Diamond Hill Corporate Credit Strategy

As of June 30, 2017

All Composite returns are net of fees.

The Diamond Hill Corporate Credit Composite* generated a 2.34% total return during the second quarter, compared to 2.37% for the Bank of America Merrill Lynch U.S. Corporate & High Yield Index. Year to date, the Composite generated a total return of 5.22% compared to 4.06% for the Corporate & High Yield Index. For the trailing five years, the Composite generated an annualized total return of 6.35% compared to 4.60% for the Corporate & High Yield Index.

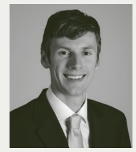
Unlike most corporate bond strategies, Diamond Hill Corporate Credit is not managed against any index. Instead, the strategy is managed against absolute objectives of (1) inflation plus 3% and (2) 7% nominal, each measured over rolling five-year periods. Our goal is to achieve these objectives while minimizing the risk of downside volatility over longer time periods. Although the strategy's investable universe (and the Corporate & High Yield Index) includes both investment grade and high yield corporate bonds, since early 2010 the strategy has been largely focused on the high yield portion of the market to achieve these objectives. Over 85% of the Corporate Credit strategy was in high yield corporate bonds at the end of the second quarter.

The high yield portion of the U.S. corporate bond market, as represented by the Bank of America Merrill Lynch U.S. High Yield Index, began the quarter with a yield-to-worst of 5.88% and option-adjusted spread of 392 basis points. At the end of the second quarter, the yield-to-worst was 5.68% and the option-adjusted spread was 377 basis points. The Corporate Credit strategy's yield-to-worst is typically somewhere in the range of our absolute objectives, although it was well below the low end of the range on June 30, 2014 (the peak of the high yield market) and well above the high end of the range on February 11, 2016 (the most recent bottom of the high yield market). The strategy's yield-to-worst began the quarter at 5.10% and declined to 4.59% at the end of the quarter. The strategy's duration was 3.04, in the middle of its typical 2.0-3.5 range, but well below the High Yield Index duration of 4.04 and the Corporate & High Yield Index duration of 6.66.

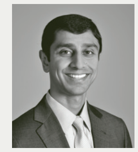
High yield is off to a stronger start to 2017 than many expected, buttressed by the strength of equities on one end of the spectrum and core U.S. fixed income on the other. In addition, the high yield default rate is below the historical average and expected to decline further in coming quarters. While the timing is difficult to forecast, the high yield market is prone to bouts of volatility and illiquidity. It is important for the Corporate Credit strategy to be in a strong

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

position to take advantage of volatility and illiquidity which lead to favorable pricing of high yield bonds for investors with a long-term time horizon.

The energy industry led the high yield market down from the middle of 2014 to early 2016. After a powerful rebound last year, energy is once again the weakest industry in the high yield market this year. The strategy's energy weighting is currently small with high quality issuers but we are willing to add materially to the allocation if the prices of high yield energy bonds fall to our buy points. We expect high yield energy bonds to come under pressure to induce producers to cut production in the oversupplied market that we foresee in 2018.

Conduent Finance, Inc. 10.5% due 2024 was one of the largest contributors to performance during the second quarter. Conduent benefited from its high coupon and reasonable valuation. Since its spinoff from Xerox at the end of last year, Conduent has made progress on margin improvement and free cash flow generation remains on track.

Three holdings in the financials sector were among the top contributors to performance during the quarter: **Quicken Loans, Inc. 5.75% due 2025**, **MGIC Investment Corp. 5.75% due 2023**, and **Popular, Inc. 7.0% due 2019**. Quicken and MGIC have strong competitive positions in mortgage origination and servicing and mortgage insurance, respectively. The decline in interest rates was beneficial to their businesses and to their bonds as two of the strategy's higher quality, longer duration holdings.

Frontier Communications Corp. 11.0% due 2025 was one of the largest detractors from performance during the quarter. On the positive side, Frontier reduced its dividend by more than 60% and showed some signs of progress with cost savings, pricing, and new customer adds. On the negative side, Frontier continues to lose too many customers and the pace of deleveraging is expected to be slow. Improvement in customer churn is important.

DIAMOND HILL CAPITAL MANAGEMENT

*Investments discussed are based on a representative portfolio and there is no assurance that Diamond Hill will make investments in a new client's portfolio with the same or similar characteristics as the representative portfolio presented. The representative portfolio is presented for discussion purposes only and is not a reliable indicator of the performance or investment profile of the Composite.

Selected New and Eliminated Positions

We were once again selective in the new issue market, participating in six new offerings: **Century Communities 5.875% due 2025**, **Provident Funding Associates 6.375% due 2025**, **USIS Merger Sub, Inc. 6.875% due 2025**, **KAR Auction Services, Inc. 5.125% due 2025**, **Laureate Education, Inc. 8.25% due 2025**, and **FirstCash, Inc. 5.375% due 2024**.

With our deep and talented research team, we are always willing to step into a market that is overreacting to near-term issues or otherwise unwilling to reflect long-term fundamental value. We saw several opportunities to do so during the first half of the year and we believe we will continue to have idiosyncratic opportunities in the future when investors overreact to short-term volatility. **Pilgrim's Pride Corp. 5.75% due 2025** was the largest detractor to performance and was also a new position during the quarter. We became interested in the debt as headlines swirled around its controlling shareholder JBS (79% ownership) and the holding company of JBS, J&F Investimentos S.A. The Batista family paid personal fines for its role in paying bribes to Brazilian state-run banks and pension funds. J&F was ordered to pay more than $3 billion in fines over a 25-year period to settle five probes. The fine corresponds to 5.6% of the revenues earned by J&F holdings in 2016. While we believe there will continue to be many headlines around J&F and JBS, it is important to note that we can analyze the fines levied and the impact to Pilgrim's Pride. Further, Pilgrim's Pride is a U.S.-domiciled public company that has an independent management team, low leverage, strong free cash flow, and good long-term operational trends. J&F fines are levied at the holding company and not at JBS USA or Pilgrim's Pride. J&F will most likely sell some subsidiaries to address the fines.

Onex USI Acquisition Corp. 7.75% due 2021, **Isle of Capri Casinos, Inc. 8.875% due 2020**, **Greektown Holdings LLC 8.875% due 2019**, and **HUB International Ltd. 9.25% due 2021** were called.

We eliminated our position in **The Fresh Market, Inc. 9.75% due 2023**. While it was a strong contributor during the quarter, we are not satisfied with the investment outcome as the bonds declined from $99 issue price in April 2016 to the mid-$80s in the second quarter when we fully exited the position. Due to poor operational results, we eliminated the position just before the announcement that Amazon would acquire Whole Foods. We believe this transaction will have significant implications on the U.S. grocery market and The Fresh Market has very high customer overlap with Whole Foods. Further, The Fresh Market must improve its value proposition through lower prices which will become harder to do in competition with Amazon. The grocery industry is already hyper-competitive with thin margins. With Whole Foods (at the high end) having deeper pockets and most likely a better value proposition, and Aldi and Lidl (at the low end) aggressively expanding into the U.S., we may see many casualties in this space over the next five years. Our margin of safety evaporated and we exited the position at a loss as the thesis had become impaired.

TOP 5 CONTRIBUTORS

SECURITY NAME	2Q17 CONTRIBUTION	POSITION AS OF 2Q17
Conduent Finance, Inc. 10.5% due 2024	0.14%	3.6%
Quicken Loans, Inc. 5.75% due 2025	0.11	1.7
Popular, Inc. 7.0% due 2019	0.11	4.9
Century Communities, Inc. 6.875% due 2022	0.11	4.1
Kindred Healthcare, Inc. 8.75% due 2023	0.09	0.9

TOP 5 DETRACTORS

SECURITY NAME	2Q17 CONTRIBUTION	POSITION AS OF 2Q17
Pilgrim's Pride Corp. 5.75% due 2025	-0.03%	1.3
Frontier Communications Corp. 11.0% due 2025	-0.01	1.3
Horizon Pharma, Inc. 8.75% due 2024	0.00	0.8
Diamondback Energy, Inc. 5.375% due 2025	0.00	0.3
SPX Flow, Inc. 5.625% due 2024	0.00	0.0

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: September 30, 2002

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	2Q17
CORPORATE CREDIT COMPOSITE							
Gross of Fees	7.85	6.06	6.86	6.72	11.50	5.45	2.45
Net of Fees	7.34	5.55	6.35	6.24	11.01	5.22	2.34
BENCHMARKS							
BofA ML U.S. Corporate & High Yield Index	6.30	6.03	4.60	3.66	4.14	4.06	2.37
BofA ML U.S. High Yield Index	9.31	7.54	6.91	4.48	12.75	4.91	2.14

CALENDAR YEAR RETURNS (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
CORPORATE CREDIT COMPOSITE										
Gross of Fees	-5.24	-16.55	30.78	14.52	6.30	10.65	6.12	3.17	2.18	12.90
Net of Fees	-5.69	-16.96	30.09	13.96	5.78	10.11	5.60	2.65	1.72	12.40
BENCHMARKS										
BofA ML U.S. Corporate & High Yield Index	4.09	-10.93	26.00	10.76	6.80	11.37	0.34	6.43	-1.37	7.97
BofA ML U.S. High Yield Index	2.19	-26.39	57.51	15.19	4.38	15.58	7.42	2.50	-4.64	17.49

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 5/31/00–3/31/17. 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. Diamond Hill provides investment management services to individuals and institutional investors through mutual funds, separate accounts, exchange traded funds and private investment funds. A complete list and description of all composites and policies for valuing portfolios, calculating and reporting returns, and preparing compliant presentations are available upon request. The Corporate Credit Composite is comprised of discretionary fee paying non-wrap accounts with a market value over $10M managed according to the firm's Corporate Credit fixed income strategy. The strategy's investment objective is to provide an attractive cash distribution and total return greater than the current rate of inflation, while minimizing the risk of a current loss of capital over a five-year time horizon. The strategy generally invests in investment grade and below-investment grade (high yield) corporate bonds and will typically maintain an effective duration less than five. 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 BofA Merrill Lynch U.S. Corporate & High Yield Index is the primary benchmark. This index is comprised of U.S. dollar denominated investment grade and below investment grade corporate debt publicly issued in the U.S. domestic market. The BofA Merrill Lynch U.S. High Yield Index is shown as additional information. This index is comprised of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. Ratings are based on an average of Moody's, S&P and Fitch. 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 Corporate Credit separate accounts is as follows: First $50,000,000 = 0.55%; Over $50,000,000 = 0.45%. 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. The Global Investment Performance Standards are 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	CORPORATE CREDIT COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Corporate Credit Composite	BofA ML U.S. Corporate & High Yield Index	BofA ML U.S. High Yield Index
2016	$19.4B	5 or fewer	$533.5M	NA	3.96%	3.93%	6.03%
2015	16.8B	5 or fewer	299.0M	NA	2.91	3.82	5.27
2014	15.7B	5 or fewer	220.0M	NA	2.37	3.79	4.44
2013	12.2B	5 or fewer	186.7M	NA	3.32	4.34	6.42
2012	9.4B	5 or fewer	178.4M	NA	3.80	4.00	7.03
2011	8.7B	5 or fewer	146.0M	NA	7.10	5.73	11.00
2010	8.6B	5 or fewer	145.8M	NA	NA	NA	NA
2009	6.3B	5 or fewer	127.6M	NA	NA	NA	NA
2008	4.5B	5 or fewer	112.8M	NA	NA	NA	NA
2007	4.4B	5 or fewer	206.1M	NA	NA	NA	NA

NA = Not Applicable

This composite was created in April 2015.

As of July 1, 2016, Diamond Hill removed the BofA Merrill Lynch BB-B U.S. High Yield Index and the BofA Merrill Lynch U.S. High Yield Index as secondary and tertiary benchmarks, respectively, as we believe the benchmarks no longer provide meaningful comparisons to the composite.

Global Investment Performance Standards