

*(closed to new investors)*

The Fund decreased 2.05% (Class I) during the quarter, compared to a 0.69% decrease in the long-only Russell 1000 Index and a 0.22% decrease in the blended benchmark (60% Russell 1000 Index/40% ICE Bank of America Merrill Lynch U.S. Treasury Bill 0-3 Month Index).

Both the Fund's long portfolio and short portfolio detracted from absolute return. Holdings in the financials, energy, and consumer discretionary sectors were the largest detractors in the long portfolio. Short positions in the information technology and industrials sectors were the main detractors, partially offset by short positions in the consumer discretionary sector.

The Fund's underperformance relative to the long-only benchmark was primarily driven by security selection in the energy and consumer discretionary sectors as well as the combination of an underweight position and security selection in the information technology sector. Security selection in the health care and industrials sectors contributed to relative return.

The Fund's net exposure at the end of the quarter was 62%.

## Best Performers

### Long Portfolio

- Shares of Puerto Rico-based banking and financial services company **Popular, Inc.** recovered after the company's fourth-quarter earnings reports showed that losses from Hurricane Maria will very likely be well below initial market forecasts.
- Information technology services provider **Cognizant Technology Solutions Corp. (CIA)** reported strong fourth-quarter 2017 earnings and provided full-year 2018 guidance that included a favorable combination of revenue growth and operating margin expansion.
- 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.

## PORTFOLIO MANAGEMENT



Chris Bingaman, CFA  
Portfolio Manager



Ric Dillon, CFA  
Portfolio Manager



Jason Downey, CFA  
Portfolio Manager



Chuck Bath, CFA  
Asst. Portfolio Manager

- 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.
- 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.

### Short Portfolio

- The five best performers were long positions.

## Worst Performers

### Long Portfolio

- 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.
- Shares of banking and financial services company **Citigroup, Inc.** lagged as investors appeared to become increasingly focused on potential barriers to international trade.
- Despite reporting solid quarterly results, shares of **Comcast Corp. (CIA)** declined due to concerns over the company's potential bid for Sky. While we are wary of a potential bidding war that could destroy value, we believe Sky fits well into Comcast's long-term strategy.
- Networking and communications company **Juniper Networks, Inc.** delivered disappointing fourth-quarter results and first-quarter guidance. While the company's router business is exposed to increasing competition and rapid technological change, we believe management is making progress towards addressing these challenges.



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## Short Portfolio

- Shares of postsecondary education services provider **Grand Canyon Education, Inc.** rose after the company announced its intent to convert to a non-profit entity. Competition continues to increase and we do not believe the company's proposed new structure meaningfully alters its long-range growth potential.

## New Positions

### Long Portfolio

- Beverage company **Constellation Brands, Inc. (CIA)** 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.

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

	SINCE INCEPTION (6/30/00) <sup>1</sup>	10-YR	5-YR	3-YR	1-YR	YTD	1Q18	EXPENSE RATIO	
								GROSS	NET <sup>2,3</sup>
RETURNS AT NAV (WITHOUT SALES CHARGE)									
<b>Class A</b>	6.45%	4.07%	6.36%	3.97%	0.61%	-2.10%	-2.10%	1.96%	1.95%
<b>Class C</b>	5.64	3.29	5.57	3.20	-0.11	-2.26	-2.26	2.71	2.70
<b>Class I</b>	6.71	4.38	6.65	4.27	0.93	-2.05	-2.05	1.67	1.66
<b>Class Y</b>	6.60	4.34	6.79	4.38	1.02	-2.00	-2.00	1.55	1.54
BENCHMARK									
<b>Russell 1000 Index</b>	5.69	9.61	13.17	10.39	13.98	-0.69	-0.69	—	—
<b>60%/40% Blended Index</b>	4.29	6.09	7.97	6.45	8.72	-0.22	-0.22	—	—
RETURNS AT POP (WITH SALES CHARGE)									
<b>Class A</b>	6.14	3.54	5.27	2.21	-4.43	-7.01	-7.01	1.96	1.95
<b>Class C</b>	5.64	3.29	5.57	3.20	-1.09	-3.23	-3.23	2.71	2.70

<sup>1</sup> The Fund was long-only from inception through June 2002.

<sup>2</sup> Includes dividend expense relating to short sales. If dividend expenses relating to short sales were excluded, the Expense Ratio for the Long-Short Fund would have been 1.38% for Class A, 2.13% for Class C, 1.09% for Class I, and 0.97% for Class Y.

<sup>3</sup> 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 Fund uses short selling which incurs significant additional risk. Theoretically, stocks sold short have the risk of unlimited losses. 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. The blended index represents a 60% weighting of the Russell 1000 Index and a 40% weighting of the ICE BofA Merrill Lynch U.S. T-Bill 0-3 Month Index. The ICE BofA Merrill Lynch U.S. T-Bill 0-3 Month Index is comprised of U.S. dollar denominated U.S. Treasury Bills with a term to maturity of less than 3 months. These indexes do not incur fees and expenses (which would lower returns) and are not available for direct investment.

The index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its third party suppliers and has been licensed for use by Diamond Hill Capital Management, Inc. ICE Data and its third party suppliers accept no liability in connection with its use. See diamond-hill.com for a full copy of the disclaimer. ICE Data was not involved in the creation of the blended index.

**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.**

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- We initiated a position in oil and gas exploration and production company **Devon Energy Corp.** as management recently articulated a more disciplined capital investment strategy along with a potential sizeable divestiture program that can help focus the business around attractive core assets. We believe Devon holds an attractive scalable acreage position in both the Delaware Basin as well as the Anadarko Basin that should drive meaningful improvement in returns on invested capital over time..

## Short Portfolio

- We shorted health care services company **Encompass Health Corp.** which potentially faces Medicare reimbursement pressure for both its inpatient rehabilitation and home health segments. In addition, with consensus modeling flat operating margins, we believe the risk/reward is skewed toward the downside.
- We again established a short position in apparel company **Lululemon Athletica, Inc.** when the valuation reached a point where the stock price is discounting revenue growth and margin levels that we don't believe are sustainable over the longer term. While Lululemon is still growing well and remains a relevant brand, the athletic wear category is highly competitive and the company's store base is saturated in its core markets in the U.S. and Canada.

## Eliminated Positions

### Long Portfolio

- We sold rental car company **Avis Budget Group, Inc.** and household durables manufacturer **Whirlpool Corp.** to invest in

more attractive opportunities. We eliminated agriculture equipment manufacturer **Deere & Co.** and industrial supplies distributor **Fastenal Co.** as the stock prices reached our estimates of intrinsic value.

### Short Portfolio

- We covered our position in cloud networking company **Arista Networks, Inc.** as fundamentals had meaningfully outperformed our expectations throughout our holding period, and we see no clear evidence that the company's competitive position is weakening.
- Our fundamental thesis on aerospace and defense company **Boeing Co.** was not playing out as margins continued to exceed our expectations.
- We covered our remaining short position in health care equipment and supplies manufacturer **IDEXX Laboratories, Inc.** following the company's favorable fourth-quarter report.
- We covered a position in food products company **Lamb Weston Holdings, Inc.** after judging that the fundamentals had improved.
- The following short positions were covered as the stocks approached our estimates of intrinsic value: pharmaceutical company **Merck & Co., Inc.**, consumer goods company **Colgate-Palmolive Co.**, and packaged food manufacturer **Conagra Brands, Inc.**

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

Arista Networks, Inc.	0.0%	Short	Fastenal Co.	0.0%	Long
Avis Budget Group, Inc.	0.0	Long	Grand Canyon Education, Inc.	(1.9)	Short
Boeing Co.	0.0	Short	IDEXX Laboratories, Inc.	0.0	Short
Cimarex Energy Co.	2.3	Long	Juniper Networks, Inc.	1.5	Long
Citigroup, Inc.	3.7	Long	Kirby Corp.	1.5	Long
Cognizant Technology Solutions Corp. (CIA)	2.0	Long	Lamb Weston Holdings, Inc.	0.0	Short
Colgate-Palmolive Co.	0.0	Short	Lululemon Athletica, Inc.	(0.3)	Short
Comcast Corp. (CIA)	1.9	Long	Merck & Co., Inc.	0.0	Short
Conagra Brands, Inc.	0.0	Short	Microsoft Corp.	3.0	Long
Constellation Brands, Inc. (CIA)	0.4	Long	Popular, Inc.	1.7	Long
Deere & Co.	0.0	Long	Whirlpool Corp.	0.0	Long
Devon Energy Corp.	1.0	Long	Worldpay, Inc. (CIA)	2.0	Long
Encompass Health Corp.	(0.3)	Short			

Mentioned securities not held in the Diamond Hill Long-Short Fund: Sky PLC

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.