



**DIAMOND
HILL** | CAPITAL
MANAGEMENT

Quarterly Commentary: Equity Composites

September 30, 2018

Small Cap (*closed to new investors*)

Large Cap Concentrated

Small-Mid Cap (*closed to new investors*)

All Cap Select

Mid Cap

Global

Large Cap

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.

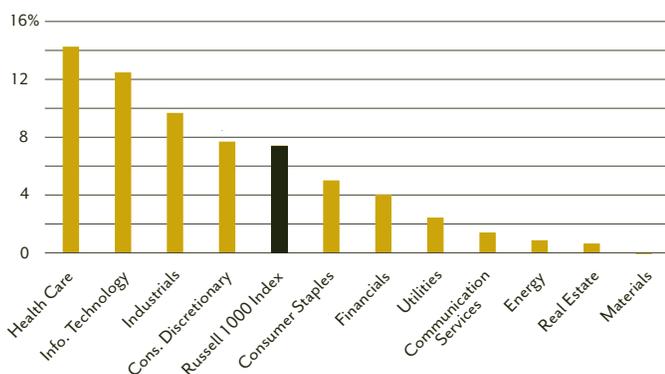
PARTNERSHIP

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

The Russell 1000 Index generated a 7.4% return during the third quarter, reaching a new all-time high in September. The quarter was the strongest for the Index since the 10.2% return in the fourth quarter of 2013. Volatility has receded and the market continues to largely shrug off rhetoric around tariffs, trade wars, and the potential for an inverted yield curve.

Health Care was the best performing sector during the quarter, up 14.3%, followed by a 12.5% increase in the Information Technology sector. Strong performance for shares of Apple and Microsoft continue to drive performance in the Information Technology space. Declines in Facebook and Netflix – a rare occurrence in recent years – dampened the return for the new Communication Services sector. Although Financials saw a respectable 4.0% return in the quarter, the sector once again underperformed the broader market. Finally, concerns over tariffs and higher input costs put pressure on the Materials sector, the only sector with a negative return in the quarter.

RUSSELL 1000 SECTOR RETURNS - 3Q18



Source: FactSet.

Reversing the trend from the first half of the year, large cap stocks meaningfully outperformed small cap stocks in the third quarter, with the Russell 1000 returning 7.4% compared to the Russell 2000 return of 3.6%. During the first half of the year, small caps rose amidst the possibility of a global trade war, as small caps generally do less business outside the United States. However, relative performance shifted back toward large caps as trade war rhetoric cooled late in the third quarter. Unchanged, however, was the continued outperformance of Growth over Value, with the Russell 1000 Growth Index returning 9.2%, outpacing the Russell 1000 Value Index by over 300 basis points.

The new Communication Services sector went into effect at the end of the third quarter, combining the Telecommunication Services sector (largely AT&T and Verizon Communications) with several companies from the Consumer Discretionary sector (i.e. Disney and Netflix) and the Information Technology sector (i.e. Facebook and Alphabet). This new sector will account for approximately 10% of the Russell 1000, reducing the Information Technology sector approximately 500 basis points to 21% and the Consumer Discretionary sector about 250 basis points to 11%. Interestingly, Amazon will now account for over 25% of the Consumer Discretionary sector, while Alphabet and Facebook will account for nearly half of the new Communication Services sector.

The strong third quarter pushed the year-to-date return for the Russell 1000 Index to 10.5%. Information Technology continues to lead the way, up 25.0%, followed by Consumer Discretionary and Health Care, up 17.7% and 17.2%, respectively. These three sectors are driving the overall market return, with no other sectors posting a double-digit return year-to-date. The Materials sector was down 3.3% on the above-mentioned concerns, while Consumer Staples declined by the same amount. Historically, companies in the Consumer Staples space were viewed as having stable cash flows and deep moats, but competition from Amazon and new brands selling direct to consumers online have started to erode these strengths.

Outlook

Corporate tax reform has already started to benefit U.S. companies. Repatriation of cash held overseas ticked up dramatically in the first half of the year, and we are already seeing that cash being utilized for share repurchases and acquisitions. Lower tax rates have also started to boost earnings growth. However, we believe that for many companies this benefit will largely be competed away over time. Our research team continues to evaluate the impact of tax reform on a company-by-company basis and update our estimates of intrinsic value accordingly.

Assessing the impact of macroeconomic factors has been more important in recent years; however, it is still just one of many factors that we consider. As always, bottom-up analysis is of primary importance in estimating the intrinsic value of an individual company, which includes both valuation and business fundamentals.

The size of recently implemented tariffs is small relative to the total economy, and thus far it is not affecting how we are positioning the portfolios. Broadly speaking, we do think cooler heads will prevail but we view the impacts on individual companies as very difficult to handicap.

Low interest rates, high corporate profit margins, and steady economic growth with low inflation have continued to contribute to historically high stock valuations. High valuations make it more challenging for us to find opportunities to add new businesses to the equity portfolios. In this environment where the discount to our estimate of intrinsic value is likely to be narrower, we have focused on maintaining or upgrading the quality of the businesses we own. When evaluating new and current positions with a smaller discount to our estimate of intrinsic value, we remain focused on assessing risk, which we define as permanent loss of capital.

At current valuation levels, we've historically seen annual stock market returns of 5% or less. We continue to expect positive but below-average equity market returns over the next five years. Prospective returns are likely to be tempered by the combination of above-average price/earnings multiples applied to already very strong levels of corporate profit margins.

We believe we can achieve better-than-market returns over the next five years through active portfolio management, and our primary focus is always on achieving value-added results for our existing clients. Our intrinsic value investment philosophy is shared by all of our portfolio managers and research analysts, allowing us to apply our investment discipline consistently across strategies.

The views expressed are those of Diamond Hill as of September 30, 2018 and are subject to change. These opinions are not intended to be a forecast of future events, a guarantee of results, or investment advice. Equity portfolio holdings are subject to change and will be made available at least monthly for download at diamond-hill.com, typically on the seventh (7th) business day following the most recent month ending date.

(closed to new investors)

The Composite increased 1.79%, net of fees, compared to a 3.58% increase in the Russell 2000 Index and a 1.60% increase in the Russell 2000 Value Index.

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

The Composite's underperformance relative to the Index was primarily driven by security selection in the consumer discretionary sector. Security selection and an underweight position in the information technology sector also detracted from relative return. Security selection in the health care sector was a large contributor to relative return; however, it was partially offset by a significant underweight allocation to the sector. The double-digit cash position also detracted from relative return.

Best Performers

- Property and casualty insurance company **Navigators Group, Inc.** outperformed after announcing that it would be acquired by Hartford Financial Services Group, Inc., which we believe is a good outcome for shareholders.
- 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.
- Shares of entertainment company **Live Nation Entertainment, Inc.** increased after reporting increased revenues and adjusted operating income. Meaningfully, the growth has been balanced as concerts, sponsorship, and ticketing all experienced strong growth.
- Shares of hospital owner and operator **LifePoint Health, Inc.** rose after the company was acquired by RCCH HealthCare Partners, which is owned by the private equity segment of Apollo Global Management. The transaction is expected to close during the fourth quarter of 2018.
- Rental and leasing services company **Aaron's, Inc.** outperformed after reporting strong Progressive Leasing revenues and improved credit metrics. Trends have stabilized in the Aaron's stores, with same store sales down marginally in the quarter but total revenues slightly positive. Management now expects same store sales to turn positive in the fourth quarter after showing negative trends for several years.

PORTFOLIO MANAGEMENT



Tom Schindler, CFA
Portfolio Manager



Aaron Monroe, CFA
Asst. Portfolio Manager



Chris Welch, CFA
Asst. Portfolio Manager

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 **BankUnited, Inc.**, a regional bank based in Florida, declined after the appointment of a new board member and the resignation of the board chairman led some to conclude that the probability of the franchise being sold is lower than expected. Uncertainty about the path of earnings through 2019 due to the expiration of FDIC loss share also caused investor caution.
- 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.
- Freight transportation management company **Hub Group, Inc. (CI A)** underperformed after the company sold its Mode division, which will be dilutive to earnings until the proceeds are re-deployed into M&A targets with a better strategic fit. Additionally, elevated new truck orders and some softening in truck pricing created concerns about the sustainability of the current pricing cycle in trucking and intermodal. We believe the lack of driver availability will constrain trucking capacity, and the pricing environment will allow the company to achieve and maintain higher operating margins.

(closed to new investors)

New Positions

- 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.
- We received shares of oil and gas exploration and production company **Riviera Resources, Inc.** in a spin-off from holding Linn Energy, Inc. which was subsequently renamed **Roan Resources, Inc.** Riviera Resources now owns the exploration and production assets that have a more mature, lower decline profile in the Hugoton, East Texas, North Louisiana, Michigan/Illinois, the Uinta Basin, and the Mid-Continent regions. Riviera also owns Blue Mountain Midstream LLC, which is centered in the Merge play in the Anadarko Basin.

Eliminated Positions

- We eliminated our position in consumer products manufacturer **Edgewell Personal Care Co.** due to deteriorating fundamentals in the shave care business. Over the past year, Edgewell has continued to suffer due to pricing actions enacted by Gillette in response to the popularity of Dollar Shave Club and Harry's.
- We closed out our position in diversified industrial company **Hillenbrand, Inc.** when the stock price reached our estimate of intrinsic value.
- We sold our shares of property and casualty insurance company **Validus Holdings Ltd.** in an all-cash acquisition by AIG.

(closed to new investors)

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	3Q18
SMALL CAP COMPOSITE							
Gross of Fees	11.93	10.37	8.39	9.93	7.35	3.11	1.99
Net of Fees	11.06	9.51	7.54	9.06	6.51	2.49	1.79
BENCHMARKS							
Russell 2000 Index	8.77	11.11	11.07	17.12	15.24	11.51	3.58
Russell 2000 Value Index	9.42	9.52	9.91	16.12	9.33	7.14	1.60

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SMALL CAP COMPOSITE										
Gross of Fees	-25.03	30.96	24.76	-5.90	14.32	41.64	5.96	-2.45	15.61	12.05
Net of Fees	-25.62	29.93	23.77	-6.63	13.43	40.55	5.17	-3.23	14.71	11.17
BENCHMARKS										
Russell 2000 Index	-33.79	27.17	26.85	-4.18	16.35	38.82	4.89	-4.41	21.31	14.65
Russell 2000 Value Index	-28.92	20.58	24.50	-5.50	18.05	34.52	4.22	-7.47	31.74	7.84

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. 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 Small Cap Composite has received a Performance Examination from 12/31/00–6/30/18. 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 Small Cap Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Small Cap equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in small capitalization companies selling for less than our estimate of intrinsic value. The Composite typically invests in small capitalization companies with a market capitalization between \$100 million and \$3 billion (or, if greater, the maximum market capitalization of companies generally within the capitalization range of the Russell 2000 Index) at the time of purchase. 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 2000 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 2,000 smallest companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 2000 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the small cap value segment of the U.S. equity universe including those Russell 2000 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 Small Cap separate accounts is as follows: First \$20,000,000 = 0.90%; Over \$20,000,000 = 0.80%. 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.**

AS OF YEAR-END	DHCM	SMALL CAP 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)	Small Cap Composite	Russell 2000 Index
2017	\$22.3B	5 or fewer	\$1.5B	NA	9.44%	13.91%	13.97%
2016	19.4B	5 or fewer	1.8B	NA	10.65	15.76	15.50
2015	16.8B	5 or fewer	1.7B	NA	10.58	13.96	13.46
2014	15.7B	6	1.5B	0.03%	10.62	13.12	12.79
2013	12.2B	7	1.4B	0.74	13.63	16.45	15.82
2012	9.4B	16	911.6M	0.20	15.71	20.20	19.89
2011	8.7B	16	910.2M	0.11	21.46	24.99	26.05
2010	8.6B	19	938.0M	0.24	NA	NA	NA
2009	6.3B	18	621.2M	0.61	NA	NA	NA
2008	4.5B	11	391.2M	0.32	NA	NA	NA

NA = Not applicable

This composite was created in October 2013.

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.

(closed to new investors)

The Composite increased 0.99%, net of fees, compared to a 4.70% increase in the Russell 2500 Index and a 2.67% increase in the Russell 2500 Value Index.

The Composite's holdings in the health care, information technology, and industrials sectors were the largest contributors to absolute return, while the consumer discretionary sector was the largest detractor. Holdings in the real estate and energy sectors also detracted from return.

The Composite's underperformance relative to the Index was primarily driven by security selection in the consumer discretionary, industrials, and real estate sectors. An overweight allocation to financials coupled with poor security selection also detracted from relative return. Security selection in the health care sector was the largest contributor to relative return but was partially offset by a significantly underweight position in the sector.

Best Performers

- Electronic payment services provider **Worldpay, Inc.** outperformed after the company reported solid revenue and earnings. Management has identified revenue synergies related to the Vantiv-Worldpay merger and investors are encouraged by the international expansion opportunities in e-commerce.
- Shares of hospital owner and operator **LifePoint Health, Inc.** rose after the company was acquired by RCCH HealthCare Partners, which is owned by the private equity segment of Apollo Global Management. The transaction is expected to close during the fourth quarter of 2018.
- Medical device manufacturer **Boston Scientific Corp.** outperformed after the company reported better-than-expected quarterly results led by the U.S. launch of its Spectra WaveWriter for neuromodulation. The company is also making progress with the re-certification of its Lotus aortic valve and is pursuing reasonable acquisitions within urology.
- Food products manufacturer **Post Holdings, Inc.** outperformed after reporting solid quarterly results. The company continues to see strong, broad-based growth across its portfolio of businesses while also showcasing best-in-class capital allocation.

PORTFOLIO MANAGEMENT



Chris Welch, CFA
Portfolio Manager



Jenny Hubbard, CFA
Asst. Portfolio Manager



Tom Schindler, CFA
Asst. Portfolio Manager

- Rental and leasing services company **Aaron's, Inc.** outperformed after reporting strong Progressive Leasing revenues and improved credit metrics. Trends have stabilized in the Aaron's stores, with same store sales down marginally in the quarter but total revenues slightly positive. Management now expects same store sales to turn positive in the fourth quarter after showing negative trends for several years.

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 **BankUnited, Inc.**, a regional bank based in Florida, declined after the appointment of a new board member and the resignation of the board chairman led some to conclude that the probability of the franchise being sold is lower than expected. Uncertainty about the path of earnings through 2019 due to the expiration of FDIC loss share also caused investor caution.
- Shares of homebuilder **NVR, Inc.** declined, despite reporting generally good quarterly results. New orders came in lower than expected, and there is significant bearish sentiment surrounding the homebuilding industry due to the rise in interest rates and concerns regarding affordability.
- 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.

(closed to new investors)

- 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.

New Positions

- Children's apparel manufacturer **Carter's, Inc.** has the largest share in children's clothing, a stable-demand category that performs well through-cycle. The stock has experienced price volatility due to near-term issues in its wholesale business after one of its larger partners, Toys R Us, closed. We used this opportunity to initiate a position in this high-quality business with a strong management team and a leading brand at a deep discount to our estimate of intrinsic value. We believe Carter's will work through the near-term volatility in its wholesale business, and continue to take share in the children's apparel category.
- We initiated a position in **RenaissanceRe Holdings Ltd.**, a Bermudian reinsurance company with a long history of value creation. The company has a strong underwriting track record, excellent management team, and unique assets across Bermuda and Lloyd's of London. The firm has unique intellectual property in catastrophe reinsurance allowing it to optimize reinsurance transactions across a range of vehicles.

- Electronics component manufacturer **Sensata Technologies Holding PLC** makes sensors and controls for automotive and industrial applications. Sensata is a very well-run business with above-average operating margins and attractive returns on invested capital.
- 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

- We sold our shares of property and casualty insurance company **Validus Holdings Ltd.** in an all-cash acquisition by AIG.
- AXA completed its all-cash acquisition of insurance company **XL Group Ltd.** in September.

Diamond Hill Small-Mid Cap Strategy

As of September 30, 2018

(closed to new investors)

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2005

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	3Q18
SMALL-MID CAP COMPOSITE							
Gross of Fees	10.10	12.63	10.45	11.13	5.84	3.33	1.17
Net of Fees	9.30	11.83	9.68	10.34	5.09	2.77	0.99
BENCHMARKS							
Russell 2500 Index	9.39	12.02	11.37	16.13	16.19	10.41	4.70
Russell 2500 Value Index	8.24	10.53	9.99	14.51	10.24	5.75	2.67

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
SMALL-MID CAP COMPOSITE										
Gross of Fees	-29.38	41.71	24.74	-2.96	16.93	43.32	8.43	2.45	19.31	9.63
Net of Fees	-29.99	40.52	23.72	-3.62	16.19	42.39	7.70	1.75	18.47	8.85
BENCHMARKS										
Russell 2500 Index	-36.79	34.39	26.71	-2.51	17.88	36.80	7.07	-2.90	17.59	16.81
Russell 2500 Value Index	-31.99	27.68	24.82	-3.36	19.21	33.32	7.11	-5.49	25.20	10.36

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 Small-Mid Cap Composite has received a Performance Examination from 12/31/05 – 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 Small-Mid Cap Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Small-Mid Cap equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in small and medium capitalization companies selling for less than our estimate of intrinsic value. The Composite typically invests in small and medium capitalization companies which are defined as those companies with a market capitalization between \$500 million and \$10 billion (or, if greater, the maximum market capitalization of companies generally within the capitalization range of the Russell 2500 Index) at the time of purchase. 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 2500 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 2,500 smallest companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 2500 Value Index is shown as additional information. This index is an unmanaged market capitalization weighted index measuring the performance of the small and midcap value segment of the U.S. equity universe including those Russell 2500 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 Small-Mid Cap separate accounts is as follows: First \$20,000,000 = 0.85%; Over \$20,000,000 = 0.75%. The dispersion measure is the asset weighted standard deviation of the annual portfolio returns.

AS OF YEAR-END	DHCM	SMALL-MID CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
		Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Small-Mid Cap Composite	Russell 2500 Index
2017	\$22.3B	16	\$3.2B	0.10%	9.97%	12.13%	11.81%
2016	19.4B	18	3.0B	0.05	11.25	13.67	13.17
2015	16.8B	12	1.9B	0.17	11.09	12.42	12.02
2014	15.7B	11	1.1B	0.13	11.20	11.67	11.25
2013	12.2B	9	586.7M	0.39	14.51	15.63	15.07
2012	9.4B	6	233.7M	0.10	16.13	18.97	18.41
2011	8.7B	6	189.2M	0.05	24.12	23.40	24.23
2010	8.6B	6	97.2M	0.16	NA	NA	NA
2009	6.3B	6	64.1M	1.20	NA	NA	NA
2008	4.5B	8	47.9M	0.53	NA	NA	NA

NA = Not Applicable

This composite was created in October 2013.

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.

Global Investment Performance Standards

The Composite increased 2.16%, net of fees, compared to a 5.00% increase in the Russell Midcap Index and a 3.30% increase in the Russell Midcap Value Index.

The Composite's holdings in the industrials, health care, and information technology sectors were the largest contributors to absolute return. Positions in the real estate, consumer discretionary, and energy sectors detracted from return.

The Composite's underperformance relative to the Index was primarily driven by security selection in the consumer discretionary and real estate sectors. Security selection and an overweight position in the financials sector, as well as security selection in the energy sector also detracted from relative return. Security selection in the health care and the information technology sectors contributed to relative return; however, underweight allocations to those sectors largely offset this.

Best Performers

- Shares of hospital owner and operator **LifePoint Health, Inc.** rose after the company was acquired by RCCH HealthCare Partners, which is owned by the private equity segment of Apollo Global Management. The transaction is expected to close during the fourth quarter of 2018.
- Medical device manufacturer **Boston Scientific Corp.** outperformed after the company reported better-than-expected quarterly results led by the U.S. launch of its Spectra WaveWriter for neuromodulation. The company is also making progress with the re-certification of its Lotus aortic valve and is pursuing reasonable acquisitions within urology.
- Electronic payment services provider **Worldpay, Inc.** outperformed after the company reported solid revenue and earnings. Management has identified revenue synergies related to the Vantiv-Worldpay merger and investors are encouraged by the international expansion opportunities in e-commerce.
- 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.
- Food products manufacturer **Post Holdings, Inc.** outperformed after reporting solid quarterly results. The company continues to see strong, broad-based growth across its portfolio of businesses while also showcasing best-in-class capital allocation.

PORTFOLIO MANAGEMENT



Chris Welch, CFA
Portfolio Manager



Chris Bingaman, CFA
Asst. Portfolio Manager



Jenny Hubbard, CFA
Asst. Portfolio Manager

Worst Performers

- Shares of casino operator **Red Rock Resorts, Inc. (CIA)** 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 **BankUnited, Inc.**, a regional bank based in Florida, declined after the appointment of a new board member and the resignation of the board chairman led some to conclude that the probability of the franchise being sold is lower than expected. Uncertainty about the path of earnings through 2019 due to the expiration of FDIC loss share also caused investor caution.
- Shares of homebuilder **NVR, Inc.** declined, despite reporting generally good quarterly results. New orders came in lower than expected, and there is significant bearish sentiment surrounding the homebuilding industry due to the rise in interest rates and concerns regarding affordability.
- 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.
- Real estate investment trust **CubeSmart** underperformed. Fundamentals started off the year ahead of expectations, leading to hope that development would tail off, allowing for an acceleration of internal growth in 2019. While 2018 internal growth is still modestly better than expected, the pace of new development has continued to be strong throughout this year, and now 2019 deliveries will be similar to 2018 and pressure fundamentals.

New Positions

- We initiated a position in **RenaissanceRe Holdings Ltd.**, a Bermudian reinsurance company with a long history of value creation. The company has a strong underwriting track record, excellent management team, and unique assets across Bermuda and Lloyd's of London. The firm has unique intellectual property in catastrophe reinsurance allowing it to optimize reinsurance transactions across a range of vehicles.
- Electronics component manufacturer **Sensata Technologies Holding PLC** makes sensors and controls for automotive and industrial applications. Sensata is a very well-run business with above-average operating margins and attractive returns on invested capital. We believe that Sensata's shares are trading at a discount as the market is underestimating the long-term earnings potential of the business.

- 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

- We sold our shares of property and casualty insurance company **Validus Holdings Ltd.** in an all-cash acquisition by AIG.
- AXA completed its all-cash acquisition of insurance company **XL Group Ltd.** in September.

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2013

	SINCE INCEPTION	3-YR	1-YR	YTD	3Q18
MID CAP COMPOSITE					
Gross of Fees	9.46	12.35	8.49	4.33	2.32
Net of Fees	8.77	11.65	7.82	3.83	2.16
BENCHMARKS					
Russell Midcap Index	10.41	14.52	13.98	7.46	5.00
Russell Midcap Value Index	9.41	13.09	8.81	3.13	3.30

CALENDAR YEAR RETURNS (%)

	2014	2015	2016	2017
MID CAP COMPOSITE				
Gross of Fees	8.84	1.59	19.62	11.31
Net of Fees	8.13	0.94	18.85	10.66
BENCHMARKS				
Russell Midcap Index	13.22	-2.44	13.80	18.52
Russell Midcap Value Index	14.75	-4.78	20.00	13.34

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. 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 Mid Cap Composite is comprised of discretionary, fee-paying, non-wrap accounts managed according to the firm's Mid Cap equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in medium market capitalization companies selling for less than our estimate of intrinsic value. Medium market capitalization companies are defined as those companies with a market capitalization between \$1.5 and \$20 billion (or, if greater, the maximum market capitalization of companies generally within the capitalization range of the Russell Midcap Index) at the time of purchase. 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 Midcap Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 800 smallest companies, on a market capitalization basis, in the Russell 1000 Index. The Russell Midcap Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the mid cap value segment of the U.S. equity universe including those Russell Midcap Index companies with lower expected growth values. The Russell 1000 Index measures the performance of the largest 1,000 companies in the Russell 3000 Index. 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 Mid Cap separate accounts is as follows: First \$20,000,000 = 0.70%; Over \$20,000,000 = 0.60%. 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.

AS OF YEAR-END	DHCM	MID CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
		Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Mid Cap Composite	Russell Midcap Index
2017	\$22.3B	5 or fewer	\$129.6M	NA ¹	9.53%	10.36%	10.33%
2016	19.4B	5 or fewer	58.8M	NA ¹	10.87	11.55	11.30
2015	16.8B	5 or fewer	18.6M	NA ¹	NA ²	NA ²	NA ²
2014	15.7B	5 or fewer	16.3M	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 2013.

The Composite increased 7.68%, net of fees, compared to a 7.42% increase in the Russell 1000 Index and a 5.70% increase in the Russell 1000 Value Index.

The Composite's holdings in most sectors contributed to absolute return led by the health care, financials, industrials, and information technology sectors. Positions in the energy sector were slight detractors.

The Composite's outperformance relative to the Index was primarily driven by security selection in the industrials, health care, and financials sectors. Security selection in the information technology sector was a large contributor to relative return, but this was offset by an underweight allocation to the sector. Security selection in the energy sector also detracted from relative return.

Best Performers

- 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.
- Biopharmaceutical company **Pfizer, Inc.** outperformed after the company reported decent quarterly results, with solid revenue growth and increased earnings expectations for the year, as well as an improved pipeline outlook.
- Shares of software provider **Microsoft Corp.** rose after the company reported earnings that included strong revenue growth and operating margin expansion, resulting in earnings that were above consensus expectations.
- Shares of discount apparel retailer **TJX Cos., Inc.** rose as the company continues to take market share and produce strong quarterly results. The company experienced broad-based growth, with all businesses and geographies reporting positive results driven by increased traffic.
- 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.

PORTFOLIO MANAGEMENT



Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Portfolio Manager



Chris Welch, CFA
Asst. Portfolio Manager

Worst Performers

- 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 companies **Devon Energy Corp.** and **Cimarex Energy Co.** likely reflect 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 and Devon are well-positioned to continue executing on development projects.
- Consumer apparel manufacturer **Hanesbrands, Inc.** underperformed. While quarterly results reflected some signs of stabilization in the core Innerwear segment, investors were spooked by the announcement that Target is not going to renew a contract with the company.
- 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

- Alcoholic beverage manufacturer **Constellation Brands, Inc. (CI A)** presents a unique opportunity to gain exposure to a very high-quality portfolio of irreplaceable brands such as Corona, Modelo, Pacifico, Ballast Point, Meiomi, Black Box, Casa Noble, and High West.

- We initiated a position in pharmacy health care services provider **CVS Health Corp.** which was trading at a significant discount to our conservative estimates of intrinsic value following Amazon's acquisition of PillPack. CVS is in the process of acquiring Aetna, a current holding in several strategies.
- **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.

Eliminated Positions

- We eliminated our position in traditional asset management company **Franklin Resources, Inc.** and brewing company **Molson Coors Brewing Co. (CI B)** to redeploy the capital into more attractive opportunities and 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 Large Cap Strategy

As of September 30, 2018

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: June 30, 2001

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	3Q18
LARGE CAP COMPOSITE							
Gross of Fees	9.88	11.65	12.38	15.90	11.35	5.17	7.80
Net of Fees	9.27	11.07	11.80	15.34	10.82	4.78	7.68
BENCHMARKS							
Russell 1000 Index	7.52	12.09	13.67	17.07	17.76	10.49	7.42
Russell 1000 Value Index	7.16	9.79	10.72	13.55	9.45	3.92	5.70

CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
LARGE CAP COMPOSITE										
Gross of Fees	-33.92	31.49	10.61	3.60	13.35	37.79	11.60	-0.16	15.24	21.10
Net of Fees	-34.29	30.79	10.00	3.11	12.79	37.06	10.99	-0.72	14.71	20.51
BENCHMARKS										
Russell 1000 Index	-37.60	28.43	16.10	1.50	16.42	33.11	13.24	0.92	12.05	21.69
Russell 1000 Value Index	-36.85	19.69	15.51	0.39	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 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 Large Cap Composite has received a Performance Examination from 6/30/01–6/30/18. 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 Large Cap Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Large Cap 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. The Composite typically invests in large-capitalization companies, which are defined as companies with a market capitalization of \$5 billion or greater. However, the Composite 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 = 0.60%; Over \$20,000,000 = 0.50%. 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.

AS OF YEAR-END	DHCM	LARGE CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
		Assets Under Management	Number of Accounts	Assets Under Management (Dispersion (Gross of Fees))	Large Cap Composite	Russell 1000 Index	Russell 1000 Value Index
2017	\$22.3B	196	\$9.1B	0.12%	11.36%	9.97%	10.20%
2016	19.4B	185	7.1B	0.28	11.91	10.69	10.77
2015	16.8B	180	5.8B	0.30	11.83	10.48	10.68
2014	15.7B	155	5.8B	0.10	9.53	9.12	9.20
2013	12.2B	132	4.2B	0.24	12.48	12.26	12.70
2012	9.4B	135	3.7B	0.24	14.42	15.41	15.51
2011	8.7B	129	3.5B	0.21	18.88	18.95	20.69
2010	8.6B	123	3.2B	0.22	NA	NA	NA
2009	6.3B	106	1.5B	0.64	NA	NA	NA
2008	4.5B	108	792.5M	0.86	NA	NA	NA

NA = Not applicable

This composite was created in October 2013.

Global Investment Performance Standards

The Composite increased 8.58%, net of fees, compared to a 7.42% increase in the Russell 1000 Index and a 5.70% increase in the Russell 1000 Value Index.

The Composite's holdings in every sector except energy contributed to absolute return, led by positions in the health care, financials, and consumer discretionary sectors.

The Composite's outperformance relative to the Russell 1000 Index was driven by security selection in the financials, health care, and consumer discretionary sectors. Although security selection in the information technology sector was also a large contributor to relative return, it was offset by an underweight position in the sector. Security selection in the energy sector also detracted from relative return.

Best Performers

- 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.
- Biopharmaceutical company **Pfizer, Inc.** outperformed after the company reported decent quarterly results, with solid revenue growth and increased earnings expectations for the year, as well as an improved pipeline outlook.
- Shares of discount apparel retailer **TJX Cos., Inc.** rose as the company continues to take market share and produce strong quarterly results. The company experienced broad-based growth, with all businesses and all geographies reporting positive results driven by increased traffic.
- Shares of software provider **Microsoft Corp.** rose after the company reported earnings that included strong revenue growth and operating margin expansion, resulting in earnings that were above consensus expectations.
- 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.

PORTFOLIO MANAGEMENT



Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Portfolio Manager



Chris Welch, CFA
Asst. Portfolio Manager

Worst Performers

- 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 **Devon Energy Corp.** 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 Devon is well-positioned to continue executing on development projects.
- Global automotive supplier **BorgWarner, Inc.** underperformed amid concerns regarding industry volumes, tariffs, and the transition away from diesel engines. The company cut 2018 guidance but delivered positive expectations for future growth, helping offset some of the concerns.
- Tobacco products manufacturer **Philip Morris International, Inc.** reported decent quarterly results and posted a positive total return for the quarter. However, it was one of the bottom five contributors to the total return of the strategy.
- Consumer snack and beverage manufacturer **PepsiCo, Inc.** reported decent quarterly results and posted a positive total return for the quarter. However, it was one of the bottom five contributors to the total return of the strategy.

New Positions

- No positions were added during the quarter.

Eliminated Positions

- No positions were eliminated during the quarter.

Diamond Hill Large Cap Concentrated Strategy

As of September 30, 2018

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	3Q18
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	15.00	12.73	17.46	14.16	7.59	8.72
Net of Fees	14.62	12.47	17.28	13.55	7.17	8.58
BENCHMARKS						
Russell 1000 Index	15.65	13.67	17.07	17.76	10.49	7.42
Russell 1000 Value Index	13.53	10.72	13.55	9.45	3.92	5.70

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 – 6/30/18. 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 – 6/30/18. 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. 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	LARGE CAP CONCENTRATED COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
		Assets Under Management	Number of Accounts	Assets Under Management (Dispersion of Gross of Fees)	Large Cap Concentrated Composite	Russell 1000 Index	Russell 1000 Value 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

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 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.

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

NA = Not Applicable

This composite was created in October 2013.

Global Investment Performance Standards

The Composite increased 1.48%, net of fees, compared to a 4.03% increase in the Morningstar Global Markets Index.

The Composite's holdings in the financials, health care, and industrials sectors were the largest contributors to absolute return. Positions in the consumer discretionary and communication services sectors were the largest 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, as well as security selection in the consumer discretionary and energy sectors. Security selection in the financials sector and a lack of exposure to the real estate sector modestly contributed to relative return.

During the third quarter, U.S. equity markets outperformed almost all major developed and emerging markets, while the U.S. dollar appreciated against most currencies. The combination of rising oil prices, U.S. dollar strength, trade tensions and some idiosyncratic political risk has led to increasing uncertainty surrounding the intermediate-term prospects for many emerging economies. Although the portfolio maintains relatively low direct exposure to emerging economies, several of the businesses we own generate substantial revenue from countries facing elevated risk, and the portfolio is therefore not immune. Still, our portfolio companies with the most significant emerging market exposure are resilient businesses that generate substantial free cash flow and maintain investment grade balance sheets.

While we are aware of the recent dispersion of regional returns and are looking for opportunities to increase our non-U.S. exposure, the median discount to intrinsic value of our U.S. holdings remains about the same as the median discount of our non-U.S. holdings. As such, the portfolio remained approximately 60% exposed to U.S. equities at the end of the third quarter. As always, any potential shifts in country allocation will be driven by bottom up security selection, rather than by macroeconomic conditions.

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.

PORTFOLIO MANAGEMENT



Grady Burkett, CFA
Portfolio Manager



Rick Snowdon, CFA
Portfolio Manager

- Medical device manufacturer **Shandong Weigao Group Medical Polymer Co. Ltd. (CI H)** outperformed. The company is successfully navigating the changing reimbursement landscape in China as the dominant medical device consumables firm. Organic revenue growth was strong, and the integration of Argon, its first U.S. acquisition, is proceeding as expected.
- Shares of insurance company **Scor SE** rose after receiving a takeover offer from French insurer Covea. While the offer was rebuffed, we believe this transaction highlights the value of the company.
- 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.
- 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.

- Kitchen products manufacturer **Howden Joinery Group PLC** underperformed after the company reported good sales growth but saw weaker margins. Additionally, there appears to be a general malaise around U.K. stocks amidst ongoing Brexit concerns. Howden continues to gain market share and widen its moat, investing in its supply chain, technology, and other projects that should enable the company to maintain its lead in the U.K. kitchen market.
- Life sciences company **Bayer AG** underperformed. After the closure of its merger with Monsanto, shares were hit with negative news about Monsanto's Roundup herbicide product. A jury ruled in favor of a groundskeeper who claimed that exposure to Roundup was a contributing factor in his developing non-Hodgkin's lymphoma. Damages were awarded and could represent a significant potential liability to the company, which may face numerous similar plaintiffs.
- Private banking service company **Julius Baer Gruppe AG** underperformed as European bank stocks were pressured amid political and economic uncertainty in the region. We believe the company continues to display strong fundamentals and sound capital levels with the ability to opportunistically invest in growth initiatives or increase shareholder return.
- 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.
- We added shares of automotive product and services provider **Continental AG** when the stock sold off in response to significant cuts to its 2018 guidance. The Global strategy has previously owned this company which is exposed to attractive segments of the auto industry. There is some uncertainty as the business goes through a restructuring which will see a partial IPO of its Powertrain business, but overall it is still a solid company with attractive growth prospects.
- **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.

Eliminated Positions

New Positions

- We eliminated our position in vehicle component manufacturer **Aptiv PLC**, which we now consider a domestic equity, in favor of more international exposure.
- 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 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.

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2013

	SINCE INCEPTION	3-YR	1-YR	YTD	3Q18
GLOBAL COMPOSITE					
Gross of Fees	8.51	14.04	8.75	2.17	1.66
Net of Fees	8.39	13.85	8.19	1.65	1.48
BENCHMARKS					
Morningstar Global Markets Index	7.59	13.39	9.69	3.66	4.03

CALENDAR YEAR RETURNS (%)

	2014	2015	2016	2017
GLOBAL COMPOSITE				
Gross of Fees	3.69	-4.58	11.42	30.84
Net of Fees	3.69	-4.58	11.42	30.84
BENCHMARKS				
Morningstar Global Markets Index	4.00	-2.04	8.22	23.87

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 – 6/30/18. 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. 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 Global Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Global 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. The composite typically invests in companies with a market capitalization of \$2.5 billion or greater. 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 Morningstar Global Markets Index is the benchmark. This index is an unmanaged, float market capitalization weighted index of more than 7,000 securities that is designed to cover 97% of the equity market capitalization of developed and emerging markets. 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 Global 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 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	GLOBAL COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
		Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Global Composite
2017	\$22.3B	5 or fewer	\$2.2M	NA	11.56%	10.26%
2016	19.4B	5 or fewer	1.7M	NA	11.66	10.98
2015	16.8B	5 or fewer	1.5M	NA	NA	NA
2014	15.7B	5 or fewer	1.6M	NA	NA	NA

NA = Not applicable

This composite was created in January 2018.

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.

© 2018 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.



**DIAMOND
HILL** | CAPITAL
MANAGEMENT