

The Fund decreased 1.18% (Class I) during the quarter, compared to a 0.64% decrease in the Russell 3000 Index.

The Fund's holding in the consumer staples, information technology, and consumer discretionary sectors were the primary detractors from absolute return, while the financials sector was the largest contributor.

The Fund's underperformance relative to the Index was primarily driven by security selection in the information technology sector along with an underweight allocation to the sector. Security selection in the consumer discretionary and energy sectors also detracted from relative return. A combination of security selection and an overweight allocation to the financials sectors was the largest contributor to relative return.

Best Performers

- Property and casualty insurance company **Validus Holdings Ltd.** announced an acquisition offer from AIG, representing a significant premium for shareholders.
- Shares of shipping and transportation company **Kirby Corp.** outperformed as utilization levels continue to improve in the company's core inland tank barge segment, demand for tank barge shipments are expected to accelerate, and the company made a large acquisition of a tank barge competitor.
- Diversified media and entertainment company **Twenty-First Century Fox, Inc. (CI B)** reported very strong quarterly earnings. Shares also rose as investors began to better understand the company's transaction to sell certain assets to Disney and speculation increased that another bidder may enter the fray.
- Health care products manufacturer **Abbott Laboratories** continues to execute and its device pipeline remains well-stocked. The company is reducing debt ahead of schedule, improving balance sheet flexibility, and shielding itself from rising interest rates.
- Data analytics company **Verisk Analytics, Inc.** reported fourth-quarter earnings that included strong performance in each of the industries the company serves. Additionally, with nearly 80% of revenue generated in the United States, the company will benefit from a meaningfully lower income tax rate.

PORTFOLIO MANAGEMENT



Austin Hawley, CFA
Portfolio Manager



Rick Snowdon, CFA
Portfolio Manager

Worst Performers

- Life insurance company **MetLife, Inc.** pre-announced fourth-quarter results that were impacted by a material weakness in the company's process for handling claims in its U.S. group annuity business. This was a disappointing development and reflected poorly on management; however, the financial impact is minimal.
- Contract manufacturer **Sanmina-SCI Corp.** reported weak quarterly results due to order cancellations and pushouts in their communications business, as well as slower-than-expected ramp of new programs.
- Despite no fundamental changes, casino operator **Red Rock Resorts, Inc. (CIA)** gave back a portion of its strong fourth-quarter stock performance. The company announced an acceleration of its remodel at The Palms and additional accelerated capital spending due to recent tax reform.
- Banking and payment services provider **Discover Financial Services** is experiencing higher loan loss provisions related to increasing levels of credit card loan growth, which we view as relatively short term. Over the long run, the loan growth builds shareholder value and we are confident in the ability of management to employ sound underwriting and risk management practices consistent with the company's above-industry returns on capital.
- Shares of media and communications company **Liberty Global PLC (CIA)** declined amid rumors of a potential sale of certain assets to Vodafone, which may have disappointed some shareholders who prefer a full sale of the company. Additionally, the Swiss segment is struggling amidst intense competitive pressures and an acquisition or partnership may be necessary to turn the business around.



New Positions

- **Bank of the Ozarks** is a high-quality regional banking franchise with a specialized real estate lending group that operates nationally. Investor concerns around an executive departure and the health of the commercial real estate industry created an opportunity to invest in this franchise that has outperformed peer banks on nearly every metric.
- **Cimarex Energy Co.** is a domestic exploration and production company focused on drilling for oil and gas in the Permian and Anadarko Basins. We believe the company has high-quality assets that are well-positioned to provide attractive reinvestment opportunities. The current focus on short-term factors such as service cost inflation and natural gas pricing risk has provided an attractive entry point based on our long-term analysis of the business.

- Social media company **Facebook, Inc. (CIA)** is the largest social network in the world. The company also owns other large user base properties (Instagram, WhatsApp and Messenger), all of which benefit from network effects. We initiated a position in the company based on our belief that the company's attractive network economics will remain in place over the long term, and that the current valuation reflects excessive pessimism related to uncertainties around regulation and fines that the company might face. We believe these issues are likely to be resolved without impairing the value of the business.
- Biotechnology company **Gilead Sciences, Inc.** is the market leader in drugs used for the treatment of human immunodeficiency virus (HIV) and hepatitis C virus (HCV). We are encouraged by management's use of capital to diversify into high-value areas of research including next-generation oncology therapies, immunology, and liver disease.

PERIOD AND AVERAGE ANNUAL TOTAL RETURNS AS OF MARCH 31, 2018

	SINCE INCEPTION (12/30/05)	10-YR	5-YR	3-YR	1-YR	YTD	1Q18	EXPENSE RATIO GROSS	NET ¹
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class A	8.22%	9.01%	12.29%	6.57%	13.01%	-1.25%	-1.25%	1.17%	1.16%
Class C	7.42	8.20	11.45	5.76	12.12	-1.46	-1.46	1.92	1.91
Class I	8.55	9.34	12.60	6.88	13.33	-1.18	-1.18	0.88	0.87
Class Y	8.43	9.27	12.73	6.98	13.37	-1.18	-1.18	0.76	0.75
BENCHMARK									
Russell 3000 Index	8.64	9.62	13.03	10.22	13.81	-0.64	-0.64	—	—
RETURNS AT POP (WITH SALES CHARGE)									
Class A	7.76	8.45	11.14	4.76	7.33	-6.17	-6.17	1.17	1.16
Class C	7.42	8.20	11.45	5.76	11.12	-2.44	-2.44	1.92	1.91

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: 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 March 31, 2018, 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 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 or by calling 888.226.5595. Please read the prospectus or summary prospectus carefully before investing. The Diamond Hill Funds are distributed by Foreside Financial Services, 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.

Eliminated Positions

- Agriculture equipment manufacturer **Deere & Co.** and industrial supplies distributor **Fastenal Co.** were sold as the shares approached our estimates of intrinsic value.
- Automobile manufacturer **Ford Motor Co.**, building and aerospace technology conglomerate **United Technologies Corp.**, and property and casualty insurance company **Validus Holdings Ltd.** were eliminated to make room for more attractive opportunities.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF MARCH 31, 2018

Abbott Laboratories	2.7%	Kirby Corp.	2.3%
Bank of the Ozarks	1.5	Liberty Global PLC (CI A)	2.2
Cimarex Energy Co.	2.5	MetLife, Inc.	4.9
Deere & Co.	0.0	Red Rock Resorts, Inc. (CI A)	2.2
Discover Financial Services	4.8	Sanmina-SCI Corp.	1.7
Facebook, Inc. (CI A)	2.0	Twenty-First Century Fox, Inc. (CI B)	2.7
Fastenal Co.	0.0	United Technologies Corp.	0.0
Ford Motor Co.	0.0	Validus Holdings Ltd.	0.0
Gilead Sciences, Inc.	1.5	Verisk Analytics, Inc.	2.3

Mentioned securities not held in the Diamond Hill All Cap Select Fund: American International Group, Inc., Vodafone Group PLC, and 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.