a) of the IRC and apportions 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 27, 2021, which is the date the financial statements were available to be issued.

#### ***Investment Management Advisor***

The investment management advisor for the Fund is Royce & Associates, 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 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, 2020, the investment advisor voluntarily reimbursed class R-INSTL for a portion of its expenses.

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

Fund	Trustee/ Administrative Fees	Investment Management Fees	Custody Fees	Other Fees	Total Fees
Royce Total Return Collective Trust Fund:					
Class R-INSTL	0.06%	0.80%	0.07%	0.01%	0.94%
Class R-LM	0.06%	0.00%	0.07%	0.01%	0.14%



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

### Note 3: Financial Highlights

	Royce Total Return Collective Trust Fund	
	Class R-INSTL	Class R-LM
Net asset value, beginning of year	\$ 12.09	\$ 12.44
Net investment income	0.24	0.23
Net realized and unrealized gains	0.32	0.44
Net increase from investment operations	0.56	0.67
Net asset value, end of year	\$ 12.65	\$ 13.11
Total return	4.63%	5.39%
Ratio to average net assets:		
Net investment income	2.31%	2.12%
Expenses without reimbursements	0.95%	0.12%
Expenses with reimbursements	0.88%	0.12%

### Note 4: Participant Unit Transactions

	Royce Total Return Collective Trust Fund	
	Units	Dollars
<b>Class R-INSTL:</b>		
Proceeds from sales of units	654,443	\$ 6,640,888
Cost of units redeemed	(1,297,793)	(13,670,161)
Net change in Class R-INSTL from participant transactions	<u>(643,350)</u>	<u>(7,029,273)</u>
<b>Class R-LM:</b>		
Proceeds from sales of units	70,514	706,441
Cost of units redeemed	(185,806)	(1,981,153)
Net change in Class R-LM from participant transactions	<u>(115,292)</u>	<u>(1,274,712)</u>
Net decrease in net assets from participant transactions		<u>\$ (8,303,985)</u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2020

#### 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 year ended December 31, 2020.

**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, Foreign Stock, Exchange-traded Funds and Limited Partnerships.** 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 Depositary 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, 2020.

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2020**

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Royce Total Return Collective Trust Fund</b>				
Short Term Investment	\$ 1,920,357	\$ 1,920,357	\$ -	\$ -
Common Stock	62,664,007	62,664,007	-	-
Foreign Stock	9,629,911	9,629,911	-	-
Exchange-traded Fund - Fixed Income	35,218	35,218	-	-
Limited Partnerships - Public Equity	1,214,815	1,214,815	-	-
Total	<u>\$ 75,464,308</u>	<u>\$ 75,464,308</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 changes could materially affect the amounts reported in the accompanying statement of assets and liabilities.

Since January 2020, the COVID-19 pandemic created outbreaks of infectious illnesses, and countries throughout the globe were subject to other public health threats, infectious illnesses, diseases, or similar issues. Any spread of an infectious illness, public health threat or similar issue could alter consumer demand or economic output, result in market closures, travel restrictions or quarantines, and have a significant impact on the global economy, which in turn could adversely affect the Fund's investments and could result in increases or decreases in the Fund's net asset value.

***Foreign Securities Risk***

Securities traded in foreign markets have often (though not always) performed differently from securities traded in the United States. However, such investments often involve special risks not present in U.S. investments that can increase the chances that the Fund will lose money. In

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2020

particular, the Fund is subject to the risk that because there may be fewer investors on foreign exchanges and a smaller number of securities traded each day, it may be more difficult for the Fund to buy and sell securities on those exchanges. In addition, prices of foreign securities may go up and down more than prices of securities traded in the United States.

### ***Currency Risk***

Securities and other instruments in which the Fund invests may be denominated or quoted in currencies other than the U.S. dollar. Changes in foreign currency exchange rates may affect the value of the Fund's portfolio. Because the Fund's assets are primarily invested in securities of foreign countries, the U.S. dollar equivalent of the Fund's net assets would be adversely affected by reductions in the value of the foreign currencies relative to the U.S. dollar. For this reason, changes in foreign currency exchange rates can affect the value of the Fund's portfolio.

Generally, when the U.S. dollar rises in value against a foreign currency, a security denominated in that currency loses value because the currency is worth fewer U.S. dollars. Conversely, when the U.S. dollar decreases in value against a foreign currency, a security denominated in that currency gains value because the currency is worth more U.S. dollars. This risk, generally known as "currency risk," means that a strong U.S. dollar may reduce returns for U.S. investors in foreign stocks, while a weak U.S. dollar may increase those returns.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales**  
**Royce Total Return Collective Trust Fund**  
**Year Ended December 31, 2020**

**Purchases**

<b>Investment Class</b>	<b>Cost</b>
Common Stock	\$ 40,757,178
Foreign Stock	5,082,506
Limited Partnerships – Public Equity	<u>764,104</u>
Total Investments Purchased	<u><u>\$ 46,603,788</u></u>

**Sales**

<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Common Stock	\$ 43,064,865	\$ 33,909,869	\$ 9,154,996
Foreign Stock	7,474,066	4,893,356	2,580,710
Exchange-traded Funds – Fixed Income	62,664	98,774	(36,110)
Limited Partnerships – Public Equity	<u>371,817</u>	<u>192,494</u>	<u>179,323</u>
Total Investments Sold	<u><u>\$ 50,973,412</u></u>	<u><u>\$ 39,094,493</u></u>	<u><u>\$ 11,878,919</u></u>