Quarterly Commentary: Fixed Income Composites

September 30, 2018

Short Duration Total Return	Corporate Credit
Core Bond	High Yield

Our Mission

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

VALUE

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

LONG-TERM

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

DISCIPLINE

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

PARTNERSHIP

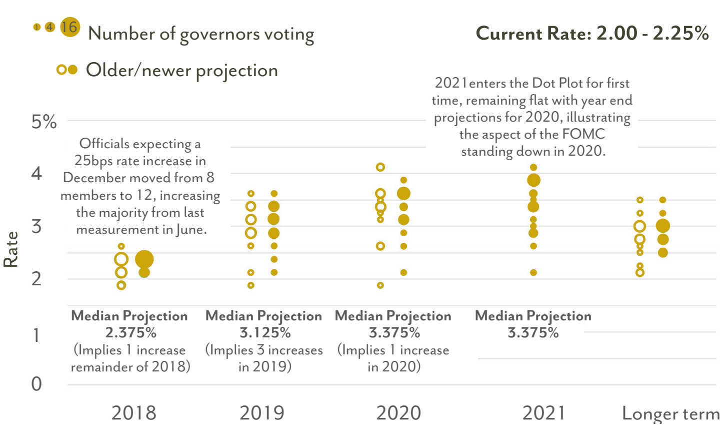
We align our interests with those of our clients through significant personal investment in our strategies.

Third Quarter 2018 Review: Fixed Income Markets

As of September 30, 2018

During the third quarter, market volatility was driven by a combination of ongoing geopolitical issues, trade negotiations, and central bank action (or inaction). The quarter began with the Bank of Japan clarifying its current policy of Quantitative Easing and offering some minor policy changes, such as permitting the 10-year yield to move from 10 bps to 20 bps and reducing the amount of reserves facing negative rates of -0.1% by half. Turkey, Venezuela, China, and Italy all shared moments in the sun during the quarter as each made headlines for various reasons. Turkey and Venezuela's ongoing political turmoil roiled both emerging and developed markets, China's trade "discussions" with the United States shook both U.S. and European markets, and Italy's economic uncertainty drove concerns for the ongoing health of the European Union. All of this occurred while U.S. Treasury auctions continued to break new records with each successive auction and the Federal Open Market Committee (FOMC) raised rates for the eighth time since 2015, setting the stage for one final increase in December 2018. As outlined in the chart below, the FOMC is projecting to increase rates three times in 2019 and once in 2020 before standing down.

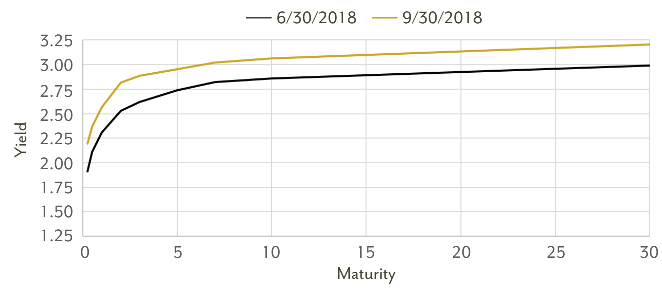
FOMC PROJECTION COMPARISON: JUNE TO SEPTEMBER 2018



Source: U.S. Federal Reserve.

Treasury

The yield curve continued the trend of 2018, as the spread between the 2-year and 10-year Treasury yields moved from 33.1 bps at the end of the second quarter to 24.1 bps at the end of the third quarter. The spread between the 2-year and 10-year Treasury reached its lowest level since June 2007 when it bottomed out at 18.9 bps on August 24. It was a similar story between the 2-year and 30-year Treasury, reducing from 46.0 bps to 38.5 bps throughout the quarter. The biggest impact to the flattening curve was the move higher in the 2-year Treasury, buoyed by the FOMC rate increase in September, projection for an additional increase in December 2018, and three projected increases in 2019. The yield on the 2-year Treasury jumped from 2.53% to 2.82% during the quarter while the 10-year Treasury moved from 2.86% to 3.06%.



	3-MO	6-MO	1-YR	2-YR	3-YR	5-YR	7-YR	10-YR	30-YR
6/30/18	1.92	2.11	2.31	2.53	2.62	2.74	2.82	2.86	2.99
9/30/18	2.20	2.37	2.57	2.82	2.88	2.95	3.02	3.06	3.21
Change	0.28	0.26	0.25	0.29	0.26	0.22	0.20	0.20	0.22

Securitized

During the quarter, Asset-Backed Securities (ABS) delivered the strongest performance (+49 bps), followed by Commercial Mortgage-Backed Securities (+46 bps) and Residential Mortgage-Backed Securities (RMBS). The ABS sector was led by Autos (+55 bps) and Credit Cards (+45 bps). Agency Commercial Mortgage-Backed Securities and Non-Agency Commercial Mortgage-Backed Securities gained 18 bps and 64 bps, respectively, during the quarter while RMBS declined 12 bps. From an excess return* standpoint, Non-Agency CMBS led the sector (+96 bps), followed closely by Agency CMBS (+46 bps), Auto ABS (+32 bps), Credit Card ABS (+29 bps), and RMBS (+17 bps).

*Excess return indicates the return over comparable duration Treasuries.

Investment Grade and High Yield Credit

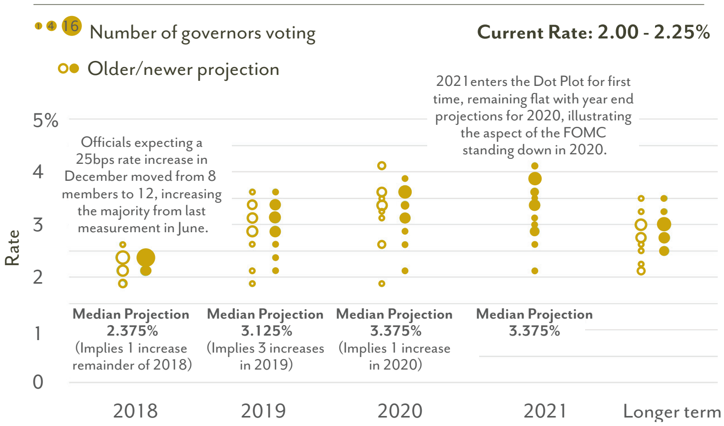
After posting back-to-back quarterly losses in the first and second quarter of 2018, the Bloomberg Barclays U.S. Corporate Index was the strongest overall performing sector in the Bloomberg Barclays U.S. Aggregate Index from both a total return and excess return standpoint. Industrials (+107 bps) led the way, followed closely by Financials (+93 bps) and Utilities (+23 bps). All three areas of the investment grade corporate market delivered strong excess returns. The high yield market, as measured by the ICE BofA ML U.S. High Yield Index, delivered a 2.44% return during the quarter, its strongest quarter of performance since the first quarter of 2017. The CCC segment of the ICE BofA ML U.S. High Yield Index continues to drive the market, returning 2.85% during the quarter, bringing the year-to-date return to 6.92%. The CCC segment of the market is poised to deliver three consecutive calendar years of positive performance, the first time since the Index was created in 1997. Both BBs (2.36%) and Bs (2.41%) generated strong performance during the quarter as well.

All Composite returns are net of fees.

The Composite* generated a 0.97% total return during the third quarter, compared to 0.33% for the Bloomberg Barclays U.S. 1-3 Year Government/Credit Index. Since inception, the strategy has generated a total return of 3.59% compared to 0.40% for the Index. The goal of the Diamond Hill Short Duration Total Return strategy is to outperform the Index over a market cycle, while generating a yield and return advantage relative to the benchmark. We are pleased with how the strategy has performed on a relative basis, both in the most recent quarter and since its inception.

During the third quarter, market volatility was driven by a combination of ongoing geopolitical issues, trade negotiations and the central bank action (or inaction). The quarter began with the Bank of Japan clarifying its current policy of Quantitative Easing but offered some minor policy changes; permitting the 10-year yield to move from 10 bps to 20 bps and reducing the amount of reserves facing negative rates of -0.1% by half. Turkey, Venezuela, China and Italy all shared moments in the sun during the quarter as each hit the headlines for various reasons. Ongoing political turmoil in Turkey and Venezuela roiled both emerging and developed markets, China's trade 'discussions' with the United States shook U.S. and European markets and Italy's economic uncertainty drove concerns for the ongoing health of the EU. All of this occurred while U.S. Treasury auctions continued to break new records with each successive auction and the FOMC raised rates for the eighth time since 2015 and set the stage for one final increase in December of this year. As outlined in the chart below, the FOMC is projecting to increase rates three additional times in 2019 and once more in 2020 before standing down.

FOMC PROJECTION COMPARISON: JUNE TO SEPTEMBER 2018



Source: U.S. Federal Reserve.

PORTFOLIO MANAGEMENT

Henry Song, CFA
Portfolio Manager

Mark Jackson, CFA
Portfolio Manager

Driven by the aforementioned geopolitical drama, trade discussions and central bank action, the U.S. Treasury curve fluctuated throughout the quarter. The 10-year Treasury began the quarter at 2.86%, reached 3.00% at the beginning of August before rallying to a low point of 2.81% near the end of August, post Fed Chief Powell's Jackson Hole speech where he defended his gradualist approach to interest rate hikes. From the end of August to the end of September, the curve continued to move higher with the 10-year peaking at 3.10% on September 25, prior to the FOMC announcement of the September rate increase and reinforcing expectations for a December rate increase. Unlike earlier times in the summer when the 10-year Treasury briefly breached the 3.00% threshold, the yield has remained above 3% since reaching that level on September 18. After many false starts at remaining above 3.0% on the 10-year, have we finally reached the point of no return? Only time will tell.

The yield curve continued the trend of 2018, as the spreads between the 2-year and 10-year Treasury yields moved from 33.1 bps at the end of the second quarter to 24.1 bps at the end of the third quarter. The spread between the 2-year and 10-year Treasury reached its lowest level since June 2007 when it bottomed-out at 18.9 bps on August 24. It was a similar story between the 2-year and 30-year Treasury, reducing from 46.0 bps to 38.5 bps over the same time period. The biggest impact to the flattening curve was the move higher in the 2-year Treasury, buoyed by the FOMC rate increase in September and projection for an additional increase in December of 2018 and three increases in 2019.

It is important to note that the Short Duration Total Return strategy works to provide yield for investors while focusing on the shorter end of the fixed income markets. Though there is a concentration on the shorter end of the yield curve, the strategy maintains a certain level of interest rate risk and can experience some price volatility in uncertain markets. We believe there are opportunities to add incremental yield over the benchmark by investing in structured product across the quality spectrum. The strategy strives to maintain an average credit quality rating of A while taking advantage of mispriced opportunities in both unrated securities and a small allocation to below investment grade securities.

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As of September 30, 2018, the strategy had a yield to worst (YTW) of 4.02% with an effective duration of 1.57, compared to the Index's YTW of 2.94% and effective duration of 1.92. Asset-backed securities (ABS) remain the largest allocation in the strategy and contribute the majority of the yield in the portfolio. Within the ABS sector, various subsectors were additive to performance, with auto loan ABS being the strongest contributor to performance during the quarter, followed by consumer loan ABS and equipment ABS. Non-agency commercial mortgage-backed securities also contributed to the overall performance of the portfolio.

The strategy's allocation to corporate credit detracted from performance as the investment grade corporate sector delivered strong returns during the quarter. The strategy has not invested in non-corporate credit (sovereign, supranational, etc.), and this positioning detracted minimally during the quarter despite positive performance from the sector due to the size of the sector in the index (less than 5%).

The strategy's minimal allocation to the U.S. Treasury sector (6.1%) detracted from relative performance as the Bloomberg Barclays 1-3 Year Treasury Index (a component of the Bloomberg Barclays 1-3 Year Government / Corporate Index) delivered 19 bps of return despite rates backing up on the shorter end of the curve.

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

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: July 31, 2016

	TRAILING				CALENDAR	
	SINCE INCEPTION	1-YR	YTD	3Q18	7/31/16 - 12/31/16	2017
SHORT DURATION TOTAL RETURN COMPOSITE						
Gross of Fees	3.96	3.74	2.78	1.06	0.88	4.89
Net of Fees	3.59	3.37	2.51	0.97	0.73	4.54
BENCHMARKS						
Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index	0.40	0.20	0.41	0.33	-0.38	0.84

Diamond Hill Capital Management Inc. (DHCM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. DHCM has been independently verified for the period 5/31/00 – 6/30/18. DHCM's current verification firm is ACA Compliance Group. The verification report(s) is/are available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. DHCM is a registered investment adviser and wholly owned subsidiary of Diamond Hill Investment Group, Inc.; registration does not imply a certain level of skill or training. DHCM provides investment management services to individuals and institutional investors through mutual funds, separate accounts, exchange traded funds and private investment funds. A complete list and description of all composites and policies for valuing portfolios, calculating and reporting returns, and preparing compliant presentations are available upon request. The Short Duration Total Return Composite is comprised of discretionary non-fee and fee paying non-wrap accounts with a market value over $200M managed according to the firm's Short Duration Total Return fixed income strategy. The strategy's investment objective is to maximize total return with the preservation of capital. The strategy generally invests in a diversified portfolio of investment grade, fixed income securities, including bonds, debt securities and other similar U.S. dollar-denominated instruments issued by various U.S. public- or private-sector entities, by foreign corporations or U.S. affiliates of foreign corporations or by foreign governments or their agencies and instrumentalities. The portfolio may invest a significant portion or all of its assets in asset-backed, mortgage-related and mortgage-backed securities at the discretion of DHCM . The portfolio may invest up to 20% of its assets in below-investment grade securities at the time of purchase and will typically maintain an average portfolio duration of less than three. The composite results reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains. Returns are calculated using U.S. Dollars. Net returns are calculated by reducing the gross returns by either the actual client fee paid or the highest stated fee in the composite fee schedule, depending on the type of client and account, and are reduced by estimated accrued performance based fees where applicable. Only transaction costs are deducted from gross of fees returns. The Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index is an unmanaged index of investment grade government and corporate bonds with maturities of one to three years. Our selection process may lead to portfolios that differ markedly from the benchmarks presented. Returns may be more volatile than, and/ or may not be correlated to these indices, which are for comparative purposes only. The Firm's standard fee schedule for Short Duration Total Return separate accounts is as follows: First $200,000,000 = 0.45%; Next $300,000,000 = 0.35%; Balance over $500,000,000 = 0.30%. The dispersion measure is the asset weighted standard deviation of the annual portfolio returns. Only portfolios represented in the composite for the entire year are included in the calculation. The calculation is not performed if the composite contains 5 or fewer accounts for the full year. No alteration of composites as presented here has occurred because of changes in personnel at any time. Past performance is not a guarantee of future result. GIPS is a trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this report/advertisement.

AS OF YEAR-END	DHCM	SHORT DURATION TOTAL RETURN COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Short Duration Total Return Composite	Bloomberg Barclays U.S. 1-3 Yr. Gov./ Credit Index
2017	$22.3B	5 or fewer	$43.8M	NA[1]	NA[2]	NA[2]
2016	19.4B	5 or fewer	39.7M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] Statistics are not presented because 36 monthly returns are not available.

This composite was created in July 2016.

Global Investment Performance Standards

Diamond Hill Core Bond Strategy

As of September 30, 2018

All Composite returns are net of fees.

The Composite* generated a 0.12% total return during the third quarter, compared to 0.02% for the Bloomberg Barclays U.S. Aggregate Index. Since inception, the Composite has generated a total return of 0.55% compared to -0.61% for the Index. The goal of the Diamond Hill Core Bond strategy is to outperform the Index over a market cycle. We are pleased with how the strategy has performed on a relative basis, both in the most recent quarter and since its inception.

During the third quarter, market volatility was driven by a combination of ongoing geopolitical issues, trade negotiations and the central bank action (or inaction). The quarter began with the Bank of Japan clarifying its current policy of Quantitative Easing but offered some minor policy changes; permitting the 10-year yield to move from 10 bps to 20 bps and reducing the amount of reserves facing negative rates of -0.1% by half. Turkey, Venezuela, China and Italy all shared moments in the sun during the quarter as each hit the headlines for various reasons Ongoing political turmoil in Turkey and Venezuela roiled both emerging and developed markets, China's trade 'discussions' with the United States shook U.S. and European markets and Italy's economic uncertainty drove concerns for the ongoing health of the EU. All of this occurred while U.S. Treasury auctions continued to break new records with each successive auction and the FOMC raised rates for the eighth time since 2015 and set the stage for one final increase in December of this year. As outlined in the chart below, the FOMC is projecting to increase rates three additional times in 2019 and once more in 2020 before standing down.

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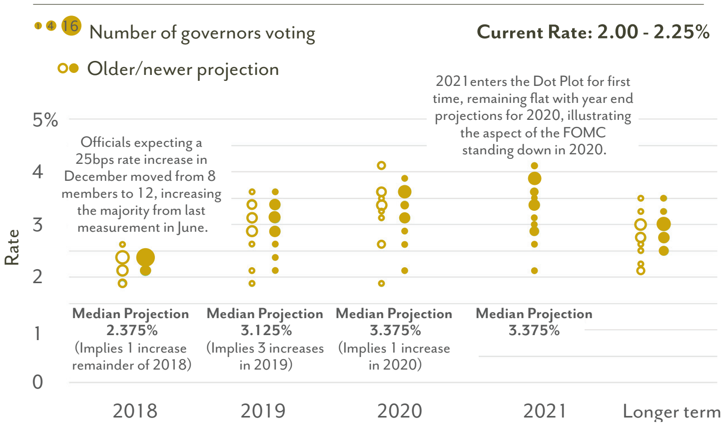

Source: U.S. Federal Reserve.

PORTFOLIO MANAGEMENT

Henry Song, CFA
Portfolio Manager

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Portfolio Manager

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The biggest impact to the flattening curve was the move higher in the 2-year Treasury, buoyed by the FOMC rate increase in September and projection for an additional increase in December of 2018 and three increases in 2019. The strategy's overall underweight allocation to Treasuries relative to the benchmark was a contributor; however, the longer duration posture of the Treasury allocation within the strategy detracted on a relative basis as rates moved higher during the quarter.

The strategy's duration has been maintained within our targeted range of +/-10% of the benchmark's duration. At the end of the second quarter, the strategy's duration was 5.37 compared to the index duration of 6.01, reflecting the long-term viewpoint that interest rates have a greater chance of moving higher over the coming months and quarters. During the quarter, both the

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duration of the benchmark and the strategy extended as rates moved higher, from 6.01 to 6.03 for the benchmark and from 5.37 to 5.42 for the strategy. The strategy's overall shorter duration positioning relative to the benchmark contributed to performance during the quarter.

After posting back-to-back quarterly losses in the first and second quarters of 2018, the Bloomberg Barclays U.S. Corporate Index was the strongest overall performing sector in the Bloomberg Barclays U.S. Aggregate Bond Index, from both a total return and excess return standpoint. Industrials (+107 bps) led the way, followed closely by financials (+93 bps) and utilities (+23 bps). All three areas of the investment grade corporate market delivered strong excess returns. The strategy's underweight allocation to investment grade corporate bonds combined with a shorter duration posture relative to the benchmark detracted from relative performance.

The sector with the most substantial impact on the strategy during the quarter was the securitized sector, with strong security selection and sector positioning driving the majority of absolute return. Asset-backed securities (ABS) delivered the strongest relative performance, followed by commercial mortgage-backed securities (CMBS). The strongest components within ABS on a relative basis were auto loans and consumer loans. Residential mortgage-backed securities, both agency and non-agency, detracted from performance relative to the benchmark.

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

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: July 31, 2016

	TRAILING				CALENDAR	
	SINCE INCEPTION	1-YR	YTD	3Q18	7-31/16 - 12/31/16	2017
CORE BOND COMPOSITE						
Gross of Fees	0.85	0.34	-0.23	0.20	-2.45	4.64
Net of Fees	0.55	0.04	-0.47	0.12	-2.56	4.33
BENCHMARKS						
Bloomberg Barclays U.S. Aggregate Index	-0.61	-1.22	-1.60	0.02	-3.14	3.54

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AS OF YEAR-END	DHCM	CORE BOND COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Core Bond Composite	Bloomberg Barclays U.S. Aggregate Index
2017	$22.3B	5 or fewer	$43.8M	NA[1]	NA[2]	NA[2]
2016	19.4B	5 or fewer	39.7M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] Statistics are not presented because 36 monthly returns are not available.

This composite was created in July 2016.

Global Investment Performance Standards

Diamond Hill Corporate Credit Strategy

As of September 30, 2018

All Composite returns are net of fees.

The Composite* generated a 1.47% total return during the third quarter compared to 1.20% for the ICE Bank of America Merrill Lynch U.S. Corporate & High Yield Index. Year to date, the Composite generated a 3.05% total return compared to -1.42% for the Corporate & High Yield Index. For the trailing five years, the Composite generated an annualized total return of 5.99% compared to 3.89% for the Corporate & High Yield Index.

Unlike most corporate bond strategies, the Diamond Hill Corporate Credit strategy is not managed against any index. Instead, the strategy is managed against absolute objectives within a range of inflation plus 3% and 7% nominal, each measured over rolling five-year periods. Our goal is to generate a yield and total return within that range while minimizing the risk of downside volatility over longer time periods. Although the strategy's investable universe (and the Corporate & High Yield Index) includes both investment grade and high yield corporate bonds, since early 2010 the strategy has been largely focused on the high yield portion of the market to achieve these objectives. About 84% of the strategy was in high yield corporate bonds at the end of the third quarter.

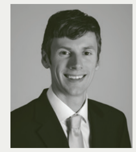
The high yield portion of the U.S. corporate bond market, as represented by the ICE Bank of America Merrill Lynch U.S. High Yield Index, began the year with a yield to worst (YTW) of 5.84% and option-adjusted spread (OAS) of 363 basis points. After generating a 2.48% total return in the first three quarters of the year, the High Yield Index ended the third quarter with a 6.28% YTW and OAS of 328 basis points.

In last quarter's commentary, we noted that the Federal Reserve projects GDP growth above its estimate of long-run potential and unemployment well below its estimate of the long-run natural rate of unemployment through 2020. Yet the Fed's preferred measures of inflation have already reached 2% and the median Fed projection of inflation, now through 2021, is only 2.1%. If the Fed's projections of GDP growth and unemployment are anywhere close to accurate, we expect inflation to come in higher than 2.1%.

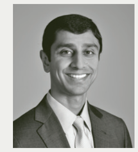
The median Fed projection is for five more rate hikes to a peak around 3.375% by the end of 2020, yet the market discounts only two or three more hikes to a peak closer to 2.75% by the end of 2019. If inflation comes in above the Fed's 2.1% projection, we believe the Fed will hike faster and/or further than its current projections.

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

Due to higher Treasury yields, the 6.28% YTW of the High Yield Index at the end of the quarter compares to a YTW below 5% at the peak of the last high yield cycle in the middle of 2014. The strategy's YTW is typically somewhere in the range of our absolute objectives, although it was well below the low end of the range on June 30, 2014 and well above the high end of the range on February 11, 2016 (the most recent bottom of the high yield market). At the end of the third quarter, the strategy's YTW was just below 5%. The strategy's duration was 3.18, within the typical 2.0-3.5 range and well below the High Yield Index duration of 3.99 and the Corporate & High Yield Index duration of 6.52.

The late cycle indicators in the economic, Fed and leveraged finance cycles are covered in the media on a daily basis but corporate defaults are low and declining, earnings are strong and capital is plentiful. This is not the time to try to keep up with the High Yield Index on a quarterly basis or to participate in the largest and most aggressive leveraged buyout financings. But neither is it the time for maximum pessimism. The strategy's structural advantages - in particular, the fact that the strategy is not managed against any benchmark and the strategy's long-term time horizon - allow us to get increasingly defensive while still generating a yield close to the low end of our longer term objectives. We remain focused on delivering risk-adjusted returns over a complete market cycle by holding up better during down cycles and capturing our fair share of up cycles.

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PERIOD & ANNUALIZED RETURNS (%)

Inception Date: September 30, 2002

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	3Q18
CORPORATE CREDIT COMPOSITE							
Gross of Fees	7.63	9.42	6.48	8.16	4.71	3.40	1.58
Net of Fees	7.13	8.89	5.99	7.68	4.23	3.05	1.47
BENCHMARKS							
ICE BofAML U.S. Corporate & High Yield Index	5.86	6.84	3.89	4.02	-0.44	-1.42	1.20
ICE BofAML U.S. High Yield Index	8.88	9.38	5.54	8.19	2.94	2.52	2.44

CALENDAR YEAR RETURNS (%)

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

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 Corporate Credit Composite is comprised of discretionary fee paying non-wrap accounts with a market value over $10M managed according to the firm's Corporate Credit fixed income strategy. The strategy's investment objective is to provide an attractive cash distribution and total return greater than the current rate of inflation, while minimizing the risk of a current loss of capital over a five-year time horizon. The strategy generally invests in investment grade and below-investment grade (high yield) corporate bonds and will typically maintain an effective duration less than five. The Composite results reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains. Returns are calculated using U.S. Dollars. Net returns are calculated by reducing the gross returns by either the actual client fee paid or the highest stated fee in the Composite fee schedule, depending on the type of client and account, and are reduced by estimated accrued performance based fees where applicable. Only transaction costs are deducted from gross of fees returns. The ICE BofAML U.S. Corporate & High Yield Index is the primary benchmark. This index is comprised of U.S. dollar denominated investment grade and below investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofAML U.S. High Yield Index is shown as additional information. This index is comprised of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Ratings are based on an average of Moody's, S&P and Fitch. 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 Corporate Credit separate accounts is as follows: First $50,000,000 = 0.55%; Over $50,000,000 = 0.45%. 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. The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its third party suppliers and has been licensed for use by Diamond Hill Capital Management, Inc. ICE Data and its third party suppliers accept no liability in connection with its use. See diamond-hill.com for a full copy of the disclaimer.

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

NA = Not Applicable

This composite was created in April 2015.

Global Investment Performance Standards

Diamond Hill High Yield Strategy

As of September 30, 2018

All Composite returns are net of fees.

The Composite* generated a 1.83% total return during the third quarter compared to 2.44% for the ICE Bank of America Merrill Lynch U.S. High Yield Index. Year to date, the Composite has generated a total return of 3.92% compared to 2.52% for the High Yield Index. Since inception, the Composite has generated an annualized total return of 7.97% compared to 5.78% for the High Yield Index.

The High Yield Index began the year with a yield to worst (YTW) of 5.84% and option-adjusted spread (OAS) of 363 basis points and ended the quarter with a 6.28% YTW and OAS of 328 basis points.

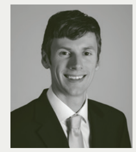
In last quarter's commentary, we noted that the Federal Reserve projects GDP growth above its estimate of long-run potential and unemployment well below its estimate of the long-run natural rate of unemployment through 2020. Yet the Fed's preferred measures of inflation have already reached 2% and the median Fed projection of inflation, now through 2021, is only 2.1%. If the Fed's projections of GDP growth and unemployment are anywhere close to accurate, we expect inflation to come in higher than 2.1%.

The median Fed projection is for five more rate hikes to a peak around 3.375% by the end of 2020, yet the market discounts only two or three more hikes to a peak closer to 2.75% by the end of 2019. If inflation comes in above the Fed's 2.1% projection, we believe the Fed will hike faster and/or further than its current projections.

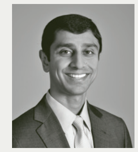
While difficult to forecast, we always want to be prepared to take advantage of volatility. We see the potential for significant volatility as the internal inconsistency of the Fed's projections and the differences between the Fed and the market are reconciled. Conditions outside the U.S., such as European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

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

The high yield market is still priced for low defaults and muted volatility. Due to higher Treasury yields, the 6.28% YTW of the High Yield Index at the end of the quarter compares to a YTW below 5% at the peak of the prior high yield cycle in the middle of 2014. The strategy's YTW has been somewhat lower than the market for the past few quarters. The strategy's duration was 4.09, within our typical range of plus or minus 10% of the High Yield Index. The move higher in interest rates has presented some opportunities to improve credit quality while accepting additional duration.

The late cycle indicators in the economic, Fed and leveraged finance cycles are covered in the media on a daily basis but corporate defaults are low and declining, earnings are strong and capital is plentiful. This is not the time to try to keep up with the High Yield Index on a quarterly basis or to participate in the largest and most aggressive leveraged buyout financings. But neither is it the time for maximum pessimism. The strategy's structural advantages - in particular, the fact that the strategy is not managed closely against the High Yield Index and the strategy's long-term time horizon - allow us to get increasingly defensive while still generating a reasonable yield. We remain focused on delivering strong high yield returns over a complete market cycle by holding up better during down cycles and capturing our fair share of up cycles.

*Investments discussed are based on a representative portfolio and there is no assurance that Diamond Hill will make investments in a new client's portfolio with the same or similar characteristics as the representative portfolio presented. The representative portfolio is presented for discussion purposes only and is not a reliable indicator of the performance or investment profile of the Composite.

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2014

	SINCE INCEPTION	3-YR	1-YR	YTD	3Q18
HIGH YIELD COMPOSITE					
Gross of Fees	8.36	9.83	6.04	4.31	1.96
Net of Fees	7.97	9.33	5.51	3.92	1.83
BENCHMARKS					
ICE BofAML U.S. High Yield Index	5.78	8.19	2.94	2.52	2.44

CALENDAR YEAR RETURNS (%)

	2015	2016	2017
HIGH YIELD COMPOSITE			
Gross of Fees	1.02	15.40	11.12
Net of Fees	1.02	14.82	10.58
BENCHMARKS			
ICE BofAML U.S. High Yield Index	-4.64	17.49	7.48

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AS OF YEAR-END	DHCM	HIGH YIELD COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	High Yield Composite	ICE BofAML U.S. High Yield Index
2017	$22.3B	5 or fewer	$31.1M	NA[1]	5.15%	5.60%
2016	19.4B	5 or fewer	31.9M	NA[1]	NA[2]	NA[2]
2015	16.8B	5 or fewer	10.1M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] The three-year annualized ex-post standard deviation of the composite and/or benchmark is not presented because 36 monthly returns are not available.

This composite was created in January 2016.

Global Investment Performance Standards

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DIAMOND-HILL.COM | 855.255.8955 | 325 JOHN H. MCCONNELL BLVD | SUITE 200 | COLUMBUS, OHIO 43215