Quarterly Composite Commentary

December 31, 2017

Small Cap *(closed to new investors)*	**All Cap Select**
Small-Mid Cap *(closed to new investors)*	**Core Bond**
Mid Cap	**Corporate Credit**
Large Cap	**High Yield**
Large Cap Concentrated	

Our Mission

At Diamond Hill, ***we serve*** our clients by providing investment strategies that deliver lasting value through a shared commitment to our intrinsic value-based investment philosophy, long-term perspective, disciplined approach and alignment with our clients' interests.

VALUE

We believe market price and intrinsic value are independent in the short-term but tend to converge over time.

LONG-TERM

We maintain a long-term focus both in investment analysis and management of our business.

DISCIPLINE

We invest with discipline to increase potential return and protect capital.

PARTNERSHIP

We align our interests with those of our clients through significant personal investment in our strategies.

Diamond Hill Fourth Quarter 2017 Market Review

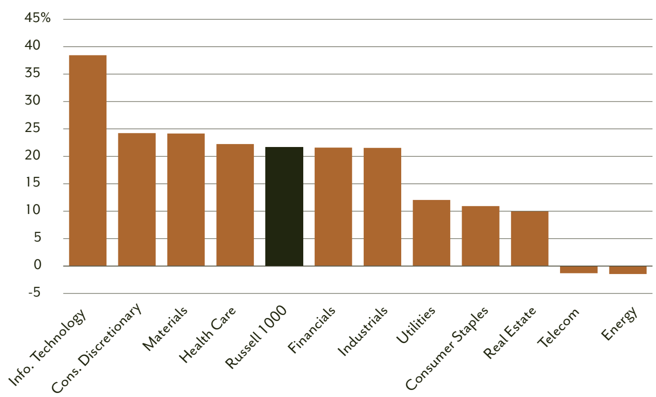
Equity Markets

The fourth quarter was a continuation of the strong U.S. equity markets we experienced throughout 2017. All sectors within the Russell 1000 Index posted a positive return in the quarter, with consumer discretionary delivering the best performance (+9.89%) followed by information technology (+8.94%) and financials (+8.30%).

The financials sector benefited during the quarter from the passage of U.S. tax code changes, which helped offset ongoing sluggishness in the macro environment including tepid loan growth and a flattening yield curve. An additional increase to the federal funds rate in December also helped boost U.S. bank stocks.

For the full year, information technology was the top-performing sector (+38.45%), significantly outperforming the Russell 1000 (+21.69%). The consumer discretionary, materials, health care, financials, and industrials sectors all delivered returns above 20%.

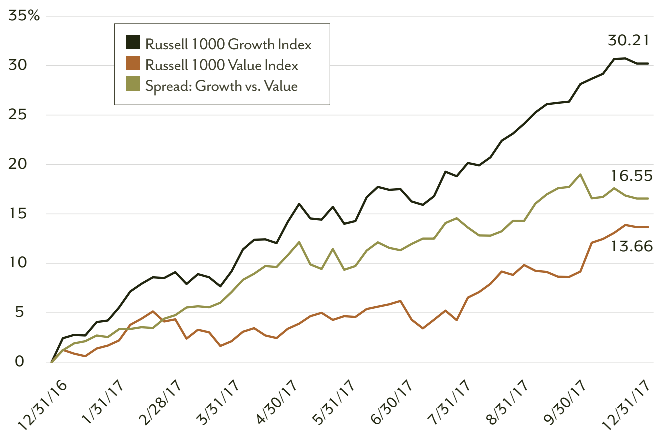
RUSSELL 1000 SECTOR RETURNS - 2017



Source: FactSet

A major theme in 2017 was the performance of growth over value, a gap which continued to widen as the year went on. Investors placed a premium on growth which propelled the Russell 1000 Growth Index to a more than 16% lead over the Russell 1000 Value Index. Sector performance further explains this gap: the Russell 1000 Growth has more than 50% of its weight in technology and health care stocks which both outperformed in 2017, while the Russell 1000 Value is heavily weighted in underperforming sectors (energy, telecommunication, and consumer staples).

RUSSELL 1000 GROWTH VS. RUSSELL 1000 VALUE INDEX - 2017



Source: Morningstar Direct

Fixed Income Markets

Treasury

The story in the Treasury market in 2017 was the flattening of the yield curve. This trend continued in the fourth quarter as the shorter end of the curve climbed and the longer end of the curve contracted. Specifically, the yield on the one-year and two-year Treasuries moved higher by 44 basis points and 40 basis points, respectively, while the yield on the 30-year Treasury dropped 12 basis points. This movement resulted in strong performance on the longer end, with the 30-year Treasury the only part of the yield curve to have a positive return in the quarter (+3.00%). The Treasury segment of the Bloomberg Barclays U.S. Aggregate Index returned only 0.05% during the fourth quarter but finished the year up 2.31%. The Federal Reserve remained extremely transparent, increasing the federal funds rate by 25 basis points while communicating their intention to raise rates another three times in 2018.

Securitized

Commercial mortgage-backed securities finished the year strong, leading the securitized sector once again during the quarter. Residential mortgage-backed securities rebounded slightly, delivering stronger performance compared to previous quarters. Asset-backed securities was the worst-performing segment of the securitized market, but still delivered attractive relative returns to comparable-duration Treasuries.

Investment Grade and High Yield Credit

The investment grade corporate sector, as measured by the Bloomberg Barclays U.S. Corporate Index, generated a 1.17% return in the fourth quarter, bringing the full-year 2017 return to 6.42%. The Bloomberg Barclays High Yield Index returned just 0.47% during the fourth quarter, but delivered 7.50% for the full year which followed a very strong 2016. In addition, the high yield default rate is well below the historical average.

Outlook

Assessing the impact of macroeconomic factors has been a more important part of estimating the long-term intrinsic value of companies in recent years; however, it is still just one of many factors that we consider. As always, bottom-up analysis is of primary importance in estimating the intrinsic value of an individual company, which includes both valuation and business fundamentals.

Low interest rates, high corporate profit margins, and steady economic growth with low inflation have continued to contribute to historically high stock valuations. Despite high valuations and extremely low volatility, we see no immediate signs of fundamental excess. Business fundamentals are strong and corporate profit margins are near all-time highs.

High valuations make it more challenging for us to find opportunities to add new names to our equity portfolios. In this environment, where the discount to our estimate of intrinsic value is likely to be narrower, we have focused on maintaining or upgrading the quality of the names we own. When evaluating new and current positions with a smaller discount to our estimate of intrinsic value, we remain focused on assessing risk, which we define as permanent loss of capital.

At current valuation levels, we've historically seen annual stock market returns of 5% or less. We continue to expect positive but below-average equity market returns over the next five years. Prospective returns are likely to be tempered by the combination of above-average price/earnings multiples applied to already very strong levels of corporate profit margins.

Corporate tax reform is likely to boost earnings growth in the near term with most U.S. companies benefiting from a reduced tax burden. In addition, repatriation of cash held overseas and a more competitive tax regime may lead to increased levels of investment in the United States. However, we believe that for most companies, these benefits will largely be competed away over the longer term. Our research team is evaluating the impact of tax reform on a company-by-company basis and updating our estimates of intrinsic value accordingly.

Spread levels in both the investment grade and high yield credit markets remain compressed as investors continue their search for yield. As such, we believe strong fundamental analysis and a focus on long-term company and collateral performance are the keys to security selection in our fixed income strategies.

We believe we can achieve better-than-market returns over the next five years through active portfolio management, and our primary focus is always on achieving value-added results for our existing clients. Our intrinsic value investment philosophy is shared by all of our portfolio managers and research analysts, allowing us to apply our investment discipline consistently across strategies.

Diamond Hill Small Cap Strategy

As of December 31, 2017

(closed to new investors)

The Composite increased 3.92%, net of fees, during the quarter compared to a 3.34% increase in the Russell 2000 Index and a 2.05% increase in the Russell 2000 Value Index.

The Composite's holdings in the industrials and information technology sectors provided the largest contribution to absolute return. The health care sector was the primary detractor from absolute return.

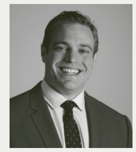
The Composite's outperformance relative to the Russell 2000 Index was primarily driven by security selection in the information technology and industrials sectors. Security selection in the health care and consumer discretionary sectors and the Fund's allocation to cash detracted from relative return.

Best Performers

- Shares of car rental company **Avis Budget Group, Inc.** rose as its North American business rebounded from a difficult first half of 2017. Additionally, investors have been encouraged that industry fleet levels appear to be better aligned with demand.
- Casino operator **Red Rock Resorts, Inc. (Cl A)** announced solid third-quarter results, with Las Vegas revenue growth improving and associated contribution margin returning to normal levels.
- Transportation products and services provider **Trinity Industries, Inc.** announced that it intends to spin off its infrastructure-related businesses (construction products, energy equipment, and inland barges) by the second half of 2018. The company also increased its share repurchase authorization.
- Business software and services provider **DST Systems, Inc.** continues to generate relatively healthy cash flows on largely flat year-over-year revenue and earnings growth. Over the course of the year, the company has repurchased roughly 8% of its shares outstanding.
- Shares of regional bank **BankUnited, Inc.** rallied after the company provided detailed commentary on the financial impact of ending its loss-share agreement with the FDIC, which was more positive than the market expected.

PORTFOLIO MANAGEMENT

Tom Schindler, CFA
Portfolio Manager



Aaron Monroe, CFA
Asst. Portfolio Manager

Chris Welch, CFA
Asst. Portfolio Manager

Worst Performers

- Property and casualty insurance company **Navigators Group, Inc.** reported quarterly results that were below expectations, primarily due to a large number of catastrophes and reserve additions.
- Shares of ski resort owner and operator **Vail Resorts, Inc.** fell as skiing conditions have been late to arrive in Colorado and Utah.
- Shares of property and casualty insurance company **Enstar Group Ltd.** underperformed despite a lack of company-specific news. Over the years, Enstar has shown steady growth in book value and we expect that to continue in the future.
- Shares of **LifePoint Health, Inc.** declined amid integration issues with four hospitals it acquired in 2016, as well as ongoing weak utilization trends. We believe the stock is still inexpensive if the company can stabilize operations within these four facilities.
- Shares of food products manufacturer **Post Holdings, Inc.** underperformed as a result of market concerns over growth prospects for the packaged foods industry.

New Positions

We invested in oil and gas exploration and production company **Linn Energy, Inc. (Cl A)** which is implementing a plan to aggressively reallocate capital within the business. Since emerging from bankruptcy, the company has divested over $1.5 billion in assets to help pay down debt and has repurchased a substantial portion of shares outstanding. Over the next year, the company will be split into three public companies which should highlight the value of the underlying assets. We also initiated a position in contract manufacturer **Sanmina Corp.**, which has been gradually diversifying away from traditional electronics manufacturing to industrial, medical, and defensive end markets which are more stable and growth oriented.

Eliminated Positions

We eliminated our position in life insurance company **American Equity Investment Life Holding Co.** as the shares approached our estimate of intrinsic value. We sold our shares of **Fortress Investment Group LLC (Cl A)** in an all-cash acquisition by Softbank.

(closed to new investors)

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	4Q17
SMALL CAP COMPOSITE							
Gross of Fees	12.28	9.59	13.66	8.12	12.05	12.05	4.12
Net of Fees	11.41	8.74	12.78	7.26	11.17	11.17	3.92
BENCHMARKS							
Russell 2000 Index	8.48	8.71	14.12	9.96	14.65	14.65	3.34
Russell 2000 Value Index	9.41	8.17	13.01	9.55	7.84	7.84	2.05

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SMALL CAP COMPOSITE										
Gross of Fees	-25.03	30.96	24.76	-5.90	14.32	41.64	5.96	-2.45	15.61	12.05
Net of Fees	-25.62	29.93	23.77	-6.63	13.43	40.55	5.17	-3.23	14.71	11.17
BENCHMARKS										
Russell 2000 Index	-33.79	27.17	26.85	-4.18	16.35	38.82	4.89	-4.41	21.31	14.65
Russell 2000 Value Index	-28.92	20.58	24.50	-5.50	18.05	34.52	4.22	-7.47	31.74	7.84

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. 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 Cap Composite has received a Performance Examination from 12/31/00–9/30/17. The verification and performance exam reports are available upon request. 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 Small Cap Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Small Cap equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in small capitalization companies selling for less than our estimate of intrinsic value. The Composite typically invests in small capitalization companies with a market capitalization between $100 million and $3 billion (or, if greater, the maximum market capitalization of companies generally within the capitalization range of the Russell 2000 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 2000 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 2,000 smallest companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 2000 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the small cap value segment of the U.S. equity universe including those Russell 2000 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 Cap separate accounts is as follows: First $20,000,000 = 1.00%; Over $20,000,000 = 0.80%. 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	SMALL CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Small Cap Composite	Russell 2000 Index	Russell 2000 Value Index
2017	$22.3B	5 or fewer	$1.5B	NA	9.44%	13.91%	13.97%
2016	19.4B	5 or fewer	1.8B	NA	10.65	15.76	15.50
2015	16.8B	5 or fewer	1.7B	NA	10.58	13.96	13.46
2014	15.7B	6	1.5B	0.03%	10.62	13.12	12.79
2013	12.2B	7	1.4B	0.74	13.63	16.45	15.82
2012	9.4B	16	911.6M	0.20	15.71	20.20	19.89
2011	8.7B	16	910.2M	0.11	21.46	24.99	26.05
2010	8.6B	19	938.0M	0.24	NA	NA	NA
2009	6.3B	18	621.2M	0.61	NA	NA	NA
2008	4.5B	11	391.2M	0.32	NA	NA	NA

NA = Not applicable

This composite was created in October 2013.

Global Investment Performance Standards

Diamond Hill Small-Mid Cap Strategy

As of December 31, 2017

(closed to new investors)

The Composite increased 2.25%, net of fees, during the quarter compared to a 5.24% increase in the Russell 2500 Index and a 4.25% increase in the Russell 2500 Value Index.

The Composite's holdings in the industrials, consumer discretionary, and information technology sectors provided the largest contribution to absolute return, while the health care and consumer staples sectors detracted from return.

The Composite's underperformance relative to the Russell 2500 Index was primarily driven by security selection in the health care, consumer discretionary, financials, and consumer staples sectors as well as the allocation to cash. This was partially offset by security selection in the materials, real estate and industrials sectors.

Best Performers

- Casino operator **Red Rock Resorts, Inc. (Cl A)** announced solid third-quarter results, with Las Vegas revenue growth improving and associated contribution margin returning to normal levels.

- Homebuilder **NVR, Inc.** reported good quarterly results with strong gross margin performance and solid order growth. Additionally, housing data has been supportive of the homebuilders and NVR is one of the higher-quality names in the industry.

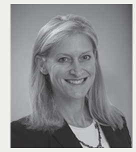
- Shares of regional bank **BankUnited, Inc.** rallied after the company provided detailed commentary on the financial impact of ending its loss-share agreement with the FDIC, which was more positive than the market expected.

- Coating products manufacturer **Axalta Coating Systems Ltd.** was approached by two potential acquirers which led to a sharp increase in its share price. While both deals fell apart over valuation and other terms, we believe the interest is indicative of Axalta's unique coatings franchise.

- Real estate investment company **Jones Lang LaSalle, Inc.** has stabilized its margins and generated strong free cash flow in 2017 following a tough 2016. Additionally, solid real estate values have led to better incentive fees and the company stands to benefit from tax reform.

PORTFOLIO MANAGEMENT

Chris Welch, CFA
Portfolio Manager



Jenny Hubbard, CFA
Asst. Portfolio Manager

Tom Schindler, CFA
Asst. Portfolio Manager

Worst Performers

- Consumer and commercial products manufacturer **Newell Brands, Inc.** reported poor quarterly results and lowered full-year guidance as ongoing challenges in retail continue to negatively affect the business. With a high leverage level and low operating cash flow, the company has limited balance sheet flexibility to deal with the changing environment.

- Medical device manufacturer **Boston Scientific Corp.** announced that the relaunch of the Lotus transcatheter aortic valve was delayed again due to the timing of regulatory submissions, and management was unable to offer an updated timeframe. We believe that expectations for the company's transcatheter program are low at this point and that problems with Lotus are correctable.

- Banking and financial services company **First Republic Bank** issued guidance for elevated near-term expenses as it continues to invest in its high-growth franchise. Recent tax law changes to the deductibility of mortgage interest also stoked fears that the company's above-peer growth rate will slow.

- Shares of **LifePoint Health, Inc.** declined amid integration issues with four hospitals it acquired in 2016, as well as ongoing weak utilization trends. We believe the stock is still inexpensive if the company can stabilize operations within these four facilities.

- Shares of food products manufacturer **Post Holdings, Inc.** underperformed as a result of market concerns over growth prospects for the packaged foods industry.

New Positions

We initiated a position in contract manufacturer **Sanmina Corp.**, which has been gradually diversifying away from traditional electronics manufacturing to industrial, medical, and defense end markets which are more stable and growth oriented.

Eliminated Positions

We sold our position in consumer and commercial products manufacturer **Newell Brands, Inc.** due to weak operating results and increased uncertainty around the long-term competitive position of the business, which is heavily reliant upon traditional big-box retailers.

Diamond Hill Small-Mid Cap Strategy

As of December 31, 2017

(closed to new investors)

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2005

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	4Q17
SMALL-MID CAP COMPOSITE							
Gross of Fees	10.46	11.42	15.80	10.25	9.63	9.63	2.43
Net of Fees	9.65	10.61	15.01	9.48	8.85	8.85	2.25
BENCHMARKS							
Russell 2500 Index	9.11	9.22	14.33	10.07	16.81	16.81	5.24
Russell 2500 Value Index	8.27	8.82	13.27	9.30	10.36	10.36	4.25

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SMALL-MID CAP COMPOSITE										
Gross of Fees	-29.38	41.71	24.74	-2.96	16.93	43.32	8.43	2.45	19.31	9.63
Net of Fees	-29.99	40.52	23.72	-3.62	16.19	42.39	7.70	1.75	18.47	8.85
BENCHMARKS										
Russell 2500 Index	-36.79	34.39	26.71	-2.51	17.88	36.80	7.07	-2.90	17.59	16.81
Russell 2500 Value Index	-31.99	27.68	24.82	-3.36	19.21	33.32	7.11	-5.49	25.20	10.36

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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**	**Dispersion (Gross of Fees)**	**Small-Mid Cap Composite**	**Russell 2500 Index**	**Russell 2500 Value Index**
2017	$22.3B	16	$3.2B	0.10%	9.97%	12.13%	11.81%
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

NA = Not Applicable

This composite was created in October 2013.

Global Investment Performance Standards

Diamond Hill Mid Cap Strategy

As of December 31, 2017

The Composite increased 3.84%, net of fees, during the quarter compared to a 6.07% increase in the Russell Midcap Index and a 5.50% increase in the Russell Midcap Value Index.

The Composite's holdings in the industrials, consumer discretionary, and financials sectors were the primary contributors to absolute return, while the health care and consumer staples sectors detracted from return.

The Composite's underperformance relative to the Russell Midcap Index was primarily driven by security selection in the health care, financials, and consumer staples sectors, as well as the Fund's allocation to cash. This was partially offset by security selection in the real estate, industrials, and materials sectors.

Best Performers

- Casino operator **Red Rock Resorts, Inc. (Cl A)** announced solid third-quarter results, with Las Vegas revenue growth improving and associated contribution margin returning to normal levels.

- Homebuilder **NVR, Inc.** reported good quarterly results with strong gross margin performance and solid order growth. Additionally, housing data has been supportive of the homebuilders and NVR is one of the higher-quality names in the industry.

- Shares of regional bank **BankUnited, Inc.** rallied after the company provided detailed commentary on the financial impact of ending its loss-share agreement with the FDIC, which was more positive than the market expected.

- Shares of banking and payment services provider **Discover Financial Services** outperformed as the U.S. credit environment remains relatively benign, which benefits the company's fundamental performance in terms of low, stable charge-offs. Discover is a relatively high U.S. tax payer and stands to benefit from the recently outlined changes to the tax code.

- Coating products manufacturer **Axalta Coating Systems Ltd.** was approached by two potential acquirers which led to a sharp increase in its share price. While both deals fell apart over valuation and other terms, we believe the interest is indicative of Axalta's unique coatings franchise.

PORTFOLIO MANAGEMENT

Chris Welch, CFA
Portfolio Manager

Chris Bingaman CFA
Asst. Portfolio Manager

Jenny Hubbard, CFA
Asst. Portfolio Manager

Worst Performers

- Medical device manufacturer **Boston Scientific Corp.** announced that the relaunch of the Lotus transcatheter aortic valve was delayed again due to the timing of regulatory submissions, and management was unable to offer an updated timeframe. We believe that expectations for the company's transcatheter program are low at this point and that problems with Lotus are correctable.

- Shares of **LifePoint Health, Inc.** declined amid integration issues with four hospitals it acquired in 2016, as well as ongoing weak utilization trends. We believe the stock is still inexpensive if the company can stabilize operations within these four facilities.

- Consumer and commercial products manufacturer **Newell Brands, Inc.** reported poor quarterly results and lowered full-year guidance as ongoing challenges in retail continue to negatively affect the business. With a high leverage level and low operating cash flow, the company has limited balance sheet flexibility to deal with the changing environment.

- Shares of food products manufacturer **Post Holdings, Inc.** underperformed as a result of market concerns over growth prospects for the packaged foods industry.

- Household durables manufacturer **Whirlpool Corp.** reported weak quarterly results driven largely by raw material inflation and a competitive promotional environment. Whirlpool continues to lose share in Europe, while Asia experienced significant margin declines as both industry weakness and promotional intensity weighed on the business.

New Positions

We did not initiate any new positions during the quarter.

Eliminated Positions

We sold our position in consumer and commercial products manufacturer **Newell Brands, Inc.** due to weak operating results and increased uncertainty around the long-term competitive position of the business, which is heavily reliant upon traditional big-box retailers.

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2013

	SINCE INCEPTION	3-YR	1-YR	YTD	4Q17
MID CAP COMPOSITE					
Gross of Fees	10.15	10.60	11.31	11.31	3.98
Net of Fees	9.46	9.91	10.66	10.66	3.84
BENCHMARKS					
Russell Midcap Index	10.48	9.58	18.52	18.52	6.07
Russell Midcap Value Index	10.41	9.00	13.34	13.34	5.50

CALENDAR YEAR RETURNS (%)

	2014	2015	2016	2017
MID CAP COMPOSITE				
Gross of Fees	8.84	1.59	19.62	11.31
Net of Fees	8.13	0.94	18.85	10.66
BENCHMARKS				
Russell Midcap Index	13.22	-2.44	13.80	18.52
Russell Midcap Value Index	14.75	-4.78	20.00	13.34

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 Mid Cap Composite is comprised of discretionary, fee-paying, non-wrap accounts managed according to the firm's Mid Cap equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in medium market capitalization companies selling for less than our estimate of intrinsic value. Medium market capitalization companies are defined as those companies with a market capitalization between $1.5 and $20 billion (or, if greater, the maximum market capitalization of companies generally within the capitalization range of the Russell Midcap 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 Midcap Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 800 smallest companies, on a market capitalization basis, in the Russell 1000 Index. The Russell Midcap Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the mid cap value segment of the U.S. equity universe including those Russell Midcap Index companies with lower expected growth values. The Russell 1000 Index measures the performance of the largest 1,000 companies in the Russell 3000 Index. 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 Mid Cap separate accounts is as follows: First $20,000,000 = 0.75%; Over $20,000,000 = 0.60%. 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	MID CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Mid Cap Composite	Russell Midcap Index	Russell Midcap Value Index
2017	$22.3B	5 or fewer	$129.6M	NA[1]	9.53%	10.36%	10.33%
2016	19.4B	5 or fewer	58.8M	NA[1]	10.87	11.55	11.30
2015	16.8B	5 or fewer	18.6M	NA[1]	NA[2]	NA[2]	NA[2]
2014	15.7B	5 or fewer	16.3M	NA[1]	NA[2]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] Statistics are not presented because 36 monthly returns are not available.

This composite was created in December 2013.

Global Investment Performance Standards

Diamond Hill Large Cap Strategy

As of December 31, 2017

The Composite increased 5.76%, net of fees, during the quarter compared to a 6.59% increase in the Russell 1000 Index and a 5.33% increase in the Russell 1000 Value Index.

The Composite's holdings in all sectors contributed to absolute return, led by the financials and information technology sectors.

The Composite's underperformance relative to the Russell 1000 Index was primarily driven by security selection in the consumer discretionary and financials sectors, although this was partially offset by a higher allocation to these strong-performing sectors. An underweight position in the information technology sector and security selection in consumer staples also hurt relative performance. Favorable security selection in the health care and industrials sectors were positive contributors to relative performance.

Best Performers

- Shares of banking and payment services provider **Discover Financial Services** outperformed as the U.S. credit environment remains relatively benign, which benefits the company's fundamental performance in terms of low, stable charge-offs. Discover is a relatively high U.S. tax payer and stands to benefit from the recently outlined changes to the tax code.

- Software provider **Microsoft Corp.** reported strong quarterly earnings that included revenue growth and margin expansion above expectations. The company also indicated that it has improved its operating margin expectation for full-year fiscal 2018.

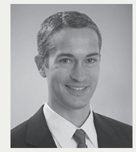
- Shares of banking and financial services company **JP Morgan Chase & Co.** outperformed as the combination of tax reform, higher short-term interest rates, and a continuation of healthy economic growth contributed to a solid earnings outlook for 2018.

- Shares of health care benefits company **Aetna, Inc.** outperformed after CVS Health made a formal offer to acquire Aetna. The deal is expected to close mid-2018.

- Shares of building and aerospace technology conglomerate **United Technologies Corp.** rose as the company meaningfully ramped up production and made good progress on addressing certain quality issues pertaining to its new geared turbofan jet engine program.

PORTFOLIO MANAGEMENT

Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Portfolio Manager

Chris Welch, CFA
Asst. Portfolio Manager

Worst Performers

- Shares of banking and financial services company **First Republic Bank** declined following company guidance for elevated near-term expenses as it continues to invest in its high-growth franchise. Recent tax law changes to the deductibility of mortgage interest also stoked fears that the company's above-peer growth rate will slow.

- Household durables manufacturer **Whirlpool Corp.** reported weak quarterly results driven largely by raw material inflation and a competitive promotional environment. Whirlpool continues to lose share in Europe, while Asia experienced significant margin declines as both industry weakness and promotional intensity weighed on the business.

- Shares of apparel manufacturer **Hanesbrands, Inc.** underperformed as general concerns about the health of the wholesale channel overshadowed stronger performance in other business lines. While the fundamental trends for the innerwear segment are still weak, the company's margins and market share are holding up well and cash flow is strong.

- Shares of tobacco products manufacturer **Philip Morris International, Inc.** declined after the company reported weaker-than-expected quarterly results.

- Cable and internet services company **Charter Communications, Inc. (Cl A)** reported underwhelming quarterly results driven by weaker-than-expected subscriber trends in video and internet. We believe fundamentals will improve as the integration of Time Warner Cable and Bright House continues, and that Charter is well-positioned to grow intrinsic value over the long term.

New Positions

We initiated a position in oil and gas exploration and production company **Devon Energy Corp.** Company management recently articulated a more disciplined capital investment strategy along with a potential, sizeable divestiture program that would help focus the business around attractive core assets. We believe Devon holds an attractive, scalable acreage position in both the Delaware Basin and the Anadarko Basin that should drive meaningful improvement in return on invested capital over time. We started a position in industrial supplies distributor **Fastenal Co.**, a company we already own in other Diamond Hill strategies. The company has a unique service-oriented culture and we believe it is poised to gain meaningful market share over the next five years via its onsite and industrial vending growth initiatives. We also purchased shares of airline operator **United Continental Holdings, Inc.** The company has improved its operating performance and we believe it is in a good position to improve margins over the next few years via revenue and cost initiatives. Free cash flow generation should increase as capital expenditures decline from current peak levels, and the company recently announced an incremental $3 billion share repurchase authorization.

Eliminated Positions

We eliminated our position in industrial product manufacturer **Illinois Tool Works, Inc.** when shares reached our estimate of intrinsic value.

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: June 30, 2001

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	4Q17
LARGE CAP COMPOSITE							
Gross of Fees	10.01	9.23	16.46	11.69	21.10	21.10	5.88
Net of Fees	9.40	8.66	15.86	11.13	20.51	20.51	5.76
BENCHMARKS							
Russell 1000 Index	7.22	8.59	15.71	11.23	21.69	21.69	6.59
Russell 1000 Value Index	7.25	7.10	14.04	8.65	13.66	13.66	5.33

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
LARGE CAP COMPOSITE										
Gross of Fees	-33.92	31.49	10.61	3.60	13.35	37.79	11.60	-0.16	15.24	21.10
Net of Fees	-34.29	30.79	10.00	3.11	12.79	37.06	10.99	-0.72	14.71	20.51
BENCHMARKS										
Russell 1000 Index	-37.60	28.43	16.10	1.50	16.42	33.11	13.24	0.92	12.05	21.69
Russell 1000 Value Index	-36.85	19.69	15.51	0.39	17.51	32.53	13.45	-3.83	17.34	13.66

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AS OF YEAR-END	DHCM	LARGE CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Large Cap Composite	Russell 1000 Index	Russell 1000 Value Index
2017	$22.3B	196	$9.1B	0.12%	11.36%	9.97%	10.20%
2016	19.4B	185	7.1B	0.28	11.91	10.69	10.77
2015	16.8B	180	5.8B	0.30	11.83	10.48	10.68
2014	15.7B	155	5.8B	0.10	9.53	9.12	9.20
2013	12.2B	132	4.2B	0.24	12.48	12.26	12.70
2012	9.4B	135	3.7B	0.24	14.42	15.41	15.51
2011	8.7B	129	3.5B	0.21	18.88	18.95	20.69
2010	8.6B	123	3.2B	0.22	NA	NA	NA
2009	6.3B	106	1.5B	0.64	NA	NA	NA
2008	4.5B	108	792.5M	0.86	NA	NA	NA

NA = Not applicable

This composite was created in October 2013.

Global Investment Performance Standards

Diamond Hill Large Cap Concentrated Strategy

As of December 31, 2017

The Composite increased 5.95%, net of fees, during the quarter compared to a 6.59% increase in the Russell 1000 Index and a 5.33% increase in the Russell 1000 Value Index.

The Composite's holdings in most sectors contributed to absolute return, led by the financials and information technology sectors. Holdings in the consumer staples sector slightly detracted from absolute return.

The Composite's underperformance relative to the Russell 1000 Index was primarily driven by security selection in the consumer discretionary sector. Security selection in the consumer staples sector, the allocation to cash, and the Fund's underweight position in information technology also detracted from relative performance. Favorable security selection in the information technology, health care, and industrials sectors bolstered relative return.

Best Performers

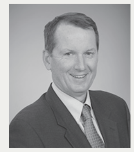
- Shares of banking and payment services provider **Discover Financial Services** outperformed as the U.S. credit environment remains relatively benign, which benefits the company's fundamental performance in terms of low, stable charge-offs. Discover is a relatively high U.S. tax payer and stands to benefit from the recently outlined changes to the tax code.

- Software provider **Microsoft Corp.** reported strong quarterly earnings that included revenue growth and margin expansion above expectations. The company also indicated that it has improved its operating margin expectation for full-year fiscal 2018.

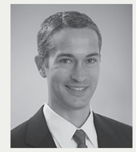
- Shares of banking and financial services company **JP Morgan Chase & Co.** outperformed as the combination of tax reform, higher short-term interest rates, and a continuation of healthy economic growth contributed to a solid earnings outlook for 2018.

- Shares of banking and financial services company **Morgan Stanley** outperformed amid higher 2018 earnings estimates and multiple expansion related to positive U.S. economic and capital market forecasts. The company is a relatively high U.S. tax payer and stands to benefit from the recently outlined changes to the tax code.

PORTFOLIO MANAGEMENT



Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Portfolio Manager

Chris Welch, CFA
Asst. Portfolio Manager

- Shares of building and aerospace technology conglomerate **United Technologies Corp.** rose as the company meaningfully ramped up production and made good progress on addressing certain quality issues pertaining to its new geared turbofan jet engine program.

Worst Performers

- Household durables manufacturer **Whirlpool Corp.** reported weak quarterly results driven largely by raw material inflation and a competitive promotional environment. Whirlpool continues to lose share in Europe, while Asia experienced significant margin declines as both industry weakness and promotional intensity weighed on the business.

- Shares of tobacco products manufacturer **Philip Morris International, Inc.** declined after the company reported weaker-than-expected quarterly results.

- Shares of insurance company **MetLife, Inc.** declined after the firm's 2018 update call as investors were disappointed about the timing of cost saving initiatives in the coming years. We continue to believe the shares are extremely attractive at current prices.

- Shares of global automotive supplier **BorgWarner, Inc.** underperformed the broader market despite a lack of company-specific news.

- Shares of diversified media and entertainment company **Walt Disney Co.** underperformed amid poor quarterly earnings and uncertainty about how Disney will perform in a changing media environment following the potential acquisition of assets from Twenty-First Century Fox.

New Positions

We added shares of consumer goods manufacturer **V.F. Corp.** Favorable sales and inventory trends have given us more confidence in the fundamentals of its outdoor and action sports segment. The company is utilizing its strong balance sheet to add smaller brands with high growth potential and/or complementary product offerings to its portfolio, which should allow it to earn attractive returns on invested capital.

Eliminated Positions

We exited our position in **Walt Disney Co.** before the rumors of the merger with Fox emerged due to our concerns about Disney's profitability amidst disruption in the U.S. pay-TV ecosystem. We eliminated our position in **Whirlpool Corp.** due to ongoing weak operating results and better opportunities elsewhere.

Diamond Hill Large Cap Concentrated Strategy

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	4Q17
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	15.60	16.76	12.21	19.28	19.28	6.10
Net of Fees	15.24	16.38	12.04	18.57	18.57	5.95
BENCHMARKS						
Russell 1000 Index	15.83	15.71	11.23	21.69	21.69	6.59
Russell 1000 Value Index	14.61	14.04	8.65	13.66	13.66	5.33

CALENDAR YEAR RETURNS (%)

	2012	2013	2014	2015	2016	2017
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	10.00	38.75	10.70	-0.59	19.17	19.28
Net of Fees	9.74	37.22	10.63	-0.46	19.16	18.57
BENCHMARKS						
Russell 1000 Index	16.42	33.11	13.24	0.92	12.05	21.69
Russell 1000 Value Index	17.51	32.53	13.45	-3.83	17.34	13.66

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AS OF YEAR-END	DHCM	LARGE CAP CONCENTRATED COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Large Cap Concentrated Composite	Russell 1000 Index	Russell 1000 Value Index
2017	$22.3B	5 or fewer	$3.4M	NA[1]	12.41%	9.97%	10.20%
2016	19.4B	5 or fewer	2.9M	NA[1]	12.77	10.69	10.77
2015	16.8B	5 or fewer	418.9M	NA[1]	12.07	10.48	10.68
2014	15.7B	5 or fewer	422.6M	NA[1]	9.29	9.12	9.20
2013	12.2B	5 or fewer	382.3M	NA[1]	NA[2]	NA[2]	NA[2]
2012	9.4B	5 or fewer	275.9M	NA[1]	NA[2]	NA[2]	NA[2]

[1] NA = Not applicable

[2] Statistics are not presented because 36 monthly returns are not available.

This composite was created in December 2011.

Global Investment Performance Standards

Diamond Hill All Cap Select Strategy

As of December 31, 2017

The Composite increased 8.10%, net of fees, during the quarter compared to a 6.34% increase in the Russell 3000 Index and a 5.08% increase in the Russell 3000 Value Index.

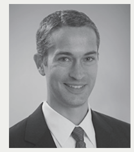
The Composite's holdings in the consumer discretionary, industrials, and financials sectors provided the largest contribution to absolute return, while the consumer discretionary sector detracted slightly from return.

The Composite's outperformance relative to the Russell 3000 Index was driven by favorable security selection in the health care sector followed by selection in the industrials, consumer discretionary, and real estate sectors. An underweight position in the health care sector also contributed to relative return. An underweight position in information technology and security selection in the consumer staples sectors detracted from relative return.

Best Performers

- Shares of diversified media and entertainment company **Twenty-First Century Fox, Inc. (Cl B)** rose due to the proposed sale of certain assets to Disney in an all-stock deal. The company also reported solid quarterly earnings.
- Casino operator **Red Rock Resorts, Inc. (Cl A)** announced solid third-quarter results, with Las Vegas revenue growth improving and associated contribution margin returning to normal levels.
- Shares of banking and payment services provider **Discover Financial Services** outperformed as the U.S. credit environment remains relatively benign, which benefits the company's fundamental performance in terms of low, stable charge-offs. Discover is a relatively high U.S. tax payer and stands to benefit from the recently outlined changes to the tax code.
- Shares of regional bank **BankUnited, Inc.** rallied after the company provided detailed commentary on the financial impact of ending its loss-share agreement with the FDIC, which was more positive than the market expected.
- Agriculture equipment manufacturer **Deere & Co.** reported another strong quarter and raised full-year 2018 guidance.

PORTFOLIO MANAGEMENT



Austin Hawley, CFA
Portfolio Manager

Rick Snowdon, CFA
Portfolio Manager

Worst Performers

- Household durables manufacturer **Whirlpool Corp.** reported weak quarterly results driven largely by raw material inflation and a competitive promotional environment. Whirlpool continues to lose share in Europe, while Asia experienced significant margin declines as both industry weakness and promotional intensity weighed on the business.
- Shares of food products manufacturer **Post Holdings, Inc.** underperformed as a result of market concerns over growth prospects for the packaged foods industry.
- Shares of tobacco products manufacturer **Philip Morris International, Inc.** declined after the company reported weaker-than-expected quarterly results.
- Shares of technology and industrial company **Johnson Controls International PLC** declined amid disappointing earnings and free cash flow guidance. While we are frustrated with the company's recent inability to generate strong free cash flow, the headwinds appear to be temporary and we see no structural reason why the company cannot dramatically improve its cash generation in the years ahead.
- Shares of ski resort owner and operator **Vail Resorts, Inc.** fell as skiing conditions have been late to arrive in Colorado and Utah.

New Positions

We initiated a position in global financial services firm **Credit Suisse Group AG ADR**. Since CEO Tidjane Thiam took over in mid-2015, fundamentals have been improving and the firm has shored up its capital base. Credit Suisse is now mid-way through its restructuring plan of de-risking and "right sizing" the investment banking and trading businesses in order to focus on its stable Swiss market presence and global wealth franchise. We believe the company's return on tangible equity targets are realistic without significant execution risk and that there is potential for future capital return via dividends and share repurchases. **First Republic Bank** is a high-quality bank that has been widely held in other Diamond Hill strategies. A recent selloff in the shares reflects investor concern about near-term expense growth and the impact of tax law changes on mortgage interest deductibility. We initiated a position in tobacco products manufacturer **Philip Morris International, Inc.** when the stock fell in response to weaker-than-expected quarterly results. The selloff created a unique buying opportunity in what we believe is a very high-quality business we also hold in other strategies. We also initiated a position in contract manufacturer **Sanmina Corp.**, which has been gradually diversifying away from traditional electronics manufacturing to industrial, medical, and defensive end markets which are more stable and growth oriented.

Eliminated Positions

We sold our positions in car rental company **Avis Budget Group, Inc.**, banking and financial services company **Citigroup, Inc.**, and homebuilder **NVR, Inc.** as the shares approached our estimates of intrinsic value, and we redeployed the capital to more attractive ideas. We eliminated our position in **Whirlpool Corp.** due to ongoing weak operating results and better opportunities elsewhere.

Diamond Hill All Cap Select Strategy

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: June 30, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	4Q17
ALL CAP SELECT COMPOSITE							
Gross of Fees	11.18	9.52	17.04	10.18	21.26	21.26	8.25
Net of Fees	10.44	8.87	16.43	9.58	20.60	20.60	8.10
BENCHMARKS							
Russell 3000 Index	5.96	8.60	15.58	11.12	21.13	21.13	6.34
Russell 3000 Value Index	7.61	7.19	13.95	8.71	13.19	13.19	5.08

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ALL CAP SELECT COMPOSITE										
Gross of Fees	-32.90	34.83	11.51	-0.58	12.70	45.86	12.60	-0.48	10.84	21.26
Net of Fees	-33.39	33.89	10.74	-1.21	12.00	45.11	12.07	-1.01	10.22	20.60
BENCHMARKS										
Russell 3000 Index	-37.31	28.34	16.93	1.03	16.42	33.55	12.56	0.48	12.74	21.13
Russell 3000 Value Index	-36.25	19.76	16.23	-0.10	17.55	32.69	12.70	-4.13	18.40	13.19

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. 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 All Cap Select Composite has received a Performance Examination from 6/30/00 – 9/30/17. The verification and performance exam reports are available upon request. 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 All Cap Select Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's All Cap Select equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in companies selling for less than our estimate of intrinsic value. The strategy typically invests in securities with a market capitalization of $500 million or greater. The strategy's Adviser anticipates that each of the strategy's investments will also be held in one of the other Diamond Hill strategies. 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 3000 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. The Russell 3000 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the broad value segment of the U.S. equity universe including those Russell 3000 Index companies with lower expected growth values. 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 All Cap Select separate accounts is as follows: First $20,000,000 = 0.85%; Over $20,000,000 = 0.70%. 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	ALL CAP SELECT COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	**Number of Accounts**	**Assets Under Management**	**Dispersion (Gross of Fees)**	**All Cap Select Composite**	**Russell 3000 Index**	**Russell 3000 Value Index**
2017	$22.3B	12	$332.3M	0.16%	11.85%	10.09%	10.33%
2016	19.4B	13	324.6M	0.28	12.04	10.88	10.97
2015	16.8B	13	466.5M	0.16	11.66	10.58	10.74
2014	15.7B	13	374.9M	0.07	10.56	9.29	9.39
2013	12.2B	14	277.8M	0.24	13.39	12.53	12.90
2012	9.4B	18	227.2M	0.16	14.48	15.73	15.81
2011	8.7B	26	284.9M	0.42	18.81	19.35	21.04
2010	8.6B	28	189.0M	0.48	NA	NA	NA
2009	6.3B	29	155.0M	0.97	NA	NA	NA
2008	4.5B	35	83.3M	0.82	NA	NA	NA

NA = Not Applicable

This composite was created in October 2013.

As of February 28, 2017, the Select Composite was renamed the All Cap Select Composite.

Global Investment Performance Standards

Diamond Hill Core Bond Strategy

As of December 31, 2017

All Composite returns are net of fees.

The Composite generated a 0.51% total return during the fourth quarter, compared to 0.39% for the Bloomberg Barclays U.S. Aggregate Index. Since its inception on July 31, 2016, the Composite has generated an annualized total return of 1.17% compared to 0.29% for the Index. We are pleased with how the strategy has performed on a relative basis, both in the most recent quarter and since its inception. The goal of the Diamond Hill Core Bond strategy is to outperform the Index over a market cycle.

The themes of 2017 in the fixed income markets continued throughout the final quarter of the year. The market has been focused on the Federal Open Market Committee (FOMC) and its plans for interest rates, which increased by 25 basis points in December. Given the transparency of the FOMC, the rate increase was digested with limited volatility by the market and the focus shifted to future rate increases and the "dot plot." The dot plot, part of the FOMC's Summary of Economic Projections released along with its policy decision statement, shows where each member thinks the federal funds rate should be for each of the next few years and longer term. The median for year-end 2018 was between 2% and 2.25%, suggesting three rate hikes next year. Over the longer term, the members expect the rate to settle around 2.75%. At the same meeting, the FOMC made the decision to increase the level at which principal payments from its holdings will be reinvested from $10 billion ($6 billion of Treasury securities and $4 billion of agency debt and agency mortgage-backed securities) to $20 billion ($12 billion Treasury, $8 billion agency debt and agency mortgage-backed securities). This increase will take place in January 2018.

The story in the Treasury market in 2017 was the flattening of the yield curve. This trend continued in the fourth quarter as the shorter end of the curve climbed and the longer end of the curve contracted. Specifically, the yield on the one-year and two-year Treasuries moved higher by 44 basis points and 40 basis points, respectively, while the yield on the 30-year Treasury dropped 12 basis points. This movement resulted in strong performance on the longer end, with the 30-year Treasury the only part of the yield curve to have a positive return in the quarter (+3.00%). The Treasury segment of the Bloomberg Barclays U.S. Aggregate Index returned only 0.05% during the fourth quarter but finished the year up 2.31%.

PORTFOLIO MANAGEMENT

Henry Song, CFA
Portfolio Manager

Mark Jackson, CFA
Portfolio Manager

The Core Bond strategy's duration has been maintained within our targeted range of +/-10% of the benchmark's duration. At the end of the fourth quarter, the strategy's duration was roughly 88% of the benchmark's duration (5.25 versus 5.98, respectively), reflecting the long-term viewpoint that interest rates have a greater chance of moving higher over the coming months and quarters. During the quarter, the duration of both the strategy and the benchmark remained relatively unchanged (from 5.22 to 5.25 for the strategy; from 5.96 to 5.98 for the benchmark). The strategy's overall shorter duration positioning relative to the benchmark minimally contributed to performance during the quarter.

The sector with the most substantial impact on the strategy during the quarter was the securitized sector, with strong security selection and sector positioning driving the majority of absolute return. Continued demand in the marketplace drove spreads tighter across the entire sector and was met with heavy issuance. Within the securitized sector, asset-backed securities and commercial mortgage-backed securities were the strongest contributors to the strategy's performance as spreads tightened due to high demand. Agency mortgage-backed securities were roughly in line with the mortgages represented in the benchmark, with the strategy's slightly longer duration in mortgage-backed securities contributing to returns and offsetting the impact of its underweight position relative to the benchmark.

The investment grade corporate sector of the Bloomberg Barclays U.S. Aggregate Index generated a return of 1.17% during the fourth quarter, pushing the 2017 calendar year performance to 6.42%. The strategy's underweight allocation to investment grade corporate, as well as sector allocation within the space, detracted from relative performance. Industrials detracted the most during the quarter from a relative standpoint, as this segment of the market delivered the strongest performance of the sector and the portfolio maintains an underweight position. Utilities slightly detracted from performance on a relative basis.

The Core Bond strategy continues to search for opportunities in the marketplace while maintaining a conservative risk profile relative to the Index.

*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.

Diamond Hill Core Bond Strategy

As of December 31, 2017

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: July 31, 2016

	TRAILING				CALENDAR	
	SINCE INCEPTION	1-YR	YTD	4Q17	7-31/16 - 12/31/16	2017
SELECT COMPOSITE						
Gross of Fees	1.46	4.64	4.64	0.57	-2.45	4.64
Net of Fees	1.17	4.33	4.33	0.51	-2.56	4.33
BENCHMARKS						
Bloomberg Barclays U.S. Aggregate Index	0.20	3.54	3.54	0.39	-3.14	3.54

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AS OF YEAR-END	DHCM	CORE BOND COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Core Bond Composite	Bloomberg Barclays U.S. Aggregate Index
2017	$22.3B	5 or fewer	$43.8M	NA[1]	NA[2]	NA[2]
2016	19.4B	5 or fewer	39.7M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] Statistics are not presented because 36 monthly returns are not available.

This composite was created in July 2016.

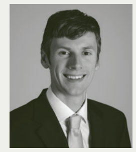
Global Investment Performance Standards

Diamond Hill Corporate Credit Strategy

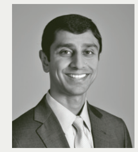
As of December 31, 2017

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

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**.

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.

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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

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

Diamond Hill High Yield Strategy

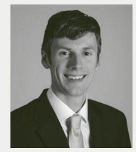
As of December 31, 2017

All Composite returns are net of fees.

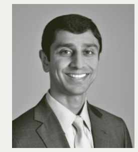
The Composite* generated a 1.54% total return during the fourth quarter compared to 0.41% for the ICE Bank of America Merrill Lynch U.S. High Yield Index. For the full-year 2017, the Composite generated a total return of 10.58% compared to 7.48% for the High Yield Index. Since inception on December 31, 2014, the Composite generated an annualized total return of 8.65% compared to 6.39% for the High Yield Index.

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

While we are pleased with the High Yield strategy's relative performance, it is important to note that the High Yield Index is not an investable alternative. Over a five-year time horizon, performance relative to peers will be the best metric to evaluate the strategy. We discuss high yield indices, investable passive alternatives and active management in "Debunking the High Yield Index and High Yield ETFs," available at www.diamond-hill.com/debunking-high-yield-index-high-yield-etfs/.

The High Yield Index began the year with a yield to worst (YTW) of 6.17% and option-adjusted spread (OAS) of 422 basis points. At the end of the third quarter, the YTW was 5.47% and OAS was 356 basis points. At the end of the year, the YTW was 5.84% and the OAS was 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 89 basis points. It helped that we look very different than the market and that a large position in **Bankrate, Inc. 6.125% due 2018** was called, 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**.

The high yield market is priced for continued low defaults and muted volatility. Because 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.

Energen Corp. 7.125% due 2028 was the second-largest contributor to performance during the quarter. This bond is the strategy's largest position and has benefited from both strong operational performance and takeover speculation as activist hedge funds have taken meaningful stakes in the company. If a takeover were to occur, we believe our bonds would be made whole as is contractually stipulated if the company decided to redeem the bonds. The make-whole price is dependent on when this would occur and the price of the appropriate Treasury bond. Currently, the make-whole price is substantially higher than market price of the bonds. We believe that Energen is an undervalued credit and the bond structure is also extraordinarily attractive.

Popular, Inc. 7.0% due 2019 was the third-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.

*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.

Frontier Communications Corp. 10.5% due 2022 was the largest detractor 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.

Arch Merger Sub, Inc. (Staples) 8.5% due 2025, which was a new issue during the third quarter, was the second-largest 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 the third-largest detractor during the quarter after being one of the largest contributors to performance earlier in the year. 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 added to the portfolio included **Nathan's Famous, Inc. 6.625% due 2025, Freedom Mortgage Corp. 8.125% due 2024, 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.

We added **Rite Aid Corp. 9.25% due 2020**. We feel confident these bonds will be called with the proceeds from the sale of certain stores to Walgreens.

Existing holding Altice SA 7.75% due 2022 was weak during the quarter after poor performance of its cable and telecom assets in France and Portugal caused a steep decline in Altice equity. On a positive notes, the equity market is forcing management to focus on deleveraging and operational improvement rather than more debt-financed acquisitions. We added **Altice SA 8.125% due 2024** which is in a safer part of the Altice capital structure.

We also added two asset-backed securities during the quarter, **CIGAR 1017-1A C 5.33% due 2024** and **APF 2017-A C 5.82% due 2029.**

Bankrate, Inc. 6.125% due 2018 and **Station Casinos LLC 7.5% due 2021** were called during the quarter.

We extended our position in **Cincinnati Bell** by swapping the **7.0% due 2024** for the **8.0% due 2025**. The weakness in the bonds had far more to do with problems elsewhere in the telecom sector than the company's fundamental outlook, so we decided to take advantage of attractive pricing.

Drivetime Automotive Group, Inc. 8.0% due 2021, Horizon Pharma, Inc. 8.75% due 2024, Southwestern Energy Co. 7.5% due 2026, and **KABB 2017-1C 8.0% due 2022** were all eliminated as price approached our estimate of intrinsic value.

Ardonagh Midco PLC 8.625% due 2023, Ritchie Bros. Auctioneers, Inc. 5.375% due 2025, and **Tesco PLC 6.15% due 2037** were eliminated in favor of opportunities that were more appropriate for our strategy.

TOP 5 CONTRIBUTORS

SECURITY NAME	4Q17 CONTRIBUTION	POSITION AS OF 4Q17
Kindred Healthcare, Inc. 8.75% due 2023	0.28%	1.6%
Energen Corp. 7.125% due 2028	0.23	8.6
Popular, Inc. 7.0% due 2019	0.20	6.1
Welltec A/S 9.50% due 2022	0.07	3.3
Cincinnati Bell, Inc. 8.0% due 2025	0.07	2.3

TOP 5 DETRACTORS

SECURITY NAME	4Q17 CONTRIBUTION	POSITION AS OF 4Q17
Frontier Communications Corp. 10.5% due 2022	-0.23%	0.0%
Arch Merger Sub, Inc. (Staples) 8.5% due 2025	-0.07	3.3
Altice SA 7.75% due 2022	-0.04	0.7
Alliance Data Systems Corp. 5.375% due 2022	-0.03	3.4
Century Communities, Inc. 5.875 due 2025	-0.01	2.4

Diamond Hill High Yield Strategy

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2014

	SINCE INCEPTION	3-YR	1-YR	YTD	4Q17
HIGH YIELD COMPOSITE					
Gross of Fees	9.01	9.01	11.12	11.12	1.66
Net of Fees	8.65	8.65	10.58	10.58	1.54
BENCHMARKS					
ICE BofAML U.S. High Yield Index	6.39	6.39	7.48	7.48	0.41

CALENDAR YEAR RETURNS (%)

	2015	2016	2017
HIGH YIELD COMPOSITE			
Gross of Fees	1.02	15.40	11.12
Net of Fees	1.02	14.82	10.58
BENCHMARKS			
ICE BofAML U.S. High Yield Index	-4.64	17.49	7.48

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AS OF YEAR-END	DHCM	HIGH YIELD COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	High Yield Composite	ICE BofAML U.S. High Yield Index
2017	$22.3B	5 or fewer	$31.1M	NA[1]	5.15%	5.60%
2016	19.4B	5 or fewer	31.9M	NA[1]	NA[2]	NA[2]
2015	16.8B	5 or fewer	10.1M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

This composite was created in January 2016.

Global Investment Performance Standards

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