

The Fund decreased 0.88% (Class I) during the quarter, compared to a 0.46% decrease in the Russell Midcap Index.

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

A combination of security selection and an underweight position in the information technology sector was the primary driver of underperformance relative to the Index. Security selection in the energy and consumer discretionary sectors also detracted from relative return, while security selection in the financials and real estate sectors contributed 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.
- Commercial property and casualty insurance company **XL Group Ltd.** announced an acquisition offer from AXA, 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.
- Real estate investment company **Jones Lang LaSalle, Inc.** has performed well since a tough 2016, when the company's earnings declined from a combination of factors including lower incentive fees from their investment management segment and slowing transaction volume. Margins have stabilized and the company has generated very strong free cash flow and good earnings growth.
- Shares of medical device manufacturer **Boston Scientific Corp.** continue to outperform despite the recall of the company's Lotus aortic valve. Fourth-quarter organic growth was strong and the remainder of the pipeline appears attractive.

PORTFOLIO MANAGEMENT



Chris Welch, CFA
Portfolio Manager



Chris Bingaman, CFA
Asst. Portfolio Manager



Jenny Hubbard, CFA
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.
- Shares of homebuilder **NVR, Inc.** underperformed as housing stocks in general had a weak quarter due to fears of higher interest rates. NVR also missed consensus expectations due primarily to a weaker-than-expected backlog conversion; however, we still have confidence in the company's business and management team long term.
- 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.
- Processed and packaged goods company **B&G Foods, Inc.** delivered a weak quarterly earnings report amid concerns about volume and pricing pressures due to changing consumer tastes and pressure from retailer partners.
- 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.



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.
- **Formula One Group** is a global motorsport racing league that was acquired by Liberty Media last year. Formula One's intellectual property is unique and extremely difficult to replicate, and its 350 million fan base remains massive. The business model provides high free cash flow generation and the sport is well-positioned to benefit from secular shifts in media as a whole. New management has a strong track record of monetizing sports and is focused on the long term.

- High-quality ski resort owner and operator **Vail Resorts, Inc.** owns difficult-to-replicate assets and offers them collectively to consumers at a very compelling value with its Epic Pass. The business has amassed this strategic network of assets over multiple years with each purchase enhancing the entire collection. Recent concerns regarding weather and a newly announced competitor pass created some volatility in the shares, enabling us to begin a position in this portfolio.

Eliminated Positions

- Regional bank **First Horizon National Corp.** was sold in order to invest capital in more attractive opportunities.
- Household durables manufacturer **Whirlpool Corp.** was eliminated due to concerns about the company's competitive position.
- Packaged foods manufacturer **TreeHouse Foods, Inc.** was eliminated after reporting another quarter of very weak results and deteriorating fundamentals.

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

	SINCE INCEPTION (12/31/13)	3-YR	1-YR	YTD	1Q18	EXPENSE RATIO	
						GROSS	NET ¹
RETURNS AT NAV (WITHOUT SALES CHARGE)							
Class A	8.12%	7.61%	5.97%	-1.02%	-1.02%	1.08%	1.07%
Class I	8.45	7.94	6.38	-0.88	-0.88	0.79	0.78
Class Y	8.56	8.05	6.44	-0.87	-0.87	0.67	0.66
BENCHMARK							
Russell Midcap Index	9.71	8.01	12.20	-0.46	-0.46	—	—
RETURNS AT POP (WITH SALES CHARGE)							
Class A	6.81	5.77	0.69	-5.98	-5.98	1.08	1.07

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: There are specialized risks associated with small and mid 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. 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 are subject to change without notice.

The Russell Midcap Index is an unmanaged market capitalization-weighted index measuring performance of the 800 smallest companies in the Russell 1000 Index. The Russell 1000 Index measures performance of the largest 1000 companies in the Russell 3000 Index. The Russell 3000 Index measures the performance 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.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF MARCH 31, 2018

B&G Foods, Inc.	0.6%	Kirby Corp.	2.3%
Bank of the Ozarks	1.6	NVR, Inc.	2.2
Boston Scientific Corp.	2.4	Red Rock Resorts, Inc. (CI A)	2.3
Cimarex Energy Co.	3.4	TreeHouse Foods, Inc.	0.0
First Horizon National Corp.	0.0	Vail Resorts, Inc.	0.2
Formula One Group	0.5	Validus Holdings Ltd.	2.3
Jones Lang LaSalle, Inc.	1.1	Whirlpool Corp.	0.0
Juniper Networks, Inc.	1.5	XL Group Ltd.	1.0

Mentioned securities not held in the Diamond Hill Mid Cap Fund: American International Group, Inc., AXA SA, and Liberty Global 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.