

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
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- 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

As of December 31, 2017

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

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 Capital Management Inc. (DHCM) has been independently verified for the periods 5/31/00–9/30/17. DHCM's current verification firm is ACA Compliance Group. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. In addition the Large Cap Concentrated Composite has received a Performance Examination from 12/31/11–9/30/17. The verification and performance exam reports are available upon request. DHCM is a registered investment adviser and wholly owned subsidiary of Diamond Hill Investment Group, Inc. DHCM provides investment management services to individuals and institutional investors through mutual funds, separate accounts, exchange traded funds and private investment funds. A complete list and description of all composites and policies for valuing portfolios, calculating and reporting returns, and preparing compliant presentations are available upon request. The Large Cap Concentrated Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Large Cap Concentrated equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in large capitalization companies selling for less than our estimate of intrinsic value. Holdings are derived from holdings in the Diamond Hill Large Cap strategy. The Large Cap strategy typically invests in large-capitalization companies, which are defined as companies with a market capitalization of \$5 billion or greater. However, the Large Cap strategy can invest in companies with a market capitalization as low as \$2.5 billion. 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 1000 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 1,000 largest companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 1000 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the large cap value segment of the U.S. equity universe including those Russell 1000 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 Large Cap separate accounts is as follows: First \$20,000,000 = 0.65%; Over \$20,000,000 = 0.55%. 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	LARGE CAP CONCENTRATED COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
		Assets Under Management	Number of Accounts	Assets Under Management (Gross of Fees)	Dispersion	Large Cap Concentrated Composite	Russell 1000 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**