

*All Composite returns are net of fees.*

The Composite\* generated a 0.64% total return during the first quarter compared to -0.91% for the ICE Bank of America Merrill Lynch U.S. High Yield Index. Since inception on December 31, 2014, the Composite has generated an annualized total return of 8.18% compared to 5.59% for the High Yield Index.

The High Yield Index began the year with a yield to worst (YTW) of 5.84% and option-adjusted spread (OAS) of 363 basis points and ended the quarter with a 6.35% YTW and OAS of 372 basis points.

Financial markets have been sensitive to signs of wage inflation as that could ultimately lead to a more aggressive Federal Reserve. Also, markets may test the new Fed chair to get a better sense of when the Fed will try to suppress volatility. Volatility is difficult to forecast but with the aging of the economic and federal funds rate hike cycles and the impending global quantitative tightening, we expect (and always want to be prepared for) more frequent bouts of volatility.

The high yield market is still priced for low defaults and muted volatility. We will be patient and wait for our opportunity to purchase bonds at substantial discounts to intrinsic value. For now, it is more important to protect capital in a low yield and spread environment.

## PORTFOLIO MANAGEMENT



Bill Zox, CFA  
Portfolio Manager



John McClain, CFA  
Portfolio Manager



Suken Patel, CFA  
Asst. Portfolio Manager



# Diamond Hill High Yield Strategy

As of March 31, 2018

## PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2014

	SINCE INCEPTION	3-YR	1-YR	YTD	1Q18
HIGH YIELD COMPOSITE					
Gross of Fees	8.55	8.03	7.74	0.76	0.76
Net of Fees	8.18	7.64	7.22	0.64	0.64
BENCHMARKS					
ICE BofAML U.S. High Yield Index	5.59	5.18	3.69	-0.91	-0.91

## 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

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. 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.; 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 High Yield Composite is comprised of discretionary non-fee and fee paying non-wrap accounts with a market value over \$10M managed according to the firm's High Yield fixed income strategy. The strategy's investment objective is to generate high current income with the opportunity for capital appreciation over a five year time horizon. The strategy generally invests in corporate debt securities that are related below investment grade or are unrated. 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. High Yield Index is comprised of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. 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 High Yield separate accounts is as follows: First \$50,000,000 = 0.60%; Over \$50,000,000 = 0.50%. For calendar year end 2015, the non-fee paying account percentage of the Composite is 100%. 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. The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its third party suppliers and has been licensed for use by Diamond Hill Capital Management, Inc. ICE Data and its third party suppliers accept no liability in connection with its use. See diamond-hill.com for a full copy of the disclaimer.

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
2017	\$22.3B	5 or fewer	\$31.1M	NA <sup>1</sup>	5.15%	5.60%
2016	19.4B	5 or fewer	31.9M	NA <sup>1</sup>	NA <sup>2</sup>	NA <sup>2</sup>
2015	16.8B	5 or fewer	10.1M	NA <sup>1</sup>	NA <sup>2</sup>	NA <sup>2</sup>

<sup>1</sup> NA = Not Applicable

<sup>2</sup> 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.