

The Fund decreased 3.79% (Class I) during the quarter, compared to a 0.69% decrease in the Russell 1000 Index.

The Fund's holdings in the energy, consumer discretionary, consumer staples, and financials sectors were the largest detractors from absolute return.

Security selection in the consumer discretionary and energy sectors was the primary driver of underperformance relative to the Index. Security selection and an underweight allocation to information security also detracted from relative return, while security selection in the health care and materials sectors modestly contributed to relative return.

Best Performers

- Software provider **Microsoft Corp.** reported strong quarterly earnings. The company also indicated that it now expects to achieve slight operating margin expansion in 2018, which was an improvement from expectations.
- 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.
- Shares of payment processing services provider **Worldpay, Inc. (CIA)** rose following the closing of its merger with Vantiv and the release of positive results and guidance for the combined company. The size and scope of the new firm brings attractive growth opportunities via new geographies and industry sectors.
- Discount apparel retailer **TJX Cos., Inc.** reported strong fourth-quarter comparable store sales growth. In addition, TJX is a beneficiary of the Tax Cuts and Jobs Act and announced plans to use proceeds from its windfall to repurchase \$2.5-\$3 billion in company stock this fiscal year.
- Life sciences tools company **Thermo Fisher Scientific, Inc.** reported very strong earnings results. All end markets are strong and the company is benefiting from integrating acquisitions and new product launches.

PORTFOLIO MANAGEMENT



Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Portfolio Manager



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Asst. Portfolio Manager

Worst Performers

- The underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects industry concerns around exposure to weaker regional natural gas prices and service cost inflation; however, we believe these issues will largely be resolved over the medium term.
- The underperformance of oil and gas exploration and production company **Devon Energy Corp.** likely reflects concerns about regional natural gas prices along with confusion around 2018 production and capex guidance, which we believe were overly conservative. We do not see any reason to believe the company is seeing a meaningful degradation in operating results.
- Shares of banking and financial services company **Citigroup, Inc.** lagged as investors appeared to become increasingly focused on potential barriers to international trade.
- Shares of consumer products manufacturer **Procter & Gamble Co.** traded lower over fears of continued rising transportation costs and a possible inability to pass those cost increases on to retail customers.
- 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.



New Positions

- Beverage company **Constellation Brands, Inc. (CI A)** presents a unique opportunity to gain exposure to a very high-quality portfolio of irreplaceable brands such as Corona, Modelo, Pacifico, Ballast Point, Meiom, Black Box, Casa Noble, and High West.
- 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.
- Semiconductor manufacturer **Texas Instruments, Inc.** is the world's largest chipmaker in analog semiconductors. The company has a manufacturing advantage over its competitors and enjoys scale benefits, along with having a broad portfolio of products. The company also has an excellent capital allocation strategy and is a beneficiary of the U.S. Tax Cuts and Jobs Act.

Eliminated Positions

- We eliminated industrial supplies distributor **Fastenal Co.** as it reached our estimate of intrinsic value.

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

	SINCE INCEPTION (6/29/01)	10-YR	5-YR	3-YR	1-YR	YTD	1Q18	EXPENSE RATIO
RETURNS AT NAV (WITHOUT SALES CHARGE)								
Class A	8.30%	8.51%	11.97%	9.21%	8.50%	-3.86%	-3.86%	0.96%
Class C	7.47	7.69	11.12	8.39	7.67	-4.03	-4.03	1.71
Class I	8.58	8.84	12.27	9.54	8.84	-3.79	-3.79	0.67
Class Y	8.46	8.78	12.41	9.65	8.95	-3.75	-3.75	0.55
BENCHMARK								
Russell 1000 Index	7.07	9.61	13.17	10.39	13.98	-0.69	-0.69	—
RETURNS AT POP (WITH SALES CHARGE)								
Class A	7.97	7.95	10.82	7.36	3.07	-8.66	-8.66	0.96
Class C	7.47	7.69	11.12	8.39	6.67	-4.99	-4.99	1.71

Risk Disclosure: Overall equity market risks may affect the value of the fund.

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 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 1000 Index is an unmanaged market capitalization-weighted index comprised of the largest 1,000 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 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.

- Automobile manufacturer **Ford Motor Co.** and household durables manufacturer **Whirlpool Corp.** were eliminated in order to invest capital in more attractive opportunities.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF MARCH 31, 2018

Abbott Laboratories	4.4%	MetLife, Inc.	3.0%
Cimarex Energy Co.	2.0	Microsoft Corp.	3.4
Citigroup, Inc.	3.9	Procter & Gamble Co.	2.1
Constellation Brands, Inc. (CI A)	0.3	Texas Instruments, Inc.	1.0
Devon Energy Corp.	1.9	Thermo Fisher Scientific, Inc.	2.2
Facebook, Inc. (CI A)	1.3	TJX Cos., Inc.	2.5
Fastenal Co.	0.0	Whirlpool Corp.	0.0
Ford Motor Co.	0.0	Worldpay, Inc. (CI A)	1.8
Gilead Sciences, Inc.	0.6		

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.