Diamond Hill Corporate Credit Strategy

As of December 31, 2017

All Composite returns are net of fees.

The Composite* generated a 1.14% total return during the fourth quarter compared to 1.00% for the ICE Bank of America Merrill Lynch U.S. Corporate & High Yield Index. For the full-year 2017, the Composite generated a 8.08% total return compared to 6.66% for the Corporate & High Yield Index. For the trailing five years, the Composite generated an annualized total return of 6.02% compared to 3.94% for the Corporate & High Yield Index.

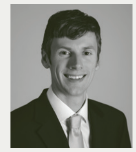
Unlike most corporate bond strategies, Diamond Hill Corporate Credit is not managed against any index. Instead, the Corporate Credit strategy is managed against absolute objectives within a range of inflation plus 3% and 7% nominal, each measured over rolling five-year periods. Our goal is to generate a yield and total return within that range while minimizing the risk of downside volatility over longer time periods. Although the strategy's investable universe (and the Corporate & High Yield Index) includes both investment grade and high yield corporate bonds, since early 2010 the strategy has been largely focused on the high yield portion of the market to achieve these objectives. About 90% of the strategy was in high yield corporate bonds at the end of 2017.

The high yield portion of the U.S. corporate bond market, as represented by the ICE Bank of America Merrill Lynch U.S. High Yield Index, began the year with a yield to worst (YTW) of 6.17% and option-adjusted spread (OAS) of 422 basis points. After generating a 7.48% total return in 2017, the High Yield Index ended the year with a 5.84% YTW and OAS of 363 basis points.

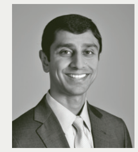
With both investment grade fixed income and equities generating strong returns in 2017, it is not surprising that high yield also performed well. High yield benefited from a default rate that declined materially during the year to a level below half the historic average. Like most other major asset classes, volatility in the high yield market was muted during 2017. The most notable bout of volatility, which may have been imperceptible to non-specialists, lasted from October 24 to November 15, when the OAS of the High Yield Index widened about 60 basis points, due primarily to weakness in the telecom and cable industries. As soon as the YTW hit 6% on November 15, the High Yield Index rebounded and more than half of the spread widening was reversed by the end of the year. From October 24 through year-end, the High Yield Index was just slightly negative at -14 basis points. The strategy performed well during this minor test, generating a total return of 66 basis points. It helped that we were positioned defensively entering that period and more than 3% of the strategy was called (**Bankrate, Inc. 6.125% due 2018** and **Synovus Financial Corp. 7.875% due 2019**), putting us in a strong position to take advantage of some opportunities including one particularly attractive new issue discussed below, **Welltec A/S 9.5% due 2022**.

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

The high yield market is priced for continued low defaults and muted volatility. The Corporate Credit strategy's YTW is typically somewhere in the range of our absolute objectives, although it was well below the low end of the range on June 30, 2014 (the peak of that high yield market cycle) and well above the high end of the range on February 11, 2016 (the most recent bottom of the high yield market). At year-end, the strategy's YTW was 5.10%. The strategy's duration was 2.92, in the middle of the typical 2.0-3.5 range and well below the High Yield Index duration of 4.04 and the Corporate & High Yield Index duration of 6.75.

With a YTW near the low end of the strategy's objectives and a duration below 3, our positioning reflects a high yield market that, like other asset classes, does not offer an abundance of value opportunities. Because we don't manage against an index and we have a five-year time horizon, we have no incentive to chase an overvalued market. This advantage was very apparent in 2015 and we expect that it will serve us well when volatility comes back to the high yield market. In the meantime, we continue to work closely with the deep and talented Diamond Hill research team, and we have the conviction to concentrate in our best ideas even if they are low weightings in any high yield index. We are also selective participants in the high yield new issue market, participating in approximately 5% of new issues in 2017. We never want to grow so large that we become reliant on the new issue market to put the strategy's capital to work, but we are always ready to make meaningful commitments if we like the price and the credit.

The largest contributor to performance during the quarter was **Kindred Healthcare, Inc. 8.75% due 2023**, reversing its place as the largest detractor during the third quarter. In December, U.S. health insurer Humana and two private-equity firms announced an agreement to acquire Kindred, reflecting the long-term value that we saw in Kindred's assets. We expect that the bonds will be called in conjunction with the closing, which is expected in Summer 2018.

DIAMOND HILL CAPITAL MANAGEMENT

*Investments discussed are based on a representative portfolio and there is no assurance that Diamond Hill will make investments in a new client's portfolio with the same or similar characteristics as the representative portfolio presented. The representative portfolio is presented for discussion purposes only and is not a reliable indicator of the performance or investment profile of the Composite.

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Popular, Inc. 7.0% due 2019 was the second-largest contributor to performance during the quarter. We added materially to our already-large position after the hurricanes. Popular has abundant excess capital and earnings power to handle its hurricane-related losses and it will be a beneficiary of the rebuilding efforts in coming years.

Frontier Communications Corp. 10.5% due 2022 was the largest detractor from performance during the quarter. Frontier continues to realize synergies from its acquisition of Verizon assets and customer losses have shown some improvement, but the progress has not been enough to reverse very pessimistic market expectations. We continue to believe that Frontier will generate sufficient free cash flow to give it time to stabilize its business.

Altice SA 7.75% due 2022 was the second-largest detractor from performance after poor performance of its cable and telecom assets in France and Portugal caused a steep decline in Altice equity. On a positive note, the equity market is forcing management to focus on deleveraging and operational improvement rather than more debt-financed acquisitions. We continue to believe these bonds will be called or tendered before maturity to provide Altice with more financial flexibility.

Arch Merger Sub, Inc. (Staples) 8.5% due 2025, which was a new issue during the third quarter, was a large detractor during the fourth quarter. These bonds are backed solely by the wholesale operations of Staples which was taken private at the end of the second quarter. Staples has a leading position in a highly fragmented market and free cash flow is strong relative to debt. Confusion about the Staples retail stores, which do not back these bonds, and concerns about potential Amazon competition caused the bonds to sell off to very attractive levels.

Alliance Data Systems Corp. 5.375% due 2022 was another large detractor during the quarter after being one of the largest contributors to performance in the first and third quarters. The credit quality of the private label credit card portfolio is stabilizing. The weakness during the quarter was just typical high yield volatility rather than a reflection on the fundamentals of the company.

Selected New and Eliminated Positions

One large new addition was **Welltec A/S 9.5% due 2022**, which was a new issue that was marketed towards the end of the October-November bout of volatility. Welltec is a high quality but cyclical oil service business that has a variable cost structure that allows it to protect cash flow even in a depressed environment. Other new issues which we added were **Nathan's Famous, Inc. 6.625% due 2025, Freedom Mortgage Corp. 8.125% due 2024, Vantiv Issuer Corp. 4.375% due 2025, Mattel, Inc. 6.75% due 2025, and Cooke Omega Investments, Inc. 8.5% due 2022**.

We swapped **Frontier Communications Corp. 10.5% due 2022** for **Frontier Communications Corp. 9.25% due 2021**. Frontier has bought back a small amount of the 2021 bonds, which was a much smaller issue than the 2022 bonds, so we reduced the risk of our Frontier exposure.

We added **Treehouse Foods, Inc. 6.0% due 2024** after very poor third-quarter earnings and a weak outlook. Treehouse faces significant issues but leverage is low and free cash flow generation is high relative to debt. Our research team follows the company closely and we were in a strong position to take advantage of what we believe was an overreaction in the bond market.

Bankrate, Inc. 6.125% due 2018, Station Casinos LLC 7.5% due 2021, and Synovus Financial Corp. 7.875% due 2019 were called during the quarter.

Drivetime Automotive Group, Inc. 8.0% due 2021, Horizon Pharma, Inc. 8.75% due 2024, iStar, Inc. 4.875% due 2018, iStar, Inc. 6.0% due 2022, Pilgrim's Pride Corp. 5.75% due 2025, Radian Group, Inc. 5.25% due 2020, Southwestern Energy Co. 7.5% due 2026, and **US Airways Group, Inc. 8.0% due 2019** were all eliminated as price approached our estimate of intrinsic value.

TOP 5 CONTRIBUTORS

SECURITY NAME	4Q17 CONTRIBUTION	POSITION AS OF 4Q17
Kindred Healthcare, Inc. 8.75% due 2023	0.24%	1.4%
Popular, Inc. 7.0% due 2019	0.19	6.4
L Brands, Inc. 6.875% due 2035	0.07	0.8
Nationstar Mortgage LLC 9.625% due 2019	0.07	3.2
Cincinnati Bell, Inc. 7.0% due 2024	0.07	2.0

TOP 5 DETRACTORS

SECURITY NAME	4Q17 CONTRIBUTION	POSITION AS OF 4Q17
Frontier Communications Corp. 10.5% due 2022	-0.14%	0.0%
Altice SA 7.75% due 2022	-0.07	1.2
Arch Merger Sub, Inc. (Staples) 8.5% due 2025	-0.05	2.6
Alliance Data Systems Corp. 5.375% due 2022	-0.04	4.7
Century Communities, Inc. 5.875 due 2025	-0.01	1.5

Diamond Hill Corporate Credit Strategy

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: September 30, 2002

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	4Q17
CORPORATE CREDIT COMPOSITE							
Gross of Fees	7.78	7.26	6.52	7.79	8.55	8.55	1.26
Net of Fees	7.28	6.74	6.02	7.31	8.08	8.08	1.14
BENCHMARKS							
ICE BofAML U.S. Corporate & High Yield Index	6.26	6.02	3.94	4.34	6.66	6.66	1.00
ICE BofAML U.S. High Yield Index	9.16	7.89	5.80	6.39	7.48	7.48	0.41

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CORPORATE CREDIT COMPOSITE										
Gross of Fees	-16.55	30.78	14.52	6.30	10.65	6.12	3.17	2.18	12.90	8.55
Net of Fees	-16.96	30.09	13.96	5.78	10.11	5.60	2.65	1.72	12.40	8.08
BENCHMARKS										
ICE BofAML U.S. Corporate & High Yield Index	-10.93	26.00	10.76	6.80	11.37	0.34	6.43	-1.37	7.97	6.66
ICE BofAML U.S. High Yield Index	-26.39	57.51	15.19	4.38	15.58	7.42	2.50	-4.64	17.49	7.48

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. Diamond Hill has been independently verified for the period 5/31/00–9/30/17. Diamond Hill's current verification firm is ACA Compliance Group. The verification report(s) is/are available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation. Diamond Hill is a registered investment adviser and wholly owned subsidiary of Diamond Hill Investment Group, Inc. Diamond Hill 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 Corporate Credit Composite is comprised of discretionary fee paying non-wrap accounts with a market value over $10M managed according to the firm's Corporate Credit fixed income strategy. The strategy's investment objective is to provide an attractive cash distribution and total return greater than the current rate of inflation, while minimizing the risk of a current loss of capital over a five-year time horizon. The strategy generally invests in investment grade and below-investment grade (high yield) corporate bonds and will typically maintain an effective duration less than five. 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 ICE BofAML U.S. Corporate & High Yield Index is the primary benchmark. This index is comprised of U.S. dollar denominated investment grade and below investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofAML U.S. High Yield Index is shown as additional information. This index is comprised of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Ratings are based on an average of Moody's, S&P and Fitch. 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 Corporate Credit separate accounts is as follows: First $50,000,000 = 0.55%; Over $50,000,000 = 0.45%. 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.** 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, please contact 855.255.8955 or info@diamond-hill.com. 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	CORPORATE CREDIT COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Corporate Credit Composite	ICE BofAML U.S. Corporate & High Yield Index	ICE BofAML U.S. High Yield Index
2017	$22.3B	5 or fewer	$652.4M	NA	3.78%	3.63%	5.60%
2016	19.4B	5 or fewer	533.5M	NA	3.96	3.93	6.03
2015	16.8B	5 or fewer	299.0M	NA	2.91	3.82	5.27
2014	15.7B	5 or fewer	220.0M	NA	2.37	3.79	4.44
2013	12.2B	5 or fewer	186.7M	NA	3.32	4.34	6.42
2012	9.4B	5 or fewer	178.4M	NA	3.80	4.00	7.03
2011	8.7B	5 or fewer	146.0M	NA	7.10	5.73	11.00
2010	8.6B	5 or fewer	145.8M	NA	NA	NA	NA
2009	6.3B	5 or fewer	127.6M	NA	NA	NA	NA
2008	4.5B	5 or fewer	112.8M	NA	NA	NA	NA

NA = Not Applicable

This composite was created in April 2015.

Global Investment Performance Standards