

The Composite increased 1.81%, net of fees, during the quarter compared to a 3.06% increase in the Russell 1000 Index and a 1.34% increase in the Russell 1000 Value Index.

The Composite's holdings in the financials, health care, information technology, and industrials sectors provided the largest contribution to absolute return. Holdings in the energy sector detracted from absolute return.

The Composite's underperformance relative to the Russell 1000 Index was primarily driven by security selection in the energy, information technology, and consumer discretionary sectors. Security selection in the industrials and financials sectors and a large overweight allocation to financials were positive contributors to relative return.

Best Performers

- Shares of banking and financial services company **Citigroup, Inc.** outperformed as the market appears to be increasingly comfortable with the company's excess capital position along with its ability to return capital via both dividends and share repurchases.
- Health care products manufacturer **Abbott Laboratories** reported solid first-quarter results and is well-positioned to benefit from its recent St. Jude acquisition. Abbott also announced it will purchase Alere at a lower price than originally indicated, with the deal expected to close later this year.
- Shares of building and aerospace technology conglomerate **United Technologies Corp.** outperformed as the market began to price in the value of the company's geared turbofan jet engine business, which was previously embedded as a meaningful negative to the stock price.
- Media and technology company **Alphabet, Inc. (CIA)** reported strong year-over-year revenue growth and expanding margins, reflecting strength in its core advertising business including continued rapid growth in mobile search.
- Household durables manufacturer **Whirlpool Corp.** delivered excellent results in its North American division, with fundamentals remaining strong and the competitive environment stabilizing. Latin America and Asia produced solid results as well, though Europe remains challenged with struggling volumes and significant margin compression.

PORTFOLIO MANAGEMENT



Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Portfolio Manager



Chris Welch, CFA
Asst. Portfolio Manager

Worst Performers

- Shares of oil and gas exploration and production company **Cimarex Energy Co.** underperformed amid a faster-than-expected increase in shale drilling activity and a large rebound in oil production from Libya and Nigeria. These factors have increased the risk that oil inventories may not normalize in the near future.
- Discount apparel retailer **TJX Cos., Inc.** reported mixed quarterly results. Comparable store sales were up slightly and merchandise margins improved, but third quarter earnings-per-share guidance was weak.
- Shares of networking and communications company **Cisco Systems, Inc.** underperformed after the firm delivered disappointing fiscal fourth-quarter guidance.
- Shares of credit services company **Capital One Financial Corp.** declined amid concerns around subprime credit card and auto loans. However, consumer trends have improved over the last few months as employment and housing remain favorable.
- Shares of diversified media and entertainment company **Walt Disney Co.** underperformed due to increased investor concerns about the profitability of ESPN due to an acceleration in cord-cutting and rising sports costs. However, the Parks and Studio segments of the business are driving solid quarterly results.

New Positions

We did not initiate any new positions during the quarter.

Eliminated Positions

We eliminated our position in networking and communications company **Cisco Systems, Inc.** and reallocated proceeds to more attractive opportunities.



Diamond Hill Large Cap Concentrated Strategy

As of June 30, 2017

PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	2Q17
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	14.95	16.24	9.95	24.51	7.46	1.97
Net of Fees	14.62	15.91	10.04	23.90	7.15	1.81
BENCHMARKS						
Russell 1000 Index	15.11	14.67	9.26	18.03	9.27	3.06
Russell 1000 Value Index	14.31	13.94	7.36	15.53	4.66	1.34

CALENDAR YEAR RETURNS (%)

	2012	2013	2014	2015	2016
LARGE CAP CONCENTRATED COMPOSITE					
Gross of Fees	10.00	38.75	10.70	-0.59	19.17
Net of Fees	9.74	37.22	10.63	-0.46	19.16
BENCHMARKS					
Russell 1000 Index	16.42	33.11	13.24	0.92	12.05
Russell 1000 Value Index	17.51	32.53	13.45	-3.83	17.34

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 – 3/31/17. 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 – 3/31/17. 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. DHCM provides investment management services to individuals and institutional investors through mutual funds, separate accounts, exchange traded funds and private investment funds. A complete list and description of all composites and policies for valuing portfolios, calculating and reporting returns, and preparing compliant presentations are available upon request. The Large Cap Concentrated Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Large Cap Concentrated equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in large capitalization companies selling for less than our estimate of intrinsic value. Holdings are derived from holdings in the Diamond Hill Large Cap strategy. The Large Cap strategy typically invests in large-capitalization companies, which are defined as companies with a market capitalization of \$5 billion or greater. However, the Large Cap strategy can invest in companies with a market capitalization as low as \$2.5 billion. The Composite results reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains. Returns are calculated using U.S. Dollars. Net returns are calculated by reducing the gross returns by either the actual client fee paid or the highest stated fee in the Composite fee schedule, depending on the type of client and account, and are reduced by estimated accrued performance based fees where applicable. Only transaction costs are deducted from gross of fees returns. The Russell 1000 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 1,000 largest companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 1000 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the large cap value segment of the U.S. equity universe including those Russell 1000 Index companies with lower expected growth values. The Russell 3000 Index is an unmanaged market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. Our selection process may lead to portfolios that differ markedly from the benchmarks presented. Returns may be more volatile than, and/or may not be correlated to these indices, which are for comparative purposes only. The Firm's standard fee schedule for Large Cap separate accounts is as follows: First \$20,000,000 = 0.65%; Over \$20,000,000 = 0.55%. The dispersion measure is the asset weighted standard deviation of the annual portfolio returns. Only portfolios represented in the Composite for the entire year are included in the calculation. The calculation is not performed if the Composite contains 5 or fewer accounts for the full year. No alteration of composites as presented

here has occurred because of changes in personnel at any time. **Past performance is not a guarantee of future results.** It should not be assumed that an investment in the securities identified was or will be profitable. The holdings identified do not represent all of the securities purchased, sold, or recommended for the adviser's clients. To obtain the contribution calculation methodology and a complete list of every holding's contribution to the overall portfolio's performance during the measurement period, please contact 855.255.8955 or info@diamond-hill.com. 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	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
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.