

The Fund declined 1.22% (Class I) during the quarter, compared to a 0.89% decline in the Morningstar Global Markets Index.

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

Security selection in the information technology sector along with an underweight allocation to the sector drove the Fund's underperformance relative to the Index. Security selection in the consumer discretionary and energy sectors also detracted from return. Conversely, security selection in the industrials, consumer staples, materials, and financials sectors contributed to relative return.

While markets are skittish, the global economy is currently performing quite well. In January, the World Bank projected that global real GDP will grow 3.1% in 2018, implying a slight increase from 2017. Encouragingly, every major economy is expected to deliver positive growth this year. North American economies are forecast to continue their slow but steady expansion. In Asia, moderating but still strong growth from China is expected to be complemented by accelerating growth from India. Beyond these two growing giants, many emerging economies have benefited from rising commodity prices, and the World Bank forecasts 4-5% annual GDP growth from developing countries over the next three years, compared to approximately 2% growth from advanced economies. If the World Bank's forecast proves accurate, and if interest rates remain near current levels, then global market valuations are likely reasonable. However, with the current economic expansion entering its tenth year, the likelihood of sustaining consistently strong economic growth coupled with relatively low interest rates for several years is arguably fairly low. So, while current fundamentals are clearly solid, the time horizon over which these fundamentals will remain strong is not clear at all. The elevated market volatility experienced in the first quarter is a reflection of these underlying conditions and uncertainties. Against this backdrop, we can't point to a specific country or sector in which valuations are uniformly attractive because of general macroeconomic conditions. Rather, the most attractively valued businesses held in the portfolio are discounted because of firm-specific factors.



## PORTFOLIO MANAGEMENT



Grady Burkett, CFA  
Portfolio Manager



Rick Snowden, CFA  
Portfolio Manager

## Best Performers

- Property and casualty insurance company **Validus Holdings Ltd.** announced an acquisition offer from **AIG**, representing a significant premium for shareholders.
- Securities exchange operator **Euronext N.V.** completed its acquisition of the Irish Stock Exchange. The acquisition furthers Euronext's efforts to diversify products and capabilities as it creates a pan-European platform, particularly in cities that benefit from Brexit. Management has expressed interest in further M&A given the firm's strong financial position and cash flow generation capabilities, and investors continue to reward those strategic efforts.
- Pharmaceutical company **GlaxoSmithKline PLC** delivered strong fourth-quarter results, with sales up across all three key businesses. The company has three new drug launches underway, and the new management team is showing a keen sense for capital management.
- 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. (CIB)** 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.

## Worst Performers

- 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.

- 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.
- 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.
- Automobile manufacturer **Ford Motor Co.** released disappointing fourth-quarter earnings and recent comments from management has generated some uncertainty surrounding their future plans.
- 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.

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

|   | SINCE INCEPTION<br>(12/31/2013) | 3-YR  | 1-YR   | YTD    | 1Q18   | EXPENSE RATIO |
|---|---------------------------------|-------|--------|--------|--------|---------------|
| RETURNS AT NAV (WITHOUT SALES CHARGE)   |                                 |       |        |        |        |               |
| <b>Class A</b>                          | 7.41%                           | 7.65% | 17.42% | -1.30% | -1.30% | 1.21%         |
| <b>Class I</b>                          | 7.74                            | 7.97  | 17.77  | -1.22  | -1.22  | 0.92          |
| <b>Class Y</b>                          | 7.86                            | 8.10  | 17.94  | -1.15  | -1.15  | 0.80          |
| BENCHMARK                               |                                 |       |        |        |        |               |
| <b>Morningstar Global Markets Index</b> | 7.38                            | 8.24  | 15.00  | -0.89  | -0.89  | —             |
| RETURNS AT POP (WITH SALES CHARGE)      |                                 |       |        |        |        |               |
| <b>Class A</b>                          | 6.12                            | 5.82  | 11.56  | -6.24  | -6.24  | 1.21          |

**Risk Disclosure:** The Fund invests in small capitalization stocks; there are specialized risks associated with small capitalization issues, such as market illiquidity and greater market volatility, than large capitalization issues. The Fund invests in non-U.S. securities. Investing in non-U.S. securities may entail risk due to foreign economic and political developments; this risk may be higher when investing in emerging markets. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns.

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](http://diamond-hill.com).

The quoted performance for the Global Fund reflects the past performance of Diamond Hill Global Fund L.P. (the "Global Partnership"), a private fund managed with full investment authority by the fund's Adviser. The Fund is managed in all material respects in a manner equivalent to the management of the predecessor unregistered fund. The assets of the Global Partnership were converted into assets of the fund prior to commencement of operation of the fund. The performance of the Global Partnership has been restated to reflect the net expenses and maximum applicable sales charge of the fund for its initial years of investment operations. The Global Partnership was not registered under the Investment Company Act of 1940 and therefore was not subject to certain investment restrictions imposed by the 1940 Act. If the Global Partnership had been registered under the 1940 Act, its performance may have been adversely affected. Performance is measured from December 31, 2013, the inception of the Global Partnership and is not the performance of the fund. The Global Partnership's past performance is not necessarily an indication of how the fund will perform in the future either before or after taxes.

Performance returns assume reinvestment of all distributions. Returns for periods less than one year are not annualized. The returns at POP reflect the maximum sales charge applicable to each class. The maximum sales charge for A shares is 5.00%; I shares and Y shares have no sales charge.

Fund holdings subject to change without notice.

The Morningstar Global Markets Index is an unmanaged, float market capitalization weighted index of more than 7,000 securities that is designed to cover 97% of the equity market capitalization of developed and emerging markets. This index does not incur fees and expenses (which would lower the return) and is not available for direct investment.

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**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 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.**

## New Positions

- We initiated a position in food products manufacturer **Post Holdings, Inc.**, a company we have owned for many years in other portfolios.
- Social media company **Facebook, Inc. (CI A)** 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.
- **First Republic Bank** is high-quality regional bank franchise with a laser focus on customer service. This focus combined with a pristine credit history has led to an impressive long-term track record of growing intrinsic value.
- We initiated a position in **BT Group PLC ADR**. BT Group is the largest communication services provider in the United Kingdom and is the only operator that owns both nationwide fixed-line and mobile networks. Shares have come under pressure due to

concerns about BT's pension deficit, regulatory uncertainty, and elevated capital spending. We expect the firm to successfully manage through these issues over the next several years.

- **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.

## Eliminated Positions

- We received shares of auto parts manufacturer **Delphi Technologies PLC** following the spinoff from Delphi Automotive (now Aptiv). The position was eliminated due to other names in the portfolio having similar market exposure and growth profile.
- The following companies were sold in order to fund more attractive opportunities: discount retailer **Dollar General Corp.**, automobile manufacturer **Ford Motor Co.**, Japanese telecommunications operator **KDDI Corp.**, building and aerospace technology conglomerate **United Technologies Corp.**, and property and casualty insurance company **Validus Holdings Ltd.**

## MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF MARCH 31, 2018

|                         |      |                                       |      |
|-------------------------|------|---------------------------------------|------|
| BT Group PLC ADR        | 1.5% | KDDI Corp.                            | 0.0% |
| Cimarex Energy Co.      | 1.5  | Kirby Corp.                           | 2.0  |
| Delphi Technologies PLC | 0.0  | Liberty Global PLC (CI A)             | 3.2  |
| Dollar General Corp.    | 0.0  | MetLife, Inc.                         | 3.9  |
| Euronext N.V.           | 2.7  | Post Holdings, Inc.                   | 2.6  |
| Facebook, Inc. (CI A)   | 2.1  | Red Rock Resorts, Inc. (CI A)         | 1.7  |
| First Republic Bank     | 1.9  | Sanmina-SCI Corp.                     | 2.0  |
| Ford Motor Co.          | 0.0  | Twenty-First Century Fox, Inc. (CI B) | 2.4  |
| Gilead Sciences, Inc.   | 2.0  | United Technologies Corp.             | 0.0  |
| GlaxoSmithKline PLC     | 3.1  | Validus Holdings Ltd.                 | 0.0  |

Mentioned securities not held in the Diamond Hill Global Fund: American International Group, Inc., Aptiv PLC, 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.