

**Hand Composite Employee Benefit Trust  
Western Asset Long Duration Credit CIF**  
Independent Auditor's Report and Financial Statements  
December 31, 2016



# Hand Composite Employee Benefit Trust

## December 31, 2016

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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 Long Duration Credit 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, 2016, the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Long Duration Credit CIF, as of December 31, 2016, and the results of its operations and the changes in its net assets for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***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 26, 2017

**Hand Composite Employee Benefit Trust**  
**Statement of Assets and Liabilities – Selected Fund**  
**December 31, 2016**

	<b>Western Asset Long Duration Credit CIF</b>
<b>Assets</b>	
Investments, at cost	\$ 108,985,312
Investments, at fair value	\$ 111,536,731
Receivable from broker – variation margin on open futures contracts	67,711
Deposits with brokers for open futures contracts	516,069
Deposits with brokers for centrally cleared swap contracts	124,000
Receivable for:	
Investment securities sold	567,369
Dividend and interest	1,322,683
Investment advisor waived fees	14,368
Total assets	\$ 114,148,931
<b>Liabilities</b>	
Management fee payable	\$ 11,868
Payable to broker – variation margin on centrally cleared swap contracts	3,045
Accounts payable and accrued liabilities	27,481
Total liabilities	\$ 42,394
Net assets held for participants:	
Class R	\$ 86,092,741
Class R1	17,672,872
Class R-INT	10,340,924
Total net assets held for participants	\$ 114,106,537
Units outstanding:	
Class R	8,163,755
Class R1	1,675,550
Class R-INT	979,150
Total units outstanding	10,818,455
Net asset value per unit:	
Class R1	\$ 10.55
Class R-INT	\$ 10.55
Class R-LM	\$ 10.56

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments**  
**Western Asset Long Duration Credit CIF**  
**December 31, 2016**

Number of Shares		Cost	Fair Value
<u><i>Short-Term Investment</i></u>			
5,969,573	State Street Institutional U.S. Government Money Market Fund, Premier Class .411%	\$ 5,969,573	\$ 5,969,573
	<b>Total Short-Term Investment</b>	<b>5.35%</b>	<b>5,969,573</b>
<u><i>Preferred Stocks</i></u>			
<i>Consumer Discretionary</i>			
7,800	Citigroup Capital XIII	204,600	201,396
	<b>Total Consumer Discretionary</b>	<b>0.18%</b>	<b>204,600</b>
<i>Industrials</i>			
3,200	Delphi Financial Group, Inc.	79,968	67,200
	<b>Total Industrials</b>	<b>0.06%</b>	<b>79,968</b>
	<b>Total Preferred Stocks</b>	<b>0.24%</b>	<b>284,568</b>
Principal Amount		Cost	Fair Value
<u><i>Corporate Bonds</i></u>			
<i>Consumer Discretionary</i>			
\$ 460,000	21st Century Fox America, Inc. Company Guarantee 6.90% 08/15/2039	557,906	577,646
120,000	Baylor College of Medicine Secured 5.259% 11/15/2046	125,991	128,454
210,000	California Institute of Technology Sr Unsecured 4.70% 11/01/2111	208,080	198,525
180,000	Carlyle Holdings II Finance LLC Company Guarantee 144A 5.625% 03/30/2043	195,465	178,099
450,000	Citigroup Capital III Company Guarantee 7.625% 12/01/2036	537,229	525,374
60,000	Cleveland Clinic Foundation Unsecured 4.858% 01/01/2114	60,000	56,915
70,000	Comcast Corp. Company Guarantee 6.95% 08/15/2037	94,446	95,474
50,000	Comcast Corp. Company Guarantee 4.65% 07/15/2042	50,759	52,056
530,000	Comcast Corp. Company Guarantee 6.40% 05/15/2038	589,077	678,665
340,000	Comcast Corp. Company Guarantee 6.40% 03/01/2040	389,147	442,541
260,000	Comcast Corp. Company Guarantee 6.45% 03/15/2037	327,147	335,698
110,000	Comcast Corp. Company Guarantee 7.05% 03/15/2033	148,468	147,674
430,000	Cooperative Rabobank UA Bank Guarantee 5.25% 08/04/2045	456,883	467,185
100,000	Deutsche Telekom International Finance BV Company Guarantee 8.75% 06/15/2030	140,632	147,012
140,000	Ford Motor Co. Sr Unsecured 4.75% 01/15/2043	136,328	132,917
350,000	Ford Motor Co. Sr Unsecured 7.45% 07/16/2031	441,746	439,266
370,000	General Motors Co. Sr Unsecured 6.25% 10/02/2043	401,914	409,027
160,000	General Motors Co. Sr Unsecured 5.20% 04/01/2045	160,257	154,226
120,000	General Motors Co. Sr Unsecured 6.60% 04/01/2036	119,906	137,161
240,000	General Motors Co. Sr Unsecured 6.75% 04/01/2046	282,563	281,446
70,000	General Motors Financial Co., Inc. Company Guarantee 4.25% 05/15/2023	70,000	70,841
10,000	General Motors Financial Co., Inc. Company Guarantee 3.45% 04/10/2022	9,685	9,889
120,000	GLP Capital L.P. / GLP Financing II, Inc. Company Guarantee 5.375% 04/15/2026	121,041	125,148
110,000	Goodyear Tire & Rubber Co. Company Guarantee 5.125% 11/15/2023	110,395	113,300
200,000	Grupo Televisa S.A.B. Sr Unsecured 5.00% 05/13/2045	193,251	169,718
60,000	Highmark, Inc. Sr Unsecured 144A 6.125% 05/15/2041	59,619	55,525
320,000	Home Depot, Inc. Sr Unsecured 4.40% 03/15/2045	325,072	341,023
300,000	L-3 Communications Corp. Company Guarantee 3.85% 12/15/2026	299,423	298,204
250,000	Liberty Mutual Insurance Co. Subordinated 144A 7.875% 10/15/2026	308,992	302,843
10,000	Lowe's Cos., Inc. Sr Unsecured 4.65% 04/15/2042	9,960	10,687
320,000	Lowe's Cos., Inc. Sr Unsecured 5.80% 04/15/2040	345,485	392,260

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Consumer Discretionary (continued)</i>			
\$ 80,000	LYB International Finance BV Company Guarantee 5.25% 07/15/2043	\$ 77,672	\$ 86,011
130,000	Massachusetts Institute of Technology Unsecured 4.678% 07/01/2114	130,000	130,863
20,000	Massachusetts Institute of Technology Unsecured 5.60% 07/01/2111	24,127	24,242
160,000	McDonald's Corp. Sr Unsecured 4.70% 12/09/2035	166,664	169,267
150,000	McDonald's Corp. Sr Unsecured 4.875% 12/09/2045	150,000	160,661
180,000	Mohegan Tribal Gaming Authority Company Guarantee 144A 7.875% 10/15/2024	183,509	183,600
230,000	Monongahela Power Co. 144A 5.40% 12/15/2043	229,595	268,829
130,000	Neuberger Berman Group LLC / Neuberger Berman Finance Corp. Sr Unsecured 144A 4.875% 04/15/2045	111,251	103,201
490,000	Newell Brands, Inc. Sr Unsecured 5.50% 04/01/2046	519,629	562,533
380,000	Nordstrom, Inc. Sr Unsecured 5.00% 01/15/2044	380,871	374,442
40,000	Nordstrom, Inc. Sr Unsecured 6.95% 03/15/2028	52,265	48,408
20,000	Northwestern University Unsecured 4.643% 12/01/2044	20,000	22,664
20,000	Orange S.A. Sr Unsecured 9.00% 03/01/2031	27,706	30,070
180,000	Target Corp. Sr Unsecured 4.00% 07/01/2042	176,292	178,999
200,000	Time Warner Cable LLC Sr Secured 5.50% 09/01/2041	209,629	203,322
190,000	Time Warner Cable LLC Sr Secured 5.875% 11/15/2040	207,201	202,625
700,000	Time Warner Cable LLC Sr Secured 7.30% 07/01/2038	749,882	861,099
220,000	Time Warner Cable, LLC Sr Secured 6.55% 05/01/2037	246,109	249,051
170,000	Time Warner Cable, LLC Sr Secured 6.75% 06/15/2039	190,200	197,639
340,000	Time Warner, Inc. Company Guarantee 3.80% 02/15/2027	336,606	338,069
320,000	Time Warner, Inc. Company Guarantee 3.875% 01/15/2026	316,577	320,345
20,000	Toll Brothers Finance Corp. Company Guarantee 5.625% 01/15/2024	20,247	20,750
100,000	University of Chicago Unsecured 4.151% 10/01/2045	100,000	100,136
190,000	Viacom, Inc. Sr Unsecured 4.375% 03/15/2043	169,397	151,345
70,000	Viacom, Inc. Sr Unsecured 4.85% 12/15/2034	71,610	62,403
160,000	Viacom, Inc. Sr Unsecured 5.25% 04/01/2044	147,198	145,559
20,000	Walt Disney Co. Sr Unsecured 4.375% 08/16/2041	20,320	21,224
	Total Consumer Discretionary	11.38% 12,311,424	12,692,156
<i>Consumer Staples</i>			
360,000	Altria Group, Inc. Company Guarantee 3.875% 09/16/2046	356,771	332,241
100,000	Altria Group, Inc. Company Guarantee 4.25% 08/09/2042	103,241	98,412
240,000	Constellation Brands, Inc. Company Guarantee 3.70% 12/06/2026	239,783	234,490
210,000	CVS Health Corp. Sr Unsecured 5.125% 07/20/2045	209,569	234,034
210,000	CVS Health Corp. Sr Unsecured 5.30% 12/05/2043	218,606	237,948
360,000	Danone S.A. Sr Unsecured 144A 2.947% 11/02/2026	360,000	343,542
280,000	Kraft Heinz Foods Co. Company Guarantee 4.375% 06/01/2046	282,849	263,474
20,000	Kraft Heinz Foods Co. Company Guarantee 5.00% 07/15/2035	19,818	20,982
100,000	Kraft Heinz Foods Co. Company Guarantee 5.00% 06/04/2042	99,316	102,394
200,000	Kraft Heinz Foods Co. Company Guarantee 5.20% 07/15/2045	201,245	209,362
90,000	Kraft Heinz Foods Co. Company Guarantee 144A 7.125% 08/01/2039	112,174	114,659
30,000	PepsiCo, Inc. Sr Unsecured 3.60% 08/13/2042	29,527	27,968
240,000	PepsiCo, Inc. Sr Unsecured 4.25% 10/22/2044	245,138	247,856
140,000	PepsiCo, Inc. Sr Unsecured 4.875% 11/01/2040	139,745	155,092
190,000	Pernod Ricard S.A. Sr Unsecured 144A 5.50% 01/15/2042	187,497	209,183
240,000	Philip Morris International, Inc. Sr Unsecured 3.875% 08/21/2042	237,983	222,845
15,000	Procter & Gamble Co. Sr Unsecured 5.55% 03/05/2037	14,548	19,403
310,000	Reynolds American, Inc. Company Guarantee 5.85% 08/15/2045	336,606	367,079
90,000	Reynolds American, Inc. Company Guarantee 7.25% 06/15/2037	88,712	117,920
50,000	Reynolds American, Inc. Company Guarantee 8.125% 05/01/2040	63,476	66,763
150,000	Tyson Foods, Inc. Company Guarantee 5.15% 08/15/2044	155,363	155,531
370,000	Wal-Mart Stores, Inc. Sr Unsecured 4.00% 04/11/2043	375,188	371,692

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Consumer Staples (continued)</i>			
\$ 60,000	Wal-Mart Stores, Inc. Sr Unsecured 4.30% 04/22/2044	\$ 60,054	\$ 63,316
30,000	Wal-Mart Stores, Inc. Sr Unsecured 4.75% 10/02/2043	29,798	33,640
150,000	Walgreens Boots Alliance, Inc. Sr Unsecured 4.80% 11/18/2044	159,786	154,171
	Total Consumer Staples	3.95% 4,326,793	4,403,997
<i>Energy</i>			
160,000	Anadarko Petroleum Corp. Sr Unsecured 4.50% 07/15/2044	146,994	150,328
60,000	Anadarko Petroleum Corp. Sr Unsecured 6.20% 03/15/2040	65,387	68,717
50,000	Anadarko Petroleum Corp. Sr Unsecured 6.45% 09/15/2036	52,809	59,508
780,000	Anadarko Petroleum Corp. Sr Unsecured 6.60% 03/15/2046	858,393	962,020
470,000	Anadarko Petroleum Corp. Sr Unsecured 7.95% 06/15/2039	624,757	608,470
50,000	Apache Corp. Sr Unsecured 6.00% 01/15/2037	58,780	57,508
160,000	Apache Corp. Sr Unsecured 4.25% 01/15/2044	158,467	157,732
230,000	Apache Corp. Sr Unsecured 4.75% 04/15/2043	239,662	236,906
200,000	Apache Corp. Sr Unsecured 5.10% 09/01/2040	196,537	209,236
140,000	Apache Corp. Sr Unsecured 5.25% 02/01/2042	136,272	149,286
670,000	Berkshire Hathaway Energy Co. Sr Unsecured 6.125% 04/01/2036	718,021	836,749
330,000	BHP Billiton Finance USA Ltd. Company Guarantee 5.00% 09/30/2043	354,140	368,597
400,000	BHP Billiton Finance USA Ltd. Company Guarantee 144A 6.75% 10/19/2075	402,960	449,000
340,000	BP Capital Markets PLC Company Guarantee 3.723% 11/28/2028	340,000	345,467
70,000	Cenovus Energy, Inc. Sr Unsecured 4.45% 09/15/2042	69,853	60,617
280,000	Chevron Corp. Sr Unsecured 2.954% 05/16/2026	281,483	275,428
50,000	ConocoPhillips Company Guarantee 6.50% 02/01/2039	61,182	63,296
50,000	Continental Resources, Inc. Company Guarantee 4.90% 06/01/2044	50,966	42,750
140,000	Devon Energy Corp. Sr Unsecured 7.95% 04/15/2032	167,332	177,270
90,000	Devon Energy Corp. Sr Unsecured 4.75% 05/15/2042	72,079	85,023
470,000	Devon Energy Corp. Sr Unsecured 5.00% 06/15/2045	438,597	461,697
150,000	Devon Energy Corp. Sr Unsecured 5.60% 07/15/2041	146,605	154,499
300,000	Devon Energy Corp. Sr Unsecured 5.85% 12/15/2025	303,632	340,841
190,000	Diamond 1 Finance Corp. / Diamond 2 Finance Corp. Sr Secured 144A 8.35% 07/15/2046	199,012	233,945
348,000	Ecopetrol S.A. Sr Unsecured 5.875% 05/28/2045	332,585	300,672
870,000	Ecopetrol S.A. Sr Unsecured 5.375% 06/26/2026	868,549	865,650
80,000	ENSCO International, Inc. Company Guarantee 7.20% 11/15/2027	65,933	73,200
290,000	Exxon Mobil Corp. Sr Unsecured 4.114% 03/01/2046	295,756	297,039
230,000	Halliburton Co. Sr Unsecured 4.75% 08/01/2043	229,541	236,186
260,000	Halliburton Co. Sr Unsecured 4.85% 11/15/2035	263,743	274,203
240,000	Halliburton Co. Sr Unsecured 5.00% 11/15/2045	244,079	258,827
300,000	Hess Corp. Sr Unsecured 4.30% 04/01/2027	299,495	298,627
30,000	Hess Corp. Sr Unsecured 5.60% 02/15/2041	28,817	30,334
470,000	Kerr-McGee Corp. Company Guarantee 6.95% 07/01/2024	505,794	554,503
60,000	Kerr-McGee Corp. Company Guarantee 7.875% 09/15/2031	75,578	76,831
230,000	Lukoil International Finance BV Company Guarantee 144A 4.563% 04/24/2023	230,000	232,111
250,000	Lukoil International Finance BV Company Guarantee 144A 4.75% 11/02/2026	250,000	250,440
200,000	Lukoil International Finance BV Company Guarantee 144A 6.125% 11/09/2020	207,959	216,700
230,000	Magellan Midstream Partners L.P. Sr Unsecured 4.25% 09/15/2046	228,438	216,101
20,000	Memorial Sloan-Kettering Cancer Center Sr Unsecured Series 2015 4.20% 07/01/2055	19,929	19,405
20,000	Nationwide Mutual Insurance Co. Subordinated 144A 9.375% 08/15/2039	30,291	30,208
180,000	Noble Energy, Inc. Sr Unsecured 5.25% 11/15/2043	179,363	183,351
110,000	Noble Energy, Inc. Sr Unsecured 6.00% 03/01/2041	111,693	122,135
270,000	Occidental Petroleum Corp. Sr Unsecured 4.10% 02/15/2047	269,531	262,991
250,000	Occidental Petroleum Corp. Sr Unsecured 4.40% 04/15/2046	252,205	254,409
250,000	Occidental Petroleum Corp. Sr Unsecured 4.625% 06/15/2045	248,289	260,127



**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Energy (continued)</i>			
\$ 95,000	Petrobras Global Finance BV Company Guarantee 6.875% 01/20/2040	\$ 93,700	\$ 81,529
300,000	Petroleos Mexicanos Company Guarantee 6.375% 01/23/2045	292,416	273,000
280,000	Petroleos Mexicanos Company Guarantee 5.50% 06/27/2044	235,592	233,016
590,000	Petroleos Mexicanos Company Guarantee 6.50% 06/02/2041	671,948	552,565
210,000	Petroleos Mexicanos Company Guarantee 144A 6.50% 03/13/2027	208,104	216,615
220,000	Petroleos Mexicanos Company Guarantee 144A 6.875% 08/04/2026	219,618	232,100
50,000	Pride International, Inc. Company Guarantee 6.875% 08/15/2020	46,272	53,375
50,000	Pride International, Inc. Company Guarantee 7.875% 08/15/2040	57,488	44,750
30,000	Range Resources Corp. Company Guarantee 4.875% 05/15/2025	30,000	29,063
270,000	Schlumberger Holdings Corp. Sr Unsecured 144A 4.00% 12/21/2025	269,840	282,957
80,000	Shell International Finance BV Company Guarantee 6.375% 12/15/2038	79,590	103,167
610,000	Shell International Finance BV Company Guarantee 4.00% 05/10/2046	605,174	583,318
520,000	Shell International Finance BV Company Guarantee 4.375% 05/11/2045	523,213	526,748
30,000	Shell International Finance BV Company Guarantee 4.55% 08/12/2043	32,346	31,285
400,000	Southern Natural Gas Co. LLC Sr Unsecured 8.00% 03/01/2032	424,170	500,817
80,000	Sunoco Logistics Partners Operations L.P. Company Guarantee 5.35% 05/15/2045	82,868	77,253
540,000	Vale Overseas Ltd. Company Guarantee 6.875% 11/21/2036	509,423	531,900
290,000	Western Gas Partners L.P. Sr Unsecured 4.65% 07/01/2026	304,027	300,266
120,000	Western Gas Partners L.P. Sr Unsecured 5.45% 04/01/2044	123,513	123,596
102,000	Williams Cos., Inc. Sr Unsecured 7.875% 09/01/2021	105,852	116,535
140,000	Williams Cos., Inc. Sr Unsecured 4.55% 06/24/2024	141,813	138,950
70,000	Williams Cos., Inc. Sr Unsecured 7.75% 06/15/2031	82,554	79,800
190,000	Williams Cos., Inc. Sr Unsecured 8.75% 03/15/2032	224,113	229,425
250,000	YPF S.A. Sr Unsecured 144A 8.50% 03/23/2021	250,435	268,150
	Total Energy	15.67% 16,995,557	17,479,120
<i>Financials</i>			
200,000	ABN AMRO Bank N.V. Subordinated 144A 4.75% 07/28/2025	199,526	202,352
110,000	Allstate Corp. Jr Subordinated 6.50% 05/15/2057	99,315	124,850
125,000	American International Group, Inc. Jr Subordinated 6.25% 03/15/2087	103,281	125,625
60,000	American International Group, Inc. Sr Unsecured 4.50% 07/16/2044	60,640	59,165
180,000	Anthem, Inc. Sr Unsecured 6.375% 06/15/2037	168,927	216,234
500,000	Bank of America Corp. Sr Unsecured 5.00% 01/21/2044	515,160	547,546
150,000	Bank of America Corp. Subordinated 4.00% 01/22/2025	148,397	150,188
510,000	Bank of America Corp. Subordinated 4.20% 08/26/2024	516,007	519,539
60,000	Bank of America Corp. Subordinated 4.25% 10/22/2026	60,733	60,726
200,000	BNP Paribas S.A. Jr Subordinated 144A 7.625% 03/30/2021	200,000	211,020
150,000	Citigroup, Inc. Sr Unsecured 8.125% 07/15/2039	215,869	222,890
70,000	Citigroup, Inc. Subordinated 4.60% 03/09/2026	69,872	72,351
630,000	Citigroup, Inc. Subordinated 5.50% 09/13/2025	655,359	692,377
10,000	Citigroup, Inc. Subordinated 6.625% 06/15/2032	11,581	12,131
280,000	Citigroup, Inc. Subordinated 4.125% 07/25/2028	282,021	276,591
450,000	Citigroup, Inc. Subordinated 4.45% 09/29/2027	449,744	457,131
212,000	Citigroup, Inc. Subordinated 6.125% 08/25/2036	197,171	245,994
130,000	City of Hope Sr Secured Series 2013 5.623% 11/15/2043	130,000	152,796
50,000	CoreCivic, Inc. Company Guarantee 4.625% 05/01/2023	43,598	49,250
100,000	CoreCivic, Inc. Company Guarantee 5.00% 10/15/2022	91,078	99,750
290,000	Credit Agricole S.A. Jr Subordinated 144A 8.125% 12/23/2025	286,943	305,213
250,000	Credit Suisse Group Funding Guernsey Ltd. Company Guarantee 4.55% 04/17/2026	249,943	259,644
480,000	Credit Suisse Group Funding Guernsey Ltd. Company Guarantee 4.875% 05/15/2045	484,411	492,708
350,000	Fibria Overseas Finance Ltd. Company Guarantee 5.25% 05/12/2024	352,821	351,750
260,000	Goldman Sachs Group, Inc. Sr Unsecured 3.50% 11/16/2026	259,334	254,016
370,000	Goldman Sachs Group, Inc. Sr Unsecured 6.25% 02/01/2041	367,654	458,640

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Financials (continued)</i>			
\$ 380,000	Goldman Sachs Group, Inc. Sr Unsecured 4.75% 10/21/2045	\$ 405,493	\$ 401,144
350,000	Goldman Sachs Group, Inc. Sr Unsecured 4.80% 07/08/2044	348,343	367,440
750,000	Goldman Sachs Group, Inc. Subordinated 6.75% 10/01/2037	748,656	926,135
240,000	Goldman Sachs Group, Inc. Subordinated 4.25% 10/21/2025	242,355	243,802
530,000	Goldman Sachs Group, Inc. Subordinated 5.15% 05/22/2045	520,772	557,380
200,000	HSBC Holdings PLC Subordinated 6.50% 09/15/2037	253,220	247,939
200,000	Intesa Sanpaolo S.p.A. Subordinated 144A 5.017% 06/26/2024	200,000	184,837
290,000	Intesa Sanpaolo S.p.A. Subordinated 144A 5.71% 01/15/2026	277,279	276,741
30,000	JPMorgan Chase & Co. Sr Unsecured 5.40% 01/06/2042	29,952	35,151
210,000	JPMorgan Chase & Co. Subordinated 3.625% 12/01/2027	209,640	203,739
520,000	JPMorgan Chase & Co. Subordinated 4.95% 06/01/2045	525,360	554,481
200,000	Lloyds Banking Group PLC Jr Subordinated 7.50% 06/27/2024	191,528	206,000
40,000	Mayo Clinic Series 2013 Unsecured 4.00% 11/15/2047	40,000	38,275
275,000	MetLife, Inc. Jr Subordinated 6.40% 12/15/2036	237,368	297,000
200,000	Morgan Stanley Sr Unsecured 7.25% 04/01/2032	214,826	270,983
300,000	Nationwide Building Society Subordinated 144A 4.00% 09/14/2026	299,140	285,918
80,000	Raymond James Financial, Inc. Sr Unsecured 4.95% 07/15/2046	79,950	76,160
450,000	Royal Bank of Scotland Group PLC Jr Subordinated 8.625% 08/15/2021	450,000	459,000
10,000	Royal Bank of Scotland Group PLC Subordinated 6.10% 06/10/2023	10,100	10,467
140,000	Royal Bank of Scotland N.V. Subordinated Series B 7.75% 05/15/2023	154,945	156,429
280,000	Santander Holdings USA, Inc. Sr Unsecured 4.50% 07/17/2025	282,438	278,249
430,000	Santander UK Group Holdings PLC Subordinated 144A 5.625% 09/15/2045	433,587	421,512
140,000	Security Capital Group, Inc. Sr Unsecured 7.70% 06/15/2028	179,945	184,658
290,000	Standard Chartered PLC Subordinated 144A 5.70% 03/26/2044	297,588	289,635
650,000	Teachers Insurance & Annuity Association of America Subordinated 144A 4.90% 09/15/2044	667,927	703,142
60,000	Travelers Property Casualty Corp. Company Guarantee 7.75% 04/15/2026	80,170	78,802
420,000	Voya Financial, Inc. Company Guarantee 5.70% 07/15/2043	465,748	458,202
270,000	Wells Fargo & Co. Sr Unsecured 3.00% 10/23/2026	269,650	257,147
190,000	Wells Fargo & Co. Subordinated 4.10% 06/03/2026	190,200	192,506
340,000	Wells Fargo & Co. Subordinated 4.30% 07/22/2027	348,642	349,715
860,000	Wells Fargo & Co. Subordinated 4.40% 06/14/2046	884,696	823,066
300,000	Wells Fargo & Co. Subordinated 4.65% 11/04/2044	292,238	295,269
360,000	Wells Fargo & Co. Subordinated 4.75% 12/07/2046	359,317	365,348
220,000	Wells Fargo & Co. Subordinated 4.90% 11/17/2045	218,352	225,967
210,000	Wells Fargo & Co. Subordinated 5.375% 11/02/2043	209,396	231,766
408,000	Wells Fargo & Co. Subordinated 5.606% 01/15/2044	424,819	462,281
	Total Financials	16.17% 17,263,025	18,036,763
<i>Health Care</i>			
180,000	Abbott Laboratories Sr Unsecured 4.75% 11/30/2036	178,852	182,992
230,000	Abbott Laboratories Sr Unsecured 4.90% 11/30/2046	228,211	236,057
60,000	AbbVie, Inc. Sr Unsecured 4.50% 05/14/2035	59,395	58,952
270,000	AbbVie, Inc. Sr Unsecured 4.70% 05/14/2045	274,355	264,905
120,000	Aetna, Inc. Sr Unsecured 4.25% 06/15/2036	119,511	120,317
220,000	Aetna, Inc. Sr Unsecured 4.375% 06/15/2046	222,156	220,912
160,000	Amgen, Inc. Sr Unsecured 4.40% 05/01/2045	156,519	153,367
197,000	Amgen, Inc. Sr Unsecured 144A 4.663% 06/15/2051	196,868	189,338
140,000	Aon PLC Company Guarantee 4.75% 05/15/2045	139,567	141,510
3,000	AT&T, Inc. Sr Unsecured 5.35% 09/01/2040	3,231	3,081
140,000	Becton Dickinson and Co. Sr Unsecured 4.685% 12/15/2044	149,745	145,032
40,000	Becton Dickinson and Co. Sr Unsecured 4.875% 05/15/2044	43,808	41,647
90,000	Celgene Corp. Sr Unsecured 4.625% 05/15/2044	88,896	88,121

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Health Care (continued)</i>			
\$ 260,000	Celgene Corp. Sr Unsecured 5.00% 08/15/2045	\$ 266,610	\$ 270,330
280,000	Chubb INA Holdings, Inc. Company Guarantee 4.35% 11/03/2045	283,048	295,765
210,000	Gilead Sciences, Inc. Sr Unsecured 4.00% 09/01/2036	212,195	201,362
150,000	Gilead Sciences, Inc. Sr Unsecured 4.50% 02/01/2045	149,146	149,874
350,000	Gilead Sciences, Inc. Sr Unsecured 4.75% 03/01/2046	349,873	362,135
100,000	Gilead Sciences, Inc. Sr Unsecured 4.80% 04/01/2044	99,812	103,837
50,000	Gilead Sciences, Inc. Sr Unsecured 5.65% 12/01/2041	49,890	57,791
150,000	Humana, Inc. Sr Unsecured 4.625% 12/01/2042	151,894	143,911
190,000	Humana, Inc. Sr Unsecured 4.95% 10/01/2044	189,111	199,702
40,000	Johns Hopkins University Sr Unsecured Series 2013 4.083% 07/01/2053	40,000	40,080
330,000	Johnson & Johnson Sr Unsecured 3.70% 03/01/2046	334,370	325,170
20,000	Johnson & Johnson Sr Unsecured 4.50% 09/01/2040	21,117	22,350
20,000	Johnson & Johnson Sr Unsecured 5.95% 08/15/2037	21,015	26,238
70,000	Medtronic, Inc. Company Guarantee 4.50% 03/15/2042	69,890	73,040
70,000	Medtronic, Inc. Company Guarantee 4.625% 03/15/2045	70,270	75,699
40,000	Medtronic, Inc. Company Guarantee 5.55% 03/15/2040	39,922	46,563
430,000	Pfizer, Inc. Sr Unsecured 4.125% 12/15/2046	429,253	437,423
160,000	Pfizer, Inc. Sr Unsecured 4.40% 05/15/2044	159,552	169,001
50,000	Prudential Financial, Inc. Sr Unsecured 5.70% 12/14/2036	54,986	57,781
40,000	Texas Health Resources Secured 4.33% 11/15/2055	40,000	39,992
98,095	United Airlines Pass-Through Trust Series 2013-1, Class B 5.375% 08/15/2021	98,095	101,774
90,423	United Airlines Pass-Through Trust Series 2014-2, Class B 4.625% 09/03/2022	90,423	92,457
150,000	UnitedHealth Group, Inc. Sr Unsecured 4.625% 07/15/2035	158,436	163,506
80,000	UnitedHealth Group, Inc. Sr Unsecured 4.625% 11/15/2041	79,038	84,492
130,000	UnitedHealth Group, Inc. Sr Unsecured 6.50% 06/15/2037	121,318	167,072
40,000	UnitedHealth Group, Inc. Sr Unsecured 6.875% 02/15/2038	42,146	54,432
70,000	Wyeth LLC Company Guarantee 5.95% 04/01/2037	67,093	88,091
30,000	Zoetis, Inc. Sr Unsecured 4.70% 02/01/2043	29,788	29,201
	Total Health Care	5.13% 5,579,405	5,725,300
<i>Industrials</i>			
80,000	Actavis Funding SCS Company Guarantee 4.55% 03/15/2035	76,667	79,183
440,000	Actavis Funding SCS Company Guarantee 4.75% 03/15/2045	447,813	431,963
200,000	Alcoa Nederland Holding BV Company Guarantee 144A 6.75% 09/30/2024	200,000	217,000
200,000	Alcoa Nederland Holding BV Company Guarantee 144A 7.00% 09/30/2026	203,412	219,000
197,147	American Airlines Pass-Through Trust Series 2013-2 Class B, 144A 5.60% 07/15/2020	197,147	204,540
220,000	Barrick North America Finance LLC Company Guarantee 5.70% 05/30/2041	217,786	224,535
600,000	Barrick North America Finance LLC Company Guarantee 5.75% 05/01/2043	636,515	630,683
130,000	Barrick PD Australia Finance Pty Ltd. Company Guarantee 5.95% 10/15/2039	130,095	137,492
170,000	Blackstone Holdings Finance Co. LLC Company Guarantee 144A 5.00% 06/15/2044	167,668	167,687
50,000	Boeing Co. Sr Unsecured 5.875% 02/15/2040	61,605	63,421
120,000	Boeing Co. Sr Unsecured 6.125% 02/15/2033	124,340	153,722
30,000	Burlington Northern Santa Fe LLC Sr Unsecured 4.55% 09/01/2044	29,847	31,897
300,000	Burlington Northern Santa Fe LLC Sr Unsecured 4.95% 09/15/2041	310,559	335,795
190,000	Caterpillar, Inc. Sr Unsecured 4.75% 05/15/2064	194,931	202,593
160,000	Catholic Health Initiatives Secured 4.35% 11/01/2042	159,740	142,120
80,000	Catholic Health Initiatives Unsecured 4.20% 08/01/2023	79,849	82,599
	Charter Communications Operating LLC / Charter Communications Operating Capital Sr Secured		
360,000	6.484% 10/23/2045	386,619	416,189
70,000	CSX Corp. Sr Unsecured 3.95% 05/01/2050	69,383	62,951
185,000	CSX Corp. Sr Unsecured 4.75% 05/30/2042	190,899	192,569
50,000	CSX Corp. Sr Unsecured 5.50% 04/15/2041	55,573	57,398
80,000	Delphi Financial Group, Inc. Sr Unsecured 7.875% 01/31/2020	79,997	89,876

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Industrials (continued)</i>			
\$ 450,000	Eaton Corp. Company Guarantee 4.15% 11/02/2042	\$ 443,360	\$ 439,863
200,000	Equate Petrochemical BV Company Guarantee 144A 4.25% 11/03/2026	197,594	190,856
20,000	Flexi-Van Leasing, Inc. Company Guarantee 144A 7.875% 08/15/2018	19,697	18,200
357,000	GE Capital International Funding Co., Unlimited Co. Company Guarantee 4.418% 11/15/2035	362,993	374,103
40,000	General Electric Co. Sr Unsecured 4.50% 03/11/2044	40,027	42,939
130,000	General Electric Co. Sr Unsecured 5.875% 01/14/2038	160,373	163,609
317,000	General Electric Co. Sr Unsecured 6.15% 08/07/2037	361,876	409,159
591,000	General Electric Co. Sr Unsecured 6.875% 01/10/2039	825,117	833,276
30,000	Hess Corp. Sr Unsecured 7.30% 08/15/2031	34,680	34,942
140,000	Hess Corp. Sr Unsecured 7.875% 10/01/2029	163,451	168,802
240,000	ILFC E-Capital Trust I Limited Guarantee 144A 4.67% 12/21/2065	188,024	210,600
110,000	ILFC E-Capital Trust II Limited Guarantee 144A 4.92% 12/21/2065	107,483	96,800
250,000	International Lease Finance Corp. Sr Unsecured 8.625% 01/15/2022	300,950	300,313
340,000	Johnson Controls International PLC Sr Unsecured 4.625% 07/02/2044	336,457	337,521
90,000	Johnson Controls International PLC Sr Unsecured 4.95% 07/02/2064	85,704	83,930
330,000	KKR Group Finance Co. III LLC Company Guarantee 144A 5.125% 06/01/2044	327,597	311,574
20,000	Lockheed Martin Corp. Sr Unsecured 4.07% 12/15/2042	19,580	19,741
90,000	Lockheed Martin Corp. Sr Unsecured 4.50% 05/15/2036	88,368	95,686
230,000	Lockheed Martin Corp. Sr Unsecured 4.70% 05/15/2046	234,470	250,177
200,000	Mexico City Airport Trust Sr Secured 144A 5.50% 10/31/2046	197,271	180,000
140,000	Time Warner Cable LLC Sr Secured 4.50% 09/15/2042	125,470	126,792
670,000	Time Warner Entertainment Co. L.P. Sr Secured 8.375% 07/15/2033	900,119	877,841
350,000	Transcontinental Gas Pipe Line Co. LLC Sr Unsecured 4.45% 08/01/2042	349,705	319,635
140,000	Transcontinental Gas Pipe Line Co. LLC Sr Unsecured 5.40% 08/15/2041	139,104	140,511
610,000	Transcontinental Gas Pipe Line Co. LLC Sr Unsecured 144A 7.85% 02/01/2026	708,112	769,189
270,000	Union Pacific Corp. Sr Unsecured 4.375% 11/15/2065	264,682	268,510
330,000	United Technologies Corp. Sr Unsecured 4.50% 06/01/2042	340,004	353,233
130,000	Waste Management, Inc. Company Guarantee 7.75% 05/15/2032	181,198	174,874
	Total Industrials	10.52% 11,523,911	11,735,889
<i>Information Technology</i>			
300,000	Analog Devices, Inc. Sr Unsecured 3.50% 12/05/2026	298,110	297,223
50,000	Analog Devices, Inc. Sr Unsecured 4.50% 12/05/2036	49,675	50,253
360,000	Anheuser-Busch InBev Finance, Inc. Company Guarantee 4.70% 02/01/2036	357,084	378,672
1,610,000	Anheuser-Busch InBev Finance, Inc. Company Guarantee 4.90% 02/01/2046	1,658,354	1,740,201
150,000	Anheuser-Busch InBev Worldwide, Inc. Company Guarantee 6.375% 01/15/2040	161,241	187,059
560,000	Apple, Inc. Sr Unsecured 3.85% 08/04/2046	561,445	536,559
320,000	ConocoPhillips Holding Co. Sr Unsecured 6.95% 04/15/2029	364,331	402,418
40,000	Enterprise Products Operating LLC Company Guarantee 5.95% 02/01/2041	39,735	45,156
290,000	Enterprise Products Operating LLC Company Guarantee 6.125% 10/15/2039	294,068	329,649
380,000	Glencore Finance Canada Ltd. Company Guarantee 144A 6.00% 11/15/2041	374,033	376,200
80,000	Glencore Finance Canada Ltd. Company Guarantee 144A 6.90% 11/15/2037	93,252	87,789
310,000	Harris Corp. Sr Unsecured 4.854% 04/27/2035	316,518	325,698
320,000	Harris Corp. Sr Unsecured 5.054% 04/27/2045	319,674	337,862
20,000	Intel Corp. Sr Unsecured 4.90% 07/29/2045	19,985	22,374
1,200,000	Microsoft Corp. Sr Unsecured 3.70% 08/08/2046	1,198,589	1,129,758
150,000	Microsoft Corp. Sr Unsecured 4.45% 11/03/2045	149,492	159,813
180,000	NCL Corp. Ltd. Sr Unsecured 144A 4.75% 12/15/2021	180,000	179,888
110,000	QUALCOMM, Inc. Sr Unsecured 4.80% 05/20/2045	98,611	117,549
400,000	Visa, Inc. Sr Unsecured 4.30% 12/14/2045	412,533	422,206

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i>Corporate Bonds (continued)</i>			
<i>Information Technology (continued)</i>			
\$ 450,000	WEA Finance LLC / Westfield UK & Europe Finance PLC Company Guarantee 144A 4.75% 09/17/2044	\$ 444,274	\$ 444,810
510,000	ZF North America Capital, Inc. Company Guarantee 144A 4.75% 04/29/2025	501,081	518,925
	Total Information Technology	7.25% 7,892,085	8,090,062
<i>Materials</i>			
160,000	Alcoa, Inc. Sr Unsecured 5.87% 02/23/2022	162,502	171,200
450,000	Arconic, Inc. Sr Unsecured 5.125% 10/01/2024	463,924	461,250
110,000	Barrick Gold Corp. Sr Unsecured 5.25% 04/01/2042	105,571	107,140
60,000	Cox Communications, Inc. Sr Unsecured 144A 6.45% 12/01/2036	60,774	60,962
50,000	Ecolab, Inc. Sr Unsecured 5.50% 12/08/2041	54,259	58,800
350,000	EnSCO PLC Sr Unsecured 4.70% 03/15/2021	317,666	336,672
310,000	EnSCO PLC Sr Unsecured 5.75% 10/01/2044	297,636	224,750
120,000	Freeport-McMoRan, Inc. Company Guarantee 2.375% 03/15/2018	106,582	119,100
60,000	GlaxoSmithKline Capital, Inc. Company Guarantee 6.375% 05/15/2038	59,823	78,915
30,000	Glencore Funding LLC Company Guarantee 144A 4.625% 04/29/2024	29,899	30,675
70,000	Monsanto Co. Sr Unsecured 3.60% 07/15/2042	69,902	58,748
240,000	Southern Copper Corp. Sr Unsecured 5.25% 11/08/2042	234,766	219,883
150,000	Southern Copper Corp. Sr Unsecured 6.75% 04/16/2040	151,308	161,836
90,000	Teck Resources Ltd. Company Guarantee 6.25% 07/15/2041	97,803	86,731
220,000	Valeant Pharmaceuticals International, Inc. Company Guarantee 144A 6.75% 08/15/2018	214,113	208,450
290,000	Yamana Gold, Inc. Company Guarantee 4.95% 07/15/2024	293,521	284,200
	Total Materials	2.39% 2,720,049	2,669,312
<i>Telecommunication Services</i>			
130,000	America Movil S.A.B. de C.V. Company Guarantee 6.125% 11/15/2037	119,038	147,118
31,000	AT&T, Inc. Sr Unsecured 4.55% 03/09/2049	31,045	28,001
370,000	AT&T, Inc. Sr Unsecured 3.40% 05/15/2025	367,291	356,615
40,000	AT&T, Inc. Sr Unsecured 4.35% 06/15/2045	36,706	35,641
290,000	AT&T, Inc. Sr Unsecured 4.50% 05/15/2035	292,294	280,188
1,130,000	AT&T, Inc. Sr Unsecured 4.50% 03/09/2048	1,147,055	1,015,388
250,000	AT&T, Inc. Sr Unsecured 4.80% 06/15/2044	251,841	236,229
20,000	AT&T, Inc. Sr Unsecured 5.15% 03/15/2042	19,507	19,923
110,000	AT&T, Inc. Sr Unsecured 5.65% 02/15/2047	109,745	117,974
200,000	BPCE S.A. Subordinated 144A 5.15% 07/21/2024	199,689	203,321
430,000	British Telecommunications PLC Sr Unsecured 9.125% 12/15/2030	629,242	656,042
60,000	Partners Healthcare System, Inc. Company Guarantee Series 2015 4.117% 07/01/2055	60,000	58,147
110,000	Rogers Communications, Inc. Company Guarantee 7.50% 08/15/2038	124,353	144,668
	Sprint Spectrum Co. LLC / Sprint Spectrum Co. II LLC / Sprint Spectrum Co. III LLC Sr Secured 144A		
410,000	3.36% 09/20/2021	409,993	410,767
126,000	Verizon Communications, Inc. Sr Unsecured 5.012% 08/21/2054	106,381	125,340
500,000	Verizon Communications, Inc. Sr Unsecured 5.05% 03/15/2034	522,085	526,518
70,000	Verizon Communications, Inc. Sr Unsecured 6.00% 04/01/2041	84,174	80,400
1,485,000	Verizon Communications, Inc. Sr Unsecured 6.55% 09/15/2043	1,705,235	1,854,731
	Total Telecommunication Services	5.65% 6,215,674	6,297,011
<i>Utilities</i>			
260,000	CenterPoint Energy Houston Electric LLC 4.50% 04/01/2044	270,567	282,458
40,000	Connecticut Light & Power Co. 4.30% 04/15/2044	40,000	41,144
130,000	Dominion Resources, Inc. Sr Unsecured Series B 5.95% 06/15/2035	149,278	150,221
10,000	Duke Energy Carolinas LLC 4.00% 09/30/2042	9,923	9,931

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
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Principal Amount		Cost	Fair Value
<u>Corporate Bonds (continued)</u>			
<u>Utilities (continued)</u>			
\$ 340,000	Duke Energy Carolinas LLC Sr Unsecured 6.10% 06/01/2037	\$ 419,857	\$ 418,376
330,000	Duke Energy Corp. Sr Unsecured 2.65% 09/01/2026	328,577	307,998
470,000	Duke Energy Corp. Sr Unsecured 3.75% 09/01/2046	466,784	423,097
150,000	Duke Energy Indiana LLC Series UUU 4.20% 03/15/2042	149,732	148,555
190,000	Duke Energy Progress LLC 4.375% 03/30/2044	190,638	196,884
50,000	Exelis, Inc. Sr Unsecured 5.55% 10/01/2021	50,136	55,170
440,000	Exelon Corp. Sr Unsecured 5.625% 06/15/2035	416,547	486,868
630,000	FirstEnergy Corp. Sr Unsecured Series C 7.375% 11/15/2031	729,477	812,006
200,000	MCE Finance Ltd. Company Guarantee 144A 5.00% 02/15/2021	192,291	198,726
80,000	Ohio Edison Co. 8.25% 10/15/2038	119,731	113,947
70,000	Pacific Gas & Electric Co. Sr Unsecured 4.00% 12/01/2046	68,717	69,035
230,000	Pacific Gas & Electric Co. Sr Unsecured 4.30% 03/15/2045	225,086	235,233
170,000	Pacific Gas & Electric Co. Sr Unsecured 4.50% 12/15/2041	169,435	177,343
180,000	Pacific Gas & Electric Co. Sr Unsecured 4.60% 06/15/2043	196,967	189,865
70,000	Pacific Gas & Electric Co. Sr Unsecured 4.75% 02/15/2044	69,710	76,816
220,000	Pacific Gas & Electric Co. Sr Unsecured 5.80% 03/01/2037	208,811	268,394
210,000	Pacific Gas & Electric Co. Sr Unsecured 6.05% 03/01/2034	266,772	262,808
130,000	Pennsylvania Electric Co. Sr Unsecured 144A 4.15% 04/15/2025	129,742	130,973
260,000	San Diego Gas & Electric Co. 4.30% 04/01/2042	259,054	270,320
170,000	Southern California Edison Co. 4.05% 03/15/2042	168,068	171,351
170,000	Southern California Edison Co. 4.50% 09/01/2040	182,482	181,193
280,000	Southern California Edison Co. 4.65% 10/01/2043	305,468	308,757
236,000	Virginia Electric & Power Co. Sr Unsecured 8.875% 11/15/2038	288,813	375,675
	Total Utilities	5.71% 6,072,663	6,363,144
	<b>Total Corporate Bonds</b>	<b>83.82%</b>	<b>90,900,586</b>
<u>Floating Rate Loans</u>			
<u>Consumer Discretionary</u>			
230,000	Dollar Tree, Inc. Term Loan B2 Sr Secured 4.25% 07/06/2022	230,000	231,869
	Total Consumer Discretionary	0.21% 230,000	231,869
	<b>Total Floating Rate Loans</b>	<b>0.21%</b>	<b>230,000</b>
<u>Foreign Government</u>			
<u>Argentina</u>			
260,000	Argentine Government International Bond Sr Unsecured 144A 7.50% 04/22/2026	269,539	273,000
760,000	Provincia de Buenos Aires Sr Unsecured 144A 9.125% 03/16/2024	766,511	826,880
210,000	Provincia de Cordoba Sr Unsecured 144A 7.125% 06/10/2021	210,000	215,775
	Total Argentina	1.18% 1,246,050	1,315,655
<u>Colombia</u>			
340,000	Colombia Government International Bond Sr Unsecured 6.125% 01/18/2041	417,514	367,200
	Total Colombia	0.33% 417,514	367,200
<u>Costa Rica</u>			
200,000	Costa Rica Government International Bond Sr Unsecured 144A 7.00% 04/04/2044	200,497	182,774
	Total Costa Rica	0.16% 200,497	182,774

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
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Principal Amount		Cost	Fair Value
<u><i>Foreign Government (continued)</i></u>			
<i>Ecuador</i>			
\$ 230,000	Ecuador Government International Bond Sr Unsecured 144A 9.65% 12/13/2026	\$ 230,000	\$ 235,175
500,000	Ecuador Government International Bond Sr Unsecured 144A 10.75% 03/28/2022	500,000	542,500
	Total Ecuador	0.70% 730,000	777,675
<i>Mexico</i>			
550,000	Mexico Government International Bond Sr Unsecured 4.35% 01/15/2047	560,379	471,625
556,000	Mexico Government International Bond Sr Unsecured 4.75% 03/08/2044	553,888	505,571
170,000	Mexico Government International Bond Sr Unsecured 5.55% 01/21/2045	169,125	173,825
22,000	Mexico Government International Bond Sr Unsecured 6.05% 01/11/2040	25,115	23,793
	Total Mexico	1.05% 1,308,507	1,174,814
<i>Panama</i>			
630,000	Panama Government International Bond Sr Unsecured 4.30% 04/29/2053	572,947	563,850
	Total Panama	0.51% 572,947	563,850
<i>Uruguay</i>			
80,000	Uruguay Government International Bond Sr Unsecured 5.10% 06/18/2050	79,733	72,000
	Total Uruguay	0.06% 79,733	72,000
	<b>Total Foreign Government</b>	<b>3.99% 4,555,248</b>	<b>4,453,968</b>
<u><i>Asset-Backed Securities</i></u>			
63,066	SLM Student Loan Trust Series 2005-4, Class B 1.062% 07/25/2040	55,138	54,041
	<b>Total Asset-Backed Securities</b>	<b>0.05% 55,138</b>	<b>54,041</b>
<u><i>Mortgage-Backed Securities</i></u>			
310,000	Colony Mortgage Capital Ltd. Series 2014-FL1, Class D, 144A 4.349% 04/08/2031	310,000	309,999
	JP Morgan Chase Commercial Mortgage Securities Trust Series 2006-LDP9, Class AM 5.372% 05/15/2047	89,177	84,844
84,871		81,095	71,549
100,000	JPMBB Commercial Mortgage Securities Trust Series 2015-C31, Class D 4.118% 08/15/2048	85,683	78,466
100,000	Wells Fargo Commercial Mortgage Trust Series 2015-SG1, Class D 4.47% 12/15/2047		
	<b>Total Mortgage-Backed Securities</b>	<b>0.49% 565,955</b>	<b>544,858</b>
<u><i>Municipals</i></u>			
120,000	Alabama Economic Settlement Authority Series B 4.263% 09/15/2032	120,000	122,795
220,000	City of Chicago IL Series B 6.314% 01/01/2044	224,424	196,099
60,000	Denver City & County School Dist. No 1 Series B, COPs 4.242% 12/15/2037	60,000	60,878
60,000	Grand Parkway Transportation Corp. Series E 5.184% 10/01/2042	60,000	69,985
30,000	JobsOhio Beverage System Series B 4.532% 01/01/2035	30,000	32,127
20,000	Los Angeles Department of Water & Power 6.574% 07/01/2045	20,000	27,536
70,000	Ohio State University Series A 4.80% 06/01/2111	69,296	68,899
370,000	Port Authority of New York & New Jersey 4.458% 10/01/2062	370,000	374,218
100,000	Port Authority of New York & New Jersey 4.823% 06/01/2045	100,000	105,207
180,000	San Diego County Water Authority Financing Corp. 6.138% 05/01/2049	231,454	234,563
220,000	State of California 7.30% 10/01/2039	239,507	311,362
230,000	State of California 7.55% 04/01/2039	308,122	340,319

**Hand Composite Employee Benefit Trust**  
**Schedule of Investments (Continued)**  
**Western Asset Long Duration Credit CIF (Continued)**  
**December 31, 2016**

Principal Amount		Cost	Fair Value
<i><u>Municipals (continued)</u></i>			
\$ 270,000	State of Illinois 5.10% 06/01/2033	\$ 241,289	\$ 238,631
210,000	State of Illinois 5.65% 12/01/2038	217,753	194,630
20,000	State of Illinois 6.63% 02/01/2035	20,882	20,437
50,000	State of Illinois 7.35% 07/01/2035	59,273	54,109
140,000	Sumter Landing Community Development Dist. 4.172% 10/01/2047	140,000	137,213
280,000	University of California Series AD 4.858% 05/15/2112	285,915	270,623
80,000	University of California Series AG 4.062% 05/15/2033	79,814	81,056
20,000	University of California Series AN 4.765% 05/15/2044	20,000	21,086
130,000	University of California Series AQ 4.767% 05/15/2115	130,000	124,288
70,000	University of California Series J 4.131% 05/15/2045	70,000	69,447
	<b>Total Municipals</b>	<b>2.83%</b>	<b>3,097,729</b>
			<b>3,155,508</b>
<i><u>U.S. Government &amp; Agency Obligations</u></i>			
<i>U.S. Government Obligations</i>			
320,000	United States Treasury Bond 3.625% 02/15/2044	351,544	354,687
2,340,000	United States Treasury Bond 2.25% 08/15/2046	1,941,857	1,967,519
920,000	United States Treasury Note 2.00% 11/15/2026	875,047	885,176
30,000	United States Treasury Note 1.75% 11/30/2021	29,595	29,776
130,000	United States Treasury Note 1.375% 10/31/2020	128,472	128,406
	Total U.S. Government Obligations	<b>3.02%</b>	<b>3,326,515</b>
	<b>Total U.S. Government &amp; Agency Obligations</b>	<b>3.02%</b>	<b>3,326,515</b>
	<b>Total Investments</b>	<b>100.00%</b>	<b>\$ 108,985,312</b>
			<b>\$ 111,536,731</b>



**Hand Composite Employee Benefit Trust**  
**Statement of Operations – Selected Fund**  
**Year Ended December 31, 2016**

	<b>Western Asset Core Plus Bond CIF</b>
<b>Income</b>	
Interest (net of foreign withholding taxes of \$2,011)	\$ 4,807,575
Dividends	43,415
Total income	4,850,990
<b>Expenses</b>	
Trustee and administrative	83,034
Class R expenses	122,549
Class R1 expenses	14,756
Total expenses before reimbursement	220,339
Reimbursement of fees	(69,754)
Net expenses	150,585
<b>Net Investment Income</b>	4,700,405
<b>Net Realized Gains (Losses) on Investments, Options Written, Futures Contracts and Swap Contracts</b>	
Net realized gains on investments	2,251,328
Net realized gains on options written	7,038
Net realized losses on futures contracts	(464,882)
Net realized losses on swap contracts	(64,008)
Net realized and unrealized gains (losses)	1,729,476
<b>Change in Net Unrealized Appreciation (Depreciation) on:</b>	
Investments	2,453,913
Futures contracts	(205,407)
Swap contracts	(72,291)
Change in net unrealized appreciation (depreciation)	2,176,215
Net realized and unrealized gains on Investments, Options Written, Futures Contracts, Swap Contracts, Investments Sold Short and Foreign Currency	3,905,691
<b>Net Increase in Net Assets Resulting From Operations</b>	\$ 8,606,096

**Hand Composite Employee Benefit Trust**  
**Statement of Changes in Net Assets – Selected Fund**  
**Year Ended December 31, 2016**

	<b>Western Asset Long Duration Credit CIF</b>
<b>Operations</b>	
Net investment income	\$ 4,700,405
Net realized gains	1,729,476
Change in net unrealized appreciation (depreciation)	<u>2,176,215</u>
Net increase in net assets from operations	8,606,096
<b>Net Decrease in Net Assets From Participant Unit Transactions</b>	<u>16,431,418</u>
<b>Decrease in Net Assets</b>	25,037,514
<b>Net Assets</b>	
Beginning of year	<u>89,069,023</u>
End of year	<u><u>\$ 114,106,537</u></u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2016

### 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 103 portfolios (the Funds); the financial statements of one of those funds, the Western Asset Long Duration Credit 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.

#### ***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.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2016

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.

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.

#### ***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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2016

over-the-counter market ("OTC Swaps") or may be executed on a registered exchange ("Centrally Cleared Swaps"). Unlike Centrally Cleared Swaps, the Fund has 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 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.

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, 2016, the Fund did not hold any credit default swaps to sell protection.

For average notional amounts of swaps held during the year ended December 31, 2016, 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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2016

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 period 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.

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.

#### ***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

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2016

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.

#### **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 the date of the Independent Auditor's Report, 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**

	Number of Contracts	Expiration Date	Basis Value	Market Value	Unrealized Appreciation (Depreciation)
<b>Contracts to Buy:</b>					
U.S. Treasury 2-Year Notes	600,000	3/17	\$ 650,682	\$ 650,063	\$ (619)
U.S. Treasury Long-Term Bonds	14,500,000	3/17	22,006,066	21,845,156	<u>(160,910)</u>
					<u>(161,529)</u>
<b>Contracts to Sell:</b>					
U.S. Treasury 5-Year Notes	1,300,000	3/17	1,530,067	1,529,633	434
U.S. Treasury 10-Year Notes	9,400,000	3/17	11,706,998	11,682,437	24,561
U.S. Treasury Ultra Long- Term Bonds	700,000	3/17	1,134,907	1,121,750	<u>13,157</u>
					<u>38,152</u>
Net unrealized appreciation (depreciation) on open futures contracts					<u>\$ (123,377)</u>

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2016

#### Note 3: Swap Contracts

##### Centrally Cleared Credit Default Swaps on Credit Indices - Buy Protection (1)

Central Swap Counterparty (Reference Entity)	Notional Amount (2)	Termination Date	Periodic Payments Made by the Fund†	Market Value (3)	Upfront Premiums Paid (Received)	Unrealized Depreciation
Chicago Mercantile Exchange (Markit CDX.NA.HY.27 Index)	\$ 3,100,000	12/20/21	5.000% quarterly	\$ (191,944)	\$ (120,037)	\$ (71,907)
Chicago Mercantile Exchange (Markit CDX.NA.IG.27 Index)	<u>1,670,000</u>	12/20/21	1.000% quarterly	<u>(25,283)</u>	<u>(24,899)</u>	<u>(384)</u>
Total	<u>\$ 4,770,000</u>			<u>\$ (217,227)</u>	<u>\$ (144,936)</u>	<u>\$ (72,291)</u>

<sup>(1)</sup>If the Fund is a buyer of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Fund will either (i) receive from the seller of protection an amount equal to the notional amount of the swap and deliver the referenced obligation or the underlying securities comprising the referenced index or (ii) receive 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 the 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 had the notional amount of the swap agreement been closed /sold as of the period 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.

†Percentage shown is an annual percentage rate.



**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 4: Written Options Rollforward**

During the year ended December 31, 2016, written option transactions for the Fund were as follows.

	<b>Number of Contracts</b>	<b>Premiums</b>
Written options, outstanding as of December 31, 2015	-	\$ -
Options written	22	7,038
Options closed	(22)	(7,038)
Options exercised	-	-
Options expired	-	-
	<hr/>	<hr/>
Written options, outstanding as of December 31, 2016	<u>0</u>	<u>\$ 0</u>

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

The Fund is charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Fund has also entered into investment advisory and service agreements with 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, 2016, 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>
Western Asset Long Duration:				
Class R	0.04%	0.20%	0.06%	0.30%
Class R1	0.04%	0.30%	0.06%	0.40%
Class R-INT	0.04%	0.00%	0.06%	0.10%

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2016**

**Note 6: Financial Highlights**

	<b>Western Asset Long Duration Credit CIF</b>		
	<b>Class R</b>	<b>Class R1 <sup>(1)</sup></b>	<b>Class R-INT</b>
Net asset value, beginning of year	\$ 9.53	\$ 11.11	\$ 9.54
Net investment income	0.48	0.19	0.49
Net realized and unrealized gains (losses)	0.54	(0.75)	0.53
Net increase (decrease) from investment operations	1.02	(0.56)	1.02
Net asset value, end of year	<u>\$ 10.55</u>	<u>\$ 10.55</u>	<u>\$ 10.56</u>
Total return	10.70%	(5.04)%	10.69%
Ratio to average net assets:			
Net investment income	4.58%	4.22% <sup>(2)</sup>	4.65%
Expenses without reimbursement	0.22%	0.35% <sup>(2)</sup>	0.08%
Expenses with reimbursement	0.14%	0.35% <sup>(2)</sup>	0.08%

<sup>(1)</sup>For the period July 22, 2016 (inception date) to December 31, 2016.

<sup>(2)</sup>Annualized.

**Note 7: Participant Unit Transactions**

	<b>Western Asset Long Duration Credit Fund</b>	
	<b>Units</b>	<b>Dollars</b>
<b>Class R1*:</b>		
Proceeds from sales of units	1,688,087	\$ 18,787,618
Cost of units redeemed	(12,537)	(130,010)
Net increase in total net assets from participant transactions	<u>1,675,550</u>	<u>18,657,608</u>
<b>Class R-INT:</b>		
Cost of units redeemed	(198,822)	\$ (2,226,190)
Net decrease in total net assets from participant transactions	<u>(198,822)</u>	<u>(2,226,190)</u>
Net increase in total net assets from participant transactions		<u>\$ 16,431,418</u>

\*For the period July 22, 2016 (inception date) to December 31, 2016.

During 2016, there were no participant unit transactions in Class R.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2016

#### 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, 2016.

**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.

**Preferred Stocks.** Securities traded on a national securities exchange (or reported on the NASDAQ national market) are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments, such as American Depository Receipts and the movement of certain indexes of securities based on a statistical analysis of the historical relationship and are categorized as either Level 1 or 2 of the hierarchy.

**Corporate Bonds and Municipal Bonds.** The fair value of corporate bonds and municipal bonds are 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 and municipal bonds are categorized as Level 2 in the hierarchy.

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

December 31, 2016

**Floating Rate Loans.** The fair value of floating rate loans is generally valued using recently executed transactions, market price quotations (where observable), bid/ask quotes received by brokers specializing in floating rate loans and market observable credit default swap levels. Floating rate loans 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.

**Asset-Backed Securities and Mortgage-Backed Securities.** 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.

**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.

**Future 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.

**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, 2016.

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2016**

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Western Asset Long Duration Credit CIF</b>				
Financial Instruments - Assets:				
Short-Term Investment	\$ 5,969,573	\$ 5,969,573	\$ -	\$ -
Preferred Stocks	268,596	201,396	67,200	-
Corporate Bonds	93,492,754	-	93,492,754	-
Floating Rate Loans	231,869	-	231,869	-
Foreign government	4,453,968	-	4,453,968	-
Asset-backed Securities	54,041	-	54,041	-
Mortgage-backed Securities	544,858	-	544,858	-
Municipals	3,155,508	-	3,155,508	-
U.S. Government and Agency Obligations	3,365,564	-	3,365,564	-
Total Financial Instruments - Assets	<u>\$ 111,536,731</u>	<u>\$ 6,170,969</u>	<u>\$ 105,365,762</u>	<u>\$ 0</u>
Derivative Instruments - Assets:				
Futures Contracts	\$ 38,152	\$ 38,152	\$ -	\$ -
Total Derivative Instruments - Assets	<u>\$ 38,152</u>	<u>\$ 38,152</u>	<u>\$ 0</u>	<u>\$ 0</u>
Derivative Instruments - Liabilities:				
Futures Contracts	\$ 161,529	\$ 161,529	\$ -	\$ -
Centrally Cleared Credit Default Swaps on Credit Indices - Buy Protection	72,291	-	72,291	-
Total Derivative Instruments - Liabilities	<u>\$ 233,820</u>	<u>\$ 161,529</u>	<u>\$ 72,291</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, 2016

### 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

On the following table, grouped by derivative type, that provides information about the fair value and the location of derivatives within the statement of assets and liabilities at December 31, 2016.

	<b>Asset Derivatives <sup>(1)</sup></b>		
	<b>Interest Rate Risk</b>		
	<b>Interest Rate Risk</b>		
Futures contracts <sup>(2)</sup>		\$	38,152
Total		\$	38,152
	<b>Liability Derivatives <sup>(1)</sup></b>		
	<b>Interest Rate Risk</b>	<b>Foreign Exchange Risk</b>	<b>Total</b>
Futures contracts <sup>(2)</sup>	\$ 161,529	\$ -	\$ 161,529
Centrally cleared swap contracts <sup>(3)</sup>	-	72,291	72,291
Total	\$ 161,529	\$ 72,291	\$ 233,820

# Hand Composite Employee Benefit Trust

## Notes to Financial Statements

### December 31, 2016

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

<sup>2</sup>Includes cumulative appreciation (depreciation) of futures contracts as reported in the footnotes. Only variation margin is reported within the receivables and/or payables on the Statement of Assets and Liabilities.

<sup>3</sup>Includes cumulative appreciation (depreciation) of centrally cleared swap contracts as reported in the footnotes. 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, 2016. The first table provides additional detail about the amounts and sources of gains (losses) realized on derivatives during the period. The second table provides additional information about the change in unrealized appreciation (depreciation) resulting from the Fund's derivatives and hedging activities during the period.

<b>Amount of Realized Gain (Loss) on Derivatives Recognized</b>			
	<b>Interest Rate Risk</b>	<b>Credit Risk</b>	<b>Total</b>
Written options	\$ 7,038	\$ -	\$ 7,038
Futures contracts	(464,882)	-	(464,882)
Swap contracts	-	(64,008)	(64,008)
	\$ (457,844)	\$ (64,008)	\$ (521,852)

<b>Change in Unrealized Appreciation (Depreciation) on Derivatives Recognized</b>			
	<b>Interest Rate Risk</b>	<b>Credit Risk</b>	<b>Total</b>
Futures contracts	\$ (205,407)	\$ -	\$ (205,407)
Swap contracts	-	(72,291)	(72,291)
	\$ (205,407)	\$ (72,291)	\$ (277,698)

During the year ended December 31, 2016, the volume of derivative activity for the Fund was as follows.

**Hand Composite Employee Benefit Trust**  
**Notes to Financial Statements**  
**December 31, 2016**

	<b>Average Market Value</b>
Written options*	\$ 423
Futures contracts (to buy)	18,330,041
Futures contracts (to sell)	18,786,600
	<b>Average Notional Balance</b>
Credit default swap contracts (to buy protection)	\$ 1,559,231

\*At December 31, 2016, there were no open positions held in this derivative.

The following table presents, by financial instrument, the Fund's derivative assets net of the related collateral received by the Fund at December 31, 2016:

	<b>Gross Amount of Derivative Assets in the Statement of Assets and Liabilities (1)</b>	<b>Collateral Received</b>	<b>Net Amount</b>
Futures contracts (2)	\$ 67,711	\$ -	\$ 67,711
Total	\$ 67,711	\$ -	\$ 67,711
	<b>Gross Amount of Derivative Liabilities in the Statement of Assets and Liabilities (1)</b>	<b>Collateral Pledged</b>	<b>Net Amount</b>
Centrally cleared swap contracts (2)	\$ 3,045	\$ -	\$ 3,045
Total	\$ 3,045	\$ -	\$ 3,045

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

<sup>(2)</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**  
**December 31, 2016**

<b>Purchases</b>			
<b>Investment Class</b>	<b>Cost</b>		
Corporate Bonds	\$	60,533,444	
Foreign Government		4,546,815	
Municipals		260,000	
U.S. Government and Agency Obligations		22,901,295	
Total Investments Purchased	\$	88,241,554	

  

<b>Sales</b>			
<b>Investment Class</b>	<b>Proceeds</b>	<b>Cost</b>	<b>Gain (Loss)</b>
Preferred Stocks	\$ 715,582	\$ 721,485	\$ (5,903)
Asset-backed Securities	438,350	427,147	11,203
Corporate Bonds	49,763,747	47,471,767	2,291,980
Foreign Government	2,285,975	2,243,301	42,674
Mortgage-backed Securities	314,522	327,158	(12,636)
Municipals	334,843	314,432	20,411
U.S. Government and Agency Obligations	20,458,375	20,554,776	(96,401)
Total Investments Sold	\$ 74,311,394	\$ 72,060,066	\$ 2,251,328