Quarterly Commentary: Fixed Income Composites

June 30, 2018

Short Duration Total Return	Corporate Credit
Core Bond	High Yield

Our Mission

At Diamond Hill, ***we serve*** our clients by providing investment strategies that deliver lasting value through a shared commitment to our intrinsic value-based investment philosophy, long-term perspective, disciplined approach and alignment with our clients' interests.

VALUE

We believe market price and intrinsic value are independent in the short-term but tend to converge over time.

LONG-TERM

We maintain a long-term focus both in investment analysis and management of our business.

DISCIPLINE

We invest with discipline to increase potential return and protect capital.

PARTNERSHIP

We align our interests with those of our clients through significant personal investment in our strategies.

Second Quarter 2018 Review: Fixed Income Markets

As of June 30, 2018

Fixed Income Markets

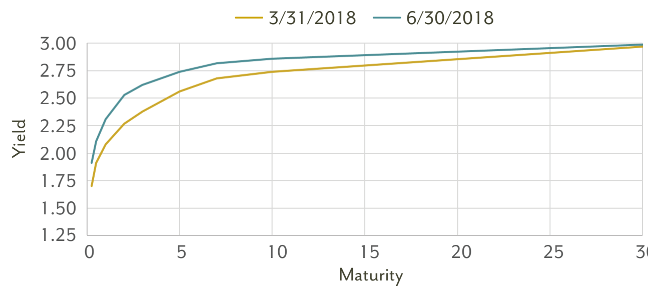
During the quarter, it appeared as though the markets had worked through the volatility of the first quarter and were headed to the traditional doldrums of the summer months. However, market activity indicated that this summer may deliver something unique compared to summer months in previous years. The first month of the quarter saw Treasury rates rise considerably, while spreads essentially moved sideways. The difficult first quarter for spread sectors combined with a down month in April delivered performance for the first four months of the year not seen in the market since 1994, as each of the major sectors in the fixed income universe delivered negative performance.

APRIL 2018 YTD	2-YR TREASURY BELLWETHER	10-YR TREASURY BELLWETHER	30-YR TREASURY BELLWETHER	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX	BLOOMBERG BARCLAYS SECURITIZED INDEX	BLOOMBERG BARCLAYS CORPORATE INDEX	ICE BofAML U.S. HIGH YIELD INDEX
2011	0.46	1.20	0.25	1.70	1.88	2.59	5.48
2012	0.09	0.57	(3.19)	1.41	1.38	3.50	6.22
2013	0.18	1.47	1.61	0.89	0.52	1.72	4.81
2014	0.32	4.29	10.50	2.70	2.46	4.17	3.71
2015	0.54	1.76	0.84	1.24	1.14	1.60	3.77
2016	0.81	4.62	8.19	3.43	2.24	5.39	7.37
2017	0.36	1.99	2.85	1.59	1.15	2.30	3.87
2018	(0.37)	(3.76)	(5.98)	(2.19)	(1.68)	(3.22)	(0.25)
1994	(0.99)	(7.05)	(9.55)	(3.64)	(3.04)	(4.45)	(3.05)

Source: Bloomberg, ICE BofAML.

Treasury

Much as it did in the preceding quarter, the yield curve continued to flatten throughout the second quarter. To understand the shift in the curve over the last several years, we examine the spreads between the 2-year and 10-year Treasury and the 2-year and 30-year Treasury. At the end of the second quarter, the spread between the 2-year and 10-year Treasury was 33 bps. Over the past year, the spread has averaged 65 bps, and over the past five years has averaged 138 bps. The flattening of the curve is much more apparent in the 2-year to 30-year spread. At the end of June, the spread was 46 bps, with an average spread of 101 bps over the past year. For the five-year period ending June 2018 this spread has averaged 207 bps.



	3-MO	6-MO	1-YR	2-YR	3-YR	5-YR	7-YR	10-YR	30-YR
3/31/18	1.70	1.91	2.08	2.27	2.38	2.56	2.68	2.74	2.97
6/30/18	1.91	2.11	2.31	2.53	2.62	2.74	2.82	2.86	2.99
Change	0.21	0.20	0.23	0.26	0.24	0.18	0.14	0.12	0.02

Securitized

Asset-backed securities (ABS) delivered the strongest relative performance during the second quarter, followed by Mortgage-Backed Securities (MBS). The ABS sector was led by Autos (up 0.47%) followed closely by Credit Cards (up 0.36%). Additionally, Mortgage-Backed Securities increased 0.24% and Commercial Mortgage-Backed Securities (CMBS) declined 0.06%. From an excess return* standpoint, ABS was the strongest performer (up 0.17%) followed closely by MBS (up 0.15%), while CMBS was flat.

Investment Grade and High Yield Credit

Once again, the Bloomberg Barclays U.S. Corporate Index was the largest drag on performance for the overall index, declining 0.98% during the quarter. Utilities was the worst performing sector, declining 1.33%, followed by Industrials and Financials, which were down 1.11% and 0.64%, respectively.

The high yield market, as measured by the ICE BofA ML U.S. High Yield Index, returned 1.00% during the second quarter. The CCC-rated segment of the ICE BofA ML U.S. High Yield Index continues to drive the market, returning 3.58% during the quarter, bringing the year-to-date return to nearly 4.00%. BB-rated bonds were hit the hardest, declining 0.12% during the quarter.

*Excess return indicates the return over comparable duration Treasuries.

Diamond Hill Short Duration Total Return Strategy

All Composite returns are net of fees.

The Composite* generated a 0.83% total return during the second quarter, compared to 0.28% for the Bloomberg Barclays U.S. 1-3 Year Government/Credit Index. Since its inception on July 31, 2016, the Composite has generated a total return of 3.55% compared to 0.28% for the Index. The goal of the Diamond Hill Short Duration Total Return strategy is to outperform the Index over a market cycle, while generating a yield and return advantage relative to the benchmark. We are pleased with how the strategy has performed on a relative basis, both in the most recent quarter and since its inception.

It appeared as though the markets had worked through the volatility of the previous quarter and were headed to the traditional doldrums of the summer months. The second quarter of 2018 showed that this summer may deliver something unique compared to historic summer months. The first month of the quarter saw Treasury rates back up considerably while spreads essentially moved sideways. The difficult first quarter for spread sectors combined with a down month in April delivered performance not seen in the market since 1994 as each of the major sectors in the fixed income universe delivered negative performance for the first four months of the year.

APRIL 2018 YTD	2-YR TREASURY BELLWETHER	10-YR TREASURY BELLWETHER	30-YR TREASURY BELLWETHER	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX	BLOOMBERG BARCLAYS SECURITIZED INDEX	BLOOMBERG BARCLAYS CORPORATE INDEX	ICE BofAML U.S. HIGH YIELD INDEX
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2015	0.54	1.76	0.84	1.24	1.14	1.60	3.77
2016	0.81	4.62	8.19	3.43	2.24	5.39	7.37
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1994	(0.99)	(7.05)	(9.55)	(3.64)	(3.04)	(4.45)	(3.05)

Source: Bloomberg, ICE BofAML.

May began rather uneventfully as the Federal Open Market Committee (FOMC) remained steadfast in its outlook for rates and delivered no significant changes post-meeting. Rates backed up significantly as the 2-year (2.59%), 10-year (3.11%) and 30-year (3.25%) all hit multi-year highs on better than expected retail sales

PORTFOLIO MANAGEMENT

Henry Song, CFA
Portfolio Manager

Mark Jackson, CFA
Portfolio Manager

and hawkish commentary from various members of the FOMC. The progress of rates moving higher was derailed by political upheaval in Europe as Italy's new regime delivered announcements criticizing the Euro, raising concerns around Italy's following Britain with their own version of Brexit. The volatility was short-lived as the new government backed off statements of an Italian exit and replaced the major proponent of an Italian exit with a finance minister content to remain in the European Union.

Trade wars, the U.S.-North Korea summit, a rate hike from the FOMC, and the European Central Bank (ECB) announcement of the end of European Quantitative Easing provided an extremely busy final month for the end of the quarter. Of the aforementioned items, only the ongoing trade war and back and forth statements from the United States, China, and various European partners truly impacted the markets. Rates on the longer end of the curve peaked in the early part of June before pulling back to end the month unchanged, while the shorter end of the curve ended higher from the beginning of the month.

The yield curve continued the trend of flattening throughout the second quarter of 2018. To illustrate the shift in the curve over the last several years, one need just look to the spreads between the 2-year and 10-year Treasury and the 2-year and 30-year Treasury. At the end of the second quarter, the spread between the 2-year and 10-year Treasury was 33 bps. Over the past year, the spread has averaged 65 bps and over the past five years the spread has averaged 138 bps. The flattening of the curve is much more apparent in the spread between 2-year and 30-year Treasury. At the end of June, the spread between the 2-year Treasury and the 30-year Treasury was 46 bps while over the past year it has averaged 101 bps. Over the five-year period ending in June of this year, the spread has averaged 207 bps.

It is important to note that the Short Duration Total Return strategy works to provide yield for investors while focusing on the shorter end of the fixed income markets. Though there is a concentration on the shorter end of the yield curve, the strategy maintains a

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certain level of interest rate risk and can experience some price volatility in uncertain markets. We believe there are opportunities to add incremental yield over the benchmark by investing in structured product across the quality spectrum. The strategy strives to maintain an average credit quality rating of A while taking advantage of mispriced opportunities in both unrated securities and a small allocation to below investment grade securities.

As of June 30, 2018, the strategy had a yield to worst (YTW) of 4.05% with an effective duration of 1.61, compared to the Index's YTW of 2.72% and effective duration of 1.93. Asset-backed securities (ABS) remain the largest allocation in the strategy and contribute the majority of the yield in the portfolio. Within the ABS sector, various subsectors were additive to performance, with automobile ABS the strongest contributor to performance during the quarter. Non-agency commercial mortgage-backed securities also contributed to the overall performance of the portfolio.

The strategy's allocation to corporate credit was slightly positive and the underweight position in financials and industrials contributed to relative performance as the entire corporate credit sector was negative during the quarter. The strategy has not invested in non-corporate credit (sovereign, supranational, etc.), and this did not impact performance during the quarter as these sectors offset each other with positive (local authority) and negative (sovereign, supranational) performance.

The strategy's minimal allocation to the U.S. Treasury sector (5.3%) contributed to relative performance as this component of the Index (63.0%) experienced negative returns during the quarter due to climbing rates on the shorter end of the curve.

The strategy continues to search for opportunities in the marketplace while maintaining an attractive yield relative to the benchmark.

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: July 31, 2016

	TRAILING				CALENDAR	
	SINCE INCEPTION	1-YR	YTD	2Q18	7/31/16 - 12/31/16	2017
SHORT DURATION TOTAL RETURN COMPOSITE						
Gross of Fees	3.91	3.78	1.70	0.92	0.88	4.89
Net of Fees	3.55	3.43	1.52	0.83	0.73	4.54
BENCHMARKS						
Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index	0.28	0.21	0.08	0.28	-0.38	0.84

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. DHCM has been independently verified for the period 5/31/00 – 3/31/18. DHCM'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. 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 Short Duration Total Return Composite is comprised of discretionary non-fee and fee paying non-wrap accounts with a market value over $200M managed according to the firm's Short Duration Total Return fixed income strategy. The strategy's investment objective is to maximize total return with the preservation of capital. The strategy generally invests in a diversified portfolio of investment grade, fixed income securities, including bonds, debt securities and other similar U.S. dollar-denominated instruments issued by various U.S. public- or private-sector entities, by foreign corporations or U.S. affiliates of foreign corporations or by foreign governments or their agencies and instrumentalities. The portfolio may invest a significant portion or all of its assets in asset-backed, mortgage-related and mortgage-backed securities at the discretion of DHCM . The portfolio may invest up to 20% of its assets in below-investment grade securities at the time of purchase and will typically maintain an average portfolio duration of less than three. 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 Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index is an unmanaged index of investment grade government and corporate bonds with maturities of one to three years. 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 Short Duration Total Return separate accounts is as follows: First $200,000,000 = 0.45%; Next $300,000,000 = 0.35%; Balance over $500,000,000 = 0.30%. 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 result. GIPS is 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	SHORT DURATION TOTAL RETURN COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Short Duration Total Return Composite	Bloomberg Barclays U.S. 1-3 Yr. Gov./ Credit Index
2017	$22.3B	5 or fewer	$43.8M	NA[1]	NA[2]	NA[2]
2016	19.4B	5 or fewer	39.7M	NA[1]	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 July 2016.

Global Investment Performance Standards

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The Composite* generated a 0.16% total return during the second quarter, compared to -0.16% for the Bloomberg Barclays U.S. Aggregate Index. Since its inception on July 31, 2016, the Composite has generated a total return of 0.56% compared to -0.70% for the Index. The goal of the Diamond Hill Core Bond strategy is to outperform the Index over a market cycle. We are pleased with how the strategy has performed on a relative basis, both in the most recent quarter and since its inception.

It appeared as though the markets had worked through the volatility of the previous quarter and were headed to the traditional doldrums of the summer months. The second quarter of 2018 showed that this summer may deliver something unique compared to historic summer months. The first month of the quarter saw Treasury rates back up considerably while spreads essentially moved sideways. The difficult first quarter for spread sectors combined with a down month in April delivered performance not seen in the market since 1994 as each of the major sectors in the fixed income universe delivered negative performance for the first four months of the year.

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Source: Bloomberg, ICE BofAML.

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Britain with their own version of Brexit. The volatility was short-lived as the new government backed off statements of an Italian exit and replaced the major proponent of an Italian exit with a finance minister content to remain in the European Union.

Trade wars, the U.S.-North Korea summit, a rate hike from the FOMC, and the European Central Bank (ECB) announcement of the end of European Quantitative Easing provided an extremely busy final month for the end of the quarter. Of the aforementioned items, only the ongoing trade war and back and forth statements from the United States, China, and various European partners truly impacted the markets. Rates on the longer end of the curve peaked in the early part of June before pulling back to end the month unchanged, while the shorter end of the curve ended higher from the beginning of the month.

The yield curve continued the trend of flattening throughout the second quarter of 2018. To illustrate the shift in the curve over the last several years, one need just look to the spreads between the 2-year and 10-year Treasury and the 2-year and 30-year Treasury. At the end of the second quarter, the spread between the 2-year and 10-year Treasury was 33 bps. Over the past year, the spread has averaged 65 bps and over the past five years the spread has averaged 138 bps. The flattening of the curve is much more apparent in the spread between the 2-year and 30-year Treasury. At the end of June, the spread between the 2-year Treasury and the 30-year Treasury was 46 bps while over the past year it has averaged 101 bps. Over the five-year period ending in June of this year, the spread has averaged 207 bps. The strategy's overall underweight allocation to Treasuries relative to the benchmark was a detractor; however, the longer duration posture of the Treasury allocation within the strategy mitigated some of the impact on a relative basis as rates finished lower during the quarter.

The strategy's duration has been maintained within our targeted range of +/-10% of the benchmark's duration. At the end of the first quarter, the strategy's duration was roughly 89% of the benchmark's duration (5.35 versus 5.99), reflecting the long-term viewpoint that interest rates have a greater chance of moving higher over the

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coming months and quarters. During the quarter, both the duration of the benchmark and the strategy contracted as rates moved lower, from 6.08 to 5.99 for the benchmark and from 5.40 to 5.35 for the strategy. The strategy's overall shorter duration positioning relative to the benchmark detracted from performance during the quarter.

Once again, the Bloomberg Barclays U.S. Corporate Index was the largest drag on performance for the overall Aggregate Index, losing 98 basis points during the quarter. Utilities were the worst performing sector, dropping 1.33% during the quarter followed closely by industrials (-1.11%) and financials (-0.64%). The strategy's underweight allocation to investment grade corporate, as well as a shorter duration posture relative to the benchmark, contributed to relative performance.

The sector with the most substantial impact on the strategy during the quarter was the securitized sector, with strong security selection and sector positioning driving the majority of absolute return. Asset-backed securities (ABS) delivered the strongest relative performance, followed by Mortgage-backed securities (MBS). The strategy's overweight to ABS contributed to performance during the quarter as did the allocation to MBS. The commercial MBS allocation in the strategy detracted slightly from the benchmark as the strategy's positions.

The strategy continues to search for opportunities in the marketplace while maintaining a conservative risk profile relative to the Index.

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: July 31, 2016

	TRAILING				CALENDAR	
	SINCE INCEPTION	1-YR	YTD	2Q18	7-31/16 - 12/31/16	2017
CORE BOND COMPOSITE						
Gross of Fees	0.86	1.01	-0.42	0.23	-2.45	4.64
Net of Fees	0.56	0.71	-0.58	0.16	-2.56	4.33
BENCHMARKS						
Bloomberg Barclays U.S. Aggregate Index	-0.70	-0.40	-1.62	-0.16	-3.14	3.54

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2016	19.4B	5 or fewer	39.7M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

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This composite was created in July 2016.

Global Investment Performance Standards

All Composite returns are net of fees.

The Composite* generated a 1.18% total return during the second quarter compared to -0.62% for the ICE Bank of America Merrill Lynch U.S. Corporate & High Yield Index. Year to date, the Composite generated a 1.57% total return compared to -2.59% for the Corporate & High Yield Index. For the trailing five years, the Composite generated an annualized total return of 6.14% compared to 3.88% for the Corporate & High Yield Index.

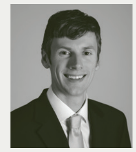
Unlike most corporate bond strategies, the Diamond Hill Corporate Credit strategy is not managed against any index. Instead, the strategy is managed against absolute objectives within a range of inflation plus 3% and 7% nominal, each measured over rolling five-year periods. Our goal is to generate a yield and total return within that range while minimizing the risk of downside volatility over longer time periods. Although the strategy's investable universe (and the Corporate & High Yield Index) includes both investment grade and high yield corporate bonds, since early 2010 the strategy has been largely focused on the high yield portion of the market to achieve these objectives. About 90% of the strategy was in high yield corporate bonds at the end of the second quarter.

The high yield portion of the U.S. corporate bond market, as represented by the ICE Bank of America Merrill Lynch U.S. High Yield Index, began the year with a yield to worst (YTW) of 5.84% and option-adjusted spread (OAS) of 363 basis points. After generating a 0.08% total return in the first half, the High Yield Index ended the second quarter with a 6.62% YTW and OAS of 378 basis points.

Through 2020, the Federal Reserve projects GDP growth above its estimate of long-run potential and unemployment well below its estimate of the long-run natural rate of unemployment. Yet the Fed's preferred measures of inflation have already reached 2% and the median Fed projection of inflation through 2020 is only 2.1%. If the Fed's projections of GDP growth and unemployment are anywhere close to accurate, we expect inflation to come in higher than 2.1%.

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
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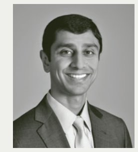

Suken Patel, CFA
Asst. Portfolio Manager

The median Fed projection is for six more rate hikes to a peak around 3.375% by the end of 2020, yet the market projects only two or three more hikes to a peak closer to 2.5% by the end of 2019. Further, we believe that the Fed intends to stay close to its forecasted path for the fed funds rate even if inflation comes in as high as 2.5%.

While volatility is difficult to forecast, we always want to be prepared to take advantage of it. We see the potential for significant volatility as the internal inconsistency of the Fed's projections and the differences between the Fed and the market are reconciled. Conditions outside the U.S., such as European Central Bank and Bank of Japan asset purchases, also impact U.S. rates. But asset purchases should decline in coming months, which could contribute to volatility in financial markets.

The high yield market is still priced for low defaults and muted volatility. However, due to higher Treasury yields, the 6.62% YTW of the High Yield Index at the end of the quarter compares to a YTW below 5% at the peak of the prior high yield cycle in the middle of 2014. The strategy's YTW is typically somewhere in the range of our absolute objectives, although it was well below the low end of the range on June 30, 2014 (the peak of that high yield market cycle) and well above the high end of the range on February 11, 2016 (the most recent bottom of the high yield market). At the end of the second quarter, the strategy's YTW was 5.76%. The strategy's duration was 3.32, within the typical 2.0-3.5 range and well below the High Yield Index duration of 4.19 and the Corporate & High Yield Index duration of 6.56. While we do want to be prepared for spikes in volatility, our yield and duration reflect the higher starting yield of the high yield market and our expectation that defaults will continue to trend lower for the foreseeable future.

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Diamond Hill Corporate Credit Strategy

As of June 30, 2018

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: September 30, 2002

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	2Q18
CORPORATE CREDIT COMPOSITE							
Gross of Fees	7.65	7.67	6.63	6.94	4.80	1.80	1.31
Net of Fees	7.15	7.15	6.14	6.47	4.33	1.57	1.18
BENCHMARKS							
ICE BofAML U.S. Corporate & High Yield Index	5.88	5.84	3.88	3.38	-0.16	-2.59	-0.62
ICE BofAML U.S. High Yield Index	8.86	8.03	5.51	5.55	2.53	0.08	1.00

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
CORPORATE CREDIT COMPOSITE										
Gross of Fees	-16.55	30.78	14.52	6.30	10.65	6.12	3.17	2.18	12.90	8.55
Net of Fees	-16.96	30.09	13.96	5.78	10.11	5.60	2.65	1.72	12.40	8.08
BENCHMARKS										
ICE BofAML U.S. Corporate & High Yield Index	-10.93	26.00	10.76	6.80	11.37	0.34	6.43	-1.37	7.97	6.66
ICE BofAML U.S. High Yield Index	-26.39	57.51	15.19	4.38	15.58	7.42	2.50	-4.64	17.49	7.48

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AS OF YEAR-END	DHCM	CORPORATE CREDIT COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Corporate Credit Composite	ICE BofAML U.S. Corporate & High Yield Index	ICE BofAML U.S. High Yield Index
2017	$22.3B	5 or fewer	$652.4M	NA	3.78%	3.63%	5.60%
2016	19.4B	5 or fewer	533.5M	NA	3.96	3.93	6.03
2015	16.8B	5 or fewer	299.0M	NA	2.91	3.82	5.27
2014	15.7B	5 or fewer	220.0M	NA	2.37	3.79	4.44
2013	12.2B	5 or fewer	186.7M	NA	3.32	4.34	6.42
2012	9.4B	5 or fewer	178.4M	NA	3.80	4.00	7.03
2011	8.7B	5 or fewer	146.0M	NA	7.10	5.73	11.00
2010	8.6B	5 or fewer	145.8M	NA	NA	NA	NA
2009	6.3B	5 or fewer	127.6M	NA	NA	NA	NA
2008	4.5B	5 or fewer	112.8M	NA	NA	NA	NA

NA = Not Applicable

This composite was created in April 2015.

Global Investment Performance Standards

Diamond Hill High Yield Strategy

As of June 30, 2018

All Composite returns are net of fees.

The Composite* generated a 1.40% total return during the second quarter compared to 1.00% for the ICE Bank of America Merrill Lynch U.S. High Yield Index. Year to date, the Composite has generated a total return of 2.05% compared to 0.08% for the High Yield Index. Since inception on December 31, 2014, the Composite has generated an annualized total return of 8.00% compared to 5.47% for the High Yield Index.

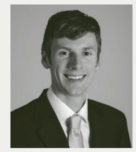
The High Yield Index began the year with a yield to worst (YTW) of 5.84% and option-adjusted spread (OAS) of 363 basis points and ended the quarter with a 6.62% YTW and OAS of 378 basis points.

Through 2020, the Federal Reserve projects GDP growth above its estimate of long-run potential and unemployment well below its estimate of the long-run natural rate of unemployment. Yet the Fed's preferred measures of inflation have already reached 2% and the median Fed projection of inflation through 2020 is only 2.1%. If the Fed's projections of GDP growth and unemployment are anywhere close to accurate, we expect inflation to come in higher than 2.1%.

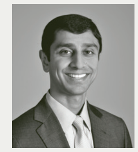
The median Fed projection is for six more rate hikes to a peak around 3.375% by the end of 2020, yet the market projects only two or three more hikes to a peak closer to 2.5% by the end of 2019. Further, we believe that the Fed intends to stay close to its forecasted path for the fed funds rate even if inflation comes in as high as 2.5%.

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

While volatility is difficult to forecast, we always want to be prepared to take advantage of it. We see the potential for significant volatility as the internal inconsistency of the Fed's projections and the differences between the Fed and the market are reconciled. Conditions outside the U.S., such as European Central Bank and Bank of Japan asset purchases, also impact U.S. rates. But asset purchases should decline in coming months, which could contribute to volatility in financial markets.

The high yield market is still priced for low defaults and muted volatility. However, due to higher Treasury yields, the 6.62% YTW of the High Yield Index at the end of the quarter compares to a YTW below 5% at the peak of the prior high yield cycle in the middle of 2014. The strategy's YTW has been somewhat lower than the market for the past few quarters. The strategy's duration was 4.15, within our typical range of plus or minus 10% of the High Yield Index. The move higher in interest rates has presented some opportunities to improve credit quality while accepting additional duration.

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Diamond Hill High Yield Strategy

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2014

	SINCE INCEPTION	3-YR	1-YR	YTD	2Q18
HIGH YIELD COMPOSITE					
Gross of Fees	8.39	8.12	6.06	2.30	1.53
Net of Fees	8.00	7.68	5.54	2.05	1.40
BENCHMARKS					
ICE BofAML U.S. High Yield Index	5.47	5.55	2.53	0.08	1.00

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

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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	ICE BofAML U.S. High Yield Index
2017	$22.3B	5 or fewer	$31.1M	NA[1]	5.15%	5.60%
2016	19.4B	5 or fewer	31.9M	NA[1]	NA[2]	NA[2]
2015	16.8B	5 or fewer	10.1M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] 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.

Global Investment Performance Standards

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