

Hand Composite Employee Benefit Trust

**Ullico SFA Fixed
Income CIF**

**Independent Auditor's Report
and Financial Statements**

December 31, 2022



Hand Composite Employee Benefit Trust

December 31, 2022

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Independent Auditor's Report

To the Unitholders and Board of Directors
Hand Composite Employee Benefit Trust
Houston, Texas

Opinion

We have audited the financial statements of the selected fund, Ullico SFA Fixed Income CIF, included in the Hand Composite Employee Benefit Trust, which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2022, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Hand Composite Employee Benefit Trust and the selected fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Hand Composite Employee Benefit Trust's and the selected fund's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Hand Composite Employee Benefit Trust's and the selected fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hand Composite Employee Benefit Trust's and the selected fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the selected fund's basic financial statements. 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 basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

FORVIS,LLP

Houston, Texas
May 31, 2023

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2022

	Ullico SFA Fixed Income CIF
Assets	
Investments, at cost	\$ 12,993,830
Investments, at fair value	\$ 12,909,003
Receivable for:	
Dividends and interest	28,035
Total assets	\$ 12,937,038
Liabilities	
Payable for investment securities purchased	\$ 516,477
Accounts payable and accrued liabilities	10,102
Total liabilities	\$ 526,579
Net assets held for participants:	
Class R1	\$ 12,410,459
Units outstanding:	
Class R1	1,250,000
Net asset value per unit:	
Class R1	\$ 9.93

Hand Composite Employee Benefit Trust
Schedule of Investments
Ullico SFA Fixed Income CIF
December 31, 2022

Number of Shares/Par Value		Cost	Fair Value
<u>Short Term Investment</u>			
1,416,255	BlackRock Liq Treas Tr Instl Var Rt 12/31/2049 DD 01/31/12	\$ 1,416,255	\$ 1,416,255
	Total Short Term Investment	10.97% <u>1,416,255</u>	<u>1,416,255</u>
<u>U.S. Government Obligations</u>			
\$ 200,000	U.S. Treasury Bond 2.000% 08/15/2051 DD 08/15/21	136,767	132,250
1,000,000	U.S. Treasury Bond 2.000% 11/15/2041 DD 11/15/21	733,804	719,258
3,000,000	U.S. Treasury Note 0.125% 01/15/2024 DD 01/15/21	2,865,895	2,861,133
2,000,000	U.S. Treasury Note 1.250% 08/15/2031 DD 08/15/21	1,643,762	1,627,266
1,000,000	U.S. Treasury Note 1.625% 02/15/2026 DD 02/15/16	929,665	925,781
	Total U.S. Government Obligations	48.54% <u>6,309,893</u>	<u>6,265,688</u>
<u>U.S. Government Agencies</u>			
<u>Federal National Mortgage Association (FNMA)</u>			
170,577	FNMA Pool #0735500 5.500% 05/01/2035 DD 04/01/05	175,428	176,408
129,515	FNMA Pool #0CA5225 3.000% 02/01/2050 DD 01/01/20	116,323	115,523
264,088	FNMA Pool #0CA6635 2.500% 08/01/2050 DD 07/01/20	229,757	228,093
127,022	FNMA Pool #0CB0671 2.500% 06/01/2051 DD 05/01/21	110,707	109,617
264,100	FNMA Pool #0FM3123 2.500% 05/01/2040 DD 04/01/20	239,144	237,946
400,000	FNMA Pool #0FS3371 2.000% 01/01/2053 DD 12/01/22	334,262	330,001
138,418	FNMA Pool #0MA4045 2.000% 05/01/2040 DD 05/01/20	117,923	117,898
355,020	FNMA Pool #0MA4152 2.000% 10/01/2040 DD 09/01/20	306,001	302,878
	Total FNMA Pools	12.54% <u>1,629,545</u>	<u>1,618,364</u>
<u>Federal Home Loan Mortgage Corporation (FHLMC)</u>			
239,299	FHLMC Pool #SD-0612 2.500% 11/01/2050 DD 05/01/21	208,420	207,034
119,833	FHLMC Pool #SD-7528 2.000% 11/01/2050 DD 10/01/20	100,064	99,132
100,306	FHLMC Pool #ZA-1334 3.500% 07/01/2042 DD 09/01/18	94,634	94,025
388,141	FHLMC Pool #ZS-9386 3.000% 04/01/2043 DD 09/01/18	355,158	353,709
151,424	FHLMC Pool #ZS-9629 3.500% 01/01/2044 DD 09/01/18	142,861	141,946
	Total FHLMC Pools	6.94% <u>901,137</u>	<u>895,846</u>
	Total U.S. Government Agencies	19.48% <u>2,530,682</u>	<u>2,514,210</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Ullico SFA Fixed Income CIF (Continued)
December 31, 2022

Number of Shares		Cost	Fair Value
<i><u>Exchange-traded Fund</u></i>			
<i>Fixed Income</i>			
35,000	Vanguard Int-Term Corporate	\$ 2,737,000	\$ 2,712,850
	Total Exchange-traded Fund	21.01% <u>2,737,000</u>	<u>2,712,850</u>
	Total Investments	100.00% <u>\$ 12,993,830</u>	<u>\$ 12,909,003</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Period December 22, 2022 (Inception) to December 31, 2022

	Ullico SFA Fixed Income CIF
Income	
Interest	\$ 5,388
Expenses	
Investment management and administrative	102
Audit	10,000
Total expenses	10,102
Net Investment Loss	(4,714)
Net Unrealized Losses on Investments	
Change in unrealized appreciation/depreciation	(84,827)
Net Decrease in Net Assets Resulting From Operations	\$ (89,541)

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Period December 22, 2022 (Inception) to December 31, 2022

	Ullico SFA Fixed Income CIF
Operations	
Net investment loss	\$ (4,714)
Change in unrealized appreciation/depreciation	(84,827)
Net decrease in net assets from operations	(89,541)
Net Increase in Net Assets From Participant Transactions	12,500,000
Increase in Net Assets Held for Participants	12,410,459
Net Assets Held for Participants	
Beginning of period	-
End of period	\$ 12,410,459

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2022

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 71 portfolios (the Funds); the financial statements of one of these funds are included in this report.

The Fund's inception date was December 22, 2022.

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, 2022

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 31, 2023, 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.

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 Advisory Fees	Fund Accounting Fees	Audit Fees	Total Fees
Ullico SFA Fixed Income CIF:					
Class R1	0.06%	0.15%	0.30%	0.04%	0.55%

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2022

Note 3: Financial Highlights

	Ullico SFA Fixed Income CIF*
	Class R1
Net asset value, beginning of period	\$ 10.00
Net investment loss	-
Net realized and unrealized losses	(0.07)
Net decrease from investment operations	(0.07)
Net asset value, end of period	\$ 9.93
Total return	(0.70%)
Ratio to average net assets:	
Net investment loss**	(0.12%)
Expenses**	0.11%

*For the period December 22, 2022 (Inception) to December 31, 2022

**Annualized

Note 4: Participant Unit Transactions

	Ullico SFA Fixed Income CIF	
	Units	Dollars
Class R1:		
Proceeds from sales of units	1,250,000	\$ 12,500,000
Net increase in Class R1 from participant transactions	1,250,000	\$ 12,500,000

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, 2022

- 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, 2022.

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 and Agency Obligations. U.S. Government and agency obligations are valued using a model that incorporates 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. U.S. Government and agency obligations are categorized as Level 2 in the hierarchy.

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 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, 2022.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2022

	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)
Ullico SFA Fixed Income CIF				
Short Term Investment	\$ 1,416,255	\$ 1,416,255	\$ -	\$ -
U.S. Government Obligations	6,265,688	6,265,688	-	-
U.S. Government Agencies	2,514,210	-	2,514,210	-
Exchange-traded Fund - Fixed Income	2,712,850	2,712,850	-	-
Total	<u>\$ 12,909,003</u>	<u>\$ 10,394,793</u>	<u>\$ 2,514,210</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.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investment Purchases and Sales – Selected Fund
Ullico SFA Fixed Income CIF
Period December 22, 2022 (Inception) to December 31, 2022

Purchases	
Investment Class	Cost
US Government Agencies	\$ 2,530,610
US Government Obligations	6,307,258
Exchange-traded Funds	2,737,000
Total Investments Purchased	\$ 11,574,868

Sales

There were no investment sales during the year.