



Hand Composite Employee Benefit Trust Channing SMID-Cap Intrinsic Value Fund

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

December 31, 2023



Hand Composite Employee Benefit Trust

December 31, 2023

Contents

Independent Auditor's Report	1
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Basic Financial Statements

Statement of Assets and Liabilities – Selected Fund	3
Schedule of Investments	
Channing SMID-Cap Intrinsic Value Fund.....	4
Statement of Operations – Selected Fund	7
Statement of Changes in Net Assets – Selected Fund	8
Notes to Financial Statements.....	9

Supplemental Information

Schedule of Investment Purchases and Sales – Selected Fund.....	14
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Independent Auditor's Report

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

Opinion

We have audited the financial statements of the selected fund, Channing SMID-Cap Intrinsic Value Fund, included in the Hand Composite Employee Benefit Trust, which comprise the statement of assets and liabilities, including the schedule of investments, as of December 31, 2023, and the related statements of operations and changes in net assets for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the selected fund, included in the Hand Composite Employee Benefit Trust, as of December 31, 2023, and the results of its operations and the changes in its net assets for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hand Composite Employee Benefit Trust and the selected fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Hand Composite Employee Benefit Trust and the selected fund's ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the selected fund's basic financial statements. The schedule of investment purchases and sales listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

FORVIS, LLP

Houston, Texas
May 31, 2024

Hand Composite Employee Benefit Trust
Statement of Assets and Liabilities – Selected Fund
December 31, 2023

	Channing SMID-Cap Intrinsic Value Fund
Assets	
Investments, at cost	\$ 3,270,883
Investments, at fair value	\$ 3,695,992
Receivable for:	
Investment advisor	2,624
Dividends and interest	1,613
Total assets	\$ 3,700,229
Liabilities	
Investment securities purchased	\$ 2,926
Accounts payable and accrued liabilities	2,574
Total liabilities	\$ 5,500
Net assets held for participants:	
Class R0	\$ 325,802
Class R2	3,368,927
Total net assets held for participants	\$ 3,694,729
Units outstanding:	
Class R0	23,812
Class R2	248,720
Total units outstanding	272,532
Net asset value per unit:	
Class R0	\$ 13.68
Class R2	\$ 13.55

Hand Composite Employee Benefit Trust
Schedule of Investments
Channing SMID-Cap Intrinsic Value Fund
December 31, 2023

Number of Shares		Cost	Fair Value
<u>Short Term Investment</u>			
58,623	First American Treasury Obligation Fund V	\$ 58,623	\$ 58,623
	Total Short Term Investment	1.59% 58,623	58,623
<u>Common Stock</u>			
<i>Consumer Discretionary</i>			
3,125	Aramark	110,077	87,813
1,471	Caesars Entertainment Inc	67,373	68,960
1,135	Hillenbrand Inc	54,980	54,310
268	Lithia Motors Inc	69,378	88,247
758	PVH Corp	61,724	92,567
225	TopBuild Corp	66,874	84,209
71	Ulta Salon Cosmetics & Fragrance	34,478	34,789
	Total Consumer Discretionary	13.83% 464,884	510,895
<i>Consumer Staples</i>			
1,829	Darling International Inc	117,233	91,157
852	Lamb Weston Holdings Inc	64,110	92,093
	Total Consumer Staples	4.96% 181,343	183,250
<i>Energy</i>			
351	Diamondback Energy Inc	37,729	54,433
1,257	Murphy Oil Corp	57,891	53,624
	Total Energy	2.92% 95,620	108,057
<i>Financials</i>			
514	Affiliated Managers Group	77,714	77,830
1,372	Banner Corporation	67,923	73,484
1,314	Columbia Banking System Inc	35,940	35,058
2,716	COPT Defense Properties	68,691	69,611
1,138	First American Financial Corp	65,388	73,333
5,413	Old National Bancorp	93,708	91,426
1,117	South State Corp	86,512	94,331
1,152	Stifel Financial Corp	74,581	79,661
1,032	Wintrust Financial Corporation	87,557	95,718
2,440	The Carlyle Group Inc	73,406	99,282
	Total Financials	21.37% 731,420	789,734

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value Fund (Continued)
December 31, 2023

Number of Shares		Cost	Fair Value
<i>Healthcare</i>			
449	Charles River Labs Intl Inc	\$ 102,324	\$ 106,144
1,823	Enovis Corp	162,720	102,124
397	Laboratory Corp America	84,809	90,234
	Total Healthcare	8.08% <u>349,853</u>	<u>298,502</u>
<i>Industrials</i>			
314	Carlisle Companies Inc	87,360	98,103
1,779	Howmet Aerospace Inc	63,107	96,279
837	ITT Inc	64,462	99,871
748	Regal Rexnord Corp	60,658	110,719
462	Timken Company	32,200	37,029
723	Wabtec Corp	62,079	91,749
1,149	XPO Logistics Inc	45,300	100,641
	Total Industrials	17.17% <u>415,166</u>	<u>634,391</u>
<i>Information Technology</i>			
265	CACI International Inc	77,717	85,823
1,482	Ciena Corp	69,550	66,705
1,014	Diodes Inc	83,557	81,647
818	Entegris Inc	74,863	98,013
732	Teradyne Inc	63,742	79,436
	Total Information Technology	11.14% <u>369,429</u>	<u>411,624</u>
<i>Materials</i>			
1,996	Allegheny Technologies Inc	46,073	90,758
2,243	Avient Corp	98,191	93,242
	Total Materials	4.98% <u>144,264</u>	<u>184,000</u>
<i>Real Estate</i>			
4,196	Healthcare Realty Trust Inc	72,693	72,297
	Total Real Estate	1.96% <u>72,693</u>	<u>72,297</u>

Hand Composite Employee Benefit Trust
Schedule of Investments (Continued)
Channing SMID-Cap Intrinsic Value Fund (Continued)
December 31, 2023

Number of Shares		Cost	Fair Value
<i>Telecommunication Services</i>			
2,565	Madison Square Garden Entert Co	\$ 47,489	\$ 81,541
631	Nexstar Media Group Inc CL A	98,949	98,909
	Total Telecommunication Services	4.88% <u>146,438</u>	<u>180,450</u>
<i>Utilities</i>			
1,408	Southwest Gas Corporation	88,725	89,197
	Total Utilities	2.41% <u>88,725</u>	<u>89,197</u>
	Total Common Stock	93.70% <u>3,059,835</u>	<u>3,462,397</u>
<i>Foreign Stock</i>			
<i>Financials</i>			
4,162	Invesco Limited	73,040	74,250
	Total Financials	2.01% <u>73,040</u>	<u>74,250</u>
<i>Materials</i>			
2,965	Axalta Coating Systems Ltd	79,385	100,722
	Total Materials	2.73% <u>79,385</u>	<u>100,722</u>
	Total Foreign Stock	4.74% <u>152,425</u>	<u>174,972</u>
	Total Investments	100.03% <u>\$ 3,270,883</u>	<u>\$ 3,695,992</u>

Hand Composite Employee Benefit Trust
Statement of Operations – Selected Fund
Year Ended December 31, 2023

	Channing SMID-Cap Intrinsic Value Fund
Income	
Interest	\$ 4,151
Dividends	49,959
Total income	54,110
Expenses	
Investment management and administrative	3,332
Custody fees	10,000
Class R2 expenses	15,321
Total expenses before reimbursement of fees	28,653
Reimbursement of fees	(13,000)
Net expenses	15,653
Net Investment Income	38,457
Net Realized and Unrealized Gains (Losses) on Investments	
Net realized losses	(96,347)
Net change in unrealized appreciation/depreciation	615,193
Net realized and unrealized gains on investments	518,846
Net Increase in Net Assets Resulting From Operations	\$ 557,303

Hand Composite Employee Benefit Trust
Statement of Changes in Net Assets – Selected Fund
Year Ended December 31, 2023

	Channing SMID-Cap Intrinsic Value Fund
Operations	
Net investment income	\$ 38,457
Net realized losses	(96,347)
Change in unrealized appreciation/depreciation	615,193
Net increase in net assets from operations	557,303
Net Increase in Net Assets From Participant Transactions	<u>47,231</u>
Increase in Net Assets	604,534
Net Assets	
Beginning of year	<u>3,090,195</u>
End of year	<u><u>\$ 3,694,729</u></u>

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2023

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

Each class 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 are allocated to each class of units based on its relative net assets.

The funds may have available share classes that are not presented on the financial statements, as these classes do not have any participants at the end of the year. Activity within these share classes during the year is presented within the respective footnote disclosures, as applicable. As of December 31, 2023, the following inactive classes have been excluded from the financial statement presentation: class R1.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of investment income and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation

All investments in securities are recorded at their estimated fair value. Transfers in and out of Level 1 (quoted market prices), Level 2 (significant other observable inputs), and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Investment Transactions

Investment transactions are accounted for on trade date. Realized gains and losses from investment transactions and unrealized appreciation or depreciation on investments are reported on the identified cost basis.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2023

Investment Income and Distribution of Income

Dividend income less foreign taxes, 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 is reinvested, thereby increasing the respective unit value.

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 31, 2024, which is the date the financial statements were available to be issued.

Investment Management Advisor

The investment management advisor for the Fund is Channing Capital Management, LLC.

Note 2: Investment Advisory Fees and Other Transactions with Affiliates

The Fund is charged an administrative fee by HB&T for trustee/administrative services (fund accounting services, transfer agency services, trustee services, etc.). The Fund has also entered into investment advisory and service agreements with various third-party advisors. These fees compensate the advisors for the services they provide and for expenses borne by the advisors under the various agreements.

During the year ended December 31, 2023, the investment advisor voluntarily reimbursed the Fund for a portion of its expenses.

The following table indicates the fees charged to the Fund and the various classes of units within the Fund (as a percentage of net assets). These charges are calculated using the Fund's average daily net assets.

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2023

Fund	Administrative Fees	Investment Advisory Fees	Custody Fees	Other Fees	Total Fees
Channing SMID-Cap					
Intrinsic Value Fund:					
Class R0	0.08%	0.00%	0.03%	0.02%	0.13%
Class R2	0.08%	0.50%	0.03%	0.02%	0.63%

Note 3: Financial Highlights

	Channing SMID-Cap Intrinsic Value Fund	
	Class R0	Class R2
Net asset value, beginning of year	\$ 11.57	\$ 11.50
Net investment income	0.23	0.17
Net realized and unrealized gains(losses)	1.88	1.88
Net increase/decrease from investment operations	2.11	2.05
Net asset value, end of year	\$ 13.68	\$ 13.55
Total return	18.24%	17.83%
Ratio to average net assets:		
Net investment income	1.85 %	1.37 %
Expenses without reimbursements	0.42 %	0.89 %
Expenses with reimbursements	0.13 %	0.49 %

Hand Composite Employee Benefit Trust
Notes to Financial Statements
December 31, 2023

Note 4: Participant Unit Transactions

	Channing SMID-Cap Intrinsic Value Fund	
	Units	Dollars
Class R0:		
Proceeds from sales of units	4,084	\$ 49,789
Cost of units redeemed	(208)	(2,558)
	<u>3,876</u>	<u>47,231</u>
Net change in Class R0 from participant transactions		
	<u>3,876</u>	<u>47,231</u>
Net increase from participant transactions		\$ <u>47,231</u>

For the year ending December 31, 2023, there were no participant unit transactions for class R2.

Note 5: Disclosures About Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value, as shown below:

- Level 1:** Quoted prices in active markets for identical assets or liabilities that the Fund can access at the measurement date.
- Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statement of assets and liabilities, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2023.

Hand Composite Employee Benefit Trust

Notes to Financial Statements

December 31, 2023

Short Term Investments. Short term investments, including money market funds, for which market quotations are readily available, are valued at the last reported sales price or official closing price as reported by an independent pricing service on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy.

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

The following table presents the fair value measurements of assets recognized in the accompanying statement of assets and liabilities measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2023.

	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)
Channing SMID-Cap Intrinsic Value Fund:				
Short Term Investment	\$ 58,623	\$ 58,623	\$ -	\$ -
Common Stock	3,462,397	3,462,397	-	-
Foreign Stock	174,972	174,972	-	-
Total	<u>\$ 3,695,992</u>	<u>\$ 3,695,992</u>	<u>\$ 0</u>	<u>\$ 0</u>

Note 6: Risk Factors

The Fund invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the accompanying statement of assets and liabilities.

Supplemental Information

Hand Composite Employee Benefit Trust
Schedule of Investment Purchases and Sales – Selected Fund
Channing SMID-Cap Intrinsic Value Fund
Year Ended December 31, 2023

Purchases	
Investment Class	Cost
Common Stock	\$ 2,046,926
Foreign Stock	<u>87,917</u>
Total Investments Purchased	<u><u>\$ 2,134,843</u></u>

Sales			
Investment Class	Proceeds	Cost	Gains (Losses)
Common Stock	\$ 1,902,501	\$ 2,016,541	\$ (114,040)
Foreign Stock	<u>112,435</u>	<u>94,742</u>	<u>17,693</u>
Total Investments Sold	<u><u>\$ 2,014,936</u></u>	<u><u>\$ 2,111,283</u></u>	<u><u>\$ (96,347)</u></u>