

Hand Composite Employee Benefit Trust
Vulcan Value Partners Large Cap Fund
Independent Auditor's Report and Financial Statements
December 31, 2017



Hand Composite Employee Benefit Trust
December 31, 2017

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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 the Vulcan Value Partners Large Cap Fund ("Fund") included in the Hand Composite Employee Benefit Trust ("Trust" or "Funds"), which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2017, 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 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 the Vulcan Value Partners Large Cap Fund included in the Hand Composite Employee Benefit Trust as of December 31, 2017, and the results of its operations and 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 25, 2018

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2017

	Vulcan Value Partners Large Cap Fund
Assets	
Investments, at cost	<u>\$ 56,695,155</u>
Investments, at fair value	\$ 62,611,939
Receivable for:	
Capital shares sold	62,383
Investment securities sold	812,089
Dividends and interest	<u>41,153</u>
Total assets	<u>\$ 63,527,564</u>
Liabilities	
Accounts payable and accrued liabilities	<u>\$ 46,218</u>
Total liabilities	<u>\$ 46,218</u>
Net Assets Held for Participants - Class R1	<u>\$ 63,481,346</u>
Units Outstanding - Class R1	<u>5,460,371</u>
Net Asset Value Per Unit - Class R1	<u>\$ 11.63</u>

Hand Composite Employee Benefit Trust
Schedule of Investments
Vulcan Value Partners Large Cap Fund
December 31, 2017

Number of Shares		Cost	Fair Value
<i>Short Term Investment</i>			
796,912	First American Treasury Obligation Fund V	\$ 796,912	\$ 796,912
	Total Short Term Investment	1.27% <u>796,912</u>	<u>796,912</u>
<i>Common Stock</i>			
<i>Consumer Discretionary</i>			
2,227	Autozone Inc	1,300,116	1,584,221
12,749	Hilton Worldwide Holdings Inc	1,018,278	1,018,135
5,098	O'reilly Automotive Inc	1,036,609	1,226,273
546	Priceline.com Inc	945,267	948,806
	Total Consumer Discretionary	7.63% <u>4,300,270</u>	<u>4,777,435</u>
<i>Consumer Staples</i>			
42,034	CVS Caremark Corporation	3,352,631	3,047,465
	Total Consumer Staples	4.87% <u>3,352,631</u>	<u>3,047,465</u>
<i>Energy</i>			
112,366	National Oilwell Varco Inc	4,070,553	4,047,423
	Total Energy	6.46% <u>4,070,553</u>	<u>4,047,423</u>
<i>Financials</i>			
28,981	Bank of New York Mellon Corp	1,403,060	1,560,917
6,790	Moodys Corp	701,583	1,002,272
10,107	Northern Trust Corporation	891,777	1,009,588
5,085	S&P Global Inc	621,011	861,399
24,836	State Street Corp	1,958,863	2,424,242
	Total Financials	10.95% <u>5,576,294</u>	<u>6,858,418</u>
<i>Healthcare</i>			
5,969	Aetna Inc	723,250	1,076,748
40,711	Amerisourcebergen Corporation	3,246,739	3,738,084
7,376	Anthem Inc	1,216,188	1,659,674
22,967	Cardinal Health Inc	1,697,748	1,407,188
17,806	Mckesson Corporation	2,592,425	2,776,845
	Total Healthcare	17.02% <u>9,476,350</u>	<u>10,658,539</u>
<i>Industrials</i>			
4,196	Parker Hannifin Corporation	596,579	837,438
4,483	United Technologies Corporation	510,226	571,896
	Total Industrials	2.25% <u>1,106,805</u>	<u>1,409,334</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Vulcan Value Partners Large Cap Fund
December 31, 2017

Number of Shares		Cost	Fair Value
<i>Information Technology</i>			
2,529	Alphabet Inc Cl C	\$ 2,452,665	\$ 2,646,346
16,523	Mastercard Inc	1,738,449	2,500,921
113,093	Oracle Corp	4,416,646	5,347,037
32,420	Qorvo Inc	1,933,102	2,159,172
31,048	SS&C Technologies Holdings Inc	1,271,511	1,256,823
27,991	Sabre Corp	694,784	573,816
22,835	Skyworks Solutions Inc	2,200,258	2,168,183
21,863	Visa Inc Cl A	1,736,298	2,492,819
	Total Information Technology	30.58% <u>16,443,713</u>	<u>19,145,117</u>
<i>Real Estate</i>			
22,763	CBRE Group Inc	720,554	985,866
	Total Real Estate	1.57% <u>720,554</u>	<u>985,866</u>
	Total Common Stock	81.33% <u>45,047,170</u>	<u>50,929,597</u>
<i>Foreign Stock</i>			
<i>Consumer Discretionary</i>			
437,301	GKN Plc Ord	1,802,049	1,888,952
13,813	Intercontinental Hotels Group Adr	653,666	877,264
	Total Consumer Discretionary	4.42% <u>2,455,715</u>	<u>2,766,216</u>
<i>Financials</i>			
25,136	Axis Capital Hldgs Ltd	1,641,207	1,263,336
5,705	Everest Re Group Ltd	1,229,306	1,262,288
27,200	Swiss Re Ag Ord	2,586,301	2,528,240
	Financials	8.08% <u>5,456,814</u>	<u>5,053,864</u>
<i>Industrials</i>			
19,580	Airbus Se Ord Sedol 4012250 Fr	1,820,745	1,953,743
	Total Industrials	3.13% <u>1,820,745</u>	<u>1,953,743</u>
<i>Materials</i>			
9,990	Axalta Coating Systems Ltd	321,368	323,276
	Total Materials	0.52% <u>321,368</u>	<u>323,276</u>
<i>Telecommunication Services</i>			
35,024	WPP Plc Sedol	643,285	635,185
	Total Telecommunication Services	1.01% <u>643,285</u>	<u>635,185</u>
	Total Foreign Stock	17.16% <u>10,697,927</u>	<u>10,732,284</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Vulcan Value Partners Large Cap Fund
December 31, 2017

Number of Shares	Cost	Fair Value
<i><u>Common Trust Fund</u></i>		
<i>Fixed Income</i>		
153146 HB&T Short Term Income Fund	\$ 153,146	\$ 153,146
Total Fixed Income	0.24% <u>153,146</u>	<u>153,146</u>
Total Common Trust Fund	0.24% <u>153,146</u>	<u>153,146</u>
Total Investments	100.00% <u>\$ 56,695,155</u>	<u>\$ 62,611,939</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2017

	Vulcan Value Partners Large Cap Fund
Income	
Interest	\$ 19,131
Dividends (net of foreign withholding taxes of \$46,283)	901,039
Total income	920,170
Expenses	
Investment management and administrative	47,958
Custody	18,139
Audit	10,500
Other	92
Class R1 expenses	359,601
Total expenses	436,290
Net Investment Income	483,880
Net Realized and Unrealized Gains on Investments	
Net realized gains on investments	2,473,552
Net change in unrealized appreciation on investments	5,916,784
Net realized and unrealized gains	8,390,336
Net Increase in Net Assets Resulting From Operations	\$ 8,874,216

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2017

	Vulcan Value Partners Large Cap Fund
Operations	
Net investment income	\$ 483,880
Net realized gains	2,473,552
Change in unrealized appreciation	<u>5,916,784</u>
Net increase in net assets from operations	8,874,216
Net Decrease in Net Assets From Participant Transactions	<u>(1,500,244)</u>
Increase in Net Assets	7,373,972
Net Assets	
Beginning of period	<u>56,107,374</u>
End of period	<u><u>\$ 63,481,346</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2017

Note 1: Nature of Operations

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

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 on 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, 2017

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 apportion 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 25, 2018, which is the date the financial statements were available to be issued.

Investment Management Advisor

The investment management advisor is Vulcan Value Partners, 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 has 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.

The following table indicates the fees charged 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	Administrative Fees	Investment Advisory Fees	Custody Fees	Other Fees	Total Fees
Vulcan Value Partners Large Cap Fund					
Class R1	0.08%	0.60%	0.03%	0.01%	0.72%

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2017

Note 3: Financial Highlights

	<u>Class R1</u> <u>Vulcan Value</u> <u>Partners Large</u> <u>Cap Fund</u>
Net asset value, beginning of year	\$ 10.00
Net investment income	0.09
Net realized and unrealized gains	1.54
Net increase from investment operations	1.63
Net asset value, end of year	<u>\$ 11.63</u>
Total return	16.30%
Ratio to average net assets:	
Net investment income	0.80%
Expenses	0.72%

Note 4: Participant Unit Transactions

	<u>Vulcan Value Partners Large Cap</u>	
	<u>Units</u>	<u>Dollars</u>
Class R1:		
Proceeds from sales of units	557,998	\$ 6,125,991
Cost of units redeemed	<u>(708,366)</u>	<u>(7,626,235)</u>
Net decrease in total net assets from participant transactions	<u>(150,368)</u>	<u>\$ (1,500,244)</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, 2017

- Level 1:** Quoted prices in active markets for identical assets or liabilities that the Fund can access on 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, 2017.

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 and Foreign Stock. 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, 2017.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2017

	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)
The Vulcan Value Large Cap Fund				
Short Term Investment	\$ 796,912	\$ 796,912	\$ -	\$ -
Common Stock	50,929,597	50,929,597	-	-
Foreign Stock	10,732,284	10,732,284	-	-
Common Trust Fund - Fixed Income (A)	<u>153,146</u>			
Total	<u>\$ 62,611,939</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.

Note 6: Risk Factors

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 change 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
Year Ended December 31, 2017

Purchases	
Investment Class	Cost
Common Stock	\$ 64,856,959
Foreign Stock	13,603,783
Common Trust Fund - Fixed Income	7,418,769
Total Investments Purchased	\$ 85,879,511

Sales			
Investment Class	Proceeds	Cost	Gain
Common Stock	\$ 22,166,242	\$ 19,809,791	\$ 2,356,451
Foreign Stock	3,022,957	2,905,856	117,101
Common Trust Fund - Fixed Income	7,265,622	7,265,622	-
Total Investments Sold	\$ 32,454,821	\$ 29,981,269	\$ 2,473,552