Quarterly Commentary: Equity Composites

June 30, 2019

Small Cap	**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.

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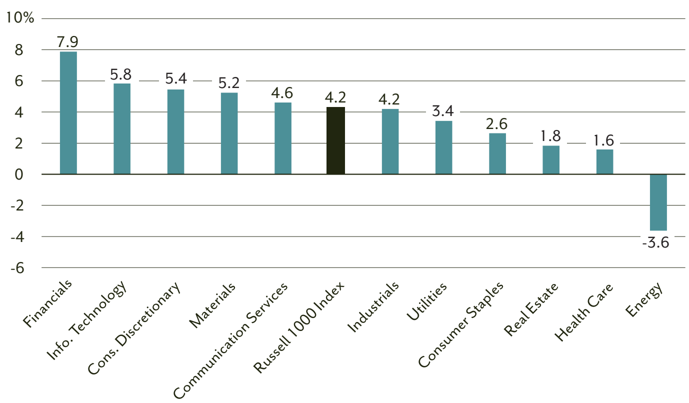
Second Quarter 2019 Review: Equity Markets

As of June 30, 2019

Equity markets continued their strong performance in the second quarter, with the Russell 1000 Index returning 4.25%. This pushed its year-to-date return to 18.84%, the strongest first half of the year since 1997. Much of the market's movement was again driven by interest rates and expectations around a resolution to global trade tensions. After a strong April, markets slid in May on concern that trade talks were falling apart. Renewed optimism around a deal, along with a developing perception that the current low interest rate environment will persist for some time, led to a bounce-back in June.

Similar to the first quarter, cyclical sectors outperformed the broader market while defensive sectors tended to lag. Financials was the strongest-performing sector despite declining interest rates, which are often viewed as a negative for the sector. Materials, information technology, and consumer discretionary also outperformed the broader market. Defensive sectors, such as utilities and real estate, lagged during the quarter, while health care also underperformed as regulatory concerns linger and some politicians continue to push a Medicare For All type program. Finally, energy was the worst-performing sector and the only one to post a negative return during the quarter. This was likely due to the modest decline in oil prices and concern over slowing economic growth.

RUSSELL 1000 INDEX SECTOR RETURNS - 2Q19



Source: FactSet.

Large cap stocks again outperformed small cap stocks in the second quarter, with the Russell 1000 Index outperforming the Russell 2000 Index by over 200 basis points. Over the past 12 months, large cap stocks outperformed small caps by more 1,300 basis points, with the Russell 1000 increasing over 10% and the Russell 2000 declining more than 3%. According to The Leuthold Group, the ratio of small caps' price/earnings multiple to that of large caps has declined to levels rarely seen historically. Instead of trading at a price/earnings premium to large caps, small caps are trading at more than a 10% discount. This is quite interesting given the ongoing trade disputes and stronger U.S. dollar, both of which would seem beneficial for small caps since they generally derive a larger percentage revenue from the United States compared to large caps.

The outperformance of growth over value also persisted, with the Russell 1000 Growth Index returning 4.64%, 80 basis points ahead of the Russell 1000 Value Index. However, the magnitude of the outperformance was much smaller than the 417 basis point difference in the first quarter of this year. Similar dynamics occurred in the small cap universe, with the Russell 2000 Growth Index's 2.75% return besting the Russell 2000 Value Index by approximately 140 basis points. This compares to its 521 basis points of outperformance in the first quarter. The outperformance for growth stocks may be partly explained by the continued decline in interest rates. Since future cash flows are worth more when discounted at lower rates, and since growth stocks generate a higher portion of future cash flows in the distant future, a decline in interest rates is more beneficial to growth stocks and helps support their higher multiples.

Outlook

Corporate tax reform provided a boost to corporate earnings in 2018. Earnings growth will moderate this year as that impact annualizes but it should still be positive. Over time, we believe that competition will lead to many companies competing the tax benefit away. Our research team continues to evaluate the impact of tax reform on a company-by-company basis and updates our estimates of intrinsic value accordingly.

Assessing the impact of macroeconomic factors has become 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, but for certain companies the impact is large. While it is not affecting how we are positioning our portfolios, we continually assess the impact on a company-by-company basis. The likelihood of reaching a trade deal seems to rapidly fluctuate, but in the end we believe cooler heads will prevail and a deal will be reached.

Low interest rates, high corporate profit margins, and steady economic growth with low inflation have driven strong equity market returns since the Great Recession, often making it difficult for us to find new investments for our portfolios. This continues to be the case after the market's significant move upward through the first half of 2019. As always, we remain focused on assessing risk, which we define as the permanent loss of capital.

Interest rates remain low by historical standards and although real GDP is growing at a healthy pace, it has slowed from peak levels in 2018 and some economic indicators suggest continued slowing. Current price/earnings multiples are in line with historical averages and are not excessive, but expected returns could be held back if historically high corporate profit margins and below-average interest rates revert toward long-term averages. Considering these factors, mid-single digit returns seem reasonable for equity markets over the next five years.

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 June 30, 2019 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.

Diamond Hill Small Cap Strategy

As of June 30, 2019

The Composite increased 1.91%, net of fees, compared to a 2.10% increase in the Russell 2000 Index and a 1.37% increase in the Russell 2000 Value Index.

The Composite's holdings in most sectors contributed to absolute return, led by the financials and industrials sectors. The consumer discretionary and energy sectors were the largest detractors from absolute return.

The Composite's underperformance relative to the Russell 2000 Index was primarily driven by security selection in the consumer discretionary and industrials sectors. Security selection in the information technology sector was the largest contributor to relative return, followed by an overweight allocation in the industrials sector. Security selection in the communication services and real estate sectors also contributed to relative return.

Best Performers

- Shares of real estate investment trust **iStar, Inc.** rallied amid strong performance in its publicly-traded ground-lease focused subsidiary. The company has been focused on selling non-core assets and growing the ground lease business, while using its substantial cash position to buy back shares and reduce debt.

- Flow components manufacturer **SPX Flow, Inc.** outperformed after the company's announcement that it would divest its power and energy business was well received by the market. We believe the sale could create significant value for shareholders as the remaining company will be more focused on providing its most differentiated products to its attractive industrial and food and beverage end markets.

- Shares of regional bank **Sterling Bancorp** rose after the company reported strong operating results and demonstrated continued progress on the remixing of assets acquired in the Astoria merger. Management also continued to be good stewards of capital, repurchasing roughly 3% of shares outstanding during the first quarter, following a 4% reduction in the fourth quarter of 2018.

- Financial technology company **Broadridge Financial Solutions, Inc.** outperformed after the company reported solid quarterly results that were ahead of expectations. Management highlighted a continued focus on a tuck-in merger and acquisition strategy as the firm continues to make investments to broaden wealth management offerings and add scale to its mutual fund product suite.

TEAM

Aaron Monroe, CFA	Chris Welch, CFA
Portfolio Manager	Portfolio Manager

- Shares of regional bank **Cadence Bancorp (Cl A)** rose after the company reported strong operating results. The company's investor day included a deep dive into its loan book and credit exposures, which relieved some market concerns about how the bank might perform during a downturn.

Worst Performers

- Automobile parts manufacturer **Tenneco, Inc. (Cl A)** underperformed after the company reported earnings that were below expectations. The company also reduced full-year guidance and delayed the planned spin-off of its DRiV business.

- Shares of casino operator **Red Rock Resorts, Inc. (Cl A)** gave back almost all the gain from the first quarter as concerns grew regarding the results from The Palms casino renovation as completion of the project neared.

- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concerns about the outlook for oil prices and natural gas exposure in the Delaware Basin. The average gas price realization in the second quarter might be close to zero, or even slightly negative. While this impacts cash flows for 2019, we do not believe the current bottleneck to be a structural issue and expect pricing to improve by the fourth quarter as pipeline capacity to the Gulf Coast increases.

- Shares of mortgage servicing company **Mr. Cooper Group, Inc.** declined amid investor fears that lower mortgage rates will lead to higher refinance volumes and run-off of the company's mortgage servicing asset, which could impact near-term profitability and cause a mark-to-market revaluation of the asset on the balance sheet, thereby reducing tangible book value.

- Shares of biopharmaceutical company **Acorda Therapeutics, Inc.** declined as investors questioned the peak-sales potential for the company's Parkinson's treatment, Inbrija. Acorda is attempting to get commercial access for the drug to unlock its long-term growth. We continue to like the drug, as well as Acorda's ability to successfully realize its potential given the experience it gained from launching its multiple sclerosis-walking drug, Ampyra, into an equally difficult therapeutic setting.

New Positions

- Specialty chemicals provider **Ashland Global Holdings, Inc.** will have transformed into a pure specialty ingredients company when it completes the divestiture of its composites business later this summer. Ashland's specialty ingredients are critical enablers of product performance in health care, personal care, and coatings industry applications. We believe management has an opportunity to improve margins in this business over the next two to three years, which should translate into significant earnings and free cash flow growth.

- **WESCO International, Inc.** is a leading distributor of electrical, industrial, and communications materials, and a provider of supply chain management and logistics services. The stock declined when weak first-quarter results strengthened investors' fears that the company's end markets may slow, and that it will face increasing competition from e-commerce. We believe that WESCO may benefit from an economic slowdown due to its strong balance sheet and counter-cyclical free cash flow, and that it is insulated from e-commerce competition due to the technical sophistication, customization, and the high cost of many of the products it supplies, as well as the level of value-added services it provides. Furthermore, WESCO should benefit from consolidation in the fragmented electrical distribution market.

Eliminated Positions

- We sold our position in rental car company **Avis Budget Group, Inc.** as the stock was approaching our estimate of intrinsic value and deployed the funds in more attractive opportunities.

- We eliminated our position in **Brighthouse Financial, Inc.** to make room for more attractive investment opportunities.

- Pharmaceutical company **Endo International PLC** was eliminated as we continue to concentrate the portfolio in our highest conviction investment opportunities.

- Auto parts manufacturer **Tenneco, Inc. (Cl A)** has significantly underperformed expectations. Due to a recent acquisition, the company was carrying an undesirable amount of leverage at a time when it was facing several headwinds in the market. As a result, we sold our shares to fund more attractive investment opportunities.

Diamond Hill Small Cap Strategy

As of June 30, 2019

PERIOD & ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	2Q19
SMALL CAP COMPOSITE							
Gross of Fees	11.04	11.84	3.54	6.74	-4.32	12.52	2.11
Net of Fees	10.17	10.96	2.71	5.89	-5.10	12.06	1.91
BENCHMARKS							
Russell 2000 Index	8.00	13.45	7.06	12.30	-3.31	16.98	2.10
Russell 2000 Value Index	8.55	12.40	5.39	9.81	-6.24	13.47	1.37

CALENDAR YEAR RETURNS (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SMALL CAP COMPOSITE										
Gross of Fees	30.96	24.76	-5.90	14.32	41.64	5.96	-2.45	15.61	12.05	-14.03
Net of Fees	29.93	23.77	-6.63	13.43	40.55	5.17	-3.23	14.71	11.17	-14.73
BENCHMARKS										
Russell 2000 Index	27.17	26.85	-4.18	16.35	38.82	4.89	-4.41	21.31	14.65	-11.01
Russell 2000 Value Index	20.58	24.50	-5.50	18.05	34.52	4.22	-7.47	31.74	7.84	-12.86

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 5/31/00–3/31/19. 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 12/31/00–3/31/19. 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 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.** 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	SMALL CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Small Cap Composite	Russell 2000 Index	Russell 2000 Value Index
2018	$19.1B	5 or fewer	$1.0B	NA[1]	12.11%	15.79%	15.76%
2017	22.3B	5 or fewer	1.5B	NA[1]	9.44	13.91	13.97
2016	19.4B	5 or fewer	1.8B	NA[1]	10.65	15.76	15.50
2015	16.8B	5 or fewer	1.7B	NA[1]	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[2]	NA[2]	NA[2]
2009	6.3B	18	621.2M	0.61	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 October 2013.

Global Investment Performance Standards

Diamond Hill Small-Mid Cap Strategy

As of June 30, 2019

(closed to new investors)

The Composite increased 3.66%, net of fees, compared to a 2.96% increase in the Russell 2500 Index and a 1.89% increase in the Russell 2500 Value Index.

The Composite's holdings in most sectors contributed to absolute return, led by the financials and industrials sectors. The energy sector was the largest detractor from absolute return.

The Composite's outperformance relative to the Russell 2500 Index was primarily driven by security selection in the health care, real estate, and materials sectors. An overweight allocation in the consumer staples sector and security selection in the industrials sector were modest detractors from relative return.

Best Performers

- Homebuilder **NVR, Inc.** outperformed after reporting solid quarterly results, with new order growth showing signs of stabilization after a slowdown in the second half of 2018. We believe that management continues to run the business well, focusing on growth while also remaining in a defensive position to be opportunistic if the macro picture weakens.

- Shares of real estate investment trust **iStar, Inc.** rallied amid strong performance in its publicly-traded ground-lease focused subsidiary. The company has been focused on selling non-core assets and growing the ground lease business, while using its substantial cash position to buy back shares and reduce debt.

- Coating products manufacturer **Axalta Coating Systems Ltd.** outperformed after the company announced a strategic review of its business which could include the sale of the company. Shares have risen in anticipation that Axalta could be a merger/acquisition candidate for larger coatings companies such as Akzo Nobel and Sherwin-Williams.

- Insurance company **RenaissanceRe Holdings Ltd.** outperformed after the company reported strong quarterly results. Additionally, the catastrophe reinsurance pricing environment has improved markedly, which we believe represents a tailwind for the company's core business.

- Shares of insurance broker **Willis Towers Watson PLC** rose after the company reported solid quarterly results, with organic revenue growth coming in slightly better than peers. After several years of inconsistent progress, the company's core brokerage business appears to have stabilized and profitability is improving.

TEAM

Chris Welch, CFA	Jenny Hubbard, CFA
Portfolio Manager	Assistant Portfolio Manager

Worst Performers

- Shares of casino operator **Red Rock Resorts, Inc. (Cl A)** gave back almost all the gain from the first quarter as concerns grew regarding the results from The Palms casino renovation as completion of the project neared.

- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concerns about the outlook for oil prices and natural gas exposure in the Delaware Basin. The average gas price realization in the second quarter might be close to zero, or even slightly negative. While this impacts cash flows for 2019, we do not believe the current bottleneck to be a structural issue and expect pricing to improve by the fourth quarter as pipeline capacity to the Gulf Coast increases.

- Shares of mortgage servicing company **Mr. Cooper Group, Inc.** declined amid investor fears that lower mortgage rates will lead to higher refinance volumes and run-off of the company's mortgage servicing asset, which could impact near-term profitability and cause a mark-to-market revaluation of the asset on the balance sheet, thereby reducing tangible book value.

- Shares of food products manufacturer **Post Holdings, Inc.** declined after the company reported quarterly results that were below expectations. Post also announced the acquisition of the private label cereal business from Treehouse Foods, which has received mixed feedback from investors.

- Medical waste management company **Stericycle, Inc.** underperformed after the company announced weak quarterly earnings amid declines in its non-core businesses which drove outsized declines in margins due to the high fixed cost base. Stericycle is in the midst of a turnaround and management continues to make progress on improving the company.

(closed to new investors)

New Positions

- Specialty chemicals provider **Ashland Global Holdings, Inc.** will have transformed into a pure specialty ingredients company when it completes the divestiture of its composites business later this summer. Ashland's specialty ingredients are critical enablers of product performance in health care, personal care, and coatings industry applications. We believe management has an opportunity to improve margins in this business over the next two to three years, which should translate into significant earnings and free cash flow growth.

- **WESCO International, Inc.** is a leading distributor of electrical, industrial, and communications materials, and a provider of supply chain management and logistics services. The stock declined when weak first-quarter results strengthened investors' fears that the company's end markets may slow, and that it will face increasing competition from e-commerce. We believe that WESCO may benefit from an economic slowdown due to its strong balance sheet and counter-cyclical free cash flow, and because it is insulated from e-commerce competition due to the technical sophistication, customization, and the high cost of many of the products it supplies, as well as the level of value-added services it provides. Furthermore, WESCO should benefit from consolidation in the fragmented electrical distribution market.

Eliminated Positions

- We sold our position in rental and leasing services company **Aaron's, Inc.** as it approached our estimate of intrinsic value.

- We exited our position in cosmetics company **Coty, Inc. (Cl A)** as shares reached our estimate of intrinsic value.

- Our position in property and casualty insurance company **Navigators Group, Inc.** closed when it was acquired in an all-cash deal by Hartford Financial Services Group, Inc.

(closed to new investors)

PERIOD & ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2005

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	2Q19
SMALL-MID CAP COMPOSITE							
Gross of Fees	9.60	14.71	7.03	8.94	2.30	18.34	3.83
Net of Fees	8.80	13.90	6.28	8.16	1.55	17.92	3.66
BENCHMARKS							
Russell 2500 Index	8.62	14.44	7.66	12.34	1.77	19.25	2.96
Russell 2500 Value Index	7.40	13.28	5.55	8.98	-1.92	15.26	1.89

CALENDAR YEAR RETURNS (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
SMALL-MID CAP COMPOSITE										
Gross of Fees	41.71	24.74	-2.96	16.93	43.32	8.43	2.45	19.31	9.63	-11.71
Net of Fees	40.52	23.72	-3.62	16.19	42.39	7.70	1.75	18.47	8.85	-12.35
BENCHMARKS										
Russell 2500 Index	34.39	26.71	-2.51	17.88	36.80	7.07	-2.90	17.59	16.81	-10.00
Russell 2500 Value Index	27.68	24.82	-3.36	19.21	33.32	7.11	-5.49	25.20	10.36	-12.36

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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**	**Russell 2500 Value Index**
2018	$19.1B	14	$2.5B	0.04%	11.90%	14.10%	13.58%
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[1]	NA[1]	NA[1]
2009	6.3B	6	64.1M	1.20	NA[1]	NA[1]	NA[1]

[1] Statistics are not presented because 36 monthly returns are not available.
This composite was created in October 2013.

Global Investment Performance Standards

Diamond Hill Mid Cap Strategy

As of June 30, 2019

The Composite increased 3.86%, net of fees, compared to a 4.13% increase in the Russell Midcap Index and a 3.19% increase in the Russell Midcap Value Index.

The Composite's holdings in most sectors contributed to absolute return, led by the financials sector. The industrials, consumer discretionary, and materials sectors also materially contributed to return, while the energy sector was the largest detractor.

The Composite's underperformance relative to the Russell Midcap Index was primarily driven by security selection in the industrials and utilities sectors, as well as the strategy's cash allocation. Security selection in the health care and materials sectors and an overweight allocation in the financials sector were the largest contributors to relative return.

Best Performers

- Shares of property and casualty insurance company **Loews Corp.** rose amid solid earnings at its largest subsidiary, CNA Insurance. Management continues to be aggressive about deploying excess cash to repurchase shares at a slight discount to book value.

- Homebuilder **NVR, Inc.** outperformed after reporting solid quarterly results, with new order growth showing signs of stabilization after a slowdown in the second half of 2018. We believe that management continues to run the business well, focusing on growth while also remaining in a defensive position to be opportunistic if the macro picture weakens.

- Coating products manufacturer **Axalta Coating Systems Ltd.** outperformed after the company announced a strategic review of its business which could include the sale of the company. Shares have risen in anticipation that Axalta could be a merger/acquisition candidate for larger coatings companies such as Akzo Nobel and Sherwin-Williams.

- Insurance company **RenaissanceRe Holdings Ltd.** outperformed after the company reported strong quarterly results. Additionally, the catastrophe reinsurance pricing environment has improved markedly and represents a tailwind for the company's core business.

- Shares of global automotive supplier **BorgWarner, Inc.** rose after the company reported solid quarterly results amid better-than-expected domestic auto sales. There has also been recent optimism regarding the prospects of a trade deal with China which would help stabilize the auto industry as a whole.

TEAM

Chris Welch, CFA
Portfolio Manager

Chris Bingaman, CFA
Assistant Portfolio Manager

Jenny Hubbard, CFA
Assistant Portfolio Manager

Worst Performers

- Shares of casino operator **Red Rock Resorts, Inc. (Cl A)** gave back almost all the gain from the first quarter as concerns grew regarding the results from The Palms casino renovation as completion of the project neared.

- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concerns about the outlook for oil prices and natural gas exposure in the Delaware Basin. The average gas price realization in the second quarter might be close to zero, or even slightly negative. While this impacts cash flows for 2019, we do not believe the current bottleneck to be a structural issue and expect pricing to improve by the fourth quarter as pipeline capacity to the Gulf Coast increases.

- Shares of food products manufacturer **Post Holdings, Inc.** declined after the company reported earnings that were below expectations. The company also announced the acquisition of the private label cereal business from Treehouse Foods, which has received mixed feedback from investors.

- Shares of mortgage servicing company **Mr. Cooper Group, Inc.** declined amid investor fears that lower mortgage rates will lead to higher refinance volumes and run-off of the company's mortgage servicing asset, which could impact near-term profitability and cause a mark-to-market revaluation of the asset on the balance sheet, thereby reducing tangible book value.

- Medical waste management company **Stericycle, Inc.** underperformed after the company announced weak quarterly earnings amid declines in its non-core businesses which drove outsized declines in margins due to the high fixed cost base. Stericycle is in the midst of a turnaround and management continues to make progress on improving the company.

New Positions

- **Advance Auto Parts, Inc.** is a leader in the automotive aftermarket parts retail market where the top companies produce some of the best margins in all of retail. Following a complex acquisition in 2014, Advance underperformed and lost market share under the leadership of a previous management team. The company is entering the fourth year of its turnaround and management is executing well on a plan to gain market share and materially improve margins. We took advantage of recent volatility in the stock price to initiate a position.

- Specialty chemicals provider **Ashland Global Holdings, Inc.** will have transformed into a pure specialty ingredients company when it completes the divestiture of its composites business later this summer. Ashland's specialty ingredients are critical enablers of product performance in health care, personal care, and coatings industry applications. We believe management has an opportunity to improve margins in this business over the next two to three years, which should translate into significant earnings and free cash flow growth.

- Children's apparel manufacturer **Carter's, Inc.** has the largest share in children's clothing, a stable-demand category that performs well through-cycle. Its brand image of quality at a reasonable price has a large, loyal customer base with a strong online and social media following. Carter's also sits in a unique position with flexibility to meet demand through multiple distribution points including physical stores, online, wholesale, and brand licensing. The company has a solid international presence with established partnerships in key growth markets. Recent stock price declines on near-term disruption related to tariff issues and other transitory items provided an attractive entry point.

- We received shares of apparel manufacturer **Kontoor Brands, Inc.** in a spinoff from holding V.F. Corp. and subsequently eliminated the position as it was trading at our estimate of intrinsic value.

- Natural gas utility **South Jersey Industries, Inc.** has significant investment opportunity in its gas distribution infrastructure, which should help the company grow its income at an above average rate over the next several years. It acquired another gas utility in New Jersey in 2018 and plans to transition its deregulated businesses to generate more fee-based revenue. We believe the company will generate the vast majority of its income from regulated or predictable sources, which could improve its valuation over time.

- **WESCO International, Inc.** is a leading distributor of electrical, industrial, and communications materials, and a provider of supply chain management and logistics services. The stock declined when weak first-quarter results strengthened investors' fears that the company's end markets may slow, and that it will face increasing competition from e-commerce. We believe that WESCO may benefit from an economic slowdown due to its strong balance sheet and counter-cyclical free cash flow, and because it is insulated from e-commerce competition due to the technical sophistication, customization, and the high cost of many of the products it supplies, as well as the level of value-added services it provides. Furthermore, WESCO should benefit from consolidation in the fragmented electrical distribution market.

Eliminated Positions

- We sold our position in cosmetics company **Coty, Inc. (Cl A)** as shares reached our estimate of intrinsic value.

- We eliminated shares of rental and leasing services company **Aaron's, Inc.**, discount retailer **Dollar General Corp.**, and data analytics company **Verisk Analytics, Inc.** as the stock prices approached our estimates of intrinsic value and reallocated capital to more attractive investment opportunities.

PERIOD & ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2013

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	2Q19
MID CAP COMPOSITE						
Gross of Fees	8.62	7.86	10.38	4.92	18.27	3.98
Net of Fees	7.95	7.20	9.72	4.34	17.98	3.86
BENCHMARKS						
Russell Midcap Index	9.46	8.63	12.16	7.83	21.35	4.13
Russell Midcap Value Index	8.15	6.72	8.95	3.68	18.02	3.19

CALENDAR YEAR RETURNS (%)

	2014	2015	2016	2017	2018
MID CAP COMPOSITE					
Gross of Fees	8.84	1.59	19.62	11.31	-9.54
Net of Fees	8.13	0.94	18.85	10.66	-10.11
BENCHMARKS					
Russell Midcap Index	13.22	-2.44	13.80	18.52	-9.06
Russell Midcap Value Index	14.75	-4.78	20.00	13.34	-12.29

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 5/31/00–3/31/19. 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 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	Russell Midcap Value Index
2018	$19.1B	5 or fewer	$143.5M	NA[1]	11.42%	11.98%	11.96%
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.

Global Investment Performance Standards

Diamond Hill Large Cap Strategy

As of June 30, 2019

The Composite increased 7.00%, net of fees, compared to a 4.25% increase in the Russell 1000 Index and a 3.84% increase in the Russell 1000 Value Index.

The Composite's holdings in most sectors contributed to absolute return, led by the financials sector. The communications services, consumer discretionary, information technology, and health care sectors also meaningfully contributed to absolute return. Only the energy sector detracted from absolute return.

The Composite's outperformance relative to the Russell 1000 Index was primarily driven by security selection and an overweight allocation in the financials sector. Security selection in the health care and communication services sectors also contributed to relative return. Security selection in the information technology sector was particularly additive, though this was partially offset by a small allocation to the sector. Security selection in the energy sector detracted from relative return.

Best Performers

- Shares of diversified media and entertainment company **Walt Disney Co.** rose after the company provided more-aggressive-than-expected guidance for its streaming service due to launch later this year.
- Shares of property and casualty insurance company **American International Group, Inc.** rose after reporting better-than-anticipated earnings results. The company's Property and Casualty segment is on pace to deliver an underwriting profit for the full year, and the company anticipates ongoing progress towards its longer-term objective of achieving a double-digit return on equity.
- Banking and financial services company **Citigroup, Inc.** outperformed as the company continued to return large amounts of capital to shareholders through share buybacks and dividends. Earnings have continued to improve as positive operating leverage has remained in place during 2019.
- Shares of life insurance company **MetLife, Inc.** rose after the company reported strong first-quarter results that were well ahead of consensus estimates, with strong underwriting and healthy cash flow generation.
- Homebuilder **NVR, Inc.** outperformed after reporting solid quarterly results, with new order growth showing signs of stabilization after a slowdown in the second half of 2018. We believe that management continues to run the business well, focusing on growth while also remaining in a defensive position to be opportunistic if the macro picture weakens.

TEAM

Chuck Bath, CFA
Portfolio Manager

Austin Hawley, CFA
Portfolio Manager

Chris Welch, CFA
Assistant Portfolio Manager

Matthew Stadelman, CFA
Senior Portfolio Specialist

Worst Performers

- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concerns about the outlook for oil prices and natural gas exposure in the Delaware Basin. The average gas price realization in the second quarter might be close to zero, or even slightly negative. While this impacts cash flows for 2019, we do not believe the current bottleneck to be a structural issue and expect pricing to improve by the fourth quarter as pipeline capacity to the Gulf Coast increases.
- Shares of tobacco products manufacturer **Philip Morris International, Inc.** declined after the U.S.-based manufacturer of Marlboro cigarettes, Altria, reported steep declines in domestic cigarette volumes, sending global tobacco manufacturer stock prices down.
- Shares of media and technology company **Alphabet, Inc. (Cl A)** declined after the company reported earnings that were below expectations. We continue to believe that the company's search engine advertising and other initiatives will drive revenue growth at an attractive margin profile.
- Underperformance of oil and gas exploration and production company **Devon Energy Corp.** likely reflects concerns about the near-term outlook for oil prices and possible disappointment with proceeds from the divestiture of the company's Canadian assets. We were hopeful that the proceeds from the divestiture would be slightly higher than announced, which would have allowed an increase in its share repurchase program. Devon is still expected to divest its Barnett Shale assets which would create a more focused onshore U.S. exploration and production company.
- Shares of auto parts retailer **O'Reilly Automotive, Inc.** declined amid disappointing same store sales results due to poor weather and the timing of income tax refunds. Low-income consumers often use a portion of their tax refunds for car repairs and this year's refunds were delayed, hurting sales.

New Positions

- We initiated a position in **Booking Holdings, Inc.**, one of the largest online travel agents in Europe and North America. Booking benefits from the network economics in its core markets, where a large and growing supply of available accommodation sites is driving demand from consumers looking for choices when they travel. Booking also has good secular growth prospects as travel bookings continue to move online, and it earns high returns on incremental sales. The stock declined due to headwinds from a weak European economy and concerns about increasing customer acquisition costs. We believe these are temporary concerns and that Booking will continue to grow rapidly and earn high returns on capital.

- We took advantage of short-term pressure on the stock price of oil, gas, and consumable fuels company **Chevron Corp.** to invest in a business with stronger long-term opportunities than Noble Energy, Inc., the company it replaced.

- **Humana, Inc.**, a previously successful holding, is a health care insurer focused on Medicare Advantage. The stock has sold off along with the broader group on election fears and the resumption of a health insurer tax; however, we believe the company will have comparably less exposure than commercially-focused peers. Humana has long-term exposure to favorable demographic trends via the Boomer retirement wave and remains an attractive acquisition candidate.

- **O'Reilly Automotive, Inc.** is a leader in the automotive aftermarket parts retail market where the top companies produce some of the best margins in all of retail. O'Reilly has consistently generated high returns on invested capital in this stable industry by building an excellent distribution network for parts availability and by providing outstanding customer service to both do-it-yourselfers and professional installers. We believe O'Reilly will benefit from an improving demand cycle over the next 12 to 24 months.

- We received shares of apparel manufacturer **Kontoor Brands, Inc.** in a spinoff from holding V.F. Corp. and subsequently eliminated the position as it was trading at our estimate of intrinsic value.

Eliminated Positions

- We sold our position in consumer electronics manufacturer **Apple, Inc.** to replace it with more attractive investment opportunities.

- Exploration and production company **Noble Energy, Inc.** was sold due to our concerns regarding the secular outlook in the energy industry.

- We exited our position in data analytics company **Verisk Analytics, Inc.** as the stock price approached our estimate of intrinsic value.

PERIOD AND ANNUALIZED TOTAL RETURNS (%)

Inception Date: June 30, 2001

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	2Q19
LARGE CAP COMPOSITE							
Gross of Fees	9.76	14.55	10.08	14.59	13.39	21.30	7.13
Net of Fees	9.16	13.97	9.52	14.03	12.84	21.03	7.00
BENCHMARKS							
Russell 1000 Index	7.34	14.77	10.45	14.15	10.02	18.84	4.25
Russell 1000 Value Index	7.01	13.19	7.46	10.19	8.46	16.24	3.84

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

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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**
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[1]	NA[1]	NA[1]
2009	6.3B	106	1.5B	0.64	NA[1]	NA[1]	NA[1]

[1] Statistics are not presented because 36 monthly returns are not available.
This composite was created in October 2013.

Global Investment Performance Standards

Diamond Hill Large Cap Concentrated Strategy

As of June 30, 2019

The Composite increased 7.67%, net of fees, during the quarter, compared to a 4.25% increase in the Russell 1000 Index and a 3.84% increase in the Russell 1000 Value Index.

The Composite's holdings in most sectors contributed to absolute return, led by the financials sector. The communication services and consumer discretionary sectors were also meaningful contributors. Only the energy sector detracted from return.

The Composite's outperformance relative to the Russell 1000 Index was primarily driven by a combination of security selection and an overweight allocation in the financials sector. Security selection in the information technology sector was also a large contributor to relative return, though it was partially offset by an underweight position in the sector. Security selection in the energy sector detracted from relative return.

Best Performers

- Banking and financial services company **Citigroup, Inc.** outperformed as the company continued to return large amounts of capital to shareholders through share buybacks and dividends. Earnings have continued to improve as positive operating leverage has remained in place during 2019.
- Shares of property and casualty insurance company **American International Group, Inc.** rose after reporting better-than-anticipated earnings results. The company's Property and Casualty segment is on pace to deliver an underwriting profit for the full year, and the company anticipates ongoing progress towards its longer-term objective of achieving a double-digit return on equity.
- Shares of diversified media and entertainment company **Walt Disney Co.** rose after the company provided more-aggressive-than-expected guidance for its streaming service due to launch later this year.
- Shares of life insurance company **MetLife, Inc.** rose after the company reported strong first-quarter results that were well ahead of consensus estimates, with strong underwriting and healthy cash flow generation.
- Homebuilder **NVR, Inc.** outperformed after reporting solid quarterly results, with new order growth showing signs of stabilization after a slowdown in the second half of 2018. We believe that management continues to run the business well, focusing on growth while also remaining in a defensive position to be opportunistic if the macro picture weakens.

TEAM

Chuck Bath, CFA Portfolio Manager	**Austin Hawley, CFA** Portfolio Manager
Chris Welch, CFA Assistant Portfolio Manager	**Matthew Stadelman, CFA** Senior Portfolio Specialist

Worst Performers

- Shares of tobacco products manufacturer P**hilip Morris International, Inc.** declined after the U.S.-based manufacturer of Marlboro cigarettes, Altria, reported steep declines in domestic cigarette volumes, sending global tobacco manufacturer stock prices down.
- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concerns about the outlook for oil prices and natural gas exposure in the Delaware Basin. The average gas price realization in the second quarter might be close to zero, or even slightly negative. While this impacts cash flows for 2019, we do not believe the current bottleneck to be a structural issue and expect pricing to improve by the fourth quarter as pipeline capacity to the Gulf Coast increases.
- Shares of media and technology company **Alphabet, Inc. (Cl A)** declined after the company reported earnings that were below expectations. We continue to believe that the company's search engine advertising and other initiatives will drive revenue growth at an attractive margin profile.
- Discount apparel retailer **TJX Cos., Inc.** underperformed amid a reset in market expectations after a strong start to the year. The company's fundamental performance remains strong, and results continue to evolve in line with our long-term valuation assumptions.
- Building and aerospace technology conglomerate **United Technologies Corp.** underperformed after the company announced a merger of equals with Raytheon, an aerospace and defense company with no exposure to commercial aviation. While the proposed merger provides some near-term benefits for United Technologies shareholders, we don't believe it creates any long-term value.

New Positions

- Diversified media and entertainment company **Walt Disney Co.** is a high quality name we have owned in the past. We had an opportunity to initiate a position due to skepticism in the market about its pending acquisition of Fox and its direct-to-consumer streaming strategy.

Eliminated Positions

- We eliminated our position in media and technology company **Comcast Corp. (Cl A)** to invest in more attractive opportunities.

PERIOD & ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	2Q19
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	14.11	10.70	15.91	13.87	21.36	7.78
Net of Fees	13.72	10.53	15.33	13.33	21.11	7.67
BENCHMARKS						
Russell 1000 Index	14.34	10.45	14.15	10.02	18.84	4.25
Russell 1000 Value Index	12.48	7.46	10.19	8.46	16.24	3.84

CALENDAR YEAR RETURNS (%)

	2012	2013	2014	2015	2016	2017	2018
LARGE CAP CONCENTRATED COMPOSITE							
Gross of Fees	10.00	38.75	10.70	-0.59	19.17	19.28	-7.15
Net of Fees	9.74	37.22	10.63	-0.46	19.16	18.57	-7.63
BENCHMARKS							
Russell 1000 Index	16.42	33.11	13.24	0.92	12.05	21.69	-4.78
Russell 1000 Value Index	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. Diamond Hill Capital Management Inc. (DHCM) has been independently verified for the periods 5/31/00 – 3/31/19. 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 – 3/31/19. 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 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 (Gross of Fees)**	**Large Cap Concentrated Composite**	**Russell 1000 Index**	**Russell 1000 Value Index**
2018	$19.1B	5 or fewer	$25.6M	NA[1]	12.34%	10.95%	10.82%
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

Diamond Hill All Cap Select Strategy

As of June 30, 2019

The Composite increased 4.33%, net of fees, compared to a 4.10% increase in the Russell 3000 Index and a 3.68% increase in the Russell 3000 Value Index.

The Composite's holdings in most sectors contributed to absolute return, led by the industrials and financials sectors. The health care sector also provided significant contribution to return, while the energy and consumer staples sectors detracted from return.

The Composite's outperformance relative to the Russell 3000 Index was driven primarily by security selection in the health care and industrials sectors and an overweight allocation in the financials sector. Security selection in the consumer staples and energy sectors detracted from relative return.

Best Performers

- Shares of property and casualty insurance company **American International Group, Inc.** rose after reporting better-than-anticipated earnings results. The company's Property and Casualty segment is on pace to deliver an underwriting profit for the full year, and the company anticipates ongoing progress towards its longer-term objective of achieving a double-digit return on equity.

- Shares of life insurance company **MetLife, Inc.** rose after the company reported strong first-quarter results that were well ahead of consensus estimates, with strong underwriting and healthy cash flow generation.

- Airline operator **Copa Holdings S.A. (Cl A)** outperformed after the company reported stronger-than-expected first-quarter results amid improving revenue trends. We believe this is encouraging as the better top-line performance can help offset some of the concerns we had about Boeing 737 Max exposure in 2019. Our long-term thesis is still based on an improving revenue outlook which would lead to a substantial improvement in operating margins.

- Specialty pharmaceutical company **Allergan PLC** outperformed as the company agreed to a merger with AbbVie. We like the deal for both parties and see plentiful opportunities for value creation going forward.

- Shares of global automotive supplier **BorgWarner, Inc.** rose after the company reported solid quarterly results amid better-than-expected domestic auto sales. There has also been recent optimism regarding the prospects of a trade deal with China which would help stabilize the auto industry as a whole.

TEAM

Austin Hawley, CFA Portfolio Manager	**Rick Snowdon, CFA** Portfolio Manager

Worst Performers

- Shares of mortgage servicing company **Mr. Cooper Group, Inc.** declined amid investor fears that lower mortgage rates will lead to higher refinance volumes and run-off of the company's mortgage servicing asset, which could impact near-term profitability and cause a mark-to-market revaluation of the asset on the balance sheet, thereby reducing tangible book value.

- Shares of casino operator **Red Rock Resorts, Inc. (Cl A)** gave back almost all the gain from the first quarter as concerns grew regarding the results from The Palms casino renovation as completion of the project neared.

- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concerns about the outlook for oil prices and natural gas exposure in the Delaware Basin. The average gas price realization in the second quarter might be close to zero, or even slightly negative. While this impacts cash flows for 2019, we do not believe the current bottleneck to be a structural issue and expect pricing to improve by the fourth quarter as pipeline capacity to the Gulf Coast increases.

- Shares of tobacco products manufacturer **Philip Morris International, Inc.** declined after the U.S.-based manufacturer of Marlboro cigarettes, Altria, reported steep declines in domestic cigarette volumes, sending global tobacco manufacturer stock prices down.

- Shares of media and technology company **Alphabet, Inc. (Cl A)** declined after the company reported earnings that were below expectations. We continue to believe that the company's search engine advertising and other initiatives will drive revenue growth at an attractive margin profile.

New Positions

- Through a recent acquisition and announced divestiture, industrial manufacturing and engineering company **Colfax Corp.** is becoming a dramatically higher quality, less cyclical firm. It has exposure to strong secular growth trends and ample opportunity to apply its business system to improve margins and drive strong organic growth over time. We believe management will apply its experience at prior firms, where a very similar continuous improvement strategy with medical technology acquisitions enjoyed significant success.

Eliminated Positions

- We eliminated our position in **Brighthouse Financial, Inc.** to make room for more attractive investment opportunities.
- Exploration and production company **Noble Energy, Inc.** was sold after the share price appreciated to our estimate of intrinsic value.

Diamond Hill All Cap Select Strategy

As of June 30, 2019

PERIOD & ANNUALIZED TOTAL RETURNS (%)

Inception Date: June 30, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	2Q19
ALL CAP SELECT COMPOSITE							
Gross of Fees	10.49	13.75	7.86	14.17	2.82	17.23	4.50
Net of Fees	9.76	13.09	7.26	13.52	2.19	16.87	4.33
BENCHMARKS							
Russell 3000 Index	6.13	14.67	10.19	14.02	8.98	18.71	4.10
Russell 3000 Value Index	7.33	13.14	7.31	10.19	7.34	16.05	3.68

CALENDAR YEAR RETURNS (%)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ALL CAP SELECT COMPOSITE										
Gross of Fees	34.83	11.51	-0.58	12.70	45.86	12.60	-0.48	10.84	21.26	-11.20
Net of Fees	33.89	10.74	-1.21	12.00	45.11	12.07	-1.01	10.22	20.60	-11.74
BENCHMARKS										
Russell 3000 Index	28.34	16.93	1.03	16.42	33.55	12.56	0.48	12.74	21.13	-5.24
Russell 3000 Value Index	19.76	16.23	-0.10	17.55	32.69	12.70	-4.13	18.40	13.19	-8.58

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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	Dispersion (Gross of Fees)	All Cap Select Composite	Russell 3000 Index	Russell 3000 Value Index
2018	$19.1B	13	$310.7M	0.10%	13.45%	11.18%	11.05%
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[1]	NA[1]	NA[1]
2009	6.3B	29	155.0M	0.97	NA[1]	NA[1]	NA[1]

[1] Statistics are not presented because 36 monthly returns are not available.
This composite was created in October 2013.

Global Investment Performance Standards

Diamond Hill Global Strategy

The Composite increased 5.07%, net of fees, compared to a 3.44% increase in the Morningstar Global Markets Index.

TEAM

Grady Burkett, CFA Portfolio Manager	**Rick Snowdon, CFA** Portfolio Manager

The Composite's holdings in most sectors contributed to absolute return, led by the financials sector. The industrials and consumer discretionary sectors also contributed meaningfully to absolute return. The communication services sector was the primary detractor.

The Composite's outperformance relative to the Index was driven by a combination of security selection and an overweight position in the financials sector. Security selection in the industrials and consumer discretionary sectors also contributed to relative return. Security selection in the communication services and energy sectors were the largest detractors from relative return.

Global equity markets generally appreciated during the second quarter, extending a strong start in 2019. Although the IMF once again lowered its global economic growth forecast in April, signs of more accommodative monetary policies from central banks seem to be placating investors. While portfolio returns have significantly rebounded from sharp declines last year, valuations throughout the portfolio remain reasonable to attractive. Ongoing trade uncertainty, geopolitical risks and changing global growth expectations will likely contribute to periods of high volatility over the next few years, although we expect the Global portfolio will generate an attractive total return over a full market cycle.

Best Performers

- Shares of eyeglass manufacturer **EssilorLuxottica S.A.** rose as the company continues to work through the integration of two large and complex companies (Essilor and Luxottica). There has been some disagreement at the senior management level for both companies regarding succession plans. However, the companies presented a more conciliatory approach to resolving differences at a recent shareholders' meeting. We believe the potential long-range cost and distribution synergies of the merger remain compelling and that the issues between the management teams will be resolved over time.

- Shares of property and casualty insurance company **American International Group, Inc.** rose after reporting better-than-anticipated earnings results. The company's Property and Casualty segment is on pace to deliver an underwriting profit for the full year, and the company anticipates ongoing progress towards its longer-term objective of achieving a double-digit return on equity.

- Airline operator **Copa Holdings S.A. (Cl A)** outperformed after the company reported stronger-than-expected first-quarter results amid improving revenue trends. We believe this is encouraging as the better top-line performance can help offset some of the concerns we had about Boeing 737 Max exposure in 2019. Our long-term thesis is still based on an improving revenue outlook which would lead to a substantial improvement in operating margins.

- Shares of life insurance company **MetLife, Inc.** rose after the company reported strong first-quarter results that were well ahead of consensus estimates, with strong underwriting and healthy cash flow generation.

- Homebuilder **NVR, Inc.** outperformed after reporting solid quarterly results, with new order growth showing signs of stabilization after a slowdown in the second half of 2018. We believe that management continues to run the business well, focusing on growth while also remaining in a defensive position to be opportunistic if the macro picture weakens.

Worst Performers

- Shares of internet search services provider **Baidu, Inc. (Cl A)** declined after the company reported quarterly results that indicated slower revenue growth and margin headwinds due to increased competitive rivalry in the China internet space. We believe Baidu remains the dominant search engine in China and its pay-per-click advertising continues to be a relevant channel for advertisers there.

- Shares of casino operator **Red Rock Resorts, Inc. (Cl A)** gave back almost all the gain from the first quarter as concerns grew regarding the results from The Palms casino renovation as completion of the project neared.

- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects concerns about the outlook for oil prices and natural gas exposure in the Delaware Basin. The average gas price realization in the second quarter might be close to zero, or even slightly negative. While this impacts cash flows for 2019, we do not believe the current bottleneck to be a structural issue and expect pricing to improve by the fourth quarter as pipeline capacity to the Gulf Coast increases.

- Shares of tobacco products manufacturer **Philip Morris International, Inc.** declined after the U.S.-based manufacturer of Marlboro cigarettes, Altria, reported steep declines in domestic cigarette volumes, sending global tobacco manufacturer stock prices down.

- Shares of media and technology company **Alphabet, Inc. (Cl C)** declined after the company reported earnings that were below expectations. We continue to believe that the company's search engine advertising and other initiatives will drive revenue growth at an attractive margin profile.

New Positions

- We initiated a new position in enterprise firewall provider **Check Point Software Technologies Ltd.**, which sells products and services that are generally entrenched in its customers' IT environments. This customer stickiness has allowed the company to generate consistently strong free cash flow for many years. The company has a fortress balance sheet and has used its substantial excess free cash flow to steadily reduced share count over the past decade.

Eliminated Positions

- We eliminated our position in life insurance and annuity provider **Brighthouse Financial, Inc.** and automotive and industrial parts manufacturer **Continental AG** to invest in more attractive investment opportunities.

- Exploration and production company **Noble Energy, Inc.** was sold after the share price appreciated to our estimate of intrinsic value.

PERIOD & ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2013

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	2Q19
GLOBAL COMPOSITE						
Gross of Fees	7.20	6.56	14.81	1.08	17.99	5.24
Net of Fees	7.00	6.34	14.42	0.38	17.60	5.07
BENCHMARKS						
Morningstar Global Markets Index	6.70	6.09	11.42	4.96	15.98	3.44

CALENDAR YEAR RETURNS (%)

	2014	2015	2016	2017	2018
GLOBAL COMPOSITE					
Gross of Fees	3.69	-4.58	11.42	30.84	-13.90
Net of Fees	3.69	-4.58	11.42	30.84	-14.50
BENCHMARKS					
Morningstar Global Markets Index	4.00	-2.04	8.22	23.87	-9.82

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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	Morningstar Global Markets Index
2018	$19.1B	5 or fewer	$14.7M	NA[1]	12.62%	10.55%
2017	22.3B	5 or fewer	2.2M	NA[1]	11.56	10.26
2016	19.4B	5 or fewer	1.7M	NA[1]	11.66	10.98
2015	16.8B	5 or fewer	1.5M	NA[1]	NA[2]	NA[2]
2014	15.7B	5 or fewer	1.6M	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 January 2018.

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Global Investment Performance Standards

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