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# CRAWFORD CAPITAL PARTNERS, LP

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Best Ideas 2018  
Hosted by MOI Global  
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# BEST IDEAS PRIOR YEARS' UPDATE



Idea Presented	Date	Price	Performance 6-Months	Performance 1-year	Performance Since Inception or over life
<b>2014: Myriad Genetics (MYGN)</b>	1/8/14	\$21.05	+58.5%	+101.0%	+90.8%*
<b>2015: Ubiquiti Networks (UBNT)</b>	1/12/15	\$28.05	+18.3%	+0.2%	+162.9%**
<b>2016: Ritchie Brothers (RBA)</b>	1/12/16	\$21.89	+60.5%	NA	+41.6%***
<b>2017: Amerco (UHAL)</b>	1/10/17	\$368.23	-3.8%	+3.1%	+3.1%**
<b>2018: Diamond Hill (DHIL)</b>	1/12/18	\$212.63	?	?	?

\* MYGN Investment closed out early 2016 after reaching targeted fair value

\*\* UBNT and UHAL Investments still open

\*\*\* RBA Investment exited during 2016 after quickly reaching targeted fair value



DHIL (Nasdaq--\$212.40)

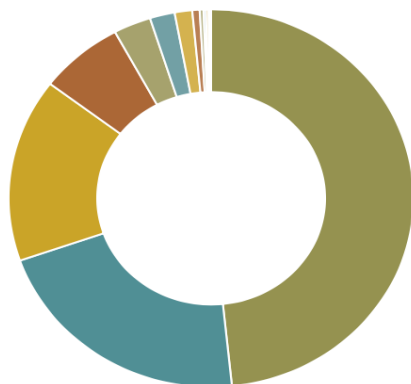
- High quality differentiated investment management franchise
- Owner-operator employees with a strong fiduciary culture and long-term perspective
- Stock has lagged the excellent performance of the underlying business over the past two years, creating an attractive entry point
- Tax law changes and potential equity style paradigm shifts are catalysts
- Attractive 60% upside to our \$340/share appraisal; Fair value poised to grow over time

# DIAMOND HILL PROFILE

- \$22 billion AUM equity and alternatives asset manager
- Founded in 2000 by current Chairman and Portfolio Manager
- Active fund manager driven by intrinsic value philosophy & no benchmark hugging

## ASSETS UNDER MANAGEMENT \$22.3 BILLION

AS OF DECEMBER 31, 2017



By Strategy	\$MM
Large Cap	10,849
Long-Short	4,773
Small-Mid Cap	3,528
Small Cap	1,525
Corporate Credit	667
All Cap Select (formerly Select)	444
Short Duration Total Return	313
Mid Cap	130
Research Opportunities	69
Core Bond	44
Financial Long-Short	35
High Yield	31
Valuation-Weighted 500	19
Global	2

# MONEY MANAGEMENT AT SCALE IS A GOOD BUSINESS

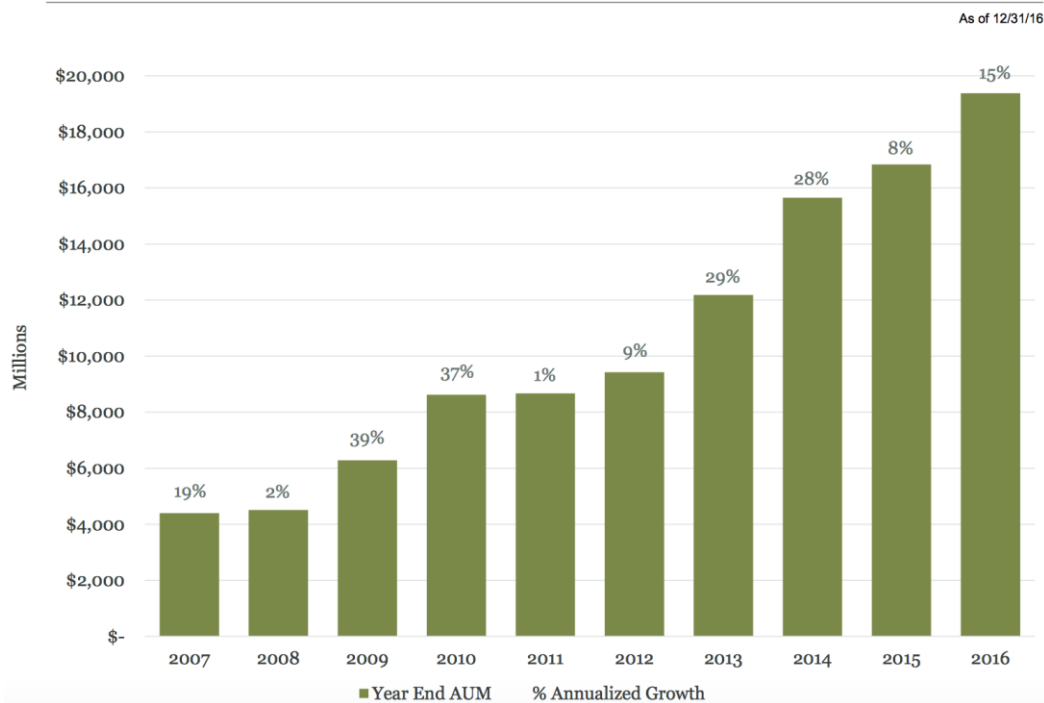
- Asset light—very little capital (other than human & intellectual) required
- Highly scalable—after critical mass reached, growth in AUM drives higher margins/ROIC
- Very difficult to be trusted to take care of other peoples' money—requires dual competence in generating superior investment performance and servicing clients
- Growth comes from underlying asset appreciation *and* winning new business
- Properly developed relationships can be very sticky
- No bad debt—fees are collected directly from client assets when earned

**...however, being a Good business does not mean it's an Easy business!**



# GROWTH TRACK RECORD & OPPORTUNITY

## Growth of Assets Under Management



Ranking by Revenue Growth		
Rank	Ticker	5-Year Growth*
1	DHIL	17%
2	WHG	12%
3	VRTS	11%
4	GBL	1%
5	MN	-3%
6	PZN	-6%
Median		6%

➤ Firm’s Projected Capacity: \$25-\$35 bil in Equity and \$40 bil in Fixed Income versus \$22 bil total AUM today



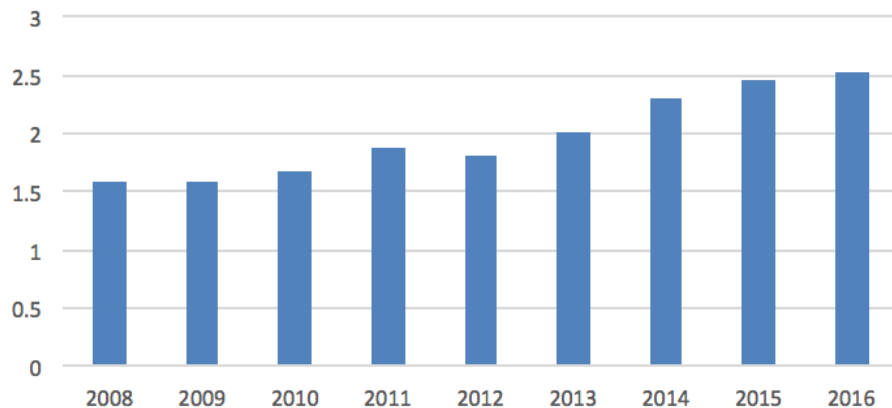
# HEALTHY DISTRIBUTION MIX

Institutional business is still at '13 levels, but more profitable proprietary channels all contributing to growth

(in millions)	AUM by Distribution Channel As of December 31,				
	2016	2015	2014	2013	2012
<b>Proprietary funds:</b>					
Registered investment advisers	\$ 3,508	\$ 2,723	\$ 2,363	\$ 1,678	\$ 1,258
Independent broker/dealers	2,922	2,329	1,862	1,400	917
Wirehouse broker/dealers	2,011	1,963	1,760	1,261	758
Banks	3,175	2,735	2,176	1,668	1,407
Defined contribution	1,535	1,218	1,232	1,226	739
Other	467	537	470	367	172
<b>Total proprietary funds</b>	<b>13,618</b>	<b>11,505</b>	<b>9,863</b>	<b>7,600</b>	<b>5,251</b>
<b>Sub-advised funds</b>	<b>1,445</b>	<b>665</b>	<b>665</b>	<b>444</b>	<b>947</b>
<b>Institutional accounts:</b>					
Institutional consultant	2,074	2,370	2,681	1,965	1,857
Financial intermediary	1,358	1,474	1,573	1,488	1,164
Direct	886	827	874	689	210
<b>Total institutional accounts</b>	<b>4,318</b>	<b>4,671</b>	<b>5,128</b>	<b>4,142</b>	<b>3,231</b>
<b>Total AUM</b>	<b>\$ 19,381</b>	<b>\$ 16,841</b>	<b>\$ 15,656</b>	<b>\$ 12,186</b>	<b>\$ 9,429</b>

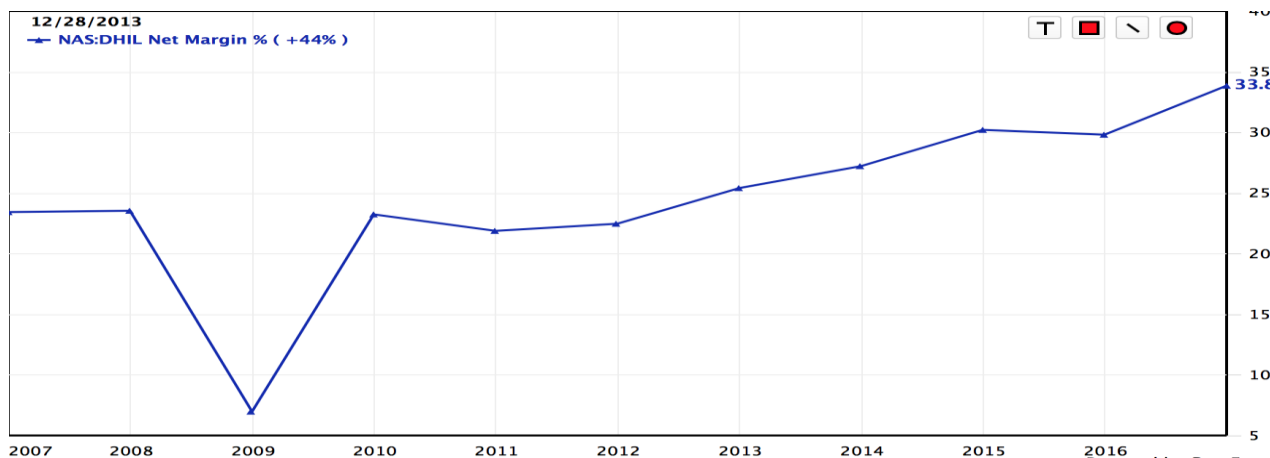
# HIGHLY SCALABLE BUSINESS MODEL

Investment Revenue/Investment Employee  
(\$ mil)



Investment Team Growth

	PMs, Analysts	Research Associates	Traders, Other	Total
2007	16	0	3	19
2008	18	4	4	26
2009	18	6	3	27
2010	20	6	4	30
2011	21	5	4	30
2012	22	5	5	32
2013	23	7	5	35
2014	24	9	6	39
2015	27	11	6	44
2016	32	11	5	48
3/31/17	31	11	6	48



# SUPERIOR PERFORMANCE LONG ONLY

Fees lower than 80% of peers, but performance superior

Long-Only Equity	Inception Date	1 Year	3 Year	5 Year	10 Year	Inception
<b>Diamond Hill Small Cap Fund</b>	<b>12/29/2000</b>	<b>14.74%</b>	<b>4.63%</b>	<b>11.07%</b>	<b>7.10%</b>	<b>10.90%</b>
Russell 2000 Index		26.22	7.22	12.35	7.12	8.13
Custom Peer Group Percentile		92	72	68	39	28
Morningstar Overall Rating: ★★★★★						
<b>Diamond Hill Small-Mid Cap Fund</b>	<b>12/30/2005</b>	<b>18.03</b>	<b>8.89</b>	<b>14.29</b>	<b>9.63</b>	<b>9.56</b>
Russell 2500 Index		21.53	7.43	12.60	7.71	8.59
Custom Peer Group Percentile		77	18	6	3	9
Morningstar Overall Rating: ★★★★★						
<b>Diamond Hill Mid Cap Fund</b>	<b>12/31/2013</b>	<b>18.51</b>	<b>9.16</b>	–	–	<b>9.10</b>
Russell Midcap Index		17.03	8.48	–	–	8.96
Custom Peer Group Percentile		62	19	–	–	16
Morningstar Overall Rating: ★★★★★						
<b>Diamond Hill Large Cap Fund</b>	<b>6/29/2001</b>	<b>20.50</b>	<b>9.58</b>	<b>13.47</b>	<b>7.77</b>	<b>8.56</b>
Russell 1000 Index		17.43	9.99	13.26	7.58	6.64
Custom Peer Group Percentile		22	8	11	4	2
Morningstar Overall Rating: ★★★★★						
<b>Diamond Hill Large Cap Concentrated</b>	<b>12/31/2011</b>	<b>24.89</b>	<b>10.48</b>	<b>14.26</b>	–	<b>14.97</b>
Russell 1000 Index		17.43	9.99	13.26	–	15.22
eVestment U.S. Large Cap Value Percentile		6	9	10	–	28
<b>Diamond Hill All Cap Select Fund</b>	<b>12/30/2005</b>	<b>20.46</b>	<b>7.17</b>	<b>12.98</b>	<b>7.71</b>	<b>8.14</b>
Russell 3000 Index		18.07	9.76	13.18	7.54	8.19
Custom Peer Group Percentile		36	53	23	11	23
Morningstar Overall Rating: ★★★						

# SUPERIOR PERFORMANCE ALTERNATIVES & FI

Alternatives	Inception Date	1 Year	3 Year	5 Year	10 Year	Inception
<b>Diamond Hill Long-Short Fund</b>	<b>6/30/2000</b>	<b>13.25%</b>	<b>5.82%</b>	<b>8.55%</b>	<b>4.72%</b>	<b>7.06%</b>
Russell 1000 Index		17.43	9.99	13.26	7.58	5.21
60/40% Blended Benchmark		10.32	6.08	7.95	5.05	4.03
Custom Peer Group Percentile		11	19	14	35	20
Morningstar Overall Rating: ★★★★★						
<b>Diamond Hill Research Opportunities Fund</b>	<b>3/31/2009</b>	<b>15.18</b>	<b>4.78</b>	<b>8.93</b>	–	<b>13.68</b>
Russell 3000 Index		18.07	9.76	13.18	–	17.21
75/25% Blended Benchmark		13.41	7.38	9.88	–	12.88
Custom Peer Group Percentile		6	27	9		14
Morningstar Overall Rating: ★★★★★						
<b>Diamond Hill Financial Long-Short Fund</b>	<b>8/1/1997</b>	<b>31.86</b>	<b>8.07</b>	<b>12.92</b>	<b>2.78</b>	<b>7.60</b>
Russell 3000 Financials Index		25.67	10.99	14.81	1.94	5.54
80/20% Blended Benchmark		20.27	8.87	11.85	2.10	5.19
Custom Peer Group Percentile		34	50	46	64	34
Morningstar Overall Rating: ★★★						
<b>Diamond Hill Corporate Credit Fund</b>	<b>9/30/2002</b>	<b>12.49</b>	<b>5.62</b>	<b>5.89</b>	<b>5.77</b>	<b>7.32</b>
BofA ML US Corporate & High Yield Index		5.73	3.81	4.57	5.74	6.24
Custom Peer Group Percentile		40	2	19	56	59
Morningstar Overall Rating: ★★★★★						

# DH MANAGERS THINK LIKE INVESTORS & OWNERS

## RIC DILLON, CFA

CHAIRMAN, DIAMOND HILL INVESTMENT GROUP & PORTFOLIO MANAGER



### Portfolio Manager

- ◆ Diamond Hill Investment Partners
- ◆ Long-Short Strategy
- ◆ Valuation-Weighted 500

## CHRIS BINGAMAN, CFA

CHIEF EXECUTIVE OFFICER & PORTFOLIO MANAGER



### Portfolio Manager

- ◆ Long-Short Strategy

### Assistant Portfolio Manager

- ◆ Mid Cap Strategy

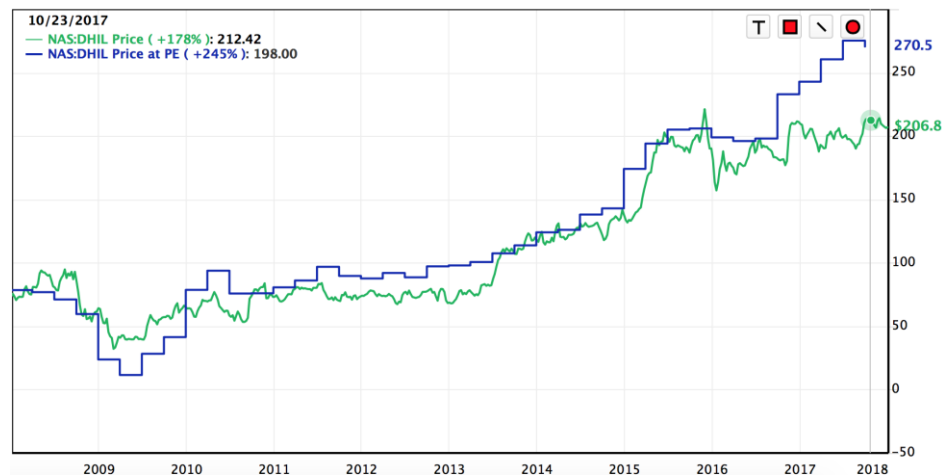
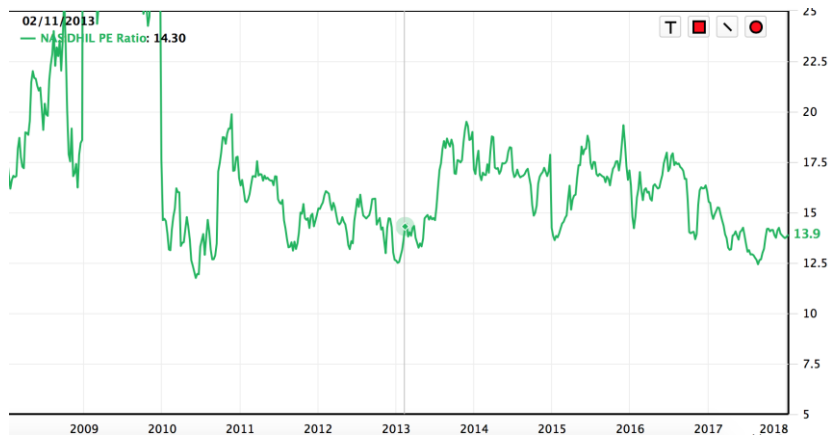
- Firm not run by asset gatherers or lawyers but rather by investment professionals who eat their own cooking
- Performance of DHIL stock and mutual funds more important than salary for most investment professionals at firm
- Every employee owns DHIL stock (23% of firm--\$165 million) and \$150 mil in DHIL Funds (\$1.3 mil per employee)
- Strong fiduciary culture and long term focus with the investment process and in running the Firm (e.g. closing funds to new money when capacity reached)
- Low turnover among investment staff
- Columbus, Ohio HQ—College town away from the distraction and high cost of money center shops

# DHIL: VALUATION SUMMARY

- Our blended cases of three valuation methods suggests a fair value of: **\$342/share**
  - Base DCF valuation (50% weight) suggests a value of: **\$321/share**
    - Mini correction in financial markets; Net flows remain positive but diminish
    - Gradual fee compression; flat margins with no further scale advantage
  - Bear Case DCF valuation (25% Weight) suggests a value of: **\$173/share**
    - Substantial 2 year bear market but outperform due to Alts and FI; Net flows turn negative but stabilize
    - More rapid fee compression; margins fall sharply from bear market and don't recover
  - Upside Case DCF valuation (25% Weight) suggests a value of: **\$555/share**
    - Continued positive (but not exuberant markets); DHIL style thrives; Net flows strong for 3 years before reverting
    - Fee rates hold steady; margins scale 300 bps more and then flatten
  
- Relative valuation metrics (P/E, EV/EBITDA) are at the low end of historical ranges, consistent with points in time from which the stock has outperformed
  
- **No credit for: Launching new funds (e.g. global fund announced today), Aggressive stock buyback or a Buyout from a larger company**

# DHIL: CHEAP RELATIVE TO HISTORY

- Compelling relative multiples compared to history and in the context of rising cash & investment balances



# DHIL: CORE INVESTMENT TENETS SUMMARY

- **Superior business economics**
  - Asset light business with high ROIC
  - Highly scalable business with leverageable fixed costs
- **Substantial growth opportunity**
  - \$25-\$35 bil projected capacity in Equity and \$40 bil in Fixed Income versus \$21 bil total AUM today
- **Diamond Hill funds poised to outperform if market paradigm shifts**
  - Long-short fund has performed well during bear markets
  - Intrinsic value approach has been out of favor recently but should mean revert back into favor
  - Potential return of wage and price inflation favors equities
- **Alignment of interests**
  - Insiders own 23% of the company (\$165 mil)—every employee owns equity
  - Employees also hold approx \$150 mil in Diamond Hill Funds (\$1.3 mil per employee)
- **Attractive valuation across a variety of methods**
- **Consolidation potential—DHIL is an attractive bite size acquisition for a larger firm seeking growth and access to investment talent; This Board & Management unlikely to sell out too cheaply!**
- **DHIL a major beneficiary of corporate tax reduction**
  - Adds 15-20% to intrinsic value depending on scenario
  - Secondary benefit of many underlying DHIL fund holdings also being full tax payers
- **Recently exited/monetized fund administration business**



# DHIL: INVESTMENT RISKS/CONCERNS

- **Secular shift underway from active to passive funds**
- **Fees and expense ratios are under attack**
- **Nine year bull market will end or correct at some point**
- **Chairman Dillon has been selling down his stake to diversify—but investing the majority into DHIL funds**
- **Diamond Hill's ETF and newer specialty products have been slow to ramp**
- **Exposed to market paradigms where momentum is in, and value is out of vogue**









# APPENDIX 2: PUBLIC U.S. ACTIVE INVESTMENT MGRS.

Ranking by Market Capitalization				
Rank	Ticker	Company Name	Market Cap (\$M)	AUM (\$B)
1	BLK	BlackRock, Inc.	\$63,605	\$5,148
2	BEN	Franklin Resources, Inc.	24,303	733
3	TROW	T. Rowe Price Group, Inc.	17,465	811
4	IVZ	Invesco Ltd.	13,116	813
5	AMG	Affiliated Managers Group, Inc.	9,405	689
7	SEIC	SEI Investments Company	8,271	283
6	EV	Eaton Vance Corp.	5,363	336
8	LM	Legg Mason, Inc.	3,558	670
9	FII	Federated Investors, Inc.	2,734	366
10	JNS	Janus Capital Group Inc.	2,355	197
11	AB	AllianceBernstein Holding L.P.	2,177	430
12	CNS	Cohen & Steers, Inc.	1,740	57
13	WDR	Waddell & Reed Financial, Inc.	1,557	81
14	GBL	GAMCO Investors, Inc.	862	40
15	VRTS	Virtus Investment Partners	762	45
16	MN	Manning & Napier, Inc.	690	32
17	DHIL	Diamond Hill Investment Group, Inc.	668	19
18	PZN	Pzena Investment Management, Inc.	656	30
19	WHG	Westwood Holdings Group, Inc.	492	21
20	GROW	U.S. Global Investors, Inc.	24	1
<b>Median</b>			<b>\$2,266</b>	<b>\$240</b>

Source: SNL Financial

Source: Holt