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.

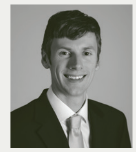
In last quarter's commentary, we noted that the Federal Reserve projects GDP growth above its estimate of long-run potential and unemployment well below its estimate of the long-run natural rate of unemployment through 2020. Yet the Fed's preferred measures of inflation have already reached 2% and the 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.

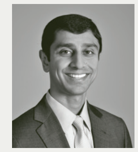
While difficult to forecast, we always want to be prepared to take advantage of volatility. We see the potential for significant volatility as the internal inconsistency of the Fed's projections and the differences between the Fed and the market are reconciled. Conditions outside the U.S., such as European 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

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 High Yield Composite is comprised of discretionary non-fee and fee paying non-wrap accounts with a market value over $10M managed according to the firm's High Yield fixed income strategy. The strategy's investment objective is to generate high current income with the opportunity for capital appreciation over a five year time horizon. The strategy generally invests in corporate debt securities that are related below investment grade or are unrated. 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. High Yield Index is comprised of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. 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 High Yield separate accounts is as follows: First $50,000,000 = 0.60%; Over $50,000,000 = 0.50%. For calendar year end 2015, the non-fee paying account percentage of the Composite is 100%. 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	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.