

(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. (CIA)** 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. (CIA)** 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 (CIA)** in an all-cash acquisition by Softbank.



Diamond Hill Small Cap Strategy

As of December 31, 2017

(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
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**