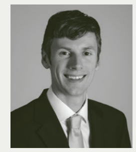
Diamond Hill Corporate Credit Fund Commentary

As of December 31, 2017

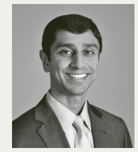
All Fund returns based on Class I shares.

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

The Fund generated a 1.10% total return during the fourth quarter compared to 1.00% for the ICE Bank of America Merrill Lynch U.S. Corporate & High Yield Index. For the full-year 2017, the Fund generated a 7.87% total return compared to 6.66% for the Corporate & High Yield Index. For the trailing five years, the Fund generated an annualized total return of 5.78% compared to 3.94% for the Corporate & High Yield Index.

Unlike most corporate bond funds, the Diamond Hill Corporate Credit Fund is not managed against any index. Instead, the Fund is managed against absolute objectives within a range of inflation plus 3% and 7% nominal, each measured over rolling five-year periods. Our goal is to generate a yield and total return within that range while minimizing the risk of downside volatility over longer time periods. Although the Fund's investable universe (and the Corporate & High Yield Index) includes both investment grade and high yield corporate bonds, since early 2010 the Fund has been largely focused on the high yield portion of the market to achieve these objectives. About 90% of the Fund was in high yield corporate bonds at the end of 2017.

The high yield portion of the U.S. corporate bond market, as represented by the ICE Bank of America Merrill Lynch U.S. High Yield Index, began the year with a yield to worst (YTW) of 6.17% and option-adjusted spread (OAS) of 422 basis points. After generating a 7.48% total return in 2017, the High Yield Index ended the year with a 5.84% YTW and OAS of 363 basis points.

With both investment grade fixed income and equities generating strong returns in 2017, it is not surprising that high yield also performed well. High yield benefited from a default rate that declined materially during the year to a level below half the historic average. Like most other major asset classes, volatility in the high yield market was muted during 2017. The most notable bout of volatility, which may have been imperceptible to non-specialists, lasted from October 24 to November 15, when the OAS of the High Yield Index widened about 60 basis points, due primarily to weakness in the telecom and cable industries. As soon as the YTW hit 6% on November 15, the High Yield Index rebounded and more than half of the spread widening was reversed by the end of the year. From October 24 through year-end, the High Yield Index was just slightly negative at -14 basis points. The Fund performed well during this minor test, generating a total return of 66 basis points. It helped that we were positioned defensively entering that period and more than 3% of the Fund was called (**Bankrate, Inc. 6.125% due 2018** and **Synovus Financial Corp. 7.875% due 2019**), putting us in a strong position to take advantage of some opportunities including one particularly attractive new issue discussed below, **Welltec A/S 9.5% due 2022**.

The high yield market is priced for continued low defaults and muted volatility. The Fund's YTW 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 that high yield market cycle) and well above the high end of the range on February 11, 2016 (the most recent bottom of the high yield market). At year-end, the Fund's YTW was 5.10%. The Fund's duration was 2.92, in the middle of the typical 2.0-3.5 range and well below the High Yield Index duration of 4.04 and the Corporate & High Yield Index duration of 6.75.

With a YTW near the low end of the Fund's objectives and a duration below 3, the Fund's positioning reflects a high yield market that, like other asset classes, does not offer an abundance of value opportunities. Because we don't manage against an index and we have a five-year time horizon, we have no incentive to chase an overvalued market. This advantage was very apparent in 2015 and we expect that it will serve us well when volatility comes back to the high yield market. In the meantime, we continue to work closely with the deep and talented Diamond Hill research team, and we have the conviction to concentrate in our best ideas even if they are low weightings in any high yield index. We are also selective participants in the high yield new issue market, participating in approximately 5% of new issues in 2017. We never want to grow so large that we become reliant on the new issue market to put the Fund's capital to work, but we are always ready to make meaningful commitments if we like the price and the credit.

DIAMOND HILL | FUNDS

The largest contributor to performance during the quarter was **Kindred Healthcare, Inc. 8.75% due 2023**, reversing its place as the largest detractor during the third quarter. In December, U.S. health insurer Humana and two private-equity firms announced an agreement to acquire Kindred, reflecting the long-term value that we saw in Kindred's assets. We expect that the bonds will be called in conjunction with the closing, which is expected in Summer 2018.

Popular, Inc. 7.0% due 2019 was the second-largest contributor to performance during the quarter. We added materially to our already-large position after the hurricanes. Popular has abundant excess capital and earnings power to handle its hurricane-related losses and it will be a beneficiary of the rebuilding efforts in coming years.

Frontier Communications Corp. 10.5% due 2022 was the largest detractor from performance during the quarter. Frontier continues to realize synergies from its acquisition of Verizon assets and customer losses have shown some improvement, but the progress has not been enough to reverse very pessimistic market expectations. We continue to believe that Frontier will generate sufficient free cash flow to give it time to stabilize its business.

Altice SA 7.75% due 2022 was the second-largest detractor from performance after poor performance of its cable and telecom assets in France and Portugal caused a steep decline in Altice equity. On a positive note, the equity market is forcing management to focus on deleveraging and operational improvement rather than more debt-financed acquisitions. We continue to believe these bonds will be called or tendered before maturity to provide Altice with more financial flexibility.

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

	SINCE INCEPTION (9/30/02)	10-YR	5-YR	3-YR	1-YR	YTD	4Q17	EXPENSE RATIO GROSS	EXPENSE RATIO NET[1]
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class A	6.99%	6.76%	5.51%	6.80%	7.56%	7.56%	1.04%	0.95%	0.94%
Class C	6.23	5.96	4.71	6.00	6.77	6.77	0.86	1.70	1.69
Class I	7.28	7.07	5.78	7.10	7.87	7.87	1.10	0.65	0.64
Class Y	7.15	7.00	5.91	7.19	7.89	7.89	1.13	0.55	0.54
BENCHMARK									
ICE BofAML U.S. Corporate & High Yield Index	6.26	6.02	3.94	4.34	6.66	6.66	1.00	—	—
RETURNS AT POP (WITH SALES CHARGE)									
Class A	6.74	6.38	4.75	5.53	3.82	3.82	-2.47	0.95	0.94
Class C	6.23	5.96	4.71	6.00	5.77	5.77	-0.13	1.70	1.69

Must be preceded or accompanied by a prospectus.

[1] The Fund may invest in another Diamond Hill Fund. Diamond Hill Capital Management, Inc. is required to permanently waive a portion of its management fee in the pro-rata amount of the management fee charged by the underlying Diamond Hill Fund.

Risk Disclosure: The value of fixed-income securities varies inversely with interest rates; as interest rates rise, the market value of fixed-income securities will decline. Lower quality debt (i.e.: "High Yield") securities involve greater risk of default or price changes due to potential changes in the issuer's credit quality.

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.*

Performance returns assume reinvestment of all distributions. Returns for periods less than one year are not annualized. Class I and Class Y shares include Class A share performance achieved prior to the creation of Class I and Class Y shares. The returns at POP reflect the maximum sales charge applicable to each class. The maximum sales charge for A shares is 3.50%; 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 ICE BofA Merrill Lynch U.S. Corporate & High Yield 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 ICE BofA Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market.

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 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.

Arch Merger Sub, Inc. (Staples) 8.5% due 2025, which was a new issue during the third quarter, was a large detractor during the fourth quarter. These bonds are backed solely by the wholesale operations of Staples which was taken private at the end of the second quarter. Staples has a leading position in a highly fragmented market and free cash flow is strong relative to debt. Confusion about the Staples retail stores, which do not back these bonds, and concerns about potential Amazon competition caused the bonds to sell off to very attractive levels.

Alliance Data Systems Corp. 5.375% due 2022 was another large detractor during the quarter after being one of the largest contributors to performance in the first and third quarters. The credit quality of the private label credit card portfolio is stabilizing. The weakness during the quarter was just typical high yield volatility rather than a reflection on the fundamentals of the company.

Selected New and Eliminated Positions

One large new addition was **Welltec A/S 9.5% due 2022**, which was a new issue that was marketed towards the end of the October-November bout of volatility. Welltec is a high quality but cyclical oil service business that has a variable cost structure that allows it to protect cash flow even in a depressed environment. Other new issues which we added were **Nathan's Famous, Inc. 6.625% due 2025**, **Freedom Mortgage Corp. 8.125% due 2024**, **Vantiv Issuer Corp. 4.375% due 2025**, **Mattel, Inc. 6.75% due 2025**, and **Cooke Omega Investments, Inc. 8.5% due 2022**.

We swapped **Frontier Communications Corp. 10.5% due 2022** for **Frontier Communications Corp. 9.25% due 2021**. Frontier has bought back a small amount of the 2021 bonds, which was a much smaller issue than the 2022 bonds, so we reduced the risk of our Frontier exposure.

We added **Treehouse Foods, Inc. 6.0% due 2024** after very poor third-quarter earnings and a weak outlook. Treehouse faces significant issues but leverage is low and free cash flow generation is high relative to debt. Our research team follows the company closely and we were in a strong position to take advantage of what we believe was an overreaction in the bond market.

Bankrate, Inc. 6.125% due 2018, **Station Casinos LLC 7.5% due 2021**, and **Synovus Financial Corp. 7.875% due 2019** were called during the quarter.

Drivetime Automotive Group, Inc. 8% due 2021, **Horizon Pharma, Inc. 8.75% due 2024**, **iStar, Inc. 4.875% due 2018**, **iStar, Inc. 6.0% due 2022**, **Pilgrim's Pride Corp. 5.75% due 2025**, **Radian Group, Inc. 5.25% due 2020**, **Southwestern Energy Co. 7.5% due 2026**, and **US Airways Group, Inc. 8.0% due 2019** were all eliminated as price approached our estimate of intrinsic value.

TOP 5 CONTRIBUTORS

SECURITY NAME	4Q17 CONTRIBUTION	POSITION AS OF 4Q17
Kindred Healthcare, Inc. 8.75% due 2023	0.24%	1.4%
Popular, Inc. 7.0% due 2019	0.19	6.4
L Brands, Inc. 6.875% due 2035	0.07	0.8
Nationstar Mortgage LLC 9.625% due 2019	0.07	3.2
Cincinnati Bell, Inc. 7.0% due 2024	0.07	2.0

TOP 5 DETRACTORS

SECURITY NAME	4Q17 CONTRIBUTION	POSITION AS OF 4Q17
Frontier Communications Corp. 10.5% due 2022	-0.14%	0.0%
Altice SA 7.75% due 2022	-0.07	1.2
Arch Merger Sub, Inc. (Staples) 8.5% due 2025	-0.05	2.6
Alliance Data Systems Corp. 5.375% due 2022	-0.04	4.7
Century Communities, Inc. 5.875 due 2025	-0.01	1.5

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF DECEMBER 31, 2017

Alliance Data Systems Corp. 5.375% due 2022	4.7%	Mattel, Inc. 6.75% due 2025	0.6%
Altice SA 7.75% due 2022	1.2	Nathan's Famous, Inc. 6.625% due 2025	1.2
Arch Merger Sub, Inc. (Staples) 8.5% due 2025	2.6	Pilgrim's Pride Corp. 5.75% due 2025	0.0
Bankrate, Inc. 6.125% due 2018	0.0	Popular, Inc. 7.0% due 2019	6.4
Cooke Omega Investments, Inc. 8.5% due 2022	0.5	Radian Group, Inc. 5.25% due 2020	0.0
Drivetime Automotive Group, Inc. 8% due 2021	0.0	Southwestern Energy Co. 7.5% due 2026	0.0
Freedom Mortgage Corp. 8.125% due 2024	1.1	Station Casinos LLC 7.5% due 2021	0.0
Frontier Communications Corp. 10.5% due 2022	0.0	Synovus Financial Corp. 7.875% due 2019	0.0
Frontier Communications Corp. 9.25% due 2021	1.4	Treehouse Foods, Inc. 6.0% due 2024	0.7
Horizon Pharma, Inc. 8.75% due 2024	0.0	US Airways Group, Inc. 8.0% due 2019	0.0
iStar, Inc. 4.875% due 2018	0.0	Vantiv Issuer Corp. 4.375% due 2025	0.8
iStar, Inc. 6.0% due 2022	0.0	Welltec A/S 9.5% due 2022	2.3
Kindred Healthcare, Inc. 8.75% due 2023	1.4		

Mentioned securities not held in the Diamond Hill Corporate Credit Fund: Amazon.com, Inc., Humana, Inc., and Verizon Communications, Inc.

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.