

*(formerly Select Fund)*

The Fund increased 8.00% (Class I) during the quarter, compared to a 6.34% increase in the Russell 3000 Index.

The Fund's holdings in the consumer discretionary, industrials, and financials sectors provided the largest contribution to absolute return, while the consumer discretionary sector detracted slightly from return.

The Fund's outperformance relative to the Index was driven by favorable security selection in the health care sector followed by selection in the industrials, consumer discretionary, and real estate sectors. An underweight position in the health care sector also contributed to relative return. An underweight position in information technology and security selection in the consumer staples sectors detracted from relative return.

## Best Performers

- Shares of diversified media and entertainment company **Twenty-First Century Fox, Inc. (CI B)** rose due to the proposed sale of certain assets to Disney in an all-stock deal. The company also reported solid quarterly earnings.
- Casino operator **Red Rock Resorts, Inc. (CI A)** announced solid third-quarter results, with Las Vegas revenue growth improving and associated contribution margin returning to normal levels.
- Shares of banking and payment services provider **Discover Financial Services** outperformed as the U.S. credit environment remains relatively benign, which benefits the company's fundamental performance in terms of low, stable charge-offs. Discover is a relatively high U.S. tax payer and stands to benefit from the recently outlined changes to the tax code.
- Shares of regional bank **BankUnited, Inc.** rallied after the company provided detailed commentary on the financial impact of ending its loss-share agreement with the FDIC, which was more positive than the market expected.
- Agriculture equipment manufacturer **Deere & Co.** reported another strong quarter and raised full-year 2018 guidance.

## Worst Performers

- Household durables manufacturer **Whirlpool Corp.** reported weak quarterly results driven largely by raw material inflation and a competitive promotional environment. Whirlpool continues to

## PORTFOLIO MANAGEMENT



Austin Hawley, CFA  
Portfolio Manager



Rick Snowdon, CFA  
Portfolio Manager

lose share in Europe, while Asia experienced significant margin declines as both industry weakness and promotional intensity weighed on the business.

- Shares of food products manufacturer **Post Holdings, Inc.** underperformed as a result of market concerns over growth prospects for the packaged foods industry.
- Shares of tobacco products manufacturer **Philip Morris International, Inc.** declined after the company reported weaker-than-expected quarterly results.
- Shares of technology and industrial company **Johnson Controls International PLC** declined amid disappointing earnings and free cash flow guidance. While we are frustrated with the company's recent inability to generate strong free cash flow, the headwinds appear to be temporary and we see no structural reason why the company cannot dramatically improve its cash generation in the years ahead.
- Shares of ski resort owner and operator **Vail Resorts, Inc.** fell as skiing conditions have been late to arrive in Colorado and Utah.

## New Positions

We initiated a position in global financial services firm **Credit Suisse Group AG ADR**. Since CEO Tidjane Thiam took over in mid-2015, fundamentals have been improving and the firm has shored up its capital base. Credit Suisse is now mid-way through its restructuring plan of de-risking and "right sizing" the investment banking and trading businesses in order to focus on its stable Swiss market presence and global wealth franchise. We believe the company's return on tangible equity targets are realistic without significant execution risk and that there is potential for future capital return via dividends and share repurchases. **First Republic Bank** is a high-quality bank that has been widely held in other Diamond Hill strategies. A recent selloff in the shares reflects



# Diamond Hill All Cap Select Fund Commentary

As of December 31, 2017

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investor concern about near-term expense growth and the impact of tax law changes on mortgage interest deductibility. We initiated a position in tobacco products manufacturer **Philip Morris International, Inc.** when the stock fell in response to weaker-than-expected quarterly results. The selloff created a unique buying opportunity in what we believe is a very high-quality business we also hold in other strategies. We also initiated a position in contract manufacturer **Sanmina Corp.**, which has been gradually diversifying away from traditional electronics manufacturing to industrial, medical, and defensive end markets which are more stable and growth oriented.

## Eliminated Positions

We sold our positions in car rental company **Avis Budget Group, Inc.**, banking and financial services company **Citigroup, Inc.**, and homebuilder **NVR, Inc.** as the shares approached our estimates of intrinsic value, and we redeployed the capital to more attractive ideas. We eliminated our position in **Whirlpool Corp.** due to ongoing weak operating results and better opportunities elsewhere.

## PERIOD AND AVERAGE ANNUAL TOTAL RETURNS AS OF DECEMBER 31, 2017

	SINCE INCEPTION (12/30/05)	10-YR	5-YR	3-YR	1-YR	YTD	4Q17	EXPENSE RATIO	
								GROSS	NET
RETURNS AT NAV (WITHOUT SALES CHARGE)									
<b>Class A</b>	8.50%	8.29%	15.69%	8.93%	19.93%	19.93%	7.96%	1.18%	1.18%
<b>Class C</b>	7.71	7.48	14.83	8.11	19.07	19.07	7.77	1.93	1.93
<b>Class I</b>	8.84	8.61	16.00	9.25	20.33	20.33	8.00	0.88	0.88
<b>Class Y</b>	8.72	8.55	16.15	9.35	20.45	20.45	8.05	0.78	0.78
BENCHMARK									
<b>Russell 3000 Index</b>	8.88	8.60	15.58	11.12	21.13	21.13	6.34	—	—
RETURNS AT POP (WITH SALES CHARGE)									
<b>Class A</b>	8.04	7.74	14.51	7.09	13.95	13.95	2.56	1.18	1.18
<b>Class C</b>	7.71	7.48	14.83	8.11	18.07	18.07	6.77	1.93	1.93

**Risk Disclosure:** Because this Fund expects to hold a concentrated portfolio of a limited number of securities, a decline in the value of these investments would cause the Fund's value to decline to a greater degree than a less concentrated portfolio. There are specialized risks associated with small capitalization issues, such as market illiquidity and greater market volatility, than large capitalization issues.

The views expressed are those of the portfolio managers as of December 31, 2017, are subject to change and may differ from the views of other portfolio managers or the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of results, or investment advice.

**The performance data quoted represents past performance; past performance does not guarantee future results.** The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's current performance may be lower or higher than the performance data quoted. Investors may obtain performance information current to the most recent month-end, within 7 business days, at [diamond-hill.com](http://diamond-hill.com).

Performance returns assume reinvestment of all distributions. Returns for periods less than one year are not annualized. Class Y shares include Class A share performance achieved prior to the creation of Class Y shares. These total return figures may reflect the waiver of a portion of a Fund's advisory or administrative fees for certain periods. Without such waiver of fees, the total returns would have been lower. The returns at POP reflect the maximum sales charge applicable to each class. The maximum sales charge for A shares is 5.00%; C shares have a maximum contingent deferred sales charge (CDSC) of 1.00% for redemptions within the first year of purchase; I shares and Y shares have no sales charge.

Fund holdings subject to change without notice.

The Russell 3000 Index is an unmanaged market capitalization-weighted index comprised of the 3,000 largest U.S. companies by total market capitalization. This index does not incur fees and expenses (which would lower the return) and is not available for direct investment.

**An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending any money. This and other important information about the Fund(s) can be found in the Fund's(s) prospectus or summary prospectus which can be obtained at [diamond-hill.com](http://diamond-hill.com) or by calling 888.226.5595. Please read the prospectus or summary prospectus carefully before investing. The Diamond Hill Funds are distributed by BHIL Distributors, LLC (Member FINRA). Diamond Hill Capital Management, Inc., a registered investment adviser, serves as Investment Adviser to the Diamond Hill Funds and is paid a fee for its services. Like all mutual funds, Diamond Hill Funds are not FDIC insured, may lose value, and have no bank guarantee.**

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## MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF DECEMBER 31, 2017

Avis Budget Group, Inc.	0.0%	NVR, Inc.	0.0%
BankUnited, Inc.	4.0	Philip Morris International, Inc.	2.8
Citigroup, Inc.	0.0	Post Holdings, Inc.	2.0
Credit Suisse Group AG ADR	2.3	Red Rock Resorts, Inc. (CI A)	2.4
Deere & Co.	2.0	Sanmina Corp.	1.5
Discover Financial Services	5.0	Twenty-First Century Fox, Inc. (CI B)	3.2
First Republic Bank	2.0	Vail Resorts, Inc.	2.0
Johnson Controls International PLC	2.5	Whirlpool Corp.	0.0

Mentioned securities not held in the Diamond Hill All Cap Select Fund: Walt Disney Co.

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](mailto:info@diamond-hill.com).