

**Hand Composite Employee Benefit Trust
Sage Funds**

Independent Auditor's Report and Financial Statements

December 31, 2019



Hand Composite Employee Benefit Trust

December 31, 2019

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Independent Auditor's Report

Board of Directors
Hand Composite Employee Benefit Trust
Houston, Texas

We have audited the accompanying financial statements of selected funds (Sage Cash Balance Conservative Fund, Sage Cash Balance Growth Fund and Sage Cash Balance Moderate Fund) [3 funds] included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which statements comprise the statements of assets and liabilities, including the schedules of investments, as of December 31, 2019, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 controls 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, 2019, and the results of their operations and changes in their net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of investment purchases and sales listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Houston, Texas
May 29, 2020

Hand Composite Employee Benefit Trust
Statements of Assets and Liabilities – Selected Funds
December 31, 2019

	Sage Cash Balance Conservative Fund	Sage Cash Balance Growth Fund	Sage Cash Balance Moderate Fund
Assets			
Investments, at cost	\$ 1,784,555	\$ 6,048,598	\$ 17,316,678
Investments, at fair value	\$ 1,797,270	\$ 6,099,527	\$ 17,419,931
Receivable for dividends	1,422	3,911	11,923
Total assets	<u>\$ 1,798,692</u>	<u>\$ 6,103,438</u>	<u>\$ 17,431,854</u>
Liabilities			
Accounts payable and accrued liabilities	\$ 587	\$ 1,974	\$ 5,304
Total liabilities	<u>\$ 587</u>	<u>\$ 1,974</u>	<u>\$ 5,304</u>
Net assets held for participants:			
Class R1	<u>\$ 1,798,105</u>	<u>\$ 6,101,464</u>	<u>\$ 17,426,550</u>
Units outstanding:			
Class R1	<u>171,030</u>	<u>574,252</u>	<u>1,612,045</u>
Net asset value per unit:			
Class R1	<u>\$ 10.51</u>	<u>\$ 10.63</u>	<u>\$ 10.81</u>

Hand Composite Employee Benefit Trust

Schedules of Investments

Sage Cash Balance Conservative Fund

December 31, 2019

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
70,455	First American Treasury Obligation Fund V	\$ 70,455	\$ 70,455
	Total Short Term Investment	3.92% 70,455	70,455
<u>Exchange-traded Funds</u>			
<i>Fixed Income</i>			
5,845	First Trust Enhanced Short Maturity Fund	350,739	351,227
2,066	iShares Barclays Short Treasury Bond FD	228,073	228,210
6,961	JPM Ultra-Short Income ETF	350,113	351,043
3,456	PIMCO Enhanced Short Maturity ETF	350,229	351,095
5,451	Vanguard Short-Term Bond ETF	429,111	439,405
	Total Fixed Income	95.76% 1,708,265	1,720,980
	Total Exchange-traded Funds	95.76% 1,708,265	1,720,980
<u>Common Trust Fund</u>			
<i>Fixed Income</i>			
5,835	HB&T Short Term Income Fund	5,835	5,835
	Total Fixed Income	0.32% 5,835	5,835
	Total Common Trust Fund	0.32% 5,835	5,835
	Total Investments	100.00% \$ 1,784,555	\$ 1,797,270

Hand Composite Employee Benefit Trust

Schedules of Investments (Continued)

Sage Cash Balance Growth Fund

December 31, 2019

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
247,014	First American Treasury Obligation Fund V	\$ 247,014	\$ 247,014
	Total Short Term Investment	4.05% 247,014	247,014
<u>Exchange-traded Funds</u>			
<i>Fixed Income</i>			
4,610	Invesco Variable Rate Preferred ETF	115,596	119,076
10,271	iShares 0-5 Year High Yield Corp ETF	477,548	476,883
5,956	iShares Barclays 1-3 YR Treas Bond Index	502,099	504,056
1,060	iShares Barclays Aggregate Bond Fund	120,521	119,112
3,849	iShares Barclays MBS Bond Fund	406,441	415,923
10,187	iShares Barclays Short Treasury Bond FD	1,125,654	1,125,256
1,363	iShares Iboxx High Yield Corporate Bond	116,133	119,862
1,121	iShares JP Morgan Emerging Bond Fund	122,316	128,422
3,434	iShares S&P US Preferred Stock Index	126,721	129,084
23,481	JPM Ultra-Short Income ETF	1,183,021	1,184,147
1,280	PIMCO 0-5 YR High Yield Corp Bond Index	128,204	127,654
2,210	SPDR Barclays Convertible Secs	116,926	122,655
3,710	Vaneck Vectors High Yield Muni ETF	235,101	237,626
12,887	Vanguard Short-Term Bond ETF	1,021,367	1,038,821
	Total Fixed Income	95.89% 5,797,648	5,848,577
	Total Exchange-traded Funds	95.89% 5,797,648	5,848,577
<u>Common Trust Fund</u>			
<i>Fixed Income</i>			
3,936	HB&T Short Term Income Fund	3,936	3,936
	Total Fixed Income	0.06% 3,936	3,936
	Total Common Trust Fund	0.06% 3,936	3,936
	Total Investments	100.00% \$ 6,048,598	\$ 6,099,527

Hand Composite Employee Benefit Trust

Schedules of Investments (Continued)

Sage Cash Balance Moderate Fund

December 31, 2019

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
632,099	First American Treasury Obligation Fund V	\$ 632,099	\$ 632,099
	Total Short Term Investment	3.63% 632,099	632,099
<u>Exchange-traded Funds</u>			
<i>Fixed Income</i>			
14,161	Invesco Variable Rate Preferred ETF	353,000	365,779
29,494	iShares 0-5 Year High Yield Corp ETF	1,373,132	1,369,406
20,487	iShares Barclays 1-3 Yr Treasury Bond Index	1,731,387	1,733,815
3,012	iShares Barclays Aggregate Bond Fund	342,580	338,458
16,059	iShares Barclays MBS Bond Fund	1,704,285	1,735,336
29,233	iShares Barclays Short Treasury Bond FD	3,230,363	3,229,077
3,906	iShares Iboxx High Yield Corporate Bond	338,163	343,494
3,028	iShares JP Morgan Emerging Bond Fund	333,145	346,888
9,787	iShares S&P US Preferred Stock Index	366,003	367,893
65,700	JPM Ultra-Short Income ETF	3,311,264	3,313,251
4,475	Pimco 0-5 YR High Yield Corp Bond Index	447,251	446,292
6,214	SPDR Barclays Convertible Secs	328,969	344,877
13,213	Vaneck Vectors High Yield Muni ETF	842,451	846,293
24,245	Vanguard Short-Term Bond ETF	1,930,002	1,954,389
	Total Fixed Income	96.07% 16,631,995	16,735,248
	Total Exchange-traded Funds	96.07% 16,631,995	16,735,248
<u>Common Trust Fund</u>			
<i>Fixed Income</i>			
52,584	HB&T Short Term Income Fund	52,584	52,584
	Total Fixed Income	0.30% 52,584	52,584
	Total Common Trust Fund	0.30% 52,584	52,584
	Total Investments	100.00% \$ 17,316,678	\$ 17,419,931

Hand Composite Employee Benefit Trust
Statements of Operations – Selected Funds
Year Ended December 31, 2019

	Sage Cash Balance Conservative Fund	Sage Cash Balance Growth Fund	Sage Cash Balance Moderate Fund
Income			
Interest	\$ 705	\$ 2,604	\$ 9,408
Dividends	<u>37,551</u>	<u>166,406</u>	<u>400,761</u>
Total income	<u>38,256</u>	<u>169,010</u>	<u>410,169</u>
Expenses			
Investment management and administrative	5,457	18,495	46,398
Custody fees	324	1,100	2,472
Other	<u>16</u>	<u>47</u>	<u>228</u>
Total expenses	<u>5,797</u>	<u>19,642</u>	<u>49,098</u>
Net Investment Income	<u>32,459</u>	<u>149,368</u>	<u>361,071</u>
Net Realized and Unrealized Gains on Investments			
Net realized gain	19,164	122,056	224,821
Net change in unrealized appreciation	<u>7,106</u>	<u>88,293</u>	<u>114,903</u>
Net realized and unrealized gains on investments	<u>26,270</u>	<u>210,349</u>	<u>339,724</u>
Net Increase in Net Assets Resulting From Operations	<u><u>\$ 58,729</u></u>	<u><u>\$ 359,717</u></u>	<u><u>\$ 700,795</u></u>

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

	Sage Cash Balance Conservative Fund	Sage Cash Balance Growth Fund	Sage Cash Balance Moderate Fund
Operations			
Net investment income	\$ 32,459	\$ 149,368	\$ 361,071
Net realized gains	19,164	122,056	224,821
Increase in unrealized appreciation	<u>7,106</u>	<u>88,293</u>	<u>114,903</u>
Net increase in net assets from operations	58,729	359,717	700,795
Net Increase in Net Assets From Participant Transactions	<u>531,092</u>	<u>1,661,331</u>	<u>12,544,626</u>
Increase in Net Assets	589,821	2,021,048	13,245,421
Net Assets			
Beginning of year	<u>1,208,284</u>	<u>4,080,416</u>	<u>4,181,129</u>
End of year	<u><u>\$ 1,798,105</u></u>	<u><u>\$ 6,101,464</u></u>	<u><u>\$ 17,426,550</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Hand Composite Employee Benefit Trust ("HB&T" or "the Trust") was created in order to provide broad and uniform diversification programs for pension and profit sharing plans which, having complied with the requirements of the Internal Revenue Code (the IRC), are exempt from taxation under the provisions of the IRC. The Trust is comprised of 76 funds (the Funds); the financial statements of three of those funds are included in this report.

Each class has equal rights as to earnings and assets except that each class bears different distribution, shareholder servicing and transfer agent expenses. Income, expenses (other than expenses attributable to a specific class), and realized and unrealized gains or losses on investments are allocated to each class of units based on its relative net assets.

The Sage All Cap Equity Plus Fund, Sage Target Date 2025 Fund, Sage Target Date 2035 Fund, Sage Target Date 2045 Fund, Sage Target Date 2055 Fund and the Sage Target Date Retirement Income Fund were liquidated during 2019.

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. Investment income is allocated ratably on the valuation dates among all participants. No distributions are made to participants in the Funds until

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Notes to Financial Statements

December 31, 2019

units owned are redeemed, at which time the market value of redeemed units is distributed. Investment income and realized gains (if any) earned by the Funds are reinvested, thereby increasing the respective unit values.

Valuation of Participants' Interest

Units of participation may be purchased or redeemed on the valuation dates at the fair value per unit on such valuation dates. 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

As a result of the spread of the COVID-19 coronavirus in 2020, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Funds. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through May 29, 2020, which is the date the financial statements were available to be issued.

Investment Management Advisors

The investment management advisors for each Fund are as follows:

Fund	Investment Management Advisors
Sage Cash Balance Conservative Fund	Sage Advisory Services, Ltd. Co.
Sage Cash Balance Growth Fund	Sage Advisory Services, Ltd. Co.
Sage Cash Balance Moderate Fund	Sage Advisory Services, Ltd. Co.

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 investment advisory and service agreements with various third-party advisors. These fees compensate the advisors for the services they provide and for expenses borne by the advisors under the various agreements.

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Notes to Financial Statements

December 31, 2019

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	Custody Fees	Total Fees
Sage Cash Balance Conservative Fund: Class R1	0.10%	0.25%	0.02%	0.37%
Sage Cash Balance Growth Fund: Class R1	0.10%	0.25%	0.02%	0.37%
Sage Cash Balance Moderate Fund: Class R1	0.10%	0.25%	0.02%	0.37%

Note 3: Financial Highlights

	Class R1		
	Sage Cash Balance Conservative Fund	Sage Cash Balance Growth Fund	Sage Cash Balance Moderate Fund
Net asset value, beginning of year	\$ 10.09	\$ 9.85	\$ 10.10
Net investment income	0.21	0.29	0.29
Net realized and unrealized gains	0.21	0.49	0.42
Net increase from investment operations	0.42	0.78	0.71
Net asset value, end of year	\$ 10.51	\$ 10.63	\$ 10.81
Total return	4.16%	7.92%	7.03%
Ratio to average net assets:			
Net investment income	2.03%	2.78%	2.69%
Expenses	0.36%	0.37%	0.37%

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Notes to Financial Statements

December 31, 2019

Note 4: Participant Unit Transactions

	Sage Cash Balance Conservative Fund		Sage Cash Balance Growth Fund		Sage Cash Balance Moderate Fund	
	Units	Dollars	Units	Dollars	Units	Dollars
Class R1:						
Proceeds from sales of units	78,051	\$ 807,037	251,148	\$ 2,612,144	1,461,521	\$ 15,358,213
Cost of units redeemed	(26,743)	(275,945)	(90,942)	(950,813)	(263,326)	(2,813,587)
Net change in Class R1 from participant transactions	<u>51,308</u>	<u>531,092</u>	<u>160,206</u>	<u>1,661,331</u>	<u>1,198,195</u>	<u>12,544,626</u>
Net increase in total net assets from participant transactions		<u>\$ 531,092</u>		<u>\$ 1,661,331</u>		<u>\$ 12,544,626</u>

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 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, 2019.

Short Term Investments. Short term investments, including money market funds, for which market quotations are readily available, are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

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Notes to Financial Statements

December 31, 2019

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.

The following tables present 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, 2019:

		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)
	Fair Value			
Sage Cash Balance Conservative Fund				
Short Term Investment	\$ 70,455	\$ 70,455	\$ -	\$ -
Exchange-traded Funds - Fixed Income	1,720,980	1,720,980	-	-
Common Trust Fund - Fixed Income (A)	5,835			
Total	<u>\$ 1,797,270</u>			
Sage Cash Balance Growth Fund				
Short Term Investment	\$ 247,014	\$ 247,014	\$ -	\$ -
Exchange-traded Funds - Fixed Income	5,848,577	5,848,577	-	-
Common Trust Fund - Fixed Income (A)	3,936			
Total	<u>\$ 6,099,527</u>			
Sage Cash Balance Moderate Fund				
Short Term Investment	\$ 632,099	\$ 632,099	\$ -	\$ -
Exchange-traded Funds - Fixed Income	16,735,248	16,735,248	-	-
Common Trust Fund - Fixed Income (A)	52,584			
Total	<u>\$ 17,419,931</u>			

(A) Certain investments that are measured at fair value using net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of assets and liabilities.

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Notes to Financial Statements

December 31, 2019

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

Sage Cash Balance Conservative Fund

Year Ended December 31, 2019

Purchases

Investment Class	Cost
Exchange-traded Funds - Fixed Income	\$ 1,500,467
Common Trust Funds - Fixed Income	<u>149,116</u>
Total Investments Purchased	<u><u>\$ 1,649,583</u></u>

Sales

Investment Class	Proceeds	Cost	Gains
Exchange-traded Funds - Fixed Income	\$ 708,353	\$ 706,336	\$ 2,017
Exchange-traded Funds - Equity	278,529	261,382	17,147
Common Trust Funds - Fixed Income	<u>146,415</u>	<u>146,415</u>	<u>-</u>
Total Investments Sold	<u><u>\$ 1,133,297</u></u>	<u><u>\$ 1,114,133</u></u>	<u><u>\$ 19,164</u></u>

Hand Composite Employee Benefit Trust

Schedules of Investment Purchases and Sales

Sage Cash Balance Growth Fund

Year Ended December 31, 2019

Purchases

Investment Class	Cost
Exchange-traded Funds - Fixed Income	\$ 7,535,891
Exchange-traded Funds - Equity	308,000
Common Trust Funds - Fixed Income	<u>386,635</u>
Total Investments Purchased	<u>\$ 8,230,526</u>

Sales

Investment Class	Proceeds	Cost	Gains
Exchange-traded Funds - Fixed Income	\$ 4,104,399	\$ 4,052,510	\$ 51,889
Exchange-traded Funds - Equity	2,099,159	2,028,992	70,167
Common Trust Funds - Fixed Income	<u>390,984</u>	<u>390,984</u>	<u>-</u>
Total Investments Sold	<u>\$ 6,594,542</u>	<u>\$ 6,472,486</u>	<u>\$ 122,056</u>

Hand Composite Employee Benefit Trust

Schedules of Investment Purchases and Sales

Sage Cash Balance Moderate Fund

Year Ended December 31, 2019

Purchases

Investment Class	Cost
Exchange-traded Funds - Fixed Income	\$ 24,104,441
Exchange-traded Funds - Equity	40,116
Common Trust Funds - Fixed Income	<u>946,725</u>
Total Investments Purchased	<u>\$ 25,091,282</u>

Sales

Investment Class	Proceeds	Cost	Gains
Exchange-traded Funds - Fixed Income	\$ 10,462,044	\$ 10,297,338	\$ 164,706
Exchange-traded Funds - Equity	1,379,146	1,319,031	60,115
Common Trust Funds - Fixed Income	<u>908,999</u>	<u>908,999</u>	<u>-</u>
Total Investments Sold	<u>\$ 12,750,189</u>	<u>\$ 12,525,368</u>	<u>\$ 224,821</u>