

Small-Mid Cap Composite

(closed to new investors)

As of September 30, 2017



OBJECTIVE

Long-term capital appreciation by investing in companies selling for less than our estimate of intrinsic value.

INVESTMENT STRATEGY

- To estimate intrinsic value, the business must be understandable, and we must be able to reasonably forecast its cash flows. We seek businesses with sustainable competitive advantages, conservative balance sheets, and management with an ownership mentality.
- Investments are sold when the stock price reaches our estimate of intrinsic value, our estimate of intrinsic value is revised such that there is no longer a discount to intrinsic value, a holding reaches our stated maximum position size, or to raise proceeds for a more attractive opportunity.

PORTFOLIO MANAGEMENT



Chris Welch, CFA
Portfolio Manager



Jenny Hubbard, CFA
Asst. Portfolio Manager



Tom Schindler, CFA
Asst. Portfolio Manager

PORTFOLIO GUIDELINES

- Typically 50-70 positions
- Maximum position size is 7%
- Top 10 holdings are typically greater than 25% of net assets
- Maximum industry exposure is 20%
- Maximum sector exposure is 30%

Market Capitalization

The portfolio typically invests in small- and mid-capitalization companies defined as those companies with a market capitalization between \$500 million and \$10 billion (or if greater, the maximum market capitalization of companies generally within the capitalization range of the Russell 2500 Index), at the time of purchase.

TOP TEN EQUITY HOLDINGS

| | | |
|--|---------------------|--------------|
| Willis Towers Watson PLC | Financials | 3.9% |
| BankUnited, Inc. | Financials | 3.2 |
| BorgWarner, Inc. | Cons. Discretionary | 3.0 |
| Cimarex Energy Co. | Energy | 2.9 |
| Axalta Coating Systems Ltd. | Materials | 2.5 |
| Post Holdings, Inc. | Consumer Staples | 2.4 |
| Boston Scientific Corp. | Health Care | 2.4 |
| Hub Group, Inc. (CIA) | Industrials | 2.4 |
| Kirby Corp. | Industrials | 2.2 |
| NVR, Inc. | Cons. Discretionary | 2.2 |
| Total as % of Net Assets | | 27.0% |
| Total number of equity holdings | | 58 |

This is presented as supplemental information.

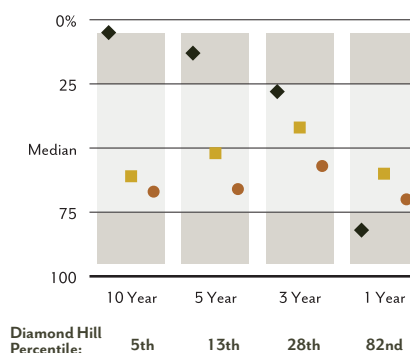
SECTOR ALLOCATION

| | SMALL-MID CAP COMPOSITE | RUSSELL 2500 INDEX | RUSSELL 2500 VALUE INDEX |
|---------------------------|-------------------------|--------------------|--------------------------|
| Financials | 25.4% | 16.4% | 24.3% |
| Cons. Discretionary | 15.8 | 12.4 | 10.3 |
| Industrials | 10.9 | 16.4 | 13.5 |
| Consumer Staples | 9.5 | 2.8 | 3.4 |
| Info. Technology | 8.0 | 16.3 | 8.4 |
| Real Estate | 7.7 | 9.2 | 14.7 |
| Health Care | 5.4 | 11.9 | 6.0 |
| Energy | 2.9 | 4.5 | 6.9 |
| Utilities | 2.5 | 3.8 | 6.8 |
| Materials | 2.5 | 5.7 | 5.4 |
| Telecom | 0.0 | 0.6 | 0.4 |
| Cash & Other ¹ | 9.3 | 0.0 | 0.0 |

This is presented as supplemental information.

¹ Cash & Other may include cash, treasuries, money market funds, and short duration fixed income funds.

PEER GROUP QUANTILE RANKINGS²



Diamond Hill Percentile:

- ◆ Diamond Hill Small-Mid Cap Composite
- Russell 2500 Index
- Russell 2500 Value Index

This is presented as supplemental information.

² Source: eVestment Analytics. Ranking within eVestment U.S. Small-Mid Cap Value Equity universe based on monthly returns gross of fees. Ranking data calculated on 10/16/2017 (as of 9/30/17) and is subject to change as additional firms within the category submit data.

PERIOD AND AVERAGE ANNUAL TOTAL RETURNS

Inception Date: December 31, 2005

| | SINCE INCEPTION | 10-YR | 5-YR | 3-YR | 1-YR | YTD | 3Q17 |
|--------------------------------|-----------------|-------|-------|-------|-------|-------|------|
| SMALL-MID CAP COMPOSITE | | | | | | | |
| Gross of Fees | 10.47 | 10.80 | 16.23 | 11.67 | 14.31 | 7.03 | 2.87 |
| Net of Fees | 9.66 | 9.99 | 15.44 | 10.89 | 13.50 | 6.45 | 2.66 |
| BENCHMARKS | | | | | | | |
| Russell 2500 Index | 8.83 | 8.19 | 13.86 | 10.60 | 17.79 | 11.00 | 4.74 |
| Russell 2500 Value Index | 8.07 | 7.59 | 13.25 | 9.94 | 15.75 | 5.86 | 3.83 |

Please review GIPS® performance disclosure on the reverse side.

Side One. Not Valid Without Side Two.

PORTFOLIO CHARACTERISTICS VS. BENCHMARK³

| | SMALL-MID CAP COMPOSITE | RUSSELL 2500 INDEX | RUSSELL 2500 VALUE INDEX |
|--|-------------------------|--------------------|--------------------------|
| Median Forward P/E | 18.3x | 20.7x | 19.4x |
| Median Trailing P/E | 20.8x | 23.1x | 21.5x |
| Weighted Average Dividend Yield | 1.3% | 1.4% | 2.0% |
| Median Price / Book | 2.0x | 2.3x | 1.8x |
| Median Price / Sales | 1.7x | 2.2x | 1.9x |
| Median Market Cap. | \$5.7B | \$1.2B | \$1.0B |
| Weighted Average Market Cap. | \$8.3B | \$4.6B | \$4.3B |
| Portfolio Turnover 5 Year | 20% | — | — |
| Active Share ⁴ vs. Core ⁵ / Value ⁶ Benchmark | 96% / 95% | — | — |
| Upside / Downside Capture Ratio ⁷ vs. Core Benchmark ⁵ | 97% / 85% | — | — |
| Upside / Downside Capture Ratio ⁷ vs. Value Benchmark ⁶ | 99% / 81% | — | — |

This is presented as supplemental information.

³ Source: FactSet.

⁴ Source: Morningstar Direct. Active share measures the difference between portfolio holdings and the benchmark. The higher the active share, the greater the difference.

⁵ The Russell 2500 Index is the core benchmark.

⁶ The Russell 2500 Value Index is the value benchmark.

⁷ Source: eVestment Analytics based on quarterly returns (gross of fees) from 1/1/06 – 9/30/17.

CALENDAR YEAR RETURNS (%)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------------|-------|--------|-------|-------|-------|-------|-------|------|-------|-------|
| SMALL-MID CAP COMPOSITE | | | | | | | | | | |
| Gross of Fees | 0.52 | -29.38 | 41.71 | 24.74 | -2.96 | 16.93 | 43.32 | 8.43 | 2.45 | 19.31 |
| Net of Fees | -0.22 | -29.99 | 40.52 | 23.72 | -3.62 | 16.19 | 42.39 | 7.70 | 1.75 | 18.47 |
| BENCHMARKS | | | | | | | | | | |
| Russell 2500 Index | 1.38 | -36.79 | 34.39 | 26.71 | -2.51 | 17.88 | 36.80 | 7.07 | -2.90 | 17.59 |
| Russell 2500 Value Index | -7.27 | -31.99 | 27.68 | 24.82 | -3.36 | 19.21 | 33.32 | 7.11 | -5.49 | 25.20 |

Diamond Hill Capital Management Inc. (DHCM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. DHCM has been independently verified for the period 5/31/00 - 6/30/17. DHCM's current verification firm is ACA Compliance Group. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. In addition the Small-Mid Cap Composite has received a Performance Examination from 12/31/05 - 6/30/17. The verification and performance exam reports are available upon request. DHCM is a registered investment adviser and wholly owned subsidiary of Diamond Hill Investment Group, Inc. DHCM provides investment management services to individuals and institutional investors through mutual funds, separate accounts, exchange traded funds and private investment funds. A complete list and description of all composites and policies for valuing portfolios, calculating and reporting returns, and preparing compliant presentations are available upon request. The Small-Mid Cap Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Small-Mid Cap equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in small and medium capitalization companies selling for less than our estimate of intrinsic value. The composite typically invests in small and medium capitalization companies which are defined as those companies with a market capitalization between \$500 million and \$10 billion (or, if greater, the maximum market capitalization of companies generally within the capitalization range of the Russell 2500 Index) at the time of purchase. The composite results reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains. Returns are calculated using U.S. Dollars. Net returns are calculated by reducing the gross returns by either the actual client fee paid or the highest stated fee in the composite fee schedule, depending on the type of client and account, and are reduced by estimated accrued performance based fees where applicable. Only transaction costs are deducted from gross of fees returns. The Russell 2500 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 2,500 smallest companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 2500 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the small and midcap value segment of the U.S. equity universe including those Russell 2500 Index companies with lower expected growth values. The Russell 3000 Index is an unmanaged market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. Our selection process may lead to portfolios that differ markedly from the benchmarks presented. Returns may be more volatile than, and/or may not be correlated to these indices, which are for comparative purposes only. The Firm's standard fee schedule for Small-Mid Cap separate accounts is as follows: First \$20,000,000 = 0.95%; Over \$20,000,000 = 0.75%. The dispersion measure is the asset weighted standard deviation of the annual portfolio returns. Only portfolios represented in the composite for the entire year are included in the calculation. The calculation is not performed if the composite contains 5 or fewer accounts for the full year. No alteration of composites as presented here has occurred because of changes in personnel at any time. **Past performance is not a guarantee of future results.** The Global Investment Performance Standards are a trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this report/advertisement.

| AS OF YEAR-END | DHCM | SMALL-MID CAP COMPOSITE | | | 3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES) | | |
|----------------|---------|-------------------------|--------------------|---|--|-------------------------|--------------------|
| | | Assets Under Management | Number of Accounts | Assets Under Management (Gross of Fees) | Dispersion (Gross of Fees) | Small-Mid Cap Composite | Russell 2500 Index |
| 2016 | \$19.4B | 18 | \$3.0B | 0.05% | 11.25% | 13.67% | 13.17% |
| 2015 | 16.8B | 12 | 1.9B | 0.17 | 11.09 | 12.42 | 12.02 |
| 2014 | 15.7B | 11 | 1.1B | 0.13 | 11.20 | 11.67 | 11.25 |
| 2013 | 12.2B | 9 | 586.7M | 0.39 | 14.51 | 15.63 | 15.07 |
| 2012 | 9.4B | 6 | 233.7M | 0.10 | 16.13 | 18.97 | 18.41 |
| 2011 | 8.7B | 6 | 189.2M | 0.05 | 24.12 | 23.40 | 24.23 |
| 2010 | 8.6B | 6 | 97.2M | 0.16 | NA | NA | NA |
| 2009 | 6.3B | 6 | 64.1M | 1.20 | NA | NA | NA |
| 2008 | 4.5B | 8 | 47.9M | 0.53 | NA | NA | NA |
| 2007 | 4.4B | 9 | 70.4M | 0.15 | NA | NA | NA |

NA = Not applicable

This composite was created in October 2013.

Side Two. Not Valid Without Side One.

BEST & WORST PERFORMERS⁸

| SECURITY NAME | 3Q17 CONTRIBUTION | POSITION AS OF 3Q17 |
|-----------------------------|-------------------|---------------------|
| Best | | |
| BorgWarner Inc. | 0.5% | 3.0% |
| Cimarex Energy Co. | 0.5 | 2.9 |
| Avis Budget Group, Inc. | 0.4 | 1.4 |
| NVR, Inc. | 0.4 | 2.2 |
| Post Holdings, Inc. | 0.3 | 2.4 |
| Worst | | |
| Newell Brands, Inc. | -0.3% | 1.3% |
| LifePoint Health, Inc. | -0.3 | 2.1 |
| CommScope Holding Co., Inc. | -0.3 | 1.2 |
| Axalta Coating Systems Ltd. | -0.3 | 2.5 |
| XL Group Ltd. | -0.2 | 1.6 |

This is presented as supplemental information.

⁸ Source: FactSet. It should not be assumed that an investment in the securities identified was or will be profitable. The holdings identified do not represent all of the securities purchased, sold, or recommended for the adviser's clients. To obtain the contribution calculation methodology and a complete list of every holding's contribution to the overall portfolio's performance during the measurement period, contact 855.255.8955 or info@diamond-hill.com.