

**Hand Composite Employee Benefit Trust**  
**Ullico J for Jobs Collective Investment Fund**  
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 Ullico J for Jobs Collective Investment Fund, 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, 2018, and the related statements of operations and changes in net assets for the period January 3, 2018 (inception) to December 31, 2018, 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 included in the Hand Composite Employee Benefit Trust as of December 31, 2018, and the results of its operations and the changes in its net assets for the period January 3, 2018 (inception) to December 31, 2018, 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 24, 2019

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2018**

	<b>Ullico J for Jobs Collective Investment Fund</b>
<b>Assets</b>	
Investments, at cost	\$ 10,111,941
Investments, at fair value	\$ 10,286,787
Receivable for: Investment advisor	15,482
Total assets	\$ 10,302,269
<b>Liabilities</b>	
Accounts payable and accrued liabilities	\$ 32,993
Total liabilities	\$ 32,993
Net assets held for participants:	
Class R	\$ 10
Class R1	10,269,266
Total net assets held for participants	\$ 10,269,276
Units outstanding:	
Class R	1
Class R1	1,012,512
Total units outstanding	1,012,513
Net asset value per unit:	
Class R	\$ 10.14
Class R1	\$ 10.14

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Ullico J for Jobs Collective Investment Fund**  
**December 31, 2018**

Number of Shares or Principal Amount		Cost	Fair Value
<b><u>Short Term Investment</u></b>			
432,398	Blackrock Liq Treas Tr Instl	\$ 432,398	\$ 432,398
	Total Short Term Investment	4.20% <u>432,398</u>	<u>432,398</u>
<b><u>Guaranteed Annuity Contract</u></b>			
<b><u>Separate Account</u></b>			
478,532	Ullico J For Jobs Separate Account	7,124,250	7,264,412
	Total Separate Account	70.62% <u>7,124,250</u>	<u>7,264,412</u>
	Total Guaranteed Annuity Contract	70.62% <u>7,124,250</u>	<u>7,264,412</u>
<b><u>Common Trust Fund</u></b>			
<b><u>Fixed Income</u></b>			
18,548	Bank of NY Mellon/Aggregate Bd	2,555,293	2,589,977
	Total Fixed Income	25.18% <u>2,555,293</u>	<u>2,589,977</u>
	Total Common Trust Fund	25.18% <u>2,555,293</u>	<u>2,589,977</u>
	Total Investments	100.00% <u>\$ 10,111,941</u>	<u>\$ 10,286,787</u>

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Period from January 3, 2018 (inception) to December 31, 2018**

	<b>Ullico J for Jobs Collective Investment Fund</b>
<b>Income</b>	
Interest	\$ 5,022
Total income	5,022
<b>Expenses</b>	
Investment management and administrative	26,265
Custody fees	75,000
Audit	18,001
Total expenses before reimbursement of fees	119,266
Reimbursement of fees	(92,915)
Net expenses	26,351
<b>Net Investment Loss</b>	(21,329)
<b>Net Realized and Unrealized Gains (Losses) on Investments</b>	
Net realized losses	(28,546)
Net change in unrealized appreciation/depreciation	174,846
Net realized and unrealized gains	146,300
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 124,971

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Period from January 3, 2018 (inception) to December 31, 2018**

	<b>Ullico J for Jobs Collective Investment Fund</b>
<b>Operations</b>	
Net investment loss	\$ (21,329)
Net realized losses	(28,546)
Net change in unrealized appreciation/depreciation	174,846
Net increase in net assets from operations	124,971
<b>Net Increase in Net Assets From Participant Transactions</b>	<b>10,144,305</b>
<b>Increase in Net Assets</b>	<b>10,269,276</b>
<b>Net Assets</b>	
Beginning of period	-
End of period	\$ 10,269,276



# 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 one of those funds, the Ullico J for Jobs Collective Investment Fund (the Fund), are included in this report.

The Fund's inception date was January 3, 2018.

#### *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.

#### *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.

# 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. The Fund is valued daily.

### **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 24, 2019, which is the date the financial statements were available to be issued.

### **Investment Management Advisor**

The investment management advisor for the Fund is Ullico Investment Advisors, Inc.

## **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 period ended December 31, 2018, 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 average daily net assets:

<b>Fund</b>	<b>Trustee/ Administrative Fees</b>	<b>Investment Advisory Fees</b>	<b>Audit</b>	<b>Total Fees</b>
Ullico J for Jobs Collective Investment Fund:				
Class R	0.08%	0.00%	0.09%	0.17%
Class R1	0.08%	0.00%	0.09%	0.17%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### Note 3: Financial Highlights

	<b>Ullico J for Jobs Collective Investment Fund Class R1</b>	
	<u>\$</u>	
Net asset value, beginning of period	10.00	
Net investment loss		(0.04)
Net realized and unrealized gains		0.18
Net increase from investment operations		0.14
Net asset value, end of period	<u>\$</u>	<u>10.14</u>
Total return		1.40%
Ratio to average net assets:		
Net investment loss		(0.41)%
Expenses without reimbursements		2.30%
Expenses with reimbursements		0.51%

### Note 4: Participant Unit Transactions

	<b>Ullico J for Jobs Collective Investment Fund</b>	
	<u>Units</u>	<u>Dollars</u>
<b>Class R1:</b>		
Proceeds from sales of units	1,022,216	\$ 10,241,443
Cost of units redeemed	(9,704) #	(97,138)
Net increase in net assets from participant transactions	<u>1,012,512</u>	<u>\$ 10,144,305</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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

- Level 1:** Quoted prices in active markets for identical assets or liabilities that the 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, 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.

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, 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)
<b>Ullico J for Jobs Collective Investment Fund</b>				
Short Term Investment	\$ 432,398	\$ 432,398	\$ -	\$ -
Guaranteed Annuity Contract (A)	7,264,412			
Common Trust Fund – Fixed Income (A)	2,589,977			
Total	<u>\$ 10,286,787</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 statement of assets and liabilities.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### 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.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales – Selected Fund**  
**Ullico J for Jobs Collective Investment Fund**  
**Period from January 3, 2018 (inception) to December 31, 2018**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Common Trust Fund – Fixed Income	\$ 10,102,425
Guaranteed Annuity Contracts	7,124,660
Mutual Funds - Equity	<u>197,817</u>
Total Investments Purchased	<u>\$ 17,424,902</u>

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Common Trust Fund – Equity	\$ 7,518,545	\$ 7,547,132	\$ (28,587)
Guaranteed Annuity Contracts	413	410	3
Mutual Funds - Fixed Income	<u>197,855</u>	<u>197,817</u>	<u>38</u>
Total Investments Sold	<u>\$ 7,716,813</u>	<u>\$ 7,745,359</u>	<u>\$ (28,546)</u>