

# Large Cap Concentrated Composite

As of June 30, 2020



## 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

**Matthew Stadelman, CFA**  
Senior Portfolio Specialist

## PORTFOLIO GUIDELINES

- Typically 20 positions
- Maximum position size is 10%
- Top 10 holdings are typically greater than 50% of net assets
- Maximum industry exposure is 25%
- Maximum sector exposure is 35%

## Market Capitalization

Holdings are derived from holdings in the Diamond Hill Large Cap strategy. The Large Cap strategy typically invests in large capitalization companies with a market capitalization of \$5 billion or greater.

## TOP TEN EQUITY HOLDINGS

<b>Abbott Laboratories</b> Health Care	8.5%
<b>Berkshire Hathaway, Inc. (CI B)</b> Financials	6.4
<b>Citigroup, Inc.</b> Financials	6.3
<b>American International Group, Inc.</b> Financials	6.3
<b>PepsiCo, Inc.</b> Consumer Staples	5.8
<b>Walt Disney Co.</b> Communication Services	5.6
<b>Alphabet, Inc. (CI A)</b> Communication Services	5.4
<b>Procter &amp; Gamble Co.</b> Consumer Staples	4.7
<b>Mondelez International, Inc. (CI A)</b> Consumer Staples	4.6
<b>KKR &amp; Co., Inc. (CI A)</b> Financials	4.4
<b>Total as % of Net Assets</b>	<b>57.9%</b>
<b>Total number of equity holdings</b>	<b>20</b>

This is presented as supplemental information.

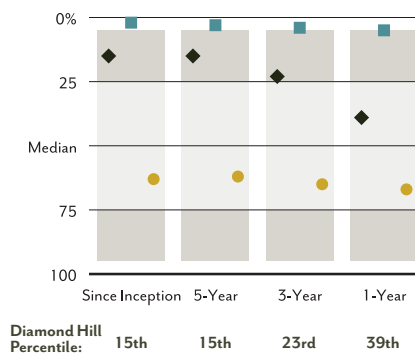
## SECTOR ALLOCATION

	LARGE CAP CONCENTRATED COMPOSITE	RUSSELL 1000 INDEX	RUSSELL 1000 VALUE INDEX
Financials	31.8%	10.2%	18.5%
Consumer Staples	15.1	5.9	6.9
Communication Services	15.0	10.2	9.3
Health Care	12.6	14.6	14.1
Cons. Discretionary	12.5	11.9	8.2
Industrials	4.0	8.4	12.3
Energy	3.4	2.6	5.3
Info. Technology	3.2	27.4	10.2
Real Estate	0.0	3.4	4.7
Utilities	0.0	2.9	5.9
Materials	0.0	2.6	4.5
Cash & Other <sup>1</sup>	2.3	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 Percentile:

- ◆ Diamond Hill Large Cap Concentrated Composite
- Russell 1000 Index
- Russell 1000 Value Index

<sup>2</sup> This is presented as supplemental information. Source: eVestment. Ranking within eVestment U.S. Large Cap Value Equity universe based on monthly returns gross of fees. Ranking data calculated on 7/16/20 (as of 6/30/20) and is subject to change as additional firms within the category submit data.

## PERIOD AND ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	2Q20
<b>LARGE CAP CONCENTRATED COMPOSITE</b>						
<b>Gross of Fees</b>	11.66	7.97	5.89	-5.06	-12.55	16.85
<b>Net of Fees</b>	11.26	7.56	5.37	-5.49	-12.76	16.72
<b>BENCHMARKS</b>						
<b>Russell 1000 Index</b>	13.51	10.47	10.64	7.48	-2.81	21.82
<b>Russell 1000 Value Index</b>	9.74	4.64	1.82	-8.84	-16.26	14.29

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Side One. Not Valid Without Side Two.

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

	LARGE CAP CONCENTRATED COMPOSITE	RUSSELL 1000 INDEX	RUSSELL 1000 VALUE INDEX
Median Forward P/E	20.9x	23.5x	21.4x
Median Trailing P/E	25.4x	22.6x	20.4x
Weighted Average Dividend Yield	2.3%	1.9%	2.9%
Median Price / Book	2.8x	3.0x	2.3x
Median Price / Sales	2.6x	2.5x	2.0x
Median Market Cap.	\$90.7B	\$9.8B	\$8.5B
Weighted Average Market Cap.	\$184.2B	\$341.9B	\$106.0B
Portfolio Turnover (5-Year)	33%	—	—
Active Share <sup>4</sup> vs. Core <sup>5</sup> / Value <sup>6</sup> Benchmark	90% / 88%	—	—
Upside / Downside Capture Ratio <sup>7</sup> vs. Core Benchmark <sup>5</sup>	97% / 107%	—	—
Upside / Downside Capture Ratio <sup>7</sup> vs. Value Benchmark <sup>6</sup>	109% / 100%	—	—

<sup>3</sup> This is presented as supplemental information. Source: FactSet.

<sup>4</sup> Source: FactSet. 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 based on monthly returns (gross of fees) from 1/1/12 – 6/30/20.

## CALENDAR YEAR RETURNS (%)

	2012	2013	2014	2015	2016	2017	2018	2019
LARGE CAP CONCENTRATED COMPOSITE								
Gross of Fees	10.00	38.75	10.70	-0.59	19.17	19.27	-7.16	31.76
Net of Fees	9.74	37.22	10.62	-0.46	19.15	18.56	-7.63	31.18
BENCHMARKS								
Russell 1000 Index	16.42	33.11	13.24	0.92	12.05	21.69	-4.78	31.43
Russell 1000 Value Index	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54

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 - 3/31/20. 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 - 3/31/20. 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 and separate accounts. 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.

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
2019	\$23.4B	5 or fewer	\$27.7M	NA <sup>9</sup>	12.95%	12.05%	11.85%
2018	19.1B	5 or fewer	25.6M	NA <sup>9</sup>	12.34	10.95	10.82
2017	22.3B	5 or fewer	3.4M	NA <sup>9</sup>	12.41	9.97	10.20
2016	19.4B	5 or fewer	2.9M	NA <sup>9</sup>	12.77	10.69	10.77
2015	16.8B	5 or fewer	418.9M	NA <sup>9</sup>	12.07	10.48	10.68
2014	15.7B	5 or fewer	422.6M	NA <sup>9</sup>	9.29	9.12	9.20
2013	12.2B	5 or fewer	382.3M	NA <sup>9</sup>	NA <sup>10</sup>	NA <sup>10</sup>	NA <sup>10</sup>
2012	9.4B	5 or fewer	275.9M	NA <sup>9</sup>	NA <sup>10</sup>	NA <sup>10</sup>	NA <sup>10</sup>

<sup>9</sup> NA = Not applicable

<sup>10</sup> Statistics are not presented because 36 monthly returns are not available.

This composite was created in December 2011.

Side Two. Not Valid Without Side One.

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

SECURITY NAME	2Q20 CONTRIBUTION	POSITION AS OF 2Q20
<b>Best</b>		
Facebook, Inc. (CI A)	1.6%	4.0%
Abbott Laboratories	1.5	8.5
BorgWarner, Inc.	1.5	4.3
Alphabet, Inc. (CI A)	1.5	5.4
Citigroup, Inc.	1.2	6.3
<b>Worst</b>		
Otis Worldwide Corp.	-0.6%	0.0%
Fidelity National Information Services, Inc.	-0.1	3.2
Berkshire Hathaway, Inc. (CI B)	-0.1	6.4
Carrier Global Corp.	-0.1	0.0
Charles Schwab Corp.	0.1	4.3

<sup>8</sup> This is presented as supplemental information. 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.

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.** GIPS is a trademark of CFA Institute. CFA Institute has not been involved in the preparation or review of this report/advertisement. Index data source: London Stock Exchange Group PLC. See diamond-hill.com/disclosures for a full copy of the disclaimer.