

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