

(closed to new investors)

The Fund increased 3.86% (Class I) during the quarter, compared to a 3.34% increase in the Russell 2000 Index.

The Fund's holdings in the industrials and information technology sectors provided the largest contribution to absolute return. The health care sector was the primary detractor from absolute return.

The Fund's outperformance relative to the Index was primarily driven by security selection in the information technology and industrials sectors. Security selection in the health care and consumer discretionary sectors and the Fund's allocation to cash detracted from relative return.

Best Performers

- Shares of car rental company **Avis Budget Group, Inc.** rose as its North American business rebounded from a difficult first half of 2017. Additionally, investors have been encouraged that industry fleet levels appear to be better aligned with demand.
- Casino operator **Red Rock Resorts, Inc. (CIA)** announced solid third-quarter results, with Las Vegas revenue growth improving and associated contribution margin returning to normal levels.
- Transportation products and services provider **Trinity Industries, Inc.** announced that it intends to spin off its infrastructure-related businesses (construction products, energy equipment, and inland barges) by the second half of 2018. The company also increased its share repurchase authorization.
- Business software and services provider **DST Systems, Inc.** continues to generate relatively healthy cash flows on largely flat year-over-year revenue and earnings growth. Over the course of the year, the company has repurchased roughly 8% of its shares outstanding.
- 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.

Worst Performers

- Property and casualty insurance company **Navigators Group, Inc.** reported quarterly results that were below expectations, primarily due to a large number of catastrophes and reserve additions.



PORTFOLIO MANAGEMENT



Tom Schindler, CFA
Portfolio Manager



Aaron Monroe, CFA
Asst. Portfolio Manager



Chris Welch, CFA
Asst. Portfolio Manager

- Shares of ski resort owner and operator **Vail Resorts, Inc.** fell as skiing conditions have been late to arrive in Colorado and Utah.
- Shares of property and casualty insurance company **Enstar Group Ltd.** underperformed despite a lack of company-specific news. Over the years, Enstar has shown steady growth in book value and we expect that to continue in the future.
- Shares of **LifePoint Health, Inc.** declined amid integration issues with four hospitals it acquired in 2016, as well as ongoing weak utilization trends. We believe the stock is still inexpensive if the company can stabilize operations within these four facilities.
- Shares of food products manufacturer **Post Holdings, Inc.** underperformed as a result of market concerns over growth prospects for the packaged foods industry.

New Positions

We invested in oil and gas exploration and production company **Linn Energy, Inc. (CIA)** which is implementing a plan to aggressively reallocate capital within the business. Since emerging from bankruptcy, the company has divested over \$1.5 billion in assets to help pay down debt and has repurchased a substantial portion of shares outstanding. Over the next year, the company will be split into three public companies which should highlight the value of the underlying assets. 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 eliminated our position in life insurance company **American Equity Investment Life Holding Co.** as the shares approached our estimate of intrinsic value. We sold our shares of **Fortress Investment Group LLC (CIA)** in an all-cash acquisition by Softbank.

Diamond Hill Small Cap Fund Commentary

As of December 31, 2017

(closed to new investors)

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

	SINCE INCEPTION (12/29/00)	10-YR	5-YR	3-YR	1-YR	YTD	4Q17	EXPENSE RATIO GROSS	NET
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class A	10.75%	8.12%	12.17%	6.71%	10.62%	10.62%	3.80%	1.30%	1.30%
Class C	9.92	7.32	11.33	5.91	9.80	9.80	3.58	2.05	2.05
Class I	11.02	8.45	12.48	7.02	10.95	10.95	3.86	1.00	1.00
Class Y	10.90	8.38	12.62	7.13	11.06	11.06	3.91	0.90	0.90
BENCHMARK									
Russell 2000 Index	8.47	8.71	14.12	9.96	14.65	14.65	3.34	—	—
RETURNS AT POP (WITH SALES CHARGE)									
Class A	10.41	7.57	11.03	4.90	5.09	5.09	-1.40	1.30	1.30
Class C	9.92	7.32	11.33	5.91	8.80	8.80	2.62	2.05	2.05

Risk Disclosure: 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.

Performance returns assume reinvestment of all distributions. Returns for periods less than one year are not annualized. Class C, Class I and Class Y shares include Class A share performance achieved prior to the creation of Class C, 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 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 2000 Index is an unmanaged market capitalization-weighted index comprised of the smallest 2,000 companies by market capitalization in the Russell 3000 Index, which is 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 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.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF DECEMBER 31, 2017

American Equity Investment Life Holding Co.	0.0%	Linn Energy, Inc. (CI A)	0.3%
Avis Budget Group, Inc.	5.6	Navigators Group, Inc.	2.2
BankUnited, Inc.	2.5	Post Holdings, Inc.	1.4
DST Systems, Inc.	3.3	Red Rock Resorts, Inc. (CI A)	2.2
Enstar Group Ltd.	1.9	Sanmina Corp.	0.7
Fortress Investment Group LLC (CI A)	0.0	Trinity Industries, Inc.	2.6
LifePoint Health, Inc.	1.1	Vail Resorts, Inc.	3.1

Mentioned securities not held in the Diamond Hill Small Cap Fund: SoftBank Group Corp.

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.