

# Large Cap Composite

As of December 31, 2018



## OBJECTIVE

Long-term capital appreciation by investing in companies selling for less than our estimate of intrinsic value.

## INVESTMENT STRATEGY

- To estimate intrinsic value, the business must be understandable, and we must be able to reasonably forecast its cash flows. We seek businesses with sustainable competitive advantages, conservative balance sheets, and management with an ownership mentality.
- Investments are sold when the stock price reaches our estimate of intrinsic value, our estimate of intrinsic value is revised such that there is no longer a discount to intrinsic value, a holding reaches our stated maximum position size, or to raise proceeds for a more attractive opportunity.

## TEAM

Chuck Bath, CFA Portfolio Manager	Austin Hawley, CFA Portfolio Manager
Chris Welch, CFA Asst. Portfolio Manager	Matthew Stadelman, CFA Sr. Portfolio Specialist

## PORTFOLIO GUIDELINES

- Typically 40–60 positions
- Maximum position size is 7%
- Top 10 holdings are typically greater than 30% of net assets
- Maximum industry exposure is 20%
- Maximum sector exposure is 30%

## Market Capitalization

The portfolio typically invests in large capitalization companies with a market capitalization of \$5 billion or greater.

## TOP TEN EQUITY HOLDINGS

Abbott Laboratories Health Care	4.9%
Citigroup, Inc. Financials	4.2
Alphabet, Inc. (CI A) Communication Services	3.5
Berkshire Hathaway, Inc. (CI B) Financials	3.4
MetLife, Inc. Financials	3.1
Discover Financial Services Financials	3.0
Pfizer, Inc. Health Care	3.0
Medtronic PLC Health Care	2.9
TJX Cos., Inc. Cons. Discretionary	2.8
CVS Health Corp. Health Care	2.8
<b>Total as % of Net Assets</b>	<b>33.7%</b>
<b>Total number of equity holdings</b>	<b>52</b>

This is presented as supplemental information.

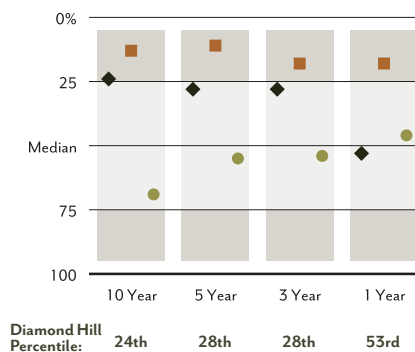
## SECTOR ALLOCATION

	LARGE CAP COMPOSITE	RUSSELL 1000 INDEX	RUSSELL 1000 VALUE INDEX
Financials	28.2%	13.5%	22.5%
Health Care	16.4	15.0	15.7
Cons. Discretionary	11.2	10.7	6.4
Communication Services	10.8	9.6	7.3
Consumer Staples	8.7	6.4	6.7
Industrials	8.2	9.6	7.4
Info. Technology	7.2	20.3	9.3
Energy	3.8	5.1	9.3
Materials	3.6	3.0	4.1
Not Classified	0.3	0.0	0.0
Real Estate	0.0	3.6	4.9
Utilities	0.0	3.3	6.5
Cash & Other <sup>1</sup>	1.6	0.0	0.0

This is presented as supplemental information.

<sup>1</sup> Cash & Other may include cash, treasuries, money market funds, and short duration fixed income funds.

## PEER GROUP QUARTILE RANKINGS<sup>2</sup>



◆ Diamond Hill Large Cap Composite  
 ■ Russell 1000 Index  
 ● Russell 1000 Value Index

This is presented as supplemental information.

<sup>2</sup> Source: eVestment Analytics. Ranking within eVestment U.S. Large Cap Value Equity universe based on monthly returns gross of fees. Ranking data calculated on 1/17/19 (as of 12/31/18) and is subject to change as additional firms within the category submit data.

## PERIOD AND AVERAGE ANNUAL TOTAL RETURNS

Inception Date: June 30, 2001

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	4Q18
LARGE CAP COMPOSITE							
Gross of Fees	8.84	12.81	7.24	8.37	-8.81	-8.81	-13.29
Net of Fees	8.24	12.23	6.68	7.84	-9.27	-9.27	-13.41
BENCHMARKS							
Russell 1000 Index	6.50	13.28	8.21	9.09	-4.78	-4.78	-13.82
Russell 1000 Value Index	6.30	11.18	5.95	6.95	-8.27	-8.27	-11.72

Please review GIPS® performance disclosure on the reverse side.

Side One. Not Valid Without Side Two.

PORTFOLIO CHARACTERISTICS VS. BENCHMARK<sup>3</sup>

	LARGE CAP COMPOSITE	RUSSELL 1000 INDEX	RUSSELL 1000 VALUE INDEX
Median Forward P/E	14.7x	16.4x	14.1x
Median Trailing P/E	14.9x	18.6x	16.7x
Weighted Average Dividend Yield	2.1%	2.1%	2.8%
Median Price / Book	2.4x	2.6x	1.9x
Median Price / Sales	2.0x	2.2x	1.8x
Median Market Cap.	\$53.9B	\$8.7B	\$8.2B
Weighted Average Market Cap.	\$129.0B	\$167.2B	\$111.7B
Portfolio Turnover 5 Year	26%	—	—
Active Share <sup>4</sup> vs. Core <sup>5</sup> / Value <sup>6</sup> Benchmark	79% / 78%	—	—
Upside / Downside Capture Ratio <sup>7</sup> vs. Core Benchmark <sup>5</sup>	105% / 94%	—	—
Upside / Downside Capture Ratio <sup>7</sup> vs. Value Benchmark <sup>6</sup>	105% / 92%	—	—

This is presented as supplemental information.

<sup>3</sup> Source: FactSet.

<sup>4</sup> Source: Morningstar Direct. Active share measures the difference between portfolio holdings and the benchmark. The higher the active share, the greater the difference.

<sup>5</sup> The Russell 1000 Index is the core benchmark.

<sup>6</sup> The Russell 1000 Value Index is the value benchmark.

<sup>7</sup> Source: eVestment Analytics based on monthly returns (gross of fees) from 7/1/01 – 12/31/18.

## CALENDAR YEAR RETURNS (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
LARGE CAP COMPOSITE										
Gross of Fees	31.49	10.61	3.60	13.35	37.79	11.60	-0.16	15.24	21.10	-8.81
Net of Fees	30.79	10.00	3.11	12.79	37.06	10.99	-0.72	14.71	20.51	-9.27
BENCHMARKS										
Russell 1000 Index	28.43	16.10	1.50	16.42	33.11	13.24	0.92	12.05	21.69	-4.78
Russell 1000 Value Index	19.69	15.51	0.39	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27

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 - 9/30/18. 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 Composite has received a Performance Examination from 6/30/01 - 9/30/18. 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 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

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 (Gross of Fees)	Large Cap Composite	Russell 1000 Index	Russell 1000 Value Index
2018	\$19.1B	199	\$8.0B	0.36%	11.63%	10.95%	10.82%
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

NA = Not applicable

This composite was created in October 2013.

Side Two. Not Valid Without Side One.

BEST & WORST PERFORMERS<sup>8</sup>

SECURITY NAME	4Q18 CONTRIBUTION	POSITION AS OF 4Q18
<b>Best</b>		
Procter & Gamble Co.	0.2%	2.4%
NVR, Inc.	0.0	1.9
Kimberly-Clark Corp.	0.0	1.8
Garrett Motion, Inc.	0.0	0.0
Resideo Technologies, Inc.	0.0	0.0
<b>Worst</b>		
Devon Energy Corp.	-1.2%	1.7%
Citigroup, Inc.	-1.2	4.2
Discover Financial Services	-0.8	3.0
Cimarex Energy Co.	-0.8	1.7
United Technologies Corp.	-0.8	2.8

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<sup>8</sup> Source: FactSet. 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, contact 855.255.8955 or info@diamond-hill.com.