



Diamond Hill Capital Management, Inc.  
Form ADV Part 2A – Disclosure Brochure  
February 28, 2016

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This brochure provides information about the qualifications and business practices of Diamond Hill Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at 614-255-3333. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Diamond Hill Capital Management, Inc. is registered with the SEC as an investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about Diamond Hill Capital Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2. Material Changes**

Item 4 has been amended to include a discussion of Unified Managed Account Programs.

Item 10 has been amended to include a discussion of Diamond Hill's self-indexing and the related potential conflicts of interest.

Item 12 has been amended to disclose trade execution practices for Unified Managed Account Programs.

There have been no other material changes to this Brochure since our last annual amendment on March 4, 2015.

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## **Item 4. Advisory Business**

### **THE COMPANY**

Diamond Hill Capital Management, Inc. (“Diamond Hill” or “the firm” or “we”) is a wholly owned subsidiary of Diamond Hill Investment Group, Inc. (“DHIL”, “the parent” or “the parent company”), a publicly traded company listed on NASDAQ and trading under the symbol DHIL.

The firm registered as an investment adviser with the SEC on June 2, 1988, and the parent was incorporated on April 18, 1990. The parent was taken public in 1993 under the name Banc Stock Group. In 2000, the parent changed its name to Diamond Hill Investment Group, Inc. as part of a reorganization intended to create an investment management focused firm.

As of December 31, 2015, employees and directors of DHIL and its affiliates owned approximately 28% of the shares outstanding, while non-affiliated investors owned the remaining 72% of the shares. As a publicly traded company, the ownership percentage changes on a regular basis.

### **INVESTMENT SERVICES**

Diamond Hill provides investment management services to individual and institutional investors through mutual funds, separate accounts, an exchange traded fund, and private investment funds. Diamond Hill offers ten equity investment strategies, and two fixed income investment strategies. (Item 8 provides more information about our investment strategies.). We do not provide financial planning services, and we do not advise our clients in the selection of other investment advisers or mutual funds not managed by Diamond Hill. Our clients choose one or more of our twelve investment strategies to meet their needs. Upon request, Diamond Hill will work with clients to accommodate client-specific restrictions on any of our investment strategies.

Our portfolio strategies may include investments in common stocks (including real estate investment trusts, American depository receipts, and master limited partnerships), preferred stocks, investment-grade and non-investment grade corporate bonds (including private placements), U.S. Government and agency securities, convertible securities (including stocks and convertible corporate bonds), structured instruments, open and closed-end investment companies (including exchange traded funds), and private partnerships (also known as hedge funds).

## **WRAP FEE PROGRAMS**

Diamond Hill participates as an investment adviser in several wrap fee programs that are offered by third-party wrap program sponsors (typically broker-dealers). A wrap fee program is an investment advisory program under which a client typically pays a single fee to the sponsor based on assets under management. Fees paid are not based directly upon transactions in the client's account or the execution of client transactions. Wrap fee program clients typically select Diamond Hill from a list of investment advisers presented to clients by registered representatives of the sponsor. Wrap fee program clients are typically high net worth individuals or small institutions. The program sponsor determines the fee to charge to the wrap fee program clients and has primary responsibility for client communications and service. Diamond Hill provides investment management services to the clients. The program sponsor typically executes client's portfolio transactions, and in most cases, provides custodial services for the client's assets for the single fee paid by the client to the sponsor. Diamond Hill is paid a portion of the wrap fee (management fee) for its services by the program sponsor. Wrap fee accounts are considered directed brokerage accounts. When determining whether or not to participate in a wrap fee program you should consider, among other things, Diamond Hill's brokerage practices and the fees charged by the program sponsor in relation to the expected trading volume. (Item 12 provides more information about our brokerage practices, including our treatment of directed brokerage accounts.). When we report the number of clients that Diamond Hill provides investment management services to, we generally consider the wrap sponsor as a client instead of the underlying wrap fee program client accounts.

## **UNIFIED MANAGED ACCOUNT (“UMA”) PROGRAMS**

Diamond Hill provides services to UMA programs in which an investment manager provides its strategy model portfolio to the sponsor of the UMA program. In these instances, Diamond Hill does not have discretionary investment authority over individual client accounts. Another manager, typically the program sponsor or its designee, is the discretionary investment manager of, has investment discretion over, and is responsible for monitoring the client accounts. Diamond Hill provides an updated strategy model portfolio to the sponsors on a periodic basis.

The program sponsor determines the fee to charge the UMA program client. Diamond Hill is paid a portion of the UMA fee for its services by the program sponsor at a pre-determined rate based on assets in the program.

## **ASSETS UNDER MANAGEMENT**

As of December 31, 2015, Diamond Hill had \$16.8 billion in assets under management. All of these assets were discretionary assets.

## Item 5. Fees and Compensation

### SEPARATE ACCOUNTS

Our fees for separate accounts are based on the value that we expect to add over rolling five-year periods and vary by investment strategy. Unless otherwise agreed to, the fees for our separate accounts are payable quarterly in arrears and are calculated based on the value of the assets in the account at the end of each calendar quarter. Diamond Hill provides clients fee invoices which contain the amount of the fee, the value of the assets in the account on which the fee was based, and the specific manner in which the fee was calculated. Fees for partial periods are pro-rated. Below are our standard fee schedules:

<b>SEPARATE ACCOUNTS</b>			
Tier	Small Cap	Small-Mid Cap	Mid Cap
First \$20 million	1.00%	0.95%	0.80%
Above \$20 million	0.80%	0.75%	0.65%
Minimum Account Size	\$10 million	\$5 million	\$5 million

<b>SEPARATE ACCOUNTS</b>			
Tier	Select	Large Cap	Large Cap Concentrated
First \$20 million	0.85%	0.60%	0.70%
Above \$20 million	0.70%	0.50%	0.60%
Minimum Account Size	\$5 million	\$10 million	\$10 million

<b>SEPARATE ACCOUNTS</b>		
Tier	Corporate Credit	High Yield
First \$50 million	0.55%	0.60%
Above \$50 million	0.45%	0.50%
Minimum Account Size	\$25 million	\$25 million

(Item 8 provides a description of the investment strategies that are available as a separate account.).

Diamond Hill reserves the right to negotiate fees. Some clients pay more or less than others depending on certain factors, including but not limited to, the type and size of the account, the range of additional services provided to the client, and the total amount of assets managed for a single client. Additionally, some clients pay us a performance-based advisory fee. (Item 6 provides more information about performance-based fee.). The fees that we charge for investment advisory services are specified in an agreement between Diamond Hill and each individual client.

## **MUTUAL FUNDS**

The investment advisory and administration fees that Diamond Hill receives as a service provider to the Diamond Hill Funds are described in the prospectus and financial filings of those funds. (Item 10 provides more information about Diamond Hill's involvement with the Diamond Hill Funds.).

## **PRIVATE INVESTMENT FUNDS**

The private investment funds pay Diamond Hill either a management fee or a management fee and a performance-based advisory fee. These fees are described in the investment management and investment advisory agreements between Diamond Hill and each of the funds. (Item 6 provides more information about performance-based fees, and Item 10 provides more information about our private investment funds.).

## **OTHER FEES OR EXPENSES**

Clients may pay other expenses in addition to the fees paid to Diamond Hill. For example, clients may pay costs such as brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees, and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by Diamond Hill. (Item 12 provides more information on our brokerage practices.).

Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus and financial filings. To avoid the duplication of fees and the potential conflicts of interest, we do not charge separate accounts a direct advisory fee on assets invested in the Diamond Hill Funds, the Diamond Hill Valuation-Weighted 500 ETF ("DHVW"), or the private investment funds. Fees for client assets invested in Diamond Hill Funds, DHVW, or the private investment funds are charged by the respective fund and reflected in the value of your investment.

## **ADDITIONAL COMPENSATION**

Diamond Hill and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

We may receive performance-based fees from our private investment funds and separate accounts. We will consider performance-based fee arrangements for separate accounts with greater than \$25 million in assets.<sup>1</sup>

### **POTENTIAL CONFLICTS OF INTEREST**

The receipt of performance-based fees from separate accounts or our private investment funds creates conflicts of interest. Diamond Hill can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay an asset-based fee as described in Item 5. For example, Diamond Hill may have an incentive to direct the best investment ideas to an account that pays a performance-based fee or to allocate or sequence trades in favor of the performance fee account. To manage these potential conflicts:

- All accounts within a strategy are managed to the strategy's model portfolio.
- Diamond Hill performs a periodic review of each investment strategy's model portfolio versus each client account. In this review, every position size for each client account is compared to our model weights. In addition, portfolios are monitored by our compliance department for consistency with client objectives and restrictions.
- Diamond Hill has implemented policies whereby portfolio manager incentive compensation is based solely upon the performance of the respective strategy that they manage. This policy is intended to incent portfolio managers to act in the best interests of all clients regardless of their fee type.
- Diamond Hill has trade allocation policies and procedures designed to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Diamond Hill has another potential conflict of interest, as an adviser to both long-only accounts and accounts that execute short sales. We could sell short securities in a long-short account while holding the same security long in a long-only account. In this case, we could harm the performance of the long-only accounts for the benefit of accounts that execute short sales, which may include performance-based fee accounts. For example, continually selling a position short may depress the stock price, potentially harming a long-only account if it holds the same security. To manage this conflict, Diamond Hill has a specific policy that prohibits a short position from being held as a long position in any

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<sup>1</sup> A performance-based fee is an advisory fee based on a percent of capital gains on or capital appreciation of client assets. Performance-based fees paid to investment advisers may be significantly higher than the asset-based fees paid on traditional accounts.

actively managed<sup>2</sup> client account. However, client investment mandates that generally include all securities in a broad-based market index may hold a long position, while another client account holds that same security as a short position.

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<sup>2</sup> All of our strategies listed under Item 8 are considered actively managed, except the Valuation-Weighted 500 Strategy. Item 8 also contains a description of our actively managed approach.

## Item 7: Types of Clients

Diamond Hill provides investment management services to a wide variety of clients, including institutions, registered investment companies, exchange traded funds, private investment funds, financial institutions, financial intermediaries, annuity funds, pooled investment vehicles, charitable institutions, high net worth investors, foundations, trusts, state and municipal government entities, endowment funds, insurance companies, corporations, hospitals, corporate pension and profit-sharing plans, and Taft-Hartley plans.

The minimum account size for a Small-Mid Cap, Mid Cap, or Select separate account is \$5 million. Minimum account size for a Small Cap, Large Cap, or Large Cap Concentrated separate account is \$10 million. Minimum account size for a Corporate Credit or High Yield separate account is \$25 million. Diamond Hill, however, may agree to manage separate accounts below our stated minimum account size. (Item 5 provides a discussion of advisory fees for separate accounts.).

Diamond Hill also offers investment advisory services to the clients of wrap sponsors. In accounts introduced to Diamond Hill by a wrap sponsor, the client either enters into agreements directly with both Diamond Hill and the sponsor, or enters into an agreement solely with the sponsor or another entity that has an agreement with the sponsor. (Item 4 provides a discussion on wrap fee programs.).

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

### **DIAMOND HILL INVESTMENT STRATEGIES**

We offer ten equity investment strategies and two fixed income investment strategies, each of which primarily invest in U.S. securities:

#### **Equity Strategies**

***Small Cap Strategy*** – Invests in securities of small capitalization companies selling at prices below our estimate of intrinsic value.

***Small-Mid Cap Strategy*** – Invests in securities of small and medium capitalization companies selling at prices below our estimate of intrinsic value.

***Mid Cap Strategy*** – Invests in securities of medium capitalization companies selling at prices below our estimate of intrinsic value.

***Large Cap Strategy*** – Invests in securities of large capitalization companies selling at prices below our estimate of intrinsic value.

***Large Cap Concentrated Strategy*** – Invests in a concentrated portfolio of securities derived from the holdings in the Large Cap strategy selling at prices below our estimate of intrinsic value. Typically, the Large Cap Concentrated holdings represent the largest weights in the Large Cap strategy; however, for diversification and other reasons, they may not be the top positions in order of magnitude.

***Select Strategy*** – Invests in a concentrated portfolio of securities of companies across the market capitalization spectrum selling at prices below our estimate of intrinsic value. We anticipate that each of the Select strategy's investments will also be held in one of our other equity strategies.

**Long-Short Strategy** – Seeks to buy long or sell short securities of companies at prices below or above our estimate of intrinsic value.<sup>3</sup>

**Research Opportunities Strategy** – Seeks to buy long or sell short securities of U.S. companies across a broad range of market capitalization at prices below or above our estimate of intrinsic value, as well as investing up to 20% in international equities and up to 20% in fixed income securities.<sup>3</sup>

**Financial Long-Short Strategy** – Seeks to buy long or sell short securities financial services companies selling at prices below or above our estimate of intrinsic value.<sup>3</sup>

**Valuation-Weighted 500 Strategy** – Seeks to track the price and total return, before fees and expenses, of the Diamond Hill Valuation-Weighted 500 index.<sup>3</sup>

### **Fixed Income Strategies**

**Corporate Credit Strategy** – Seeks to provide high current income, preservation of capital, and total return over a five-year time horizon by investing primarily in investment grade and below-investment grade corporate bonds. Securities are purchased when we believe the yield and total return potential are attractive relative to asset and interest coverage and relative to other securities with comparable risk.

**High Yield Strategy** – Seeks to provide high current income with the opportunity for capital appreciation by investing primarily in below-investment grade corporate bonds. Securities are purchased when we believe the yield and total return potential are attractive relative to asset and interest coverage and relative to other securities with comparable risk.

### **EQUITY INVESTING**

We believe that a company's intrinsic value is independent of its stock price. We also believe competitive long-term returns can be achieved by investing in companies when the current market price is at a discount (premium) to our estimate of intrinsic value, based upon a discounted cash flow methodology.

The following are the guiding principles for our investment philosophy:

- **Treat every investment as a partial ownership interest in that company.**  
Investing is most intelligent when it is viewed through the lens of an owner.

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<sup>3</sup> The Long-Short Strategy is generally available to investors only through the Diamond Hill Long-Short Fund and to qualified investors through a private investment fund. The Research Opportunities Strategy is available to investors only through the Diamond Hill Research Opportunities Fund. The Financial Long-Short Strategy is available to investors only through the Diamond Hill Financial Long-Short Fund. The Valuation-Weighted 500 Strategy is available to investors only through the Diamond Hill Valuation-Weighted 500 ETF.

- **Always invest with a margin of safety.**

Our discipline is to purchase (short) securities at a sufficient discount (premium) to our estimate of intrinsic value. We estimate the intrinsic value of the business independent of the current stock market price then compare our estimate to the price to determine if an opportunity exists. When we successfully identify securities trading below (above) our estimate of intrinsic value, it increases potential reward and serves as the most effective risk control.

- **Possess a long-term investment temperament.**

In the short term, emotion as much as economic fundamentals drives market prices. Over time, the economic performance of the business and the price paid, versus the market, will determine investment return.

- **Recognize that market price and intrinsic value tend to converge over a reasonable period of time.**

Investment opportunity lies in the ability to buy (or short), when the current market price does not reflect a company's intrinsic value, and to sell (or cover) when price and value converge.

Investing in securities always involves the risk of loss that investors should understand and be prepared to bear.

Our investment strategy is actively managed and intrinsic value-focused. Bottom-up analysis is of primary importance. We use a discounted cash flow methodology to estimate intrinsic value and then compare our estimate to the current market price. Our portfolios are differentiated by the fact that we manage independent of benchmark weights.

Our valuation approach is based on a five-year discounted cash flow methodology for both long and short positions. This methodology is used to determine whether there is a discrepancy between the current market price and our estimate of intrinsic value.

To forecast the amount and timing of a company's cash flows, we concentrate on the fundamental economic drivers of the business. We evaluate all publicly available material information that may aid us in forecasting future cash flows. Considerations include: industry competition, regulatory factors, the threat of technological obsolescence, and a variety of other factors. Other fundamental factors we use to estimate intrinsic value include: normalized earnings and earnings growth rate; payout ratio and dividends; terminal P/E multiple; and required rate of return.

Our investment team consists of portfolio managers, research analysts, and research associates. Research team members focus on a specific sector or a few industries, while our portfolio managers are generalists. Portfolio managers also function as analysts for

all of our portfolios. Similar to the research analysts, the portfolio managers of other Diamond Hill strategies may make recommendations in their role as analyst.

The research group is organized by sector teams, with a sector leader for each team. Portfolio managers work closely with sector teams, providing a link between the research and portfolio management functions, a mentor for research analysts and associates, and an additional source of broad sector and industry knowledge.

Portfolio managers are responsible for investment decision-making, including asset allocation, security selection, portfolio construction, and portfolio risk management. Since we place high value on independent thought, the portfolio managers are ultimately accountable for the strategy results and are not subordinate to an investment committee. Assistant portfolio managers provide significant analytical support and serve as a backup to the portfolio manager. If a portfolio manager is unavailable, assistant portfolio managers have the authority to make investment decisions.

We regularly compare market price to our estimate of intrinsic value for every holding or short position. We will sell a holding (cover a short position) under the following circumstances:

- If the market price reaches our estimate of intrinsic value, we examine all model assumptions. Unless there is justification to adjust our assumptions, we will exit the position.
- If our estimate of intrinsic value is lowered (raised) due to a change in the fundamentals, such that the current market price is no longer at a discount (premium) to our estimate of intrinsic value, we will exit the position.
- If a more attractive investment opportunity is identified, we may sell (cover) a holding to raise proceeds.
- If a holding's position size reaches our stated limit of the portfolio at market, we reduce the position. Typically, we trim a position as it approaches the limit, rather than allowing it to exceed the limit.

We define risk as the permanent loss of capital rather than short-term price volatility. We manage risk through our intrinsic value-focused investment philosophy and disciplined investment process. Portfolio managers are ultimately accountable for managing risk in a portfolio. By focusing stock selection on securities selling at discounts (or premiums if selling short) to our estimates of intrinsic value, we believe we have a built in "margin of safety." Thus, our primary risk control is to compare current market prices regularly to our estimates of intrinsic value.

To limit downside risk, we diversify portfolios by managing sector, industry, and position weights according to the following general guidelines:

- For long positions, an individual security cannot be more than 7% (10% for the Large Cap Concentrated strategy) of the portfolio at market.
- For short positions, an individual security cannot be more than 3% of the portfolio at market.
- Maximum exposure to any one industry is limited to 20% (25% for the Large Cap Concentrated strategy) of the portfolio at market.
- Maximum exposure to any one sector is limited to 30% (35% for the Large Cap Concentrated and Select strategies) of the portfolio at market.

## Equity Risks

The material risks associated with these strategies are:

**Equity Market Risk** – Overall stock market risks may affect the value of the investments in equity strategies. Factors such as U.S. economic growth and market conditions, interest rates, and political events affect the equity markets.

**Management Risk** – Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole or our intrinsic value approach may fail to produce the intended results. Our estimate of intrinsic value may be wrong or even if our estimate of intrinsic value is correct, it may take a long period of time before the price and intrinsic value converge.

**Small and Mid Cap Company Risk** – Investments in small and medium capitalization companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small and medium capitalization companies may be more vulnerable to economic, market, and industry changes. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

**Concentration Risk** – Some strategies concentrate their investments in a small number of securities to create a reasonably diversified equity portfolio. The small number of securities held may not be diversified across all sectors or industries as compared to a broad index, such as the S&P 500 or Russell 3000 Indices. The value of a client account will vary considerably in response to changes in the market value of individual securities, industries, or sectors. This may result in higher volatility.

**Short Sale Risk** – Short sales are speculative transactions and involve special risks. In order to initiate a short position, a security must be borrowed. Strategies that execute short sales may incur a loss if the price of the security sold short increases in value between the date of the short sale and the date when we purchase the security to replace the borrowed security. Losses are potentially unlimited in a short sale transaction.

## **FIXED INCOME INVESTING**

We manage our corporate bond strategies with the same intrinsic value investment philosophy as our equity strategies. We believe that a company's intrinsic value is independent of its price and that intrinsic value can be reasonably estimated using a discounted cash flow methodology. We also consider valuations of comparable companies in both the private and public markets.

Over short periods of time, the market price of a corporate bond may be heavily influenced by the emotions of market participants, which are far more difficult to predict than intrinsic value. Over longer periods of time, the market price tends to converge with intrinsic value. We intend to achieve our return objectives from both the yield on our bonds and the closing of the gap between our purchase price and the intrinsic value of the bonds.

We expect to achieve our return objective by investing in corporate bonds when we believe the market price discounts a greater risk of default or a greater loss upon default than is warranted. An additional source of return exists when the market price provides attractive compensation for short-term illiquidity or volatility, both of which are of less concern to a long-term investor. We manage our corporate bond strategies independent of a benchmark, and we will only take a meaningful position once we have completed a thorough analysis in comparison to price.

An important aspect of our corporate bond strategies is to be nimble in the secondary corporate bond market and selective in the new issue market. As a result, we are committed to maintaining an asset level that will allow us to always be nimble and selective.

Investment ideas are generated by the portfolio managers, as well as by the broader research team. The overlap between equity and fixed income research coverage is typically greater than 80%, illustrating the integration of the research process. In addition to the analysis by the portfolio managers, we leverage the industry analysis conducted by our research team to identify attractive corporate bonds. Our business analysis focuses on the fundamental economic drivers of the business. We seek to invest in corporate bonds of companies with improving return on invested capital and stable or improving competitive positions. After the credit research is complete, the portfolio managers determine whether a security is attractive on a yield basis relative to asset and interest coverage and relative to other securities with comparable risk. Financial metrics

are reviewed in comparison to other available credits. The expected return and yield are also considered in comparison to expected returns and relative value across companies, industries, and the capital structure.

The portfolio managers are responsible for investment decision-making, including asset allocation, security selection, portfolio construction, and portfolio risk management. Since we place high value on independent thought, the portfolio managers are ultimately accountable for the strategy results and are not subordinate to an investment committee. The assistant portfolio manager provides significant analytical support and serves as a backup to the portfolio managers. If the portfolio managers are unavailable, the assistant portfolio manager has the authority to make investment decisions.

We sell securities when they no longer offer an attractive risk-reward trade off or to acquire relatively more attractive securities. Securities are generally held until they mature or are called.

We define risk as the permanent loss of capital rather than short-term price volatility. We are, however, also focused on limiting longer-term downside volatility and drawdowns. Portfolio managers are ultimately accountable for managing risk in a portfolio. Our most important risk control flows from our rigorous credit analysis designed to avoid defaults and holding overvalued bonds. To limit downside risk and potential loss. We diversify portfolios by managing sector, industry and position weights according to the following guidelines:

- Securities of an individual corporate issuer cannot be more than 10% of the portfolio at market.
- Maximum exposure to any one industry is limited to 25% of the portfolio at market.
- Maximum exposure to any one sector is limited to 55% of the portfolio at market.

### **Fixed Income Risks**

The material risks associated with our fixed income strategies are:

***Fixed Income Market Risk*** – Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases.

***Management Risk*** – Our judgments about the attractiveness, value, and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, and our intrinsic value approach may fail to produce the intended results.

**Credit Risk** – There is a risk that issuers and counterparties will not make payments on the securities they issue. In addition, the credit quality of securities may be lowered if an issuer’s financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and our ability to sell the security.

**Inflation Risk** – Because inflation reduces the purchasing power of income produced by existing fixed income securities, the prices at which fixed income securities trade will be reduced to compensate for the fact that the income they produce is worth less. This potential decrease in market value would be the measure of inflation risk.

**High Yield Securities Risk** – The strategies invest in fixed income securities rated below-investment grade, also known as high yield securities or junk bonds. High yield securities provide greater income and opportunity for gain, but entail greater risk of loss of principle. High yield securities are predominantly speculative with respect to the issuer’s capacity to pay interest and repay principal in accordance with the terms of the obligation. These investments may be issued by companies which are highly leveraged, less creditworthy or financially distressed. Although these securities generally provide a higher yield than higher-rated debt securities, the high degree of risk involved in these investments can result in substantial or total loss. The market for high yield securities is generally less active than the market for higher quality securities and the market price of these securities can change suddenly and unexpectedly. Based on measures such as dealer inventories and average trade size, the high yield market has become less liquid at the same time as it has grown markedly and become more concentrated under the control of the largest investors. During future periods of market stress, liquidity conditions in the high yield market may be even worse than prior periods of market stress.

**Illiquid Securities Risk** – The strategies may invest in illiquid securities. The price paid for the purchase illiquid securities or received for the resale may be lower than the price paid or received for similar securities with a more liquid market. In addition, there may be no market or a limited market in which to sell illiquid securities.

**Sector Emphasis Risk** – The strategies, from time to time, may invest up to 55% of its assets in one or more sectors subjecting the strategy to sector emphasis risk. This is the risk that the strategy is subject to a greater risk of loss as a result of adverse economic, business, or other developments affecting a specific sector the strategy has a focused position in, than if its investments were diversified across a greater number of industry sectors. Some sectors possess particular risks that may not affect other sectors.

## **Item 9. Disciplinary History**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the firm or the integrity of the firm's management in this item. Registered investment advisers are required to report all disciplinary events regardless of whether they are material in Part 1A of Form ADV. Diamond Hill has no legal or disciplinary events of any kind to report.

## Item 10. Other Financial Industry Activities & Affiliations

As noted in Item 4, Diamond Hill is a wholly owned subsidiary of Diamond Hill Investment Group, Inc. Diamond Hill Investment Group, Inc. is also the parent company of:

- Beacon Hill Fund Services, Inc. (“Beacon Hill”).
- BHIL Distributors, Inc. (“BHIL”).

Beacon Hill provides compliance, treasury and other fund administration services to mutual fund companies and investment advisers. Beacon Hill provides these services to the Diamond Hill Funds.

BHIL is a wholly owned subsidiary of Beacon Hill. BHIL is a limited purpose broker/dealer that provides statutory underwriting services to mutual fund companies, including the Diamond Hill Funds. Diamond Hill does not execute transactions for any of its clients through BHIL.

Certain persons listed in Schedule A of Diamond Hill’s Part 1 of Form ADV and other employees are registered representatives of BHIL and hold FINRA licenses but do not receive any compensation from BHIL.

### **MUTUAL FUNDS**

Diamond Hill serves as the investment adviser and administrator to the Diamond Hill Funds, an open-end registered investment company. Certain persons listed in Schedule A of Diamond Hill’s Part 1 of Form ADV are Officers of the Diamond Hill Funds. As Officers, these persons are involved in the day-to-day management of the Diamond Hill Funds. In order to avoid any potential conflicts of interests, these persons are subject to Diamond Hill’s Code of Ethics and are supervised by an independent Board of Trustees.

In addition, the following services are supervised by the Board of Trustees of the Diamond Hill Funds:

- The advisory services and the administrative services agreements between Diamond Hill and the Diamond Hill Funds
- The underwriting agreement between BHIL and the Diamond Hill Funds

Diamond Hill does not believe these services create material conflicts of interest between Diamond Hill and its other clients.

Diamond Hill also serves as an adviser to an exchange traded fund and as a sub-adviser to other mutual funds.

## **PRIVATE INVESTMENT FUNDS**

Diamond Hill is also the Managing Member of Diamond Hill General Partner, LLC. Diamond Hill General Partner, LLC is the general partner of Diamond Hill Investment Partners, L.P. and Diamond Hill Global Fund, L.P. Collectively, these funds are referred to as “private investment funds.”<sup>4</sup> (Items 5 and 6 provide more information relating to the private investment funds.)

## **SELF INDEXING**

Diamond Hill provides investment advisory services to an exchange traded fund (“ETF”) based on an index managed in-house by Diamond Hill. This may cause potential conflicts of interest. These potential conflicts include trading based on prior knowledge of index changes, allowing index changes that benefit Diamond Hill or other clients instead of the investors in the ETF, and the manipulation of index pricing to present the ETF performance or tracking ability in a preferential light. Diamond Hill has developed a series of policies and procedures to help mitigate these potential conflicts, including a policy requiring the holdings of the ETF to be publically disclosed on a daily basis and a policy that prohibits the specific personnel responsible for the maintaining the index from discussing any changes or adjustments to the index composition until such changes have been disseminated publically.

## **SOLICITOR FEES**

Diamond Hill may enter into an agreement with a broker-dealer or registered investment adviser in which Diamond Hill pays a set percentage of its management fee and/or performance-based fee to the referring broker-dealer or registered investment adviser. These arrangements, often referred to as Solicitor’s Agreements, are more specifically discussed in Item 14.

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<sup>4</sup> Private investment funds are often referred to as hedge funds and are only offered on a private placement basis to accredited or qualified investors. As discussed in Items 5 and 6, Diamond Hill could earn either a management fee or both a management fee and a performance-based incentive fee on the private investment funds.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **CODE OF ETHICS & PERSONAL TRADING**

Diamond Hill has adopted a Code of Ethics for all employees of the firm describing our high standards of business conduct, fiduciary duty to our clients, and rules surrounding personal securities trading by our employees.

The Code of Ethics prohibits employees from purchasing individual securities that are also eligible to be held in one of our funds or client portfolios and from purchasing non-Diamond Hill mutual funds that invest primarily in U.S. equity securities or corporate bond securities. As a result of these prohibitions, substantially all of our employees' equity investments are in the Diamond Hill Funds.

The Code of Ethics also includes guidelines related to the reporting of personal securities holdings and trading activity. All Diamond Hill employees must accept in writing the terms of the Code of Ethics upon employment, annually, or as amended.

Diamond Hill clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the firm's Chief Compliance Officer, Mr. Gary Young, at 614-255-3333.

### **PARTICIPATION IN CLIENT TRANSACTIONS**

Diamond Hill recommends to its clients the purchase or sale of our private investment funds. (Item 10 provides a discussion of our private investment funds.). Diamond Hill could earn a management fee or both a management fee and a performance-based fee on the private investment funds. (Items 5 and 6 provide more information about these fees.).

Diamond Hill recommends to its clients the purchase or sale of Diamond Hill Funds. Diamond Hill serves as the investment adviser and administrator for and receives fees from the Diamond Hill Funds.

Diamond Hill recommends to its clients the purchase or sale of the Diamond Hill Valuation-Weighted 500 ETF ("DHSV"). Diamond Hill serves as the investment adviser and receives fees from DHSV.

Therefore, potential conflicts of interest exist. To avoid the duplication of fees and the potential for conflicts of interest, we do not charge a separate advisory fee to clients on their assets which are invested in the private investment funds, Diamond Hill Funds, or DHSV.

A portion of Diamond Hill's corporate investment portfolio may be invested in mutual funds, ETFs, or in private investment funds for which Diamond Hill serves as investment adviser, administrator, general partner, or manager. Employees may also own interests in the private investment funds, Diamond Hill Funds, and DHSV. We do not believe that

these investments cause a conflict of interest between Diamond Hill and its advisory clients due to the pooled nature of the investments. Diamond Hill does not invest its corporate investment portfolio in any individual securities which are eligible to be held in one of our funds or client portfolios.

## **TRADE ERRORS**

There are two potential types of trade errors, those that are detected after the trade has settled and those that are detected prior to trade settlement. We correct all trade errors so that the client does not suffer a loss and is not harmed.

Trade errors that are detected after the trade has settled in a client account are considered "Client Account Trade Errors." For Client Account Trade Errors where Diamond Hill is determined to be at fault or where no fault can be determined, Diamond Hill will pay any losses resulting from the error. If it is determined that the client is at fault, Diamond Hill may, in its discretion, pay the loss or charge the loss (in whole or in part) to the client. Net gains incurred when correcting a Client Account Trade Error will be retained by the client.

Trade errors that are detected prior to settlement in a client account are considered "Adviser Account Trade Errors." Diamond Hill will settle Adviser Account Trade Errors, and any correcting trade, into a separate error account. Net gains realized on a correcting trade will be retained by Diamond Hill and net losses incurred on a correcting trade will be paid by Diamond Hill. Net gains may be retained in the error account and used to offset future net losses.

## Item 12: Brokerage Practices

### **BROKER SELECTION & BEST EXECUTION**

In most arrangements, Diamond Hill has the authority to make all determinations as to securities to be bought and sold, the amounts of the securities bought or sold, the broker-dealer to be used, and commissions and other fees to be paid. As part of its discretionary responsibilities, in executing trades on behalf of clients, Diamond Hill seeks best execution under the circumstances of each trade. Clients may, in limited circumstances, request or select their own broker-dealers subject to Diamond Hill's directed brokerage policy described below.

When selecting broker-dealers to execute transactions, Diamond Hill takes into consideration the range and quality of a broker's services including, but not limited to, execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility, and responsiveness. The determinative factor is not the lowest possible commission cost, but whether the transaction represents best qualitative execution under the circumstances. The evaluation of the reasonableness of the brokerage commissions paid in connection with portfolio transactions is based on the professional opinions and judgments of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and information available to them, including industry survey data, concerning the level of commissions being paid by other investors of comparable size and type.

Diamond Hill has a Best Execution Committee that has oversight and policy making responsibility for Diamond Hill's brokerage practices. The Best Execution Committee includes representatives from senior management, trading, compliance, and investments. The Best Execution Committee meets periodically, typically quarterly.

Diamond Hill's equity traders use various trade execution management systems to ensure proper trade management, including fair order allocation and seek best execution. Diamond Hill may also place orders to buy and sell equity securities where the broker is acting on a principal rather than agency basis, if Diamond Hill's traders believe that trading on a principal basis is likely to provide best execution. The fixed income portfolio managers typically execute their own trades with approved brokers who provide closely monitored inventories of fixed income securities on a regular basis.

We have controls in place for monitoring execution in our clients' portfolio transactions, including reviewing trades for best execution. Certain broker-dealers that Diamond Hill uses to execute client trades are also clients of Diamond Hill and/or refer clients to Diamond Hill creating a conflict of interest. To mitigate this conflict we adopted a policy

that prohibits us from considering any factor other than best execution when a client trade is placed with a broker-dealer.

#### **EXECUTION PRACTICES FOR LEGACY SECURITIES**

Diamond Hill reserves the right to establish policies that limit acceptance of a client's previously acquired securities ("legacy" positions or securities) for account funding or contribution purposes. Where accepted, Diamond Hill generally evaluates legacy positions and may sell all or a portion of such securities to the extent that such securities would not be included in Diamond Hill's model portfolio holdings for such account (unless such securities are subject to another express arrangement). Depending on the size and characteristics of the legacy position and the then-prevailing markets and other factors, the client may receive a sale price that is less favorable than if the transaction involved a more marketable or liquid position. The client will be responsible for all tax liabilities that result from any sale transactions.

In connection with establishing a new account or account mandate for a separate account, Diamond Hill will work with the client to identify legacy securities that might appropriately be held by the account.

#### **EXECUTION PRACTICES FOR THE TERMINATION OF ACCOUNTS**

Clients who terminate accounts may retain securities in their account or instruct Diamond Hill to sell the portfolio securities. When following termination and liquidation instructions, as a result of time constraints and lot sizes that may be applicable to these types of sale transactions, and the general unavailability of the full range of trading techniques including aggregation, the prices received in these transactions may be less favorable than the prices that could be attained for sales of securities selected by Diamond Hill as part of ongoing management.

#### **RESEARCH AND BROKERAGE BENEFITS**

In allocating brokerage, Diamond Hill may take into consideration the receipt of research and brokerage services, consistent with its obligation to seek best execution for client transactions. As permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"), Diamond Hill may cause its clients to pay a broker that provides "brokerage and research services" (as defined by Section 28(e)) to Diamond Hill an amount of commission for effecting a securities transaction for clients in excess of the amount other brokers would have charged for the transaction if Diamond Hill determines in good faith that the greater commission is reasonable in relation to the value of the brokerage and research services provided by the executing broker viewed in terms of either a particular transaction or Diamond Hill's overall responsibility to the client and its other clients. The broker may directly provide brokerage and research services to Diamond Hill, or may purchase them from a third party for Diamond Hill. When

Diamond Hill uses commissions to receive brokerage and research services, Diamond Hill receives a benefit because it does not have to produce or pay for the research, products, or services.

The term “brokerage and research services” includes advice as to the value of securities; the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts; and effecting securities transactions and performing functions incidental thereto (such as clearance and settlement) or required in connection therewith by applicable rules.

Diamond Hill has acquired the following types of brokerage and research services with client commissions:

- Reports or databases containing corporate, fundamental, industry, economic or statistical analyses;
- Industry conferences;
- Access to analysts and corporate management;
- Trading analytics; and
- Research field trips to visit corporate management and/or tour company facilities (collectively, “Research”).

Diamond Hill has entered into Client Commission Agreements with broker/dealers that are involved from time to time in executing, clearing, or settling securities transactions on behalf of clients (“CCA Brokers”) which provide for the CCA Brokers to pay a portion of the commissions paid by Diamond Hill’s clients for securities transactions (“CCA Commissions”) to providers of research services.

Because these research service providers may play no role in executing client securities transactions, any research prepared by that research service provider may constitute third-party research. Diamond Hill may use brokerage commissions, including CCA Commissions, from client portfolio transactions to acquire Research, subject to the procedures and limitations provided in this discussion.

From time to time, Diamond Hill prepares a list of providers of research services that have been deemed by Diamond Hill to provide valuable research (“Research Firms”) as determined by Diamond Hill’s investment staff. CCA Brokers are eligible to be included in the list of Research Firms. All trades with Research Firms will be affected in accordance with Diamond Hill’s obligation to seek best execution for its client accounts. Diamond Hill uses a vote by its investment staff as a guide for allocating CCA Commissions. Compensation for research may also be made pursuant to commissions paid on trades

executed by a Research Firm who is registered as a broker/dealer (“Research Broker”). Under normal circumstances, CCA Brokers are compensated for research solely through trade commissions. To the extent that payments for research to a Research Broker other than a CCA Broker are made pursuant to trade commissions, Diamond Hill will reduce the amount of CCA Commissions to be paid to that Research Broker for its research. However, Diamond Hill will reduce the amount of CCA Commissions to be paid to that Research Broker by less than the full amount of trade commissions paid to that Research Broker. Neither Diamond Hill nor any client has an obligation to any Research Firm if the amount of trade commissions and CCA Commissions paid to the Research Firm is less than the applicable non-binding target. Diamond Hill reserves the right to pay cash to a Research Firm from its own resources in an amount Adviser determines in its discretion.

The products and services acquired by Diamond Hill in connection with such arrangements are intended to comply with Section 28(e) and the SEC’s related interpretive guidance. Diamond Hill will not cause its clients to use trade commissions or CCA Commissions for purposes other than for eligible brokerage and research services.

Clients desiring to prohibit Diamond Hill from generating CCA Commissions on transactions in their accounts should consider that they will generally pay the same commission rates as accounts that are not prohibited from generating CCA Commissions.

In determining whether a service or product qualifies as brokerage and research services under Section 28(e), Diamond Hill evaluates whether the service or product provides lawful and appropriate assistance to Diamond Hill in carrying out its investment decision making responsibilities. The determination and evaluation of the reasonableness of the brokerage commissions paid is based primarily on the professional opinions of the investment professionals who utilize the Research.

Research received from broker-dealers is supplemental to Diamond Hill’s own research efforts. As a practical matter, in some cases Diamond Hill could not, on its own, generate all of the research that broker-dealers provide without materially increasing expenses. The management fee paid by Diamond Hill’s clients is not reduced as a consequence of Diamond Hill’s receipt of Research. To the extent the clients’ portfolio transactions are used to obtain Research, the brokerage commissions paid by the clients might exceed those that might otherwise be paid for execution only. The brokerage and research and services furnished by broker-dealers may be useful and of value to Diamond Hill in servicing any or all of Diamond Hill’s clients and may not necessarily be used by Diamond Hill in connection with the accounts that actually paid commissions, nor in proportion to the amount of commissions paid by accounts, to the broker-dealer providing the services.

Receipt of Research from brokers who execute client trades involves conflicts of interest. Since Diamond Hill uses client brokerage commissions to obtain Research, it receives a benefit because it does not have to produce or pay for the research, products, or services

itself. Consequently, Diamond Hill may have an incentive to select or recommend a broker based on its desire to receive research, products, or services rather than a desire to obtain the most favorable execution. Diamond Hill attempts to mitigate these potential conflicts through oversight of the use of commissions by its Best Execution Committee.

## **DIRECTED BROKERAGE & AGGREGATED TRADES**

Although we discourage clients from directing trades to a particular broker-dealer (directed brokerage), we do have clients who request directed trades. Transactions for these clients will generally be executed following the execution of portfolio transactions in other client accounts where Diamond Hill has full discretion to execute trades. In the event that we do accommodate a directed brokerage relationship, we may place the trade with an executing broker on our approved list and “step out” the trade to the directed broker. In this case, the directed brokerage client may incur additional charges or pay extra commissions. Clients who request or require directed trades may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, and may also receive less favorable prices and execution.

Diamond Hill has a trade allocation policy that allows it to select brokers for accounts where the client has given us full discretion. Trades in discretionary accounts are grouped together and traded first. Directed brokerage accounts, in which the client has requested us to use a specific broker or group of brokers or has an arrangement with a broker, such as the sponsor of a wrap program, which makes it cost prohibitive to trade with any other broker, are grouped together and placed in random order by broker. (Item 4 provides more details about Wrap Fee Programs). Directed brokerage account trades are executed after all discretionary trades in the same security have been completed. As a result, the price of a particular security may move away from the desired execution price prior to completing all directed brokerage account trades, which may cause directed brokerage accounts to not receive the same portfolio weighting in a security as other client accounts where Diamond Hill has full discretion to execute trades. When a trade is partially completed, the shares are allocated on a pro-rata basis to the appropriate client accounts. All grouped trades are allocated to the participating accounts at average cost.

The more client assets we manage and directed brokerage relationships we accommodate, the greater the potential market impact cost will be to client portfolios. Market impact cost is a measure of market liquidity that reflects the non-explicit transaction costs incurred in the execution of portfolio transactions. These costs are mitigated by several things, including, but not limited to, the resources the firm receives for the management of these assets and the deployment of such resources to attract and retain the employees to manage the assets.

## **SERVICES FOR OTHER CLIENTS**

Diamond Hill may give advice and take action for itself or clients, including registered investment companies and other pooled investment vehicles, which differ from advice given to, or the timing or nature of action taken for, other clients. Specific asset allocations within client accounts may differ from those in other accounts managed by Diamond Hill due to various factors, including but not limited to, the availability of certain investments, market conditions, or the amount of client funds available for investment or reinvestment. Diamond Hill is not obligated to initiate any transactions for clients in any security that Diamond Hill may purchase or sell for its own accounts or the accounts of any other client.

Diamond Hill provides its strategy model portfolio to sponsors of UMA programs (See Item 4). In these cases, the program sponsor has investment discretion and is responsible for execution of client transactions. Diamond Hill is not aware of when the program sponsor executes transactions as a result of the model provided to it by Diamond Hill. As a result, both Diamond Hill and the program sponsors may be executing trades in the same security at the same time. Therefore, Diamond Hill's provision of model portfolios to UMA programs may create a potential conflict because Diamond Hill clients and clients of the UMA sponsor may be competing to purchase the same securities.

### **Item 13: Review of Accounts**

Client accounts are monitored by our compliance department daily for consistency with client objectives and restrictions. Portfolio managers have real-time access to each account through our trade order management system. Portfolio managers also perform a periodic review of each client account, during which every position in each client account is compared to the weights in the appropriate investment strategy model.

Diamond Hill issues periodic written reports to certain of its investment advisory clients. These written reports generally contain a list of assets, investment results, and statistical data related to the client's account. We urge clients to carefully review these reports and compare the statements that they receive from their custodian to the reports that we provide. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Wrap fee clients and clients in other similar programs receive reports directly from program sponsors, not from Diamond Hill.

## **Item 14: Client Referrals and Other Compensation**

Other than the compensation described in Items 5 and 6, Diamond Hill does not receive an economic benefit from anyone other than its clients. (Item 10 provides more information about these relationships.)

Diamond Hill may enter into agreements with broker-dealers or investment advisers that are referred to as Solicitor's Agreements. Diamond Hill pays a percentage of the management fee and/or performance-based fee collected from the client to a referring broker-dealer or investment adviser. Clients under these agreements will not be charged fees higher than the standard fees described in Item 5. (Item 5 provides a discussion of our fees and compensation structures.). Diamond Hill currently has a Solicitor Agreement with Stifel, Nicolaus & Company, Incorporated.

## **Item 15: Custody**

Diamond Hill does not provide custodial services to its clients. Client assets are held with banks or registered broker-dealers that are “qualified custodians.” Clients will receive statements directly from the qualified custodians at least quarterly. We urge clients to carefully review those statements and compare the custodial records to the reports that we provide them. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Diamond Hill may be deemed to have custody of certain private investment funds for which it serves as managing member or general partner. Investors in such private investment funds will receive the fund’s annual audited financial statements within 120 days of the Fund’s fiscal year-end. Such investors should review these statements carefully. If investors in the private funds do not receive audited financial statements in a timely manner, then they should contact Diamond Hill immediately.

## **Item 16: Investment Discretion**

All clients enter into a written investment management agreement with Diamond Hill prior to receiving investment management services. These agreements give us authority to manage the client's account and place trades, subject to the investment objectives and guidelines for the account.

Diamond Hill usually receives and accepts discretionary authority to manage the assets in each client's account. We adhere to the investment limitations and restrictions that are outlined in each account's investment management agreement.

## Item 17: Voting Client Securities

We will allow clients to vote the proxies in their account; however, Diamond Hill typically accepts authority to vote proxies for our clients' accounts. For those clients that retain the ability to vote proxies themselves, clients will not receive information about their proxies from Diamond Hill. Instead, clients should receive proxies from their custodian, transfer agent, or other third-party service provider such as their proxy service provider. For those clients that direct Diamond Hill to vote proxies on their behalf, Diamond Hill has established a formal written proxy voting policy and procedures that are designed to ensure that proxies are voted in a manner to maximize the value of the securities held in our clients' accounts. When we vote proxies, our objective is to maximize the value of the securities held in clients' portfolios. We will pay particular attention to the following matters in exercising our proxy voting responsibilities for our clients:

**Accountability.** Each company should have effective controls in place to hold those entrusted with managing a company's business accountable for their actions. Company management should be accountable to its board of directors and the board should be accountable to shareholders.

**Alignment of Management and Shareholder Interests.** Each company should seek to align the interests of management and the board of directors with the interests of the company's shareholders. For example, we generally believe that compensation should be designed to reward management for creating value for the shareholders of the company.

**Transparency.** Each company should provide timely disclosure of important information about its business operations and financial performance to enable investors to evaluate the company's performance and to make informed decisions about the purchase and sale of the company's securities. When we recognize a conflict of interest that impedes our ability to vote a proxy, we will deliver the proxy to the client to be voted. We do not utilize third-party proxy voting services. If a client wishes to direct Diamond Hill to vote in a certain manner for a particular proxy, they should provide such direction in writing to Diamond Hill at least two weeks prior to the shareholder meeting date. A copy of our proxy voting policies and procedures and/or information regarding the votes cast by Diamond Hill with regard to a client's securities is available upon request mailed to:

Diamond Hill Capital Management, Inc.  
Attn: Proxy Voting Requests  
325 John H. McConnell Blvd.  
Suite 200  
Columbus, Ohio 43215

## Item 18. Financial Information

In certain circumstances, registered investment advisers are required to provide you with financial information or disclosures about their financial condition in this Item. Diamond Hill has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding. Diamond Hill Investment Group, Inc. files quarterly and annual financial statements with the SEC. These are available through the SEC and on our web site at the following location:

<http://ir.diamond-hill.com>

### Voluntary Disclosure of Personal Investments

Alignment of interests with those of our clients is a key tenet of our firm's mission, and we align our interests through significant personal investment in our strategies. To foster this alignment of interests further, our Code of Ethics prohibits employees from purchasing individual equity or fixed income securities, minimizing conflicts of interest. The Code of Ethics also prohibits the purchase of third-party mutual funds that invest primarily in U.S. equity securities or corporate bond securities. Third-party mutual funds can only be purchased in strategies not managed by Diamond Hill (e.g. municipal bond funds or international funds). As a result, substantially all employees' equity investments are in the same Diamond Hill managed strategies in which our clients invest.

The tables below represent the dollar range of investments owned by portfolio managers, research analysts, and officers as of December 31, 2015. These tables include shares beneficially owned through Diamond Hill's 401(k) Plan and deferred compensation plans.

Strategy	Portfolio Manager	DOLLAR RANGE OF INVESTMENTS					
		\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	Over - \$1,000,000
Small Cap	Tom Schindler						X
Small-Mid Cap	Chris Welch						X
Mid Cap	Chris Welch						X
Large Cap	Chuck Bath						X
Select	Austin Hawley						X
	Rick Snowdon						X
Long-Short	Ric Dillon						X
	Chris Bingaman						X

Strategy	Portfolio Manager	DOLLAR RANGE OF INVESTMENTS					
		\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	Over - \$1,000,000
Research Opportunities	Kapish Bhutani				X		
	Grady Burkett			X			
	Jason Downey						X
	Brian Fontanella				X		
	Igor Golalic				X		
	Jenny Hubbard				X		
	Bhavik Kothari					X	
	John Loesch					X	
	Krishna Mohanraj			X			
	Aaron Monroe				X		
	Robert Murphy		X				
	Laura O'Dell	X					
	Nate Palmer				X		
	Suken Patel			X			
	Kyle Schneider				X		
	Tod Schneider				X		
	Greg Sumner	X					
Tyler Ventura			X				
Financial Long-Short	Chris Bingaman						X
	Austin Hawley				X		
	John Loesch				X		
Corporate Credit	Bill Zox					X	
	John McClain				X		
High Yields <sup>5</sup>	Bill Zox				X		
	John McClain				X		

Note: 100% of employees have personal ownership in Diamond Hill Funds. See the following page for disclosure of personal holdings across all Diamond Hill strategies.

<sup>5</sup> The Diamond Hill High Yield Fund commenced public offering on January 4, 2016 and as a result, the personal holdings shown for portfolio managers Bill Zox and John McClain are as of February 17, 2016.

Individual	Title	DOLLAR RANGE OF INVESTMENTS IN ALL DIAMOND HILL STRATEGIES					
		\$1 - \$10,000	\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	Over - \$1,000,000
Chuck Bath	Portfolio Manager						X
Chris Bingaman	Portfolio Manager						X
Ric Dillon	Portfolio Manager						X
Austin Hawley	Portfolio Manager						X
Tom Schindler	Portfolio Manager						X
Rick Snowdon	Portfolio Manager						X
Chris Welch	Portfolio Manager						X
John McClain	Portfolio Manager				X		
Bill Zox	Portfolio Manager					X	
Kapish Bhutani	Research Analyst						X
Grady Burkett	Research Analyst			X			
Jason Downey	Research Analyst						X
Brian Fontanella	Research Analyst					X	
Igor Golalic	Research Analyst					X	
Jenny Hubbard	Research Analyst					X	
Bhavik Kothari	Research Analyst						X
John Loesch	Research Analyst						X
Krishna Mohanraj	Research Analyst				X		
Aaron Monroe	Research Analyst					X	
Robert Murphy	Research Analyst			X			
Laura O'Dell	Research Analyst				X		
Nate Palmer	Research Analyst				X		
Suken Patel	Research Analyst						X
Kyle Schneider	Research Analyst				X		
Tod Schneider	Research Analyst				X		
Greg Sumner	Research Analyst	X					
Tyler Ventura	Research Analyst				X		
Tom Line	Chief Financial Officer					X	
Lisa Wesolek	Chief Operating Officer						X
Gary Young	Chief Compliance Officer						X
Adviser's Corporate Investments	N/A						X

Note: 100% of employees have personal ownership in Diamond Hill Funds