

The Composite decreased 1.13%, net of fees, compared to a 0.64% decrease in the Russell 3000 Index and a 2.82% decrease in the Russell 3000 Value Index.

The Composite's holding in the consumer staples, information technology, and consumer discretionary sectors were the primary detractors from absolute return, while the financials sector was the largest contributor.

The Composite's underperformance relative to the Russell 3000 Index was primarily driven by security selection in the information technology sector along with an underweight allocation to the sector. Security selection in the consumer discretionary and energy sectors also detracted from relative return. A combination of security selection and an overweight allocation to the financials sectors was the largest contributor to relative return.

Best Performers

- Property and casualty insurance company **Validus Holdings Ltd.** announced an acquisition offer from AIG, representing a significant premium for shareholders
- Shares of shipping and transportation company **Kirby Corp.** outperformed as utilization levels continue to improve in the company's core inland tank barge segment, demand for tank barge shipments are expected to accelerate, and the company made a large acquisition of a tank barge competitor.
- Diversified media and entertainment company **Twenty-First Century Fox, Inc. (CI B)** reported very strong quarterly earnings. Shares also rose as investors began to better understand the company's transaction to sell certain assets to Disney and speculation increased that another bidder may enter the fray.
- Data analytics company **Verisk Analytics, Inc.** reported fourth-quarter earnings that included strong performance in each of the industries the company serves. Additionally, with nearly 80% of revenue generated in the United States, the company will benefit from a meaningfully lower income tax rate.
- Health care products manufacturer **Abbott Laboratories** continues to execute and its device pipeline remains well-stocked. The company is reducing debt ahead of schedule, improving balance sheet flexibility, and shielding itself from rising interest rates.

PORTFOLIO MANAGEMENT



Austin Hawley, CFA
Portfolio Manager



Rick Snowdon, CFA
Portfolio Manager

Worst Performers

- Life insurance company **MetLife, Inc.** pre-announced fourth-quarter results that were impacted by a material weakness in the company's process for handling claims in its U.S. group annuity business. This was a disappointing development and reflected poorly on management; however, the financial impact is minimal
- Contract manufacturer **Sanmina-SCI Corp.** reported weak quarterly results due to order cancellations and pushouts in their communications business, as well as slower-than-expected ramp of new programs.
- Despite no fundamental changes, casino operator **Red Rock Resorts, Inc. (CI A)** gave back a portion of its strong fourth-quarter stock performance. The company announced an acceleration of its remodel at The Palms and additional accelerated capital spending due to recent tax reform.
- Shares of media and communications company **Liberty Global PLC (CI A)** declined amid rumors of a potential sale of certain assets to Vodafone, which may have disappointed some shareholders who prefer a full sale of the company. Additionally, the Swiss segment is struggling amidst intense competitive pressures and an acquisition or partnership may be necessary to turn the business around.
- Banking and payment services provider **Discover Financial Services** is experiencing higher loan loss provisions related to increasing levels of credit card loan growth, which we view as relatively short term. Over the long run, the loan growth builds shareholder value and we are confident in the ability of management to employ sound underwriting and risk management practices consistent with the company's above-industry returns on capital.

New Positions

- **Bank of the Ozarks** is a high-quality regional banking franchise with a specialized real estate lending group that operates nationally. Investor concerns around an executive departure and the health of the commercial real estate industry created an opportunity to invest in this franchise that has outperformed peer banks on nearly every metric.



- **Cimarex Energy Co.** is a domestic exploration and production company focused on drilling for oil and gas in the Permian and Anadarko Basins. We believe the company has high-quality assets that are well-positioned to provide attractive reinvestment opportunities. The current focus on short-term factors such as service cost inflation and natural gas pricing risk has provided an attractive entry point based on our long-term analysis of the business.
- Social media company **Facebook, Inc. (CIA)** is the largest social network in the world. The company also owns other large user base properties (Instagram, WhatsApp and Messenger), all of which benefit from network effects. We initiated a position in the company based on our belief that the company's attractive network economics will remain in place over the long term, and that the current valuation reflects excessive pessimism related to uncertainties around regulation and fines that the company might face. We believe these issues are likely to be resolved without impairing the value of the business.

- Biotechnology company **Gilead Sciences, Inc.** is the market leader in drugs used for the treatment of human immunodeficiency virus (HIV) and hepatitis C virus (HCV). We are encouraged by management's use of capital to diversify into high-value areas of research including next-generation oncology therapies, immunology, and liver disease.

Eliminated Positions

- Agriculture equipment manufacturer **Deere & Co.** and industrial supplies distributor **Fastenal Co.** were sold as the shares approached our estimates of intrinsic value.
- Automobile manufacturer **Ford Motor Co.**, building and aerospace technology conglomerate **United Technologies Corp.**, and property and casualty insurance company **Validus Holdings Ltd.** were eliminated to make room for more attractive opportunities.

Diamond Hill All Cap Select Strategy

As of March 31, 2018

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: June 30, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	1Q18
ALL CAP SELECT COMPOSITE							
Gross of Fees	10.95	10.11	13.63	7.78	14.19	-0.99	-0.99
Net of Fees	10.21	9.45	13.03	7.19	13.57	-1.13	-1.13
BENCHMARKS							
Russell 3000 Index	5.83	9.62	13.03	10.22	13.81	-0.64	-0.64
Russell 3000 Value Index	7.33	7.84	10.71	7.87	6.81	-2.82	-2.82

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 – 12/31/17. 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 – 12/31/17. 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.; registration does not imply a certain level of skill or training. 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 (Gross of Fees)	Dispersion (Gross of Fees)	All Cap Select Composite	Russell 3000 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.

**Global Investment
Performance Standards**