

**Hand Composite Employee Benefit Trust**  
**Western Asset Core Bond CIF**  
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 the selected fund, Western Asset Core Bond CIF, 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, 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 selected fund, Western Asset Core Bond CIF, as of December 31, 2018, 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 24, 2019

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

	<b>Western Asset Core Bond CIF</b>
<b>Assets</b>	
Investments, at cost	\$ 309,247,634
Investments, at fair value	\$ 310,140,528
Cash	45
Deposits with brokers for open futures contracts	1,070,335
Deposits with brokers for centrally cleared swap contracts	1,224,000
Receivable for:	
Investment securities sold	7,667,267
Capital shares sold	189,226
Dividends and interest	1,455,593
Investment advisor waived fees	27,836
Total assets	\$ 321,774,830
<b>Liabilities</b>	
Payable for investment securities purchased	\$ 66,032,534
Payable for capital shares redeemed	35,658
Management fee payable	42,635
Written options, at value (premiums received – \$169,196)	347,658
Payable to broker - variation margin on open futures contracts	92,576
Payable to broker – variation margin on centrally cleared swap contracts	45,163
Accounts payable and accrued liabilities	61,526
Total liabilities	\$ 66,657,750
Net assets held for participants:	
Class R1	\$ 22,451,535
Class R3	232,665,545
Total net assets held for participants	\$ 255,117,080
Units outstanding:	
Class R1	2,218,898
Class R3	22,959,089
Total units outstanding	25,177,987
Net asset value per unit:	
Class R1	\$ 10.12
Class R3	\$ 10.13

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Western Asset Core Bond CIF**  
**December 31, 2018**

Number of Shares		Cost	Fair Value
<u><i>Short Term Investments</i></u>			
2,760,000	Banco Santander S.A. 2.63% 02/01/2019	\$ 2,753,892	\$ 2,753,717
2,180,000	JP Morgan Securities LLC 2.55% 02/01/2019	2,175,307	2,174,987
45,290,401	State Street Institutional U.S. Government Money Market Fund, Premier Class 2.25% 12/31/2030	45,290,401	45,290,401
	Total Short Term Investments	16.19% <u>50,219,600</u>	<u>50,219,105</u>

Principal Amount		Cost	Fair Value
<u><i>Corporate Bonds</i></u>			
<i>Consumer Discretionary</i>			
\$ 10,000	Amazon.com, Inc. Sr Unsecured 4.95% 12/05/2044	11,714	11,086
310,000	Amazon.com, Inc. Sr Unsecured 3.15% 08/22/2027	296,910	299,299
200,000	Amazon.com, Inc. Sr Unsecured 3.88% 08/22/2037	193,080	193,151
60,000	Comcast Corp. 2.35% 01/15/2027	56,658	53,634
10,000	Comcast Corp. 5.65% 06/15/2035	12,279	10,963
10,000	Comcast Corp. Company Guarantee 7.05% 03/15/2033	13,041	12,423
750,000	Cooperatieve Rabobank UA Company Guarantee 4.63% 12/01/2023	772,711	760,448
10,000	Ford Motor Co. Sr Unsecured 4.75% 01/15/2043	10,065	7,712
110,000	General Motors Co. Sr Unsecured 6.25% 10/02/2043	108,826	103,108
10,000	General Motors Financial Co., Inc. Company Guarantee 3.45% 04/10/2022	10,062	9,671
10,000	JPMorgan Chase & Co. Sr Unsecured 3.51% 01/23/2029	10,000	9,469
390,000	JPMorgan Chase & Co. Sr Unsecured 4.02% 12/05/2024	390,000	393,103
570,000	JPMorgan Chase & Co. Sr Unsecured 4.20% 07/23/2029	565,711	568,267
120,000	JPMorgan Chase & Co. Sr Unsecured 4.45% 12/05/2029	120,620	122,057
640,000	KazMunayGas National Co. JSC Sr Unsecured 144A 5.38% 04/24/2030	648,209	628,175
30,000	McDonald's Corp. MTN 3.50% 03/01/2027	30,027	29,136
80,000	McDonald's Corp. MTN 3.80% 04/01/2028	79,947	78,542
110,000	McDonald's Corp. Sr Unsecured 4.88% 12/09/2045	113,606	110,731
210,000	McDonald's Corp. Sr Unsecured MTN 3.70% 01/30/2026	207,399	205,861
80,000	Newell Brands, Inc. Sr Unsecured 4.20% 04/01/2026	78,607	78,186
210,000	Pertamina Persero PT 144A 6.00% 05/03/2042	206,591	208,986
240,000	Sands China Ltd. Sr Unsecured 144A 5.13% 08/08/2025	239,053	237,660
20,000	Time Warner Cable LLC Company Guarantee 4.13% 02/15/2021	20,559	20,082
20,000	Time Warner Cable LLC Sr Secured 5.88% 11/15/2040	21,773	19,101
120,000	Time Warner, Inc. 4.75% 03/29/2021	123,785	123,026
100,000	Time Warner, Inc. Company Guarantee 3.80% 02/15/2027	94,912	93,830
10,000	TJX Cos., Inc. 2.25% 09/15/2026	9,714	9,073
	Total Consumer Discretionary	1.42% <u>4,445,859</u>	<u>4,396,780</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
<i>Consumer Staples</i>			
\$ 30,000	Altria Group, Inc. 9.25% 08/06/2019	\$ 31,164	\$ 31,006
10,000	Altria Group, Inc. Company Guarantee 2.85% 08/09/2022	10,195	9,600
200,000	Altria Group, Inc. Company Guarantee 4.75% 05/05/2021	205,990	204,409
50,000	CVS Health Corp. Sr Unsecured 3.88% 07/20/2025	52,342	48,725
10,000	CVS Health Corp. Sr Unsecured 5.13% 07/20/2045	11,580	9,734
10,000	Diageo Investment Corp. 2.88% 05/11/2022	10,285	9,903
10,000	Kraft Heinz Foods Co. Company Guarantee 3.95% 07/15/2025	10,527	9,678
210,000	Kraft Heinz Foods Co. Company Guarantee 3.00% 06/01/2026	190,065	187,337
10,000	Kraft Heinz Foods Co. Company Guarantee 3.50% 07/15/2022	9,915	9,855
110,000	Kraft Heinz Foods Co. Company Guarantee 4.38% 06/01/2046	98,494	90,621
10,000	Philip Morris International, Inc. Sr Unsecured 2.50% 08/22/2022	10,138	9,636
80,000	Philip Morris International, Inc. Sr Unsecured 4.50% 03/20/2042	80,158	75,968
20,000	Philip Morris International, Inc. Sr Unsecured 1.88% 11/01/2019	19,983	19,759
450,000	Philip Morris International, Inc. Sr Unsecured 2.50% 11/02/2022	435,580	432,496
130,000	Reynolds American, Inc. Company Guarantee 6.15% 09/15/2043	150,556	126,699
10,000	Reynolds American, Inc. Company Guarantee 5.85% 08/15/2045	12,375	9,290
200,000	Sinopec Group Overseas Development 2014 Ltd. Company Guarantee 144A 4.38% 04/10/2024	201,855	204,192
10,000	Walgreens Boots Alliance, Inc. Sr Unsecured 3.45% 06/01/2026	10,192	9,409
420,000	Walmart, Inc. Sr Unsecured 3.70% 06/26/2028	419,363	426,272
	Total Consumer Staples	0.62% <u>1,970,757</u>	<u>1,924,589</u>
<i>Energy</i>			
580,000	Anadarko Petroleum Corp. Sr Unsecured 4.50% 07/15/2044	525,931	491,492
90,000	Anadarko Petroleum Corp. Sr Unsecured 5.55% 03/15/2026	96,397	94,261
118,000	Apache Corp. Sr Unsecured 3.25% 04/15/2022	117,383	115,572
570,000	Apache Corp. Sr Unsecured 4.25% 01/15/2044	500,827	458,933
440,000	Apache Corp. Sr Unsecured 4.75% 04/15/2043	413,831	377,415
110,000	Apache Corp. Sr Unsecured 5.25% 02/01/2042	113,316	101,640
360,000	BHP Billiton Finance USA Ltd. Company Guarantee 5.00% 09/30/2043	399,725	393,296
470,000	BP Capital Markets America, Inc. 3.12% 05/04/2026	446,802	441,955
220,000	BP Capital Markets America, Inc. Company Guarantee 3.22% 11/28/2023	216,732	216,825
40,000	Chevron Corp. Sr Unsecured 2.95% 05/16/2026	39,915	38,507
520,000	Cimarex Energy Co. Sr Unsecured 3.90% 05/15/2027	492,638	482,529
740,000	CNOOC Finance 2015 USA LLC Company Guarantee 3.50% 05/05/2025	707,362	716,712
430,000	Concho Resources, Inc. Company Guarantee 4.30% 08/15/2028	426,010	420,627
70,000	Continental Resources, Inc. Company Guarantee 3.80% 06/01/2024	69,056	66,267
20,000	Continental Resources, Inc. Company Guarantee 4.38% 01/15/2028	19,232	18,815
170,000	Devon Energy Corp. Sr Unsecured 5.00% 06/15/2045	166,233	149,753
330,000	Devon Energy Corp. Sr Unsecured 5.85% 12/15/2025	361,171	350,009
960,000	Ecopetrol S.A. Sr Unsecured 5.88% 05/28/2045	937,238	906,451
100,000	El Paso Natural Gas Co. LLC 8.38% 06/15/2032	126,010	120,722
50,000	EOG Resources, Inc. Sr Unsecured 4.15% 01/15/2026	51,295	51,319
270,000	Exxon Mobil Corp. Sr Unsecured 3.04% 03/01/2026	261,466	263,403
110,000	Exxon Mobil Corp. Sr Unsecured 4.11% 03/01/2046	110,092	111,667
230,000	Halliburton Co. Sr Unsecured 3.80% 11/15/2025	227,368	222,867
100,000	Halliburton Co. Sr Unsecured 5.00% 11/15/2045	104,481	98,184

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
<i>Energy (Continued)</i>			
\$ 70,000	Kerr-McGee Corp. Company Guarantee 6.95% 07/01/2024	\$ 79,466	\$ 78,040
260,000	Kerr-McGee Corp. Company Guarantee 7.88% 09/15/2031	325,337	311,363
30,000	Kinder Morgan Energy Partners L.P. 4.25% 09/01/2024	30,650	29,820
110,000	Kinder Morgan Energy Partners L.P. Company Guarantee 3.50% 03/01/2021	109,973	109,662
110,000	Kinder Morgan, Inc. Company Guarantee 4.30% 03/01/2028	109,363	107,661
230,000	MPLX L.P. Sr Unsecured 4.00% 03/15/2028	221,079	215,568
100,000	MPLX L.P. Sr Unsecured 4.50% 04/15/2038	94,804	87,335
280,000	MPLX L.P. Sr Unsecured 4.70% 04/15/2048	258,348	243,181
10,000	MPLX L.P. Sr Unsecured 4.80% 02/15/2029	10,044	9,975
90,000	MPLX L.P. Sr Unsecured 5.50% 02/15/2049	88,809	87,544
110,000	Noble Energy, Inc. Sr Unsecured 4.15% 12/15/2021	114,423	110,517
420,000	Noble Energy, Inc. Sr Unsecured 3.85% 01/15/2028	394,621	379,732
280,000	Noble Energy, Inc. Sr Unsecured 4.95% 08/15/2047	267,941	242,256
220,000	Occidental Petroleum Corp. Sr Unsecured 3.00% 02/15/2027	209,125	208,807
10,000	Occidental Petroleum Corp. Sr Unsecured 4.10% 02/15/2047	10,002	9,329
150,000	Occidental Petroleum Corp. Sr Unsecured 3.40% 04/15/2026	148,534	146,759
190,000	Occidental Petroleum Corp. Sr Unsecured 4.20% 03/15/2048	184,875	181,591
10,000	Occidental Petroleum Corp. Sr Unsecured 4.40% 04/15/2046	9,902	9,729
800,000	Petroleos del Peru S.A. 144A 4.75% 06/19/2032	756,062	768,000
1,010,000	Petroleos Mexicanos 5.63% 01/23/2046	853,066	764,459
30,000	Shell International Finance BV 4.38% 03/25/2020	30,966	30,517
320,000	Shell International Finance BV Company Guarantee 2.88% 05/10/2026	309,040	306,930
390,000	Shell International Finance BV Company Guarantee 4.00% 05/10/2046	374,889	376,609
800,000	Vale Overseas Ltd. Company Guarantee 6.25% 08/10/2026	868,506	864,000
390,000	Vale Overseas Ltd. Company Guarantee 6.88% 11/10/2039	434,736	450,450
100,000	Williams Cos., Inc. Sr Unsecured Series A 7.50% 01/15/2031	120,924	119,371
	Total Energy	4.18% 13,345,996	12,958,426
<i>Financials</i>			
140,000	American Express Co. 2.65% 12/02/2022	134,669	135,436
30,000	American Express Co. 3.63% 12/05/2024	30,242	29,327
20,000	American Express Credit Corp. Sr Unsecured MTN 2.38% 05/26/2020	19,806	19,790
20,000	American International Group, Inc. Sr Unsecured 3.75% 07/10/2025	20,652	19,149
240,000	Banco Nacional de Comercio Exterior SNC VRN, 144A 3.80% 08/11/2026	235,542	229,202
400,000	Banco Santander S.A. Sr Unsecured 4.38% 04/12/2028	383,111	373,490
190,000	Bank of America Corp. FRN 3.95% 01/23/2049	179,045	169,235
90,000	Bank of America Corp. Sr Unsecured 3.30% 01/11/2023	91,491	88,637
810,000	Bank of America Corp. Sr Unsecured 3.00% 12/20/2023	784,707	787,327
650,000	Bank of America Corp. Sr Unsecured 3.42% 12/20/2028	602,454	607,197
30,000	Bank of America Corp. Sr Unsecured 3.55% 03/05/2024	30,000	29,637
110,000	Bank of America Corp. Sr Unsecured 3.59% 07/21/2028	110,064	104,315
150,000	Bank of America Corp. Sr Unsecured 4.27% 07/23/2029	151,771	149,296
540,000	Bank of America Corp. Sr Unsecured MTN 5.00% 01/21/2044	567,536	558,830
700,000	Bank of America Corp. Subordinated 4.25% 10/22/2026	696,751	680,819
10,000	Bank of America Corp. Subordinated MTN 4.45% 03/03/2026	10,229	9,886



# Hand Composite Employee Benefit Trust

## Schedule of Investments (Continued) Western Asset Core Bond CIF (Continued) December 31, 2018

Principal Amount		Cost	Fair Value
<i>Financials (Continued)</i>			
\$ 200,000	Barclays PLC Sr Unsecured 4.97% 05/16/2029	\$ 200,864	\$ 192,836
50,000	Citigroup, Inc. FRN 3.52% 10/27/2028	50,000	46,630
710,000	Citigroup, Inc. FRN 4.08% 04/23/2029	690,565	690,795
35,000	Citigroup, Inc. Sr Unsecured 4.65% 07/30/2045	38,439	34,091
460,000	Citigroup, Inc. Sr Unsecured 4.65% 07/23/2048	457,171	449,565
80,000	Citigroup, Inc. Sr Unsecured 8.13% 07/15/2039	116,082	110,988
200,000	Citigroup, Inc. Subordinated 5.50% 09/13/2025	210,815	209,878
700,000	Citigroup, Inc. Subordinated 4.45% 09/29/2027	705,369	674,672
300,000	CME Group, Inc. 3.75% 06/15/2028	298,642	304,026
440,000	Corp. Nacional del Cobre de Chile 144A 3.63% 08/01/2027	412,457	419,034
500,000	Credit Suisse Group Funding Guernsey Ltd. Company Guarantee 4.88% 05/15/2045	509,070	493,455
520,000	DP World Ltd. Sr Unsecured 144A 5.63% 09/25/2048	505,738	488,800
400,000	Goldman Sachs Group, Inc. 5.75% 01/24/2022	422,844	418,814
90,000	Goldman Sachs Group, Inc. FRN 2.88% 10/31/2022	90,000	87,409
40,000	Goldman Sachs Group, Inc. FRN 3.69% 06/05/2028	40,426	37,175
80,000	Goldman Sachs Group, Inc. Sr Unsecured 3.50% 11/16/2026	78,972	73,892
110,000	Goldman Sachs Group, Inc. Sr Unsecured 5.25% 07/27/2021	115,221	114,190
40,000	Goldman Sachs Group, Inc. Sr Unsecured 3.81% 04/23/2029	39,348	37,345
1,240,000	Goldman Sachs Group, Inc. Sr Unsecured 4.22% 05/01/2029	1,209,507	1,193,362
500,000	Goldman Sachs Group, Inc. Sr Unsecured 4.75% 10/21/2045	493,132	475,733
40,000	Goldman Sachs Group, Inc. Sr Unsecured 5.38% 03/15/2020	41,546	40,894
30,000	Goldman Sachs Group, Inc. Subordinated 4.25% 10/21/2025	31,125	28,729
240,000	Goldman Sachs Group, Inc. Subordinated 5.15% 05/22/2045	255,020	224,434
350,000	HSBC Holdings PLC Sr Unsecured 3.40% 03/08/2021	349,095	349,092
900,000	HSBC Holdings PLC Sr Unsecured 4.58% 06/19/2029	899,410	892,114
110,000	Intercontinental Exchange, Inc. 3.75% 09/21/2028	110,390	109,505
60,000	JPMorgan Chase & Co. 4.13% 12/15/2026	61,859	58,541
30,000	JPMorgan Chase & Co. 4.25% 10/15/2020	31,142	30,541
80,000	JPMorgan Chase & Co. Subordinated 3.63% 12/01/2027	79,906	74,445
500,000	JPMorgan Chase & Co. Subordinated 4.25% 10/01/2027	492,705	492,204
120,000	JPMorgan Chase & Co. Subordinated 4.95% 06/01/2045	124,465	121,696
200,000	Lloyds Banking Group PLC Series , FRN 2.91% 11/07/2023	200,000	189,387
500,000	Lloyds Banking Group PLC Sr Unsecured 4.38% 03/22/2028	488,820	474,344
200,000	MetLife, Inc. Jr Subordinated 6.40% 12/15/2066	212,161	203,172
400,000	Morgan Stanley Sr Unsecured MTN 3.77% 01/24/2029	384,097	382,710
10,000	Royal Bank of Canada Sr Unsecured 2.15% 10/26/2020	9,850	9,846
320,000	Royal Bank of Canada Sr Unsecured MTN 3.20% 04/30/2021	319,426	319,967
600,000	Royal Bank of Scotland Group PLC Sr Unsecured 4.52% 06/25/2024	596,947	588,738
10,000	Santander UK PLC Sr Unsecured 2.38% 03/16/2020	9,913	9,891
160,000	Toronto-Dominion Bank Sr Unsecured MTN 3.25% 06/11/2021	159,892	160,655
130,000	Wells Fargo & Co. Jr Subordinated 5.88% 06/15/2025	136,204	128,499
900,000	Wells Fargo & Co. Sr Unsecured 3.58% 05/22/2028	859,606	864,068
690,000	Wells Fargo & Co. Subordinated 4.30% 07/22/2027	692,530	678,729
50,000	Wells Fargo & Co. Subordinated 4.40% 06/14/2046	50,102	45,866
580,000	Wells Fargo & Co. Subordinated 4.75% 12/07/2046	570,589	558,453
60,000	Wells Fargo & Co. Subordinated Series M 3.45% 02/13/2023	61,179	58,741
140,000	Westpac Banking Corp. Sr Unsecured 2.60% 11/23/2020	138,347	138,214
	Total Financials	5.73% 18,099,058	17,777,738

# Hand Composite Employee Benefit Trust

## Schedule of Investments (Continued) Western Asset Core Bond CIF (Continued) December 31, 2018

Principal Amount		Cost	Fair Value
<i>Healthcare</i>			
\$ 30,000	Abbott Laboratories Sr Unsecured 4.75% 11/30/2036	\$ 32,216	\$ 31,318
206,000	Abbott Laboratories Sr Unsecured 3.75% 11/30/2026	205,980	203,445
160,000	Abbott Laboratories Sr Unsecured 4.90% 11/30/2046	169,963	167,956
210,000	AbbVie, Inc. Sr Unsecured 3.60% 05/14/2025	202,819	201,429
200,000	ACE INA Holdings, Inc. Company Guarantee 3.35% 05/03/2026	193,647	195,644
10,000	Aetna, Inc. Sr Unsecured 3.88% 08/15/2047	9,969	8,466
300,000	Amgen, Inc. 3.88% 11/15/2021	303,553	303,967
120,000	Anthem, Inc. Sr Unsecured 2.95% 12/01/2022	117,081	117,029
20,000	Anthem, Inc. Sr Unsecured 3.35% 12/01/2024	19,994	19,484
360,000	Anthem, Inc. Sr Unsecured 3.65% 12/01/2027	342,202	343,954
420,000	Becton Dickinson & Co. Sr Unsecured 3.36% 06/06/2024	405,949	403,400
5,000	Becton Dickinson & Co. Sr Unsecured 3.73% 12/15/2024	5,252	4,830
10,000	Becton Dickinson & Co. Sr Unsecured 4.69% 12/15/2044	10,924	9,360
10,000	Cardinal Health, Inc. Sr Unsecured 2.62% 06/15/2022	10,000	9,633
10,000	Celgene Corp. Sr Unsecured 2.25% 08/15/2021	9,724	9,695
420,000	Celgene Corp. Sr Unsecured 3.88% 08/15/2025	410,916	404,318
100,000	Celgene Corp. Sr Unsecured 5.00% 08/15/2045	96,362	92,468
60,000	CVS Health Corp. Sr Unsecured 3.35% 03/09/2021	60,268	59,829
440,000	CVS Health Corp. Sr Unsecured 3.70% 03/09/2023	436,131	435,290
520,000	CVS Health Corp. Sr Unsecured 4.10% 03/25/2025	516,076	514,812
1,050,000	CVS Health Corp. Sr Unsecured 4.30% 03/25/2028	1,036,475	1,026,490
180,000	CVS Health Corp. Sr Unsecured 5.05% 03/25/2048	187,714	175,070
210,000	Eli Lilly & Co. Sr Unsecured 3.10% 05/15/2027	202,179	203,321
10,000	Gilead Sciences, Inc. 1.85% 09/20/2019	9,999	9,911
10,000	Gilead Sciences, Inc. Sr Unsecured 2.55% 09/01/2020	9,930	9,919
360,000	Gilead Sciences, Inc. Sr Unsecured 3.65% 03/01/2026	352,659	352,872
10,000	Gilead Sciences, Inc. Sr Unsecured 3.70% 04/01/2024	10,203	9,983
110,000	Gilead Sciences, Inc. Sr Unsecured 4.75% 03/01/2046	112,363	109,130
250,000	Humana, Inc. Sr Unsecured 3.95% 03/15/2027	246,976	244,246
100,000	Humana, Inc. Sr Unsecured 4.95% 10/01/2044	102,787	102,719
30,000	Johnson & Johnson Sr Unsecured 3.63% 03/03/2037	29,684	28,857
210,000	Johnson & Johnson Sr Unsecured 3.70% 03/01/2046	197,475	199,459
30,000	Medtronic Global Holdings SCA Company Guarantee 3.35% 04/01/2027	30,114	29,384
110,000	Medtronic, Inc. Company Guarantee 3.50% 03/15/2025	109,065	109,565
110,000	Medtronic, Inc. Company Guarantee 4.63% 03/15/2045	115,294	115,329
150,000	Telefonica Emisiones S.A Company Guarantee 5.21% 03/08/2047	154,952	137,310
50,000	Telefonica Emisiones SAU 5.13% 04/27/2020	51,403	51,032
370,000	Tencent Holdings Ltd. 144A 3.60% 01/19/2028	343,649	347,638
100,000	UnitedHealth Group, Inc. 5.70% 10/15/2040	117,902	118,180
10,000	UnitedHealth Group, Inc. Sr Unsecured 2.70% 07/15/2020	9,970	9,964
110,000	UnitedHealth Group, Inc. Sr Unsecured 2.88% 12/15/2021	109,029	109,645
130,000	UnitedHealth Group, Inc. Sr Unsecured 3.75% 07/15/2025	132,792	131,595
200,000	Wyeth LLC Company Guarantee 5.95% 04/01/2037	239,033	239,853
	Total Healthcare	2.39% <u>7,470,673</u>	<u>7,407,799</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
<i>Industrials</i>			
\$ 320,000	Actavis Funding SCS Company Guarantee 3.80% 03/15/2025	\$ 312,660	\$ 312,392
180,000	Actavis Funding SCS Company Guarantee 4.55% 03/15/2035	173,524	170,748
10,000	Actavis Funding SCS Company Guarantee 4.75% 03/15/2045	9,627	9,493
280,000	Barrick PD Australia Finance Pty Ltd. Company Guarantee 5.95% 10/15/2039	309,405	298,616
320,000	Boeing Co. Sr Unsecured 4.88% 02/15/2020	327,347	326,870
20,000	Charter Communications Operating LLC / Charter Communications Operating Capital Sr Secured 3.58% 07/23/2020	20,037	19,978
680,000	Charter Communications Operating LLC / Charter Communications Operating Capital Sr Secured 4.20% 03/15/2028	645,524	640,561
370,000	Charter Communications Operating LLC / Charter Communications Operating Capital Sr Secured 5.38% 04/01/2038	353,002	344,478
110,000	Cintas Corp. No 2 Company Guarantee 2.90% 04/01/2022	108,085	108,201
140,000	Cintas Corp. No 2 Company Guarantee 3.70% 04/01/2027	137,633	136,732
290,000	Comision Federal de Electricidad 144A 4.75% 02/23/2027	285,737	272,962
8,878	Delta Air Lines Pass-Through Trust Series 2007-1, Class A 6.82% 02/10/2024	9,937	9,532
170,000	Eaton Corp. Company Guarantee 2.75% 11/02/2022	165,921	165,341
160,000	Eaton Corp. Company Guarantee 4.15% 11/02/2042	153,545	150,205
80,000	Energy Transfer Operating L.P. Company Guarantee 4.95% 06/15/2028	82,067	78,273
260,000	Equate Petrochemical BV Company Guarantee 144A 4.25% 11/03/2026	254,022	251,443
220,000	GE Capital International Funding Co., Unlimited Co. Company Guarantee 2.34% 11/15/2020	215,071	212,312
20,000	General Electric Co. Sr Unsecured 4.50% 03/11/2044	22,301	16,312
790,000	General Electric Co. Sr Unsecured 6.88% 01/10/2039	989,464	825,949
20,000	General Electric Co. Sr Unsecured MTN 4.65% 10/17/2021	21,541	20,060
430,000	International Lease Finance Corp. Sr Unsecured 8.63% 01/15/2022	484,577	478,055
200,000	John Deere Capital Corp. Sr Unsecured 1.70% 01/15/2020	197,424	197,390
220,000	Lockheed Martin Corp. Sr Unsecured 3.55% 01/15/2026	217,219	218,304
230,000	Northrop Grumman Corp. 2.55% 10/15/2022	222,762	222,560
330,000	Northrop Grumman Corp. Sr Unsecured 2.93% 01/15/2025	315,305	313,132
110,000	Northrop Grumman Corp. Sr Unsecured 3.25% 01/15/2028	103,539	102,630
130,000	Transcontinental Gas Pipe Line Co. LLC Sr Unsecured 4.45% 08/01/2042	126,714	119,679
400,000	Transcontinental Gas Pipe Line Co. LLC Sr Unsecured 7.85% 02/01/2026	484,247	483,555
110,000	Union Pacific Corp. Sr Unsecured 3.75% 07/15/2025	109,785	111,044
320,000	Union Pacific Corp. Sr Unsecured 3.95% 09/10/2028	320,421	319,564
240,000	Union Pacific Corp. Sr Unsecured 4.50% 09/10/2048	240,408	236,651
10,000	United Parcel Service, Inc. 3.13% 01/15/2021	10,308	10,082
310,000	United Parcel Service, Inc. Sr Unsecured 3.05% 11/15/2027	294,608	295,270
330,000	United Technologies Corp. 3.95% 08/16/2025	327,920	327,444
320,000	United Technologies Corp. Sr Unsecured 4.13% 11/16/2028	318,803	317,024
60,000	Wachovia Capital Trust III Limited Guarantee 5.57% 01/31/2019	60,058	54,270
10,000	Williams Cos., Inc. Sr Unsecured 5.25% 03/15/2020	10,237	10,199
	Total Industrials	2.64% <u>8,440,785</u>	<u>8,187,311</u>
<i>Information Technology</i>			
70,000	Anheuser-Busch Cos. LLC / Anheuser-Busch InBev Worldwide, Inc. Company Guarantee 144A 3.65% 02/01/2026	66,144	66,188
20,000	Anheuser-Busch Cos. LLC / Anheuser-Busch InBev Worldwide, Inc. Company Guarantee 144A 4.90% 02/01/2046	19,112	18,548

# Hand Composite Employee Benefit Trust

## Schedule of Investments (Continued) Western Asset Core Bond CIF (Continued) December 31, 2018

Principal Amount		Cost	Fair Value
<i>Information Technology (Continued)</i>			
\$ 15,000	Anheuser-Busch InBev Finance, Inc. Company Guarantee 2.65% 02/01/2021	\$ 15,184	\$ 14,751
20,000	Anheuser-Busch InBev Worldwide, Inc. 3.50% 01/12/2024	19,913	19,563
720,000	Anheuser-Busch InBev Worldwide, Inc. Company Guarantee 4.00% 04/13/2028	704,334	688,704
410,000	Anheuser-Busch InBev Worldwide, Inc. Company Guarantee 4.60% 04/15/2048	391,418	367,467
50,000	Apple, Inc. Sr Unsecured 1.55% 08/04/2021	48,385	48,480
590,000	Apple, Inc. Sr Unsecured 2.45% 08/04/2026	546,118	545,296
130,000	Apple, Inc. Sr Unsecured 3.85% 08/04/2046	122,934	120,898
10,000	ConocoPhillips Co. 4.30% 11/15/2044	9,941	9,836
70,000	Enterprise Products Operating LLC 5.70% 02/15/2042	80,161	74,453
80,000	Enterprise Products Operating LLC Company Guarantee 4.15% 10/16/2028	79,735	79,597
200,000	Harris Corp. Sr Unsecured 4.85% 04/27/2035	204,136	198,425
10,000	Harris Corp. Sr Unsecured 5.05% 04/27/2045	11,049	10,287
10,000	Mastercard, Inc. 3.38% 04/01/2024	10,486	10,062
340,000	Microsoft Corp. 3.13% 11/03/2025	331,774	336,275
20,000	Microsoft Corp. Sr Unsecured 1.55% 08/08/2021	19,386	19,429
30,000	Microsoft Corp. Sr Unsecured 2.40% 02/06/2022	29,529	29,654
540,000	Microsoft Corp. Sr Unsecured 2.40% 08/08/2026	498,881	503,468
10,000	Microsoft Corp. Sr Unsecured 2.70% 02/12/2025	9,794	9,699
220,000	Microsoft Corp. Sr Unsecured 2.88% 02/06/2024	214,884	217,926
120,000	Microsoft Corp. Sr Unsecured 3.30% 02/06/2027	119,429	118,860
130,000	Microsoft Corp. Sr Unsecured 3.70% 08/08/2046	127,651	124,538
140,000	salesforce.com, Inc. Sr Unsecured 3.25% 04/11/2023	138,949	140,719
440,000	salesforce.com, Inc. Sr Unsecured 3.70% 04/11/2028	432,705	442,325
210,000	Texas Instruments, Inc. 4.15% 05/15/2048	210,885	209,544
550,000	Visa, Inc. Sr Unsecured 3.15% 12/14/2025	533,591	540,480
10,000	Visa, Inc. Sr Unsecured 4.30% 12/14/2045	11,091	10,335
	Total Information Technology	1.60% <u>5,007,599</u>	<u>4,975,807</u>
<i>Materials</i>			
100,000	ArcelorMittal Sr Unsecured 7.00% 10/15/2039	117,120	105,360
20,000	Barrick Gold Corp. Sr Unsecured 5.25% 04/01/2042	21,584	19,999
250,000	GlaxoSmithKline Capital PLC Company Guarantee 2.85% 05/08/2022	245,299	246,968
200,000	OCP S.A. Sr Unsecured 144A 4.50% 10/22/2025	190,478	191,524
690,000	Southern Copper Corp. Sr Unsecured 5.25% 11/08/2042	685,003	655,788
	Total Materials	0.39% <u>1,259,484</u>	<u>1,219,639</u>
<i>Telecommunication Services</i>			
210,000	America Movil S.A.B. de C.V. 3.13% 07/16/2022	205,911	205,789
300,000	AT&T, Inc. Sr Unsecured 4.35% 06/15/2045	259,954	253,520
280,000	AT&T, Inc. Sr Unsecured 4.50% 03/09/2048	239,882	239,598
10,000	AT&T, Inc. Sr Unsecured 4.75% 05/15/2046	9,117	8,879

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
<i>Telecommunication Services (Continued)</i>			
\$ 50,000	Comcast Corp. 3.70% 04/15/2024	\$ 49,866	\$ 50,305
10,000	Comcast Corp. Company Guarantee 3.15% 03/01/2026	9,509	9,568
310,000	Comcast Corp. Company Guarantee 3.95% 10/15/2025	309,618	313,670
750,000	Comcast Corp. Company Guarantee 4.15% 10/15/2028	748,630	761,574
260,000	Comcast Corp. Company Guarantee 4.25% 10/15/2030	258,217	262,940
80,000	Comcast Corp. Company Guarantee 4.70% 10/15/2048	78,744	80,871
820,000	Perusahaan Listrik Negara PT 144A 6.15% 05/21/2048	820,041	824,145
50,000	Verizon Communications, Inc. 2.63% 08/15/2026	45,377	45,332
500,000	Verizon Communications, Inc. Sr Unsecured 3.38% 02/15/2025	483,693	485,204
30,000	Verizon Communications, Inc. Sr Unsecured 3.85% 11/01/2042	26,257	25,862
730,000	Verizon Communications, Inc. Sr Unsecured 4.13% 03/16/2027	725,725	730,563
10,000	Verizon Communications, Inc. Sr Unsecured 4.86% 08/21/2046	10,343	9,828
30,000	Verizon Communications, Inc. Sr Unsecured 5.25% 03/16/2037	31,187	31,250
100,000	Verizon Communications, Inc. Sr Unsecured 5.50% 03/16/2047	110,868	106,342
660,000	Vodafone Group PLC Sr Unsecured 4.38% 05/30/2028	642,013	640,245
140,000	Vodafone Group PLC Sr Unsecured 5.25% 05/30/2048	144,132	131,437
	Total Telecommunication Services	1.68% <u>5,209,084</u>	<u>5,216,922</u>
<i>Utilities</i>			
330,000	Duke Energy Corp. 2.40% 08/15/2022	317,883	317,041
250,000	Duke Energy Corp. 3.15% 08/15/2027	234,991	233,379
110,000	Duke Energy Corp. 3.55% 09/15/2021	110,830	110,299
10,000	Duke Energy Corp. Sr Unsecured 2.65% 09/01/2026	9,811	9,091
10,000	Duke Energy Corp. Sr Unsecured 3.75% 09/01/2046	9,522	8,646
110,000	FirstEnergy Corp. Sr Unsecured 4.85% 07/15/2047	115,140	109,825
470,000	FirstEnergy Corp. Sr Unsecured Series B 3.90% 07/15/2027	460,268	455,528
200,000	FirstEnergy Corp. Sr Unsecured Series B 4.25% 03/15/2023	202,746	203,200
470,000	FirstEnergy Corp. Sr Unsecured Series C 7.38% 11/15/2031	602,789	593,868
100,000	Pacific Gas & Electric Co. Sr Unsecured 3.30% 12/01/2027	91,743	81,605
20,000	Pacific Gas & Electric Co. Sr Unsecured 5.80% 03/01/2037	23,200	18,535
230,000	Pacific Gas & Electric Co. Sr Unsecured 6.05% 03/01/2034	258,457	213,108
	Total Utilities	0.76% <u>2,437,380</u>	<u>2,354,125</u>
	Total Corporate Bonds	21.41% <u>67,686,675</u>	<u>66,419,136</u>
<i>Foreign Government</i>			
<i>Colombia</i>			
690,000	Colombia Government International Bond Sr Unsecured 5.63% 02/26/2044	741,360	711,390
	Total Colombia	0.23% <u>741,360</u>	<u>711,390</u>
<i>India</i>			
230,000	Export-Import Bank of India 144A 3.38% 08/05/2026	209,766	210,187
	Total India	0.07% <u>209,766</u>	<u>210,187</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
	<i>Indonesia</i>		
\$ 1,360,000	Indonesia Government International Bond MTN, REGS 5.38% 10/17/2023	\$ 1,444,319	\$ 1,420,172
	Total Indonesia	0.46% <u>1,444,319</u>	<u>1,420,172</u>
	<i>Kazakhstan</i>		
480,000	Kazakhstan Government International Bond 144A 4.88% 10/14/2044	480,574	477,312
	Total Kazakhstan	0.15% <u>480,574</u>	<u>477,312</u>
	<i>Kuwait</i>		
300,000	Kuwait International Government Bond Sr Unsecured 144A 3.50% 03/20/2027	291,924	298,303
	Total Kuwait	0.10% <u>291,924</u>	<u>298,303</u>
	<i>Mexico</i>		
2,540,000	Mexico Government International Bond Sr Unsecured MTN 4.75% 03/08/2044	2,395,774	2,308,860
	Total Mexico	0.74% <u>2,395,774</u>	<u>2,308,860</u>
	<i>Panama</i>		
700,000	Panama Government International Bond 6.70% 01/26/2036	855,103	854,000
	Total Panama	0.28% <u>855,103</u>	<u>854,000</u>
	<i>Peru</i>		
620,000	Peruvian Government International Bond Sr Unsecured 6.55% 03/14/2037	772,211	782,750
	Total Peru	0.25% <u>772,211</u>	<u>782,750</u>
	<i>Poland</i>		
900,000	Republic of Poland Government International Bond Sr Unsecured 4.00% 01/22/2024	917,798	920,704
	Total Poland	0.30% <u>917,798</u>	<u>920,704</u>
	<i>Qatar</i>		
610,000	Qatar Government International Bond REGS 3.88% 04/23/2023	612,704	616,911
	Total Qatar	0.20% <u>612,704</u>	<u>616,911</u>
	<i>Russia</i>		
1,200,000	Russian Foreign Bond - Eurobond REGS 5.88% 09/16/2043	1,277,117	1,263,122
	Total Russia	0.41% <u>1,277,117</u>	<u>1,263,122</u>
	<i>United Arab Emirates</i>		
740,000	Abu Dhabi Government International Bond Sr Unsecured 144A 2.50% 10/11/2022	712,191	717,978
	Total United Arab Emirates	0.23% <u>712,191</u>	<u>717,978</u>
	<i>Uruguay</i>		
470,000	Uruguay Government International Bond Sr Unsecured 5.10% 06/18/2050	466,883	461,305
	Total Uruguay	0.15% <u>466,883</u>	<u>461,305</u>
	Total Foreign Government	3.57% <u>11,177,724</u>	<u>11,042,994</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
<i><u>Asset-backed Securities</u></i>			
\$ 1,410,932	Centex Home Equity Loan Trust 2004-D Series 2004-D, Class AF5, ABS 5.85% 09/25/2034	\$ 1,424,886	\$ 1,422,478
1,484,652	Citigroup Mortgage Loan Trust, Inc. Series 2007-WFH3, Class A3, ABS, FRN 2.76% 06/25/2037	1,475,449	1,477,514
232,970	Credit Suisse First Boston Mortgage Securities Corp. Series 2001-HE22, Class A1, ABS, FRN 2.99% 02/25/2032	225,004	225,535
57,983	CWHEQ Revolving Home Equity Loan Trust Series 2005-C, Class 2A, ABS, FRN 2.64% 07/15/2035	55,200	55,866
1,320,000	Dividend Solar Loans LLC Series 2018-2, Class B, ABS, 144A 4.25% 12/20/2038	1,319,851	1,341,229
870,249	Equity One Mortgage Pass-Through Trust 2003-4 Series 2003-4, Class AV1, ABS, FRN 3.17% 10/25/2034	857,349	857,802
1,445,000	HSI Asset Securitization Corp. Trust 2006-OPT3 Series 2006-OPT3, Class 3A4, ABS, FRN 2.78% 02/25/2036	1,428,033	1,435,007
58,967	IndyMac Home Equity Mortgage Loan Asset-Backed Trust Series 2007-H1, Class A1, ABS, FRN 2.67% 07/25/2037	56,210	56,145
750,000	John Deere Owner Trust 2016-B Series 2016-B, Class A4, ABS 1.49% 05/15/2023	739,054	741,371
150,000	Merrill Lynch Mortgage Investors Trust Series 2006-FF1, Class M5 2.90% 08/25/2036	141,651	147,527
407,669	Morgan Stanley ABS Capital I, Inc. Trust Series 2004-OP1, Class M1, ABS, FRN 3.38% 11/25/2034	396,985	404,041
663,821	SASCO Mortgage Loan Trust 2004-GEL3 Series 2004-GEL3, Class A, ABS, FRN 3.28% 08/25/2034	663,000	659,759
122,794	SBA Small Business Investment Cos. Series 2017-10A, Class 1 2.85% 03/10/2027	122,794	121,063
218,878	SLM Private Credit Student Loan Trust Series 2005-B, Class A4 3.12% 06/15/2039	208,146	215,044
175,046	SLM Student Loan Trust 2005-10 Series 2005-10, Class A5, ABS, FRN 2.62% 07/26/2021	173,433	173,483
250,000	SLM Student Loan Trust 2006-10 Series 2006-10, Class A6, ABS, FRN 2.64% 03/25/2044	241,727	243,133
1,034,488	SLM Student Loan Trust 2008-9 Series 2008-9, Class A, ABS, FRN 3.99% 04/25/2023	1,050,226	1,039,888
	Total Asset-backed Securities	3.42% <u>10,578,998</u>	<u>10,616,885</u>
<i><u>Collateralized Mortgage Obligations</u></i>			
588,166	BCAP LLC 2009-RR15 Trust Series 2009-RR15, Class 2A1, CMO, VRN, 144A 5.50% 11/26/2035	594,003	589,991
151,744	Bear Stearns ALT-A Trust Series 2004-7, Class 1A1, CMO, FRN 4.44% 08/25/2034	153,581	155,385
270,000	Federal Home Loan Mortgage Corp. Series 2015-DNA2, Class M3 6.41% 12/25/2027	297,537	291,481
95,797	Federal Home Loan Mortgage Corp. Series 3973, Class SA, CMO, FRN, IO, REMIC 4.04% 12/15/2041	14,569	17,265
96,295	Federal Home Loan Mortgage Corp. Series 4813, Class CJ, CMO, REMIC 3.00% 08/15/2048	92,586	93,665
25,678	Federal National Mortgage Association Series 2012-35, Class SC, CMO, FRN, IO, REMIC 3.99% 04/25/2042	4,179	4,411
123,709	Federal National Mortgage Association Series 2013-124, Class SB, CMO, FRN, IO, REMIC 3.44% 12/25/2043	21,540	21,757
168,971	Federal National Mortgage Association Series 2013-54, Class BS, CMO, FRN, IO, REMIC 3.64% 06/25/2043	30,954	30,767
80,457	Federal National Mortgage Association Series 2017-76, Class SB, CMO, FRN, IO, REMIC 3.59% 10/25/2057	12,362	13,831
50,000	Federal National Mortgage Association Series 2018-M2, Class A2, VRN 2.90% 01/25/2028	48,646	48,018
83,089	Government National Mortgage Association Series 2013-53, Class OI, CMO, IO, REMIC 3.50% 04/20/2043	8,650	12,080
1,265,635	Government National Mortgage Association Series 2014-H20, Class FA, CMO, FRN, REMIC 2.74% 10/20/2064	1,266,031	1,266,963
109,668	Government National Mortgage Association Series 2018-108, Class A, REMIC, VRN 3.25% 05/16/2059	107,739	108,871
538,339	Government National Mortgage Association Series 2018-129, Class AG, REMIC 3.10% 05/16/2059	526,805	531,153
80,256	HarborView Mortgage Loan Trust Series 2005-9, Class 2A1B, CMO, FRN 2.84% 06/20/2035	78,027	79,821
510,087	Merrill Lynch Mortgage Investors Trust Series 2003-H, Class A1, CMO, FRN 3.15% 01/25/2029	504,930	502,361
	Total Collateralized Mortgage Obligations	1.21% <u>3,762,139</u>	<u>3,767,820</u>
<i><u>Mortgage-backed Securities</u></i>			
30,000	Banc of America Commercial Mortgage Trust 2015-UBS7 Series 2015-UBS7, Class A4 3.71% 09/15/2048	30,161	30,321
1,477,795	BX Commercial Mortgage Trust 2018-IND Series 2018-IND, Class A, FRN, 144A 3.21% 11/15/2035	1,477,795	1,468,557

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
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Principal Amount		Cost	Fair Value
<i>Mortgage-backed Securities (Continued)</i>			
\$ 24,000	CD Mortgage Trust Series 2017-CD4, Class C, VRN 4.35% 05/10/2050	\$ 24,684	\$ 23,177
1,060,245	CD Mortgage Trust Series 2017-CD6, Class XA, IO, VRN 0.98% 11/13/2050	62,596	61,854
57,000	COMM Mortgage Trust Series 2015-LC23, Class C, VRN 4.65% 10/10/2048	58,763	56,874
1,170,000	CSAIL 2018-C14 Commercial Mortgage Trust Series 2018-C14, Class A4 4.42% 11/15/2051	1,205,003	1,231,740
84,380	Federal Home Loan Mortgage Corp. 4.00% 07/01/2047	88,925	86,143
283,621	Federal Home Loan Mortgage Corp. MBS 3.00% 02/01/2038	277,513	279,098
284,311	Federal Home Loan Mortgage Corp. MBS 3.00% 04/01/2038	278,187	280,003
2,531,451	Federal Home Loan Mortgage Corp. MBS 3.00% 10/01/2046	2,464,012	2,473,783
86,940	Federal Home Loan Mortgage Corp. MBS 3.00% 01/01/2047	86,819	84,958
1,213,381	Federal Home Loan Mortgage Corp. MBS 3.00% 05/01/2047	1,176,979	1,184,597
98,815	Federal Home Loan Mortgage Corp. MBS 3.00% 09/01/2047	94,390	96,426
36,987	Federal Home Loan Mortgage Corp. MBS 3.50% 08/01/2047	35,794	37,002
342,002	Federal Home Loan Mortgage Corp. MBS 3.50% 01/01/2048	330,974	341,928
621,010	Federal Home Loan Mortgage Corp. MBS 3.50% 01/01/2048	600,985	620,816
376,795	Federal Home Loan Mortgage Corp. MBS 3.50% 06/01/2048	364,644	376,704
34,413	Federal Home Loan Mortgage Corp. MBS 3.50% 08/01/2048	33,303	34,404
588,791	Federal Home Loan Mortgage Corp. MBS 3.50% 08/01/2048	569,805	588,596
494,343	Federal Home Loan Mortgage Corp. MBS 3.50% 10/01/2048	489,985	494,208
192,367	Federal Home Loan Mortgage Corp. MBS 4.00% 05/01/2048	194,940	196,173
485,640	Federal Home Loan Mortgage Corp. MBS 4.00% 07/01/2048	494,900	495,216
97,069	Federal Home Loan Mortgage Corp. MBS 4.00% 07/01/2048	99,043	98,984
392,848	Federal Home Loan Mortgage Corp. MBS 4.00% 09/01/2048	394,274	400,581
5,049,376	Federal Home Loan Mortgage Corp. MBS 4.00% 11/01/2048	5,033,624	5,148,641
71,419	Federal Home Loan Mortgage Corp. MBS 4.50% 12/01/2045	76,115	74,015
90,980	Federal Home Loan Mortgage Corp. MBS 4.50% 02/01/2047	96,985	94,411
200,000	Federal Home Loan Mortgage Corp. MBS 5.00% 07/01/2048	208,673	209,486
776,562	Federal Home Loan Mortgage Corp. MBS 5.00% 09/01/2048	812,165	815,344
1,000,000	Federal Home Loan Mortgage Corp. MBS 5.00% 09/01/2048	1,043,361	1,048,123
394,389	Federal Home Loan Mortgage Corp. MBS 5.00% 10/01/2048	412,149	413,412
697,516	Federal Home Loan Mortgage Corp. MBS 5.00% 11/01/2048	727,217	732,401
2,400,000	Federal Home Loan Mortgage Corp. MBS 5.00% 01/01/2049	2,515,674	2,514,469
1,200,000	Federal Home Loan Mortgage Corp. MBS, TBA 4.00% 01/01/2049	1,212,563	1,223,320
5,100,000	Federal Home Loan Mortgage Corp. TBA 3.00% 01/01/2049	4,899,774	4,969,752
166,673	Federal National Mortgage Association 3.50% 03/01/2057	172,629	166,116
490,000	Federal National Mortgage Association 3.82% 01/01/2029	502,438	506,619
70,962	Federal National Mortgage Association 5.00% 11/01/2046	77,360	74,942
290,759	Federal National Mortgage Association MBS 3.00% 02/01/2032	290,074	290,181
279,758	Federal National Mortgage Association MBS 3.00% 12/01/2037	273,734	276,747
88,613	Federal National Mortgage Association MBS 3.00% 05/01/2046	84,534	86,394
89,996	Federal National Mortgage Association MBS 3.00% 08/01/2046	85,825	87,742
338,622	Federal National Mortgage Association MBS 3.00% 11/01/2046	323,424	330,252
85,261	Federal National Mortgage Association MBS 3.00% 01/01/2047	85,039	83,257
297,953	Federal National Mortgage Association MBS 3.00% 04/01/2047	284,623	290,587



**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
<i><u>Mortgage-backed Securities (Continued)</u></i>			
\$ 709,236	Federal National Mortgage Association MBS 3.00% 04/01/2047	\$ 688,070	\$ 692,674
1,299,870	Federal National Mortgage Association MBS 3.00% 11/01/2048	1,222,369	1,267,495
370,351	Federal National Mortgage Association MBS 3.50% 10/01/2047	368,686	370,451
195,124	Federal National Mortgage Association MBS 3.50% 11/01/2047	192,129	195,177
392,695	Federal National Mortgage Association MBS 3.50% 12/01/2047	390,433	392,723
94,413	Federal National Mortgage Association MBS 3.50% 03/01/2048	94,399	94,609
87,770	Federal National Mortgage Association MBS 4.00% 05/01/2047	92,805	89,688
526,016	Federal National Mortgage Association MBS 4.00% 08/01/2047	554,828	536,365
190,955	Federal National Mortgage Association MBS 4.00% 04/01/2048	195,468	194,695
4,985,098	Federal National Mortgage Association MBS 4.00% 11/01/2048	5,014,257	5,082,763
80,348	Federal National Mortgage Association MBS 4.00% 02/01/2056	82,063	82,220
159,608	Federal National Mortgage Association MBS 4.00% 08/01/2056	168,097	162,827
89,124	Federal National Mortgage Association MBS 4.00% 06/01/2057	90,905	90,926
78,886	Federal National Mortgage Association MBS 4.50% 05/01/2047	82,480	81,753
170,269	Federal National Mortgage Association MBS 4.50% 10/01/2047	182,491	176,445
93,245	Federal National Mortgage Association MBS 4.50% 09/01/2057	97,743	96,856
293,875	Federal National Mortgage Association MBS 5.00% 10/01/2048	308,562	307,940
3,931,250	Federal National Mortgage Association MBS 5.00% 11/01/2048	4,112,180	4,128,514
800,000	Federal National Mortgage Association TBA 2.50% 01/01/2034	774,763	781,266
3,800,000	Federal National Mortgage Association TBA 3.00% 01/01/2034	3,766,750	3,790,574
1,050,000	Federal National Mortgage Association TBA 3.00% 01/01/2049	1,006,878	1,023,439
5,000,000	Federal National Mortgage Association TBA 3.50% 01/01/2034	5,031,668	5,060,059
6,500,000	Federal National Mortgage Association TBA 3.50% 01/01/2049	6,377,734	6,498,857
5,450,000	Federal National Mortgage Association TBA 4.00% 01/01/2049	5,502,719	5,555,594
10,400,000	Federal National Mortgage Association TBA 4.50% 01/01/2049	10,707,828	10,769,078
1,500,000	Federal National Mortgage Association TBA 5.00% 01/01/2049	1,568,406	1,571,133
465,739	Government National Mortgage Association 3.00% 11/20/2047	456,327	458,774
82,363	Government National Mortgage Association 4.00% 08/20/2047	85,560	84,389
6,083,747	Government National Mortgage Association MBS 3.00% 09/20/2047	5,800,529	5,993,357
1,674,519	Government National Mortgage Association MBS 3.00% 03/20/2048	1,624,634	1,649,382
791,794	Government National Mortgage Association MBS 3.50% 06/20/2044	784,134	799,995
1,720,599	Government National Mortgage Association MBS 3.50% 06/15/2048	1,705,383	1,739,925
1,075,928	Government National Mortgage Association MBS 4.50% 06/20/2048	1,112,323	1,114,430
98,569	Government National Mortgage Association MBS 4.50% 09/20/2048	101,025	102,082
49,910	Government National Mortgage Association MBS 5.00% 11/20/2048	51,982	51,998
5,800,000	Government National Mortgage Association MBS, TBA 5.00% 01/01/2049	6,021,438	6,036,305
2,300,000	Government National Mortgage Association TBA 3.50% 01/01/2049	2,293,227	2,314,195
4,780,000	Government National Mortgage Association TBA 4.50% 01/01/2049	4,931,184	4,946,086
80,000	GS Mortgage Securities Trust 2015-GC32 Series 2015-GC32, Class A4 3.76% 07/10/2048	84,626	81,168
390,000	GS Mortgage Securities Trust 2016-GS3 Series 2016-GS3, Class A4 2.85% 10/10/2049	369,430	370,241
80,000	Morgan Stanley Bank of America Merrill Lynch Trust 2015-C25 Series 2015-C25, Class A5 3.64% 10/15/2048	80,445	80,434
70,000	Morgan Stanley Capital I Trust 2012-C4 Series 2012-C4, Class A4 3.24% 03/15/2045	72,669	69,843
120,000	Wells Fargo Commercial Mortgage Trust Series 2014-LC18, Class A5 3.41% 12/15/2047	123,069	120,107
100,000	Wells Fargo Commercial Mortgage Trust Series 2016-C35, Class A4 2.93% 07/15/2048	98,255	95,692
	Total Mortgage-Backed Securities	34.08% 104,623,405	105,680,878

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Principal Amount		Cost	Fair Value
<u><i>U.S. Government and Agency Obligations</i></u>			
<i>U.S. Government Agencies</i>			
\$ 810,000	Federal Home Loan Bank 2.58% 07/10/2019	\$ 799,291	\$ 799,454
560,000	Federal Home Loan Bank 2.47% 03/29/2019	556,718	556,763
950,000	Federal Home Loan Bank 2.42% 03/21/2019	945,070	945,019
940,000	Federal Home Loan Bank 2.31% 01/10/2019	939,466	939,503
780,000	Federal Home Loan Bank 2.22% 01/07/2019	779,718	779,742
400,000	Federal Home Loan Bank 2.27% 01/04/2019	399,926	399,947
290,000	Federal Home Loan Bank 2.51% 04/15/2019	287,943	287,975
90,000	Federal Home Loan Bank 1.38% 11/15/2019	89,993	89,026
10,000	Federal Home Loan Bank 2.13% 02/11/2020	9,990	9,953
	Total U.S. Government Agencies	1.55% <u>4,808,115</u>	<u>4,807,382</u>
<i>U.S. Government Obligations</i>			
1,171,811	Treasury Inflation Protected Security 1.38% 02/15/2044	1,241,282	1,209,712
3,135,532	Treasury Inflation Protected Security 0.63% 04/15/2023	3,069,580	3,083,437
880,000	United States Treasury Bill 2.22% 02/21/2019	877,295	877,112
640,000	United States Treasury Bill 2.14% 01/17/2019	639,407	639,391
3,670,000	United States Treasury Bond 3.00% 08/15/2048	3,550,323	3,652,654
140,000	United States Treasury Bond 3.00% 02/15/2048	136,893	139,251
320,000	United States Treasury Bond 2.75% 08/15/2047	314,954	303,062
3,190,000	United States Treasury Bond 3.38% 11/15/2048	3,248,318	3,411,306
8,720,000	United States Treasury Bond 3.13% 05/15/2048	8,415,172	8,885,544
240,000	United States Treasury Bond 3.75% 11/15/2043	274,441	271,059
1,480,000	United States Treasury Bond 3.00% 05/15/2047	1,493,632	1,473,641
400,000	United States Treasury Bond 2.75% 11/15/2047	393,299	378,484
90,000	United States Treasury Bond 2.50% 02/15/2045	82,361	81,562
340,000	United States Treasury Bond 2.88% 08/15/2045	332,347	331,155
4,950,000	United States Treasury Bond 3.38% 05/15/2044	5,142,282	5,272,137
3,600,000	United States Treasury Bond 3.00% 05/15/2045	3,508,290	3,593,109
4,000	United States Treasury Note 2.75% 02/15/2028	3,974	4,021
430,000	United States Treasury Note 2.88% 07/31/2025	428,594	437,525
7,930,000	United States Treasury Note 2.88% 11/30/2023	7,941,953	8,068,155
440,000	United States Treasury Note 3.00% 09/30/2025	439,093	451,292
3,090,000	United States Treasury Note 2.63% 12/31/2025	3,079,218	3,097,242
2,000	United States Treasury Note 2.88% 05/15/2028	2,002	2,031
2,110,000	United States Treasury Note 2.88% 05/31/2025	2,116,214	2,146,348
770,000	United States Treasury Note 2.75% 08/31/2025	765,637	777,520
1,030,000	United States Treasury Note 2.88% 10/15/2021	1,026,885	1,040,863
930,000	United States Treasury Note 3.13% 11/15/2028	937,008	964,657
440,000	United States Treasury Note 2.00% 02/15/2025	414,596	425,614
4,090,000	United States Treasury Note 2.88% 11/30/2025	4,101,742	4,163,332
170,000	United States Treasury Note 2.13% 07/31/2024	169,991	166,301
1,190,000	United States Treasury Note 2.13% 11/30/2024	1,182,133	1,161,505
320,000	United States Treasury Note 2.00% 06/30/2024	316,763	311,175
700,000	United States Treasury Note 1.88% 08/31/2022	674,046	685,016
	Total U.S. Government Obligations	18.53% <u>56,319,725</u>	<u>57,505,213</u>
	Total U.S. Government and Agency Obligations	20.08% <u>61,127,840</u>	<u>62,312,595</u>

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Core Bond CIF (Continued)**  
**December 31, 2018**

Contracts	Cost	Fair Value
<i><u>Call Options Purchased</u></i>		
2,580,000 Euro Fx Futures, Call @ \$80.00 Merrill Lynch International 80.00% 02/20/2019	\$ 5,168	\$ 3,001
86,000 United States Treasury 10-Year Notes Futures, Call @ \$121.7 Merrill Lynch International 121.75% 01/25/2019	36,086	56,437
70,000 United States Treasury 10-Year Notes Futures, Call @ \$133.00 Merrill Lynch International 133.00% 02/22/2019	1,215	1,094
135,000 United States Treasury 10-Year Notes Futures, Call @ 126 Merrill Lynch International 126.00% 02/22/2019	4,452	10,547
119,000 United States Treasury 5-Year Notes Futures, Call @ \$120.7 Merrill Lynch International 120.75% 02/22/2019	1,136	930
12,000 United States Treasury Long-Term Bonds Futures, Call @ \$146 146.00% 01/04/2019	7,036	6,562
Total Call Options Purchased	0.03% <u>55,093</u>	<u>78,571</u>
<i><u>Put Options Purchased</u></i>		
16,000 United States Treasury 10-Year Notes Futures, Put @ \$121.5 Merrill Lynch International 121.50% 01/04/2019	3,262	1,000
500,000 United States Treasury 2-Year Notes Futures, Put @ \$103.5 Merrill Lynch International 103.50% 02/22/2019	4,339	250
44,000 United States Treasury 5-Year Notes Futures, Put @ \$103.5 Merrill Lynch International 103.50% 02/22/2019	420	44
8,000 United States Treasury Bond, Call @ \$142 Merrill Lynch International 142.00% 01/25/2019	8,139	1,250
Total Put Options Purchased	0.00% <u>16,160</u>	<u>2,544</u>
Total Investments	99.99% <u>\$ 309,247,634</u>	<u>\$ 310,140,528</u>

# Hand Composite Employee Benefit Trust

## Schedule of Investments (Continued) Western Asset Core Bond CIF (Continued) December 31, 2018

### Schedule of Written Options

Security	Expiration Date	Strike Price	Contracts	Value
Euro FX Futures, Put	2/20/2019	\$ 100.00	2,580,000	\$ 5,517
United States Treasury 10-Year Notes Futures, Put	1/25/2019	119.00	12	375
United States Treasury 10-Year Notes Futures, Put	1/25/2019	120.00	8	375
United States Treasury 10-Year Notes Futures, Put	1/25/2019	120.50	20	1,875
United States Treasury 10-Year Notes Futures, Call	1/25/2019	121.00	30	35,625
United States Treasury 10-Year Notes Futures, Call	1/25/2019	120.50	36	57,938
United States Treasury 10-Year Notes Futures, Put	1/25/2019	119.50	16	500
United States Treasury 10-Year Notes Futures, Put	1/25/2019	121.00	16	2,750
United States Treasury 10-Year Notes Futures, Call	1/25/2019	122.50	27	8,859
United States Treasury 10-Year Notes Futures, Call	1/25/2019	122.00	9	4,781
United States Treasury 10-Year Notes Futures, Call	1/25/2019	123.00	62	11,625
United States Treasury 10-Year Notes Futures, Put	1/25/2019	120.75	32	4,000
United States Treasury 10-Year Notes Futures, Put	1/25/2019	120.25	24	1,500
United States Treasury 10-Year Notes Futures, Call	1/25/2019	122.25	48	20,250
United States Treasury 10-Year Notes Futures, Call	2/22/2019	123.00	53	21,531
United States Treasury 10-Year Notes Futures, Put	2/22/2019	119.50	24	2,625
United States Treasury 10-Year Notes Futures, Call	2/22/2019	123.50	23	6,469
United States Treasury 5-Year Notes Futures, Call	1/4/2019	114.25	38	17,516
United States Treasury 5-Year Notes Futures, Call	1/25/2019	114.00	62	48,438
United States Treasury 5-Year Notes Futures, Call	1/25/2019	114.25	15	8,906
United States Treasury 5-Year Notes Futures, Put	1/25/2019	113.50	16	625
United States Treasury 5-Year Notes Futures, Call	1/25/2019	115.00	16	3,250
United States Treasury 5-Year Notes Futures, Call	2/22/2019	115.50	30	6,328
United States Treasury Bond, Call	1/25/2019	143.00	7	22,750
United States Treasury Bond, Put	1/25/2019	141.00	32	3,000
United States Treasury Bond, Call	1/25/2019	149.00	32	8,500
United States Treasury Long-Term Bonds Futures, Put	1/4/2019	143.00	12	187
United States Treasury Long-Term Bonds Futures, Call	1/4/2019	147.00	12	2,250
United States Treasury Long-Term Bonds Futures, Call	1/25/2019	144.00	15	36,563
United States Treasury Long-Term Bonds Futures, Put	1/25/2019	143.00	11	2,750
Total Written Options (Premiums received - \$169,196)				<u>\$ 347,658</u>

**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Year Ended December 31, 2018**

	<b>Western Asset Core Bond CIF</b>
<b>Income</b>	
Interest	\$ 2,648,823
Total income	2,648,823
<b>Expenses</b>	
Trustee and administrative	245,303
Class R1 expenses	70,893
Class R3 expenses	125,370
Total expenses before reimbursement	441,566
Reimbursement of fees	(202,145)
Net expenses	239,421
<b>Net Investment Income</b>	2,409,402
<b>Net Realized Gains (Losses) on Investments, Options Written, Futures Contracts and Swap Contracts</b>	
Net realized losses on investments	(493,808)
Net realized gains on options written	202,807
Net realized gains on futures contracts	172,318
Net realized gains on swap contracts	349,976
Net realized gains	231,293
<b>Change in Net Unrealized Appreciation (Depreciation)</b>	
Investments	690,452
Options written	(181,106)
Futures contracts	(111,694)
Swap contracts	(322,697)
Change in net unrealized appreciation (depreciation)	74,955
Net realized and unrealized gains on investments, options written, futures contracts and swap contracts	306,248
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 2,715,650

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Year Ended December 31, 2018**

	<b>Western Asset Core Bond CIF</b>
<b>Operations</b>	
Net investment income	\$ 2,409,402
Net realized gains	231,293
Change in net unrealized appreciation (depreciation)	74,955
Net increase in net assets from operations	2,715,650
<b>Net Increase in Net Assets From Participant Unit Transactions</b>	<b>221,417,169</b>
<b>Increase in Net Assets</b>	<b>224,132,819</b>
<b>Net Assets</b>	
Beginning of year	30,984,261
End of year	\$ 255,117,080

# 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 Western Asset Core Bond CIF (the Fund), 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.

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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

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, 2018, resulting from changes in the exchange rates.

### ***Futures Contracts***

The Fund uses futures contracts generally to gain exposure to, or hedge against, changes in interest rates or gain exposure to, or hedge against, changes in certain asset classes. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

Upon entering into a futures contract, the Fund is required to deposit cash or cash equivalents with a broker in an amount equal to a certain percentage of the contract amount. This is known as the "initial margin" and subsequent payments ("variation margin") are made or received by the Fund each day, depending on the daily fluctuation in the value of the contract. For certain futures, including foreign denominated futures, variation margin is not settled daily, but is recorded as a net variation margin payable or receivable. Futures contracts are valued daily at the settlement price established by the board of trade or exchange on which they are traded. The daily changes in contract value are recorded as unrealized gains or losses in the statement of operations and the Fund recognizes a realized gain or loss when the contract is closed.

Futures contracts involve, to varying degrees, risk of loss in excess of the amounts reflected in the financial statements. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

### ***Written Options***

When the Fund writes an option, an amount equal to the premium received by the Fund is recorded as a liability, the value of which is marked-to-market daily to reflect the current market value of the option written. If the option expires, the premium received is recorded as a realized gain. When a written call option is exercised, the difference between the premium received plus the option exercise price and the Fund's basis in the underlying security (in the case of a covered written call option), or the cost to purchase the underlying security (in the case of an uncovered written call option), including brokerage commission, is recognized as a realized gain or loss. When a written put option is exercised, the amount of the premium received is subtracted from the cost of the security purchased by the Fund from the exercise of the written put option to form the Fund's basis in the underlying security purchased. The writer or buyer of an option traded on an exchange can liquidate the position before the exercise of the option by entering into a closing transaction. The cost of a closing transaction is deducted from the original premium received resulting in a realized gain or loss to the Fund.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

The risk in writing a covered call option is that the Fund may forego the opportunity of profit if the market price of the underlying security increases and the option is exercised. The risk in writing a put option is that the Fund may incur a loss if the market price of the underlying security decreases and the option is exercised. The risk in writing an uncovered call option is that the Fund is exposed to the risk of loss if the market price of the underlying security increases. In addition, there is the risk that the Fund may not be able to enter into a closing transaction because of an illiquid secondary market.

### ***Purchased Options***

When the Fund purchases an option, an amount equal to the premium paid by the Fund is recorded as an investment on the statement of assets and liabilities, the value of which is marked-to-market to reflect the current market value of the option purchased. If the purchased option expires, the Fund realizes a loss equal to the amount of premium paid. When an instrument is purchased or sold through the exercise of an option, the related premium paid is added to the basis of the instrument acquired or deducted from the proceeds of the instrument sold. The risk associated with purchasing put and call options is limited to the premium paid.

### ***Swap Agreements***

The Fund invests in swaps for the purpose of managing its exposure to interest rate, credit or market risk, or for other purposes. The use of swaps involves risks that are different from those associated with other portfolio transactions. Swap agreements are privately negotiated in the over-the-counter market ("OTC Swaps") or may be executed on a registered exchange ("Centrally Cleared Swaps"). Unlike Centrally Cleared Swaps, the Fund could have credit exposure to the counterparties of OTC Swaps.

Swap contracts are marked-to-market daily and changes in value are recorded as unrealized appreciation (depreciation). The daily change in valuation of Centrally Cleared Swaps, if any, is recorded as a receivable or payable for variation margin on the statement of assets and liabilities. Gains or losses are realized upon termination of the swap agreement. Collateral, in the form of restricted cash or securities, may be required to be held in segregated accounts with the Fund's custodian in compliance with the terms of the swap contracts. Securities posted as collateral for swap contracts are identified in the schedule of investments and restricted cash, if any, is identified on the statement of assets and liabilities. Risks may exceed amounts recorded in the statement of assets and liabilities. These risks include changes in the returns of the underlying instruments, failure of the counterparties to perform under the contracts' terms, and the possible lack of liquidity with respect to the swap agreements.

OTC swap payments received or made, if any, at the beginning of the measurement period are reflected as a premium or deposit, respectively, on the statement of assets and liabilities. These upfront payments are amortized over the life of the swap and are recognized as realized gain or loss in the statement of operations. Net periodic payments received or paid by the Fund are recognized as a realized gain or loss in the statement of operations.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

The Fund's maximum exposure in the event of a defined credit event on a credit default swap to sell protection is the notional amount. As of December 31, 2018, the total notional value of all credit default swaps to sell protection was \$45,060,000. This amount would be offset by the value of the swap's reference entity, upfront premiums received on the swap and any amounts received from the settlement of a credit default swap where the Fund bought protection for the same referenced security/entity.

For average notional amounts of swaps held during the year ended December 31, 2018, see Note 10.

### ***Credit Default Swaps***

The Fund enters into credit default swap ("CDS") contracts for investment purposes, to manage its credit risk or to add leverage. CDS agreements involve one party making a stream of payments to another party in exchange for the right to receive a specified return in the event of a default by a third party, typically corporate or sovereign issuers, on a specified obligation, or in the event of a write-down, principal shortfall, interest shortfall or default of all or part of the referenced entities comprising a credit index. The Fund may use a CDS to provide protection against defaults of the issuers (i.e., to reduce risk where the Fund has exposure to an issuer) or to take an active long or short position with respect to the likelihood of a particular issuer's default. As a seller of protection, the Fund generally receives an upfront payment or a stream of payments throughout the term of the swap provided that there is no credit event. If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the maximum potential amount of future payments (undiscounted) that the Fund could be required to make under a credit default swap agreement would be an amount equal to the notional amount of the agreement. These amounts of potential payments will be partially offset by any recovery of values from the respective referenced obligations. As a seller of protection, the Fund effectively adds leverage to its portfolio because, in addition to its total net assets, the Fund is subject to investment exposure on the notional amount of the swap. As a buyer of protection, the Fund generally receives an amount up to the notional value of the swap if a credit event occurs.

Implied spreads are the theoretical prices a lender receives for credit default protection. When spreads rise, market perceived credit risk rises and when spreads fall, market perceived credit risk falls. The implied credit spread of a particular referenced entity reflects the cost of buying/selling protection and may include upfront payments required to enter into the agreement. Wider credit spreads and decreasing market values, when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement. Credit spreads utilized in determining the year end market value of credit default swap agreements on corporate or sovereign issues are disclosed in the notes to financial statements and serve as an indicator of the current status of the payment/performance risk and represent the likelihood or risk of default for credit derivatives. For credit default swap agreements on asset-backed securities and credit indices, the quoted market prices and resulting values, particularly in relation to the notional amount of the contract as well as the annual payment rate, serve as an indication of the current status of the payment/performance risk.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

The Fund's maximum risk of loss from counterparty risk, as the protection buyer, is the fair value of the contract (this risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty). As the protection seller, the Fund's maximum risk is the notional amount of the contract. Credit default swaps are considered to have credit risk-related contingent features since they require payment by the protection seller to the protection buyer upon the occurrence of a defined credit event.

Entering into a CDS agreement involves, to varying degrees, elements of credit, market and documentation risk in excess of the related amounts recognized on the statement of assets and liabilities. Such risks involve the possibility that there will be no liquid market for these agreements, that the counterparty to the agreement may default on its obligation to perform or disagree as to the meaning of the contractual terms in the agreement, and that there will be unfavorable changes in net interest rates.

### ***Interest Rate Swaps***

The Fund enters into interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate, on a notional principal amount. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss in the statement of operations. When a swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the original cost and the settlement amount of the closing transaction.

The risks of interest rate swaps include changes in market conditions that will affect the value of the contract or changes in the present value of the future cash flow streams and the possible inability of the counterparty to fulfill its obligations under the agreement. The Fund's maximum risk of loss from counterparty credit risk is the discounted net value of the cash flows to be received from the counterparty over the contract's remaining life, to the extent that that amount is positive. This risk is mitigated by the posting of collateral by the counterparty to the Fund to cover the Fund's exposure to the counterparty.

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

### Investment Management Advisors

The investment management advisor for the Fund is Western Asset Management Company.

## Note 2: Futures Contracts

At December 31, 2018, the Fund held the following open futures contracts:

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Appreciation (Depreciation)
<b>Contracts to Buy:</b>					
10-Year Ultra U.S. Treasury Notes	1	3/19	\$ 125,934	\$ 130,078	\$ 4,144
90-Day Eurodollar	410	12/19	99,214,374	99,783,750	569,376
90-Day Eurodollar	153	6/20	37,055,863	37,295,663	239,800
90-Day Eurodollar	3	3/21	730,768	731,700	932
U.S. Treasury 2-Year Notes	514	3/19	108,384,327	109,128,625	744,298
U.S. Treasury Ultra Long-Term Bonds	11	3/19	1,737,675	1,767,218	29,543
					<u>1,588,093</u>
<b>Contracts to Sell:</b>					
90-Day Eurodollar	20	3/19	4,864,061	4,864,500	(439)
U.S. Treasury 5-Year Notes	91	3/19	10,333,262	10,436,563	(103,301)
U.S. Treasury 10-Year Notes	370	3/19	44,250,088	45,145,781	(895,693)
U.S. Treasury Long-Term Bonds	129	3/19	18,149,798	18,834,000	(684,202)
					<u>(1,683,635)</u>
Net unrealized appreciation on open futures contracts					<u>\$ (95,542)</u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2018

#### Note 3: Swap Contracts

At December 31, 2018, the Fund held the following open swap contracts:

Centrally Cleared Credit Default Swaps On Credit Indices - Sell Protection <sup>(1)</sup>						
Central Counterparty (Reference Entity)	Notional Amount <sup>(2)</sup>	Termination Date	Periodic Payments Received by the Fund <sup>†</sup>	Market Value <sup>(3)</sup>	Upfront Premiums Paid	Unrealized Appreciation
Chicago Mercantile Exchange (Markit.CDX.NA.IG.31 Index)	\$ 45,060,000	12/20/2023	1.000% quarterly	\$ 250,128	\$ 603,007	\$ (352,879)
Centrally Cleared Interest Rate Swaps						
Central Counterparty	Notional Amount*	Termination Date	Payments Made by the Fund <sup>†</sup>	Payments Received by the Fund <sup>†</sup>	Upfront Premiums Paid (Received)	Unrealized Appreciation (Depreciation)
Chicago Mercantile Exchange	\$ 14,438,000	8/31/2022	3-Month LIBOR-quarterly	2.85% semi-annually	\$ (125,391)	\$ 266,540
Chicago Mercantile Exchange	25,031,000	12/18/2021	3-Month LIBOR-quarterly	3.23% semi-annually	39,074	32,826
Chicago Mercantile Exchange	27,915,000	3/20/2024	3-Month LIBOR-quarterly	Monthly	857	(857)
Chicago Mercantile Exchange	5,526,000	12/18/2029	3.30% semi-annually	3-month LIBOR- quarterly	(28,286)	(227,365)
Chicago Mercantile Exchange	4,847,000	2/15/2036	3-Month LIBOR-quarterly	3.00% semi-annually	2,793	(32,226)
Chicago Mercantile Exchange	3,525,000	2/15/2044	3.33% semi-annually	3-month LIBOR- quarterly	(130)	(1,360)
Chicago Mercantile Exchange	3,552,000	2/15/2044	3.00% semi-annually	3-month LIBOR- quarterly	2,747	483
Total	<u>\$ 84,834,000</u>				<u>\$ (108,336)</u>	<u>\$ 38,041</u>

<sup>(1)</sup> If the Fund is a seller of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index.

<sup>(2)</sup> The maximum potential amount the Fund could be required to pay as a seller of credit protection or receive as a buyer of credit protection if a credit event occurs as defined under the terms of that particular swap agreement.

<sup>(3)</sup> The quoted market prices and resulting values for credit default swap agreements on asset-backed securities and credit indices serve as an indicator of the current status of the payment/performance risk and represent the likelihood of an expected liability (or profit) for the credit derivative should the notional amount of the swap agreement been closed/sold as of the year-end. Decreasing market values (sell protection) or increasing market values (buy protection) when compared to the notional amount of the swap, represent a deterioration of the referenced entity's credit soundness and a greater likelihood or risk of default or other credit event occurring as defined under the terms of the agreement.

\* Notional amount denominated in U.S. dollars, unless otherwise noted.

† Percentage shown is an annual percentage rate.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### Note 4: Options Roll Forward

During the year ended December 31, 2018, written option transactions for the Fund were as follows:

	<b>Number of Contracts/ Notional Amount</b>	<b>Premiums</b>
Written options, outstanding as of December 31, 2017	\$ 46	\$ 9,964
Options written	3,202,458	528,142
Options closed	(719)	(173,760)
Options expired	<u>(621,047)</u>	<u>(195,150)</u>
Written options, outstanding as of December 31, 2018	<u>\$ 2,580,738</u>	<u>\$ 169,196</u>

### Note 5: Investment Advisory Fees and Other Transactions With Affiliates

The Fund is charged a fee by HB&T for trustee/administrative services and other fees which include fund accounting services, transfer agency services, custody services, etc. The Fund has 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, 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 prior day's total net assets.

<b>Fund</b>	<b>Trustee/ Administrative Fees</b>	<b>Investment Management Fees</b>	<b>Other Fees</b>	<b>Total Fees</b>
<b>Western Asset Core Bond CIF:</b>				
Class R1	0.04%	0.30%	0.25%	0.59%
Class R3	0.04%	0.20%	0.25%	0.49%

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### Note 6: Financial Highlights

	Western Asset Core Bond CIF	
	Class R1	Class R3
Net asset value, beginning of year	\$ 10.22	\$ 10.22
Net investment income	0.26	0.28
Net realized and unrealized losses	(0.36)	(0.37)
Net decrease from investment operations	(0.10)	(0.09)
Net asset value, end of year	\$ 10.12	\$ 10.13
Total return	-0.98%	-0.88%
Ratio to average net assets:		
Net investment income	2.55%	2.88%
Expenses without reimbursement	0.76%	0.42%
Expenses with reimbursement	0.35%	0.25%

### Note 7: Participant Unit Transactions

	Western Asset Core Bond CIF	
	Units	Dollars
<b>Class R1:</b>		
Proceeds from sales of units	63,282	\$ 633,000
Cost of units redeemed	(294,779)	(2,942,000)
Net change in Class R1 from participant transactions	(231,497)	(2,309,000)
<b>Class R3:</b>		
Proceeds from sales of units	24,172,621	241,728,319
Cost of units redeemed	(1,795,974)	(18,002,150)
Net change in Class R3 from participant transactions	22,376,647	223,726,169
Net increase in net assets from participant transactions		\$ 221,417,169

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### Note 8: 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 and liabilities 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 and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year 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.

**U.S. Government and Agency Obligations.** U.S. Government 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 obligations are categorized as Level 2 in the hierarchy.

**Corporate Bonds.** The fair value of corporate bonds is estimated using various techniques, which may consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads, fundamental data relating to the issuer, and credit default swap spreads adjusted for any basis difference between cash and derivative instruments. Corporate bonds are categorized as Level 2 in the hierarchy.

**Foreign Government Obligations.** Foreign Government obligations are valued using models that incorporate 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. These securities are categorized as Level 2 in the hierarchy.



# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### **Asset-backed Securities, Mortgage-backed Securities and Collateralized Mortgage Obligations.**

These securities are valued using models that incorporate observable data, such as prepayments, delinquencies, yields, bids, offers, collateral seasoning and other factors. Deal specific scenarios are derived from historical performance information and loan level details. These securities are categorized as Level 2 in the hierarchy.

**Call and Put Options.** Options are marked-to-market based on quoted market prices in active markets. If recent market transactions are not available, observable market quotations are obtained from brokers specializing in options. Options are generally categorized as Level 1 or Level 2 in the hierarchy.

**Futures Contracts.** Futures contracts are marked-to-market on the daily fluctuations between the contract price and the market value of the underlying, as reported on a recognized exchange. Futures contracts are categorized as Level 1 in the hierarchy.

**Interest Rate Swaps.** The Fund enters into interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swaps are agreements between two parties to exchange cash flows based on a notional principal amount. The Fund may elect to pay a fixed rate and receive a floating rate, or receive a fixed rate and pay a floating rate, on a notional principal amount. Interest rate swaps are categorized as Level 2 in the hierarchy. Interest rate swaps are marked-to-market daily based upon quotations from market makers and the change, if any, is recorded as an unrealized gain or loss in the statement of operations. When a swap contract is terminated early, the Fund records a realized gain or loss equal to the difference between the original cost and the settlement amount of the closing transaction.

**Credit Default Swaps.** Credit default swaps are traded on the over-the-counter (OTC) market. Fair value for credit default swaps is based on models which take into account multiple inputs including specific contract terms, interest rate yield curves, interest rates, credit curves, recovery rates and current credit spreads obtained from swap counterparties and other market participants. Many inputs into the model do not require material subjectivity as they are observable in the marketplace or set per the contract. Other than the contract terms, valuation is heavily determined by the difference between the contract spread and the current market spread. The contract spread (or rate) is generally fixed and the market spread is determined by the credit risk of the underlying debt or reference entity. As the underlying debt on credit default swaps held by the Fund are liquid and the OTC market for the current spread is active, credit default swaps are categorized as Level 2 in the hierarchy.

The following table presents the fair value measurements of assets and liabilities 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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

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>Western Asset Core Bond CIF</b>				
Financial Instruments - Assets:				
Short-Term Investment	\$ 50,219,105	\$ 45,290,401	\$ 4,928,704	\$ -
Corporate Bonds	66,419,136	-	66,419,136	-
Foreign government	11,042,994	-	11,042,994	-
Asset-backed Securities	10,616,885	-	10,616,885	-
Collateralized Mortgage Obligations	3,767,820	-	3,767,820	-
Mortgage-backed Securities	105,680,878	-	105,680,878	-
U.S. Government and Agency Obligations	62,312,595	-	62,312,595	-
Call Options Purchased	78,571	75,570	3,001	-
Put Options Purchased	2,544	2,544	-	-
Total Financial Instruments - Assets	<u>\$ 310,140,528</u>	<u>\$ 45,368,515</u>	<u>\$ 264,772,013</u>	<u>\$ 0</u>
Derivative Instruments - Assets:				
Futures Contracts	\$ 1,588,093	\$ 1,588,093	\$ -	\$ -
Centrally Cleared Interest Rate Swaps	299,849	-	299,849	-
Total Derivative Instruments - Assets	<u>\$ 1,887,942</u>	<u>\$ 1,588,093</u>	<u>\$ 299,849</u>	<u>\$ 0</u>
Derivative Instruments - Liabilities:				
Written Options	\$ 347,658	\$ 342,141	\$ 5,517	\$ -
Futures Contracts	1,683,635	1,683,635	-	-
Centrally Cleared Interest Rate Swaps	261,808	-	261,808	-
Centrally Cleared Credit Default Swaps on Credit Indices - Sell Protection	352,879	-	352,879	-
Total Derivative Instruments - Liabilities	<u>\$ 2,645,980</u>	<u>\$ 2,025,776</u>	<u>\$ 620,204</u>	<u>\$ 0</u>

## Note 9: 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 change could materially affect the amounts reported in the accompanying statement of assets and liabilities.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

### 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 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.

## Note 10: Derivative Instruments and Hedging Activities

Below are tables, grouped by derivative type, which provides information about the fair value and the location of derivatives within the statement of assets and liabilities at December 31, 2018:

	Asset Derivatives <sup>(1)</sup>			
	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total
Purchased options <sup>(2)</sup>	\$ 78,114	\$ -	\$ 3,001	\$ 81,115
Futures contracts <sup>(3)</sup>	1,588,093	-	-	1,588,093
Centrally cleared swap contracts <sup>(4)</sup>	299,849	-	-	299,849
Total	<u>\$ 1,966,056</u>	<u>\$ 0</u>	<u>\$ 3,001</u>	<u>\$ 1,969,057</u>

<sup>(1)</sup> Generally, the statement of assets and liabilities location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

<sup>(2)</sup> Market value of purchased options is reported in investments at value in the statement of assets and liabilities.

<sup>(3)</sup> Includes cumulative unrealized appreciation (depreciation) of futures contracts as reported in Note 2. Only variation margin is reported within the receivables and/or payables on the statement of assets and liabilities.

<sup>(4)</sup> Includes cumulative unrealized appreciation (depreciation) of centrally cleared swap contracts as reported in Note 3. Only variation margin is reported within the receivables and/or payables on the statement of assets and liabilities.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

	Liability Derivatives <sup>(1)</sup>			
	Interest Rate Risk	Foreign Exchange Risk	Credit Risk	Total
Written options	\$ 342,141	\$ -	\$ 5,517	\$ 347,658
Futures contracts <sup>(3)</sup>	1,683,635	-	-	1,683,635
Centrally cleared swap contracts <sup>(4)</sup>	261,808	-	352,879	614,687
<b>Total</b>	<b>\$ 2,287,584</b>	<b>\$ 0</b>	<b>\$ 358,396</b>	<b>\$ 2,645,980</b>

<sup>(1)</sup> Generally, the statement of assets and liabilities location for asset derivatives is receivables/net unrealized appreciation (depreciation) and for liability derivatives is payables/net unrealized appreciation (depreciation).

<sup>(2)</sup> Market value of purchased options is reported in investments at value in the statement of assets and liabilities.

<sup>(3)</sup> Includes cumulative unrealized appreciation (depreciation) of futures contracts as reported in Note 2. Only variation margin is reported within the receivables and/or payables on the statement of assets and liabilities.

<sup>(4)</sup> Includes cumulative unrealized appreciation (depreciation) of centrally cleared swap contracts as reported in Note 3. Only variation margin is reported within the receivables and/or payables on the statement of assets and liabilities.

The following tables provide information about the effect of derivatives and hedging activities on the Fund's statement of operations for the year ended December 31, 2018. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the year. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the year.

	Amount of Realized Gain (Loss) on Derivatives Recognized		
	Interest Rate Risk	Credit Risk	Total
Purchased options (1)	\$ (367,856)	\$ (620)	\$ (368,476)
Written options	202,187	620	202,807
Futures contracts	172,318	-	172,318
Swap contracts	185,268	164,708	349,976
<b>Total</b>	<b>\$ 191,917</b>	<b>\$ 164,708</b>	<b>\$ 356,625</b>

<sup>(1)</sup> Net realized gain (loss) from purchased options is reported in net realized gain (loss) from investment transactions in the statement of operations.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

	<b>Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized</b>		
	<b>Interest</b>		
	<b>Rate Risk</b>	<b>Credit Risk</b>	<b>Total</b>
Purchased options (1)	\$ 13,050	\$ (2,167)	\$ 10,883
Written options	(180,813)	(293)	(181,106)
Futures contracts	(111,694)	-	(111,694)
Swap contracts	(372,853)	50,156	(322,697)
Total	<u>\$ (652,310)</u>	<u>\$ 47,696</u>	<u>\$ (604,614)</u>

(1) Net unrealized appreciation (depreciation) from purchased options is reported in net unrealized appreciation (depreciation) from investment transactions in the statement of operations.

During the year ended December 31, 2018, the volume of derivative activity for the Fund was as follows:

	<b>Average Market Value</b>
Purchased options	\$ 35,924
Written options	54,905
Futures contracts (to buy)	99,173,448
Futures contracts (to sell)	28,087,145
	<b>Average Notional Balance</b>
Interest rate swap contracts	\$ 17,164,846
Credit default swap contracts (to sell protection)	12,504,615

The following table presents, by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2018:

	<b>Gross Amount of Derivative Assets in the Statement of Assets and Liabilities <sup>(1)</sup></b>	<b>Collateral Received</b>	<b>Net Amount</b>
Purchased options <sup>(2)</sup>	\$ 81,115	\$ 0	\$ 81,115

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2018

The following table presents, by financial instrument, the Fund's derivative liabilities net of the related collateral pledged by the Fund at December 31, 2018:

	<b>Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities <sup>(1)</sup></b>	<b>Collateral Pledged</b>	<b>Net Amount</b>
Written options	\$ 347,658	\$ -	\$ 347,658
Futures contracts <sup>(3)</sup>	92,576	-	92,576
Centrally Cleared Swap Contracts <sup>(3)</sup>	45,163	-	45,163
Total	<u>\$ 485,397</u>	<u>\$ 0</u>	<u>\$ 485,397</u>

<sup>(1)</sup> Absent an event of default or early termination, derivative assets and liabilities are presented gross and do not offset in the statement of assets and liabilities.

<sup>(2)</sup> Market value of purchased options is reported in investments at fair value in the statement of assets and liabilities.

<sup>(3)</sup> Amount represents the current day's variation margin as reported in the statement of assets and liabilities. It differs from the cumulative appreciation (depreciation) presented in the previous table.

## **Supplemental Information**

**Hand Composite Employee Benefit Trust**  
**Schedule of Investment Purchases and Sales - Selected Fund**  
**Western Asset Core Bond CIF**  
**Year Ended December 31, 2018**

<b>Purchases</b>	
<b>Investment Class</b>	<b>Cost</b>
Asset-backed Securities	\$ 10,842,461
Collateralized Mortgage Obligations	7,274,216
Corporate Bonds	62,659,701
Foreign Government	10,554,096
Mortgage-backed Securities	533,773,014
U.S. Government and Agency Obligations	73,621,891
Total Investments Purchased	\$ 698,725,379

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Asset-backed Securities	\$ 1,375,075	\$ 1,372,620	\$ 2,455
Collateralized Mortgage Obligations	1,162,617	1,178,872	(16,255)
Corporate Bonds	1,610,747	1,628,336	(17,589)
Foreign Government	628,470	632,130	(3,660)
Mortgage-backed Securities	442,595,138	442,545,882	49,256
U.S. Government and Agency Obligations	26,889,897	26,994,057	(104,160)
Total Investments Sold	\$ 474,261,944	\$ 474,351,897	\$ (89,953)