

The Composite increased 3.89%, net of fees, compared to a 7.12% increase in the Russell 3000 Index and a 5.39% increase in the Russell 3000 Value Index.

The Composite's holdings in the financials, industrials, and health care sectors were the largest contributors to absolute return. Holdings in the communication services, energy, and consumer discretionary sectors were the primary detractors from absolute return.

The Composite's underperformance relative to the Index was primarily driven by a combination of security selection and an underweight position in the information technology sector. Security selection in the consumer discretionary, energy, communication services, and real estate sectors also detracted from relative return. Security selection in the financials sector contributed to relative return but was offset by an overweight allocation to the sector.

Best Performers

- Shares of airline operator **United Continental Holdings, Inc.** rose after the company reported better-than-expected earnings and increased full-year guidance despite materially higher fuel costs. Revenues continue to exceed expectations due to strong demand, as well as encouraging initial results from company-specific initiatives.
- Diversified holding company **Berkshire Hathaway, Inc. (CI B)** outperformed after reporting strong earnings across several of its most important subsidiaries, including GEICO and its large manufacturing businesses. In addition, the company announced an adjustment to its share repurchase policy that allows a repurchase any time that Warren Buffett and Charlie Munger agree that the stock is at a meaningful discount to intrinsic value.
- Health care products manufacturer **Abbott Laboratories** outperformed as the company continues to post strong results across all divisions. Abbott also reported exceptionally robust clinical data for MitraClip, its mitral valve repair product. The company's strong performance has also translated into lower-than-anticipated leverage following the St. Jude and Alere acquisitions.
- Shares of insurance company **ProAssurance Corp.** rallied amid strong quarterly results. Management commentary on the business was also markedly positive compared to the prior quarter.

PORTFOLIO MANAGEMENT



Austin Hawley, CFA
Portfolio Manager



Rick Snowdon, CFA
Portfolio Manager

- Shares of life insurance company **MetLife, Inc.** rallied on rising interest rates and strong quarterly results across all its growth businesses. Capital return continues to be strong, with additional capital return planned for the remainder of the year.

Worst Performers

- Shares of casino operator **Red Rock Resorts, Inc. (CI A)** declined amid concerns regarding weakness in Las Vegas Strip room pricing and visitation during the latter half of the year. Additionally, large renovations at Palace Station and The Palms are closer to the Las Vegas Strip and are more susceptible to this weakness. Overall, the near-term volatility does not change our long-term thesis on the company.
- Shares of **Bank OZK**, a regional bank based in Arkansas, declined as loan growth was lower than expected due to a slowing commercial real estate market and accelerating repayments of existing loans. Fears over rising deposit costs have also weighed on shares amid concerns of net interest margin pressure.
- Shares of social media company **Facebook, Inc. (CI A)** declined as the company provided a downside outlook for the second half of 2018 and guided for declines in operating margins as it invests heavily in improving security and privacy on its social-media and messaging platforms. Facebook is trading at a discount to our estimate of intrinsic value and we expect the company to retain its attractive network economics and manage user privacy concerns well without impairing the value of the business over the long term.
- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concern about widening price differentials in 2019. We believe the widely discussed infrastructure bottlenecks in the Permian Basin will be a 12- to 18-month event and that Cimarex is well-positioned to continue executing on development projects.



- Shares of diversified media and entertainment company **Twenty-First Century Fox, Inc. (CI B)** declined as the bidding war for Fox assets came to an end. Disney beat Comcast for the assets and received shareholder approval from Fox.

New Positions

- We added a position in pharmaceutical company **GlaxoSmithKline PLC**. We have held the company in other strategies and like its attractive valuation and potential for improvement in its return profile. The arrival of Emma Walmsley as CEO and other recent management changes also prompted the addition to this strategy.
- **Formula One Group** is a global motorsport racing league acquired by Liberty Media last year. Formula One's intellectual property is unique and extremely difficult to replicate, and its fan base remains massive. The business model provides high free cash flow generation and the sport is well-positioned to benefit from secular shifts in media as a whole. New management has a strong track record of monetizing sports and is focused on the long term.
- **NVR, Inc.** is the fourth-largest homebuilder in the U.S. by volume and concentrates its efforts primarily in the Mid-Atlantic. While it operates in a cyclical and competitive industry, the combination of NVR's land-light strategy, leading local market share, efficient construction process, and excellent employee retention allows them to achieve high returns on capital over the long term while minimizing inventory risk. During good times, we believe NVR will be able to grow and benefit from housing tail winds. During bad times, management has proven to be excellent opportunistic capital allocators through repurchasing shares at attractive prices, entering new markets, and taking advantage of competitor distress.

- **Sherwin-Williams Co.** Paint Stores Group is one of the strongest businesses in the coatings sector and caters to the professional painting contractor in the United States, which has been taking share from the DIY (do-it-yourself) painter over the past several decades. This trend has led to market share gains for Sherwin Williams which we believe is likely to continue. Investor worries over persistently rising raw material costs presented an opportunity to invest in a dominant franchise at a discount to intrinsic value. We believe the company will more than recover these rising costs over the next several years with pricing and from cost savings from the Valspar merger.
- We received shares of **WMIH Corp.**, a shell company with a large tax loss balance, when it completed the acquisition of our holding **Nationstar Mortgage Holdings, Inc.** There are no operational changes at Nationstar as it is simply under a new ownership structure.

Eliminated Positions

- Our thesis was not playing out as we anticipated for media and communications company **Liberty Global PLC (CI A)**. In particular, poor execution in the U.K. and Ireland segment appears indicative of a weaker competitive advantage than we expected, while Switzerland and Belgium operate in very competitive markets already. Liberty Global is also highly levered and faces regulatory risk regarding the Vodafone transaction.
- We eliminated our position in brewing company **Molson Coors Brewing Co. (CI B)** to fund higher conviction ideas.
- We exited our position in diversified media and entertainment company **Twenty-First Century Fox, Inc. (CI B)** to reduce our exposure to regulatory risk from the Disney transaction and to the disrupted U.S. media environment.

Diamond Hill All Cap Select Strategy

As of September 30, 2018

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: June 30, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	3Q18
ALL CAP SELECT COMPOSITE							
Gross of Fees	11.01	11.79	11.88	12.75	14.02	5.33	4.04
Net of Fees	10.28	11.14	11.29	12.12	13.37	4.88	3.89
BENCHMARKS							
Russell 3000 Index	6.29	12.01	13.46	17.07	17.58	10.57	7.12
Russell 3000 Value Index	7.53	9.76	10.65	13.75	9.46	4.17	5.39

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 – 6/30/18. 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 – 6/30/18. 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

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)	All Cap Select Composite	Russell 3000 Index	Russell 3000 Value 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

fee schedule for All Cap Select separate accounts is as follows: First \$20,000,000 = 0.80%; 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. GIPS is a trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this report/advertisement.

NA = Not Applicable

This composite was created in October 2013.

