

The Composite decreased 2.94%, net of fees, compared to a 0.69% decrease in the Russell 1000 Index and a 2.83% decrease in the Russell 1000 Value Index.

The Composite's holdings in the financials, consumer staples, and energy sectors were the primary detractors from absolute return, while holdings in the information technology and health care sectors contributed to return.

The Composite's underperformance relative to the Russell 1000 Index was driven by security selection in the energy sector followed by the financials and consumer discretionary sectors. Security selection in the information technology sector along with an underweight allocation to the sector also detracted from relative return. Security selection in the health care sector was the largest contributor to relative return.

Best Performers

- Software provider **Microsoft Corp.** reported strong quarterly earnings. The company also indicated that it now expects to achieve slight operating margin expansion in 2018, which was an improvement from expectations.
- 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.
- Banking and financial services company **Morgan Stanley** reported strong results in wealth management with positive contributions from equities and investment banking.
- Banking and financial services company **JP Morgan Chase & Co.** continues to execute very well across its portfolio of business lines.
- Discount apparel retailer **TJX Cos., Inc.** reported strong fourth-quarter comparable store sales growth. In addition, TJX is a beneficiary of the Tax Cuts and Jobs Act and announced plans to use proceeds from its windfall to repurchase \$2.5-\$3 billion in company stock this fiscal year.

PORTFOLIO MANAGEMENT



Chuck Bath, CFA
Portfolio Manager



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Portfolio Manager



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Worst Performers

- The underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects industry concerns around exposure to weaker regional natural gas prices and service cost inflation; however, we believe these issues will largely be resolved over the medium term.
- Shares of banking and financial services company **Citigroup, Inc.** lagged as investors appeared to become increasingly focused on potential barriers to international trade.
- Despite reporting solid quarterly results, shares of **Comcast Corp. (CI A)** declined due to concerns over the company's potential bid for Sky. While we are wary of a potential bidding war that could destroy value, we believe Sky fits well into Comcast's long-term strategy.
- Shares of consumer products manufacturer **Procter & Gamble Co.** traded lower over fears of continued rising transportation costs and a possible inability to pass those cost increases on to retail customers.
- 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.

New Positions

- We initiated a position in **Berkshire Hathaway, Inc. (CI B)**, the multi-industry holding company led by Warren Buffett. Berkshire owns a diversified collection of high-quality businesses through both 100%-controlled entities as well as partial stakes in publicly traded companies. We believe that Berkshire is poised to deliver better-than-market growth as its insurance companies benefit from a cyclical recovery and it continues to reinvest its cash flows into value creating opportunities.



- We initiated a position in beverage manufacturer **PepsiCo, Inc.**, a name we have owned across other portfolios.
- Although the outcome of its merger with CVS Health is uncertain, we continue to like health care benefits company **Aetna, Inc.** and view the risk/reward as favorable.

Eliminated Positions

- We eliminated personal products manufacturer **Kimberly-Clark Corp.** and banking and financial services company **Morgan Stanley** in order to invest in more attractive opportunities.

Diamond Hill Large Cap Concentrated Strategy

As of March 31, 2018

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	1Q18
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	14.42	13.52	11.08	10.00	-2.80	-2.80
Net of Fees	14.05	13.15	10.86	9.36	-2.94	-2.94
BENCHMARKS						
Russell 1000 Index	15.02	13.17	10.39	13.98	-0.69	-0.69
Russell 1000 Value Index	13.46	10.78	7.88	6.95	-2.83	-2.83

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 – 12/31/17. 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 – 12/31/17. 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.; registration does not imply a certain level of skill or training. 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**