

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. (CIA)** 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 Bingham 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.



Diamond Hill Mid Cap Strategy

As of December 31, 2017

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
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**