

*(closed to new investors)*

The Composite increased 1.00%, net of fees, during the quarter compared to a 2.46% increase in the Russell 2000 Index and a 0.67% increase in the Russell 2000 Value Index.

The Composite's holdings in the consumer discretionary and health care sectors were the primary contributors to absolute return. Holdings in the energy, industrials, and consumer staples sectors detracted from absolute return.

The Composite's underperformance relative to the Russell 2000 Index was primarily driven by security selection in the industrials and information technology sectors, underweight allocations to health care and information technology, as well as the Composite's allocation to cash. Security selection in the consumer discretionary and health care sectors were positive contributors to relative return.

## Best Performers

- Medical diagnostic systems provider **Alere, Inc.** announced that the company finalized its merger with Abbott Laboratories.
- Shares of rental and leasing services company **Aaron's, Inc.** rose amid a continuation of recent performance, including growth in year-over-year net income and earnings per share.
- Entertainment company **Live Nation Entertainment, Inc.** continued its dominance in concert promotion and live event ticketing. Live events are a key source of revenue for artists and Ticketmaster's model has proven to be resilient amid attempts by others to enter the business.
- Shares of home infusion services provider **BioScrip, Inc.** increased as the company's new management team continued to execute on its recovery plan. The company terminated the majority of its contract with UnitedHealth which was running at a negative margin.
- Ski resort owner and operator **Vail Resorts, Inc.** closed out the ski season on a high note and raised full-year guidance. Epic Pass sales for next season remain strong and the recent Stowe Mountain Resort purchase should continue to support the company's growth.

## PORTFOLIO MANAGEMENT



Tom Schindler, CFA  
Portfolio Manager



Aaron Monroe, CFA  
Asst. 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.
- Freight transportation management company **Hub Group, Inc. (CIA)** reduced full-year guidance as it became clear that intermodal pricing for 2017 would be well below prior expectations, largely due to the continued oversupply of capacity in the competing truckload market. We believe this issue is transitory and expect a more favorable pricing environment in 2018 as new regulations help constrain the supply of truckload capacity.
- Rental car company **Avis Budget Group, Inc.** reported poor first-quarter earnings. Pricing in the Americas was down, and the company's full-year outlook for per-unit fleet costs increased. Over fleeting in the industry has not allowed price increases to offset rising fleet costs, which have been impacted by lower residual used car values.
- Shares of regional bank **BankUnited, Inc.** declined amid broader concerns surrounding delays in tax and regulatory reforms. Additionally, the company's first-quarter results called into question management's loan growth guidance for the full year.
- Shares of aircraft rental and leasing services company **Aircastle Ltd.** underperformed amid concerns regarding the risk of impairments on wide-body and freighter aircraft.



## New Positions

We did not initiate any new positions during the quarter.

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## Eliminated Positions

We eliminated our position in business-to-business media company **Global Sources Ltd.** as the price approached our estimate of intrinsic value. We sold the shares of medical device company **Nuvector Corp.**, which we received in the 2016 spinoff from Integer Holdings Corp., as we do not believe Nuvector will reach profitability for some time. Specialty health insurer **Universal American Corp.** was acquired in an all-cash deal by WellCare Health Plans, Inc.

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## PERIOD & ANNUALIZED RETURNS (%)

Inception Date: December 31, 2000

	SINCE INCEPTION	10-YR	5-YR	3-YR	1-YR	YTD	2Q17
SMALL CAP COMPOSITE							
Gross of Fees	12.06	7.64	13.54	3.95	14.82	2.33	1.21
Net of Fees	11.20	6.79	12.66	3.13	13.91	1.91	1.00
BENCHMARKS							
Russell 2000 Index	8.17	6.92	13.70	7.36	24.60	4.99	2.46
Russell 2000 Value Index	9.24	5.92	13.39	7.02	24.86	0.54	0.67

## CALENDAR YEAR RETURNS (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
SMALL CAP COMPOSITE										
Gross of Fees	-2.41	-25.03	30.96	24.76	-5.90	14.32	41.64	5.96	-2.45	15.61
Net of Fees	-3.18	-25.62	29.93	23.77	-6.63	13.43	40.55	5.17	-3.23	14.71
BENCHMARKS										
Russell 2000 Index	-1.57	-33.79	27.17	26.85	-4.18	16.35	38.82	4.89	-4.41	21.31
Russell 2000 Value Index	-9.78	-28.92	20.58	24.50	-5.50	18.05	34.52	4.22	-7.47	31.74

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. 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 12/31/00–3/31/17. 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. 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 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 = 1.00%; Over \$20,000,000 = 0.80%. The dispersion measure is the asset weighted standard

AS OF YEAR-END	DHCM	SMALL CAP COMPOSITE			3-YR STANDARD DEVIATION (GROSS OF FEES)		
		Assets Under Management	Number of Accounts	Assets Under Management (Gross of Fees)	Small Cap Composite	Russell 2000 Index	Russell 2000 Value Index
2016	\$19.4B	5 or fewer	\$1.8B	NA	10.65%	15.76%	15.50%
2015	16.8B	5 or fewer	1.7B	NA	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	NA	NA
2009	6.3B	18	621.2M	0.61	NA	NA	NA
2008	4.5B	11	391.2M	0.32	NA	NA	NA
2007	4.4B	9	383.4M	0.14	NA	NA	NA

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.

NA = Not Applicable

This composite was created in October 2013.