

(closed to new investors)

The Fund decreased 0.97% (Class I) during the quarter, compared to a 0.08% decrease in the Russell 2000 Index.

The Fund's holdings in the industrials, energy, and consumer staples sectors were the largest detractors from absolute return. The information technology and financials sectors contributed to absolute return.

The Fund's underperformance relative to the Index was primarily driven by security selection and an underweight position in the health care sector. Security selection in the information technology sector was the largest contributor to relative performance; however, this was partially offset by an underweight allocation. Security selection in the financials sector also contributed to relative return.

Best Performers

- Business software and services provider **DST Systems, Inc.** received an offer to be acquired by SS&C Technologies Holdings, Inc. for a 30% premium. The deal is anticipated to close in second-quarter 2018.
- Property and casualty insurance company **Validus Holdings Ltd.** announced an acquisition offer from AIG, representing a significant premium for shareholders.
- Property and casualty insurance company **Navigators Group, Inc.** reported strong fourth-quarter results. After three quarters of reserve additions, Navigators put reserve releases in all lines of business which was received positively by the market.
- 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.
- Rental car company **Avis Budget Group, Inc.** reported encouraging signs of an improving business environment including increased revenues and pricing in fourth-quarter 2017 and improved 2018 guidance.

PORTFOLIO MANAGEMENT



Tom Schindler, CFA
Portfolio Manager



Aaron Monroe, CFA
Asst. Portfolio Manager



Chris Welch, 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.
- Processed and packaged goods company **B&G Foods, Inc.** delivered a weak quarterly earnings report.
- Shares of transportation products and services provider **Trinity Industries, Inc.** declined as the company's railcar deliveries continue to be in a relative trough in this cyclical industry. Trinity anticipates spinning off its inland barge, energy equipment, and construction products businesses by fourth-quarter 2018.
- 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.
- Shares of aircraft rental and leasing services company **Aircastle Ltd.** declined as some investors were disappointed with near-term revenue growth guidance.

New Positions

- Real estate investment trust **American Campus Communities, Inc.**, the largest owner in the small-but-growing student housing industry, owns properties on or near U.S. university campuses and has a pipeline of on-campus developments through partnerships with major schools.
- **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.



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- **Cal-Maine Foods, Inc.** is the largest producer and marketer of shell eggs in the United States. We believe Cal-Maine is a well-run, long term-oriented business with a strong balance sheet, good returns on capital, and underappreciated competitive advantages.
- We believe semiconductor materials company **Versum Materials, Inc.** is well-positioned to benefit from the growth in semiconductor chips over the long term and that the quality of the company's advanced materials business is underappreciated. Versum was spun out of industrial gas maker Air Products in late 2016.

Eliminated Positions

- We eliminated shares of real estate investment trust **Colony NorthStar, Inc. (CIA)** as we became concerned about a potential dividend cut. The company's rapid pace of asset sales since closing the Northstar merger helped generate liquidity and focus on core business lines, but created a significant drag on earnings until the capital was reinvested.
- We eliminated cybersecurity solutions provider **Fortinet, Inc.** after shares appreciated past our estimate of intrinsic value.

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

	SINCE INCEPTION (12/29/00)	10-YR	5-YR	3-YR	1-YR	YTD	1Q18	EXPENSE RATIO GROSS	NET ¹
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class A	10.52%	8.21%	8.57%	5.39%	8.62%	-1.04%	-1.04%	1.28%	1.27%
Class C	9.70	7.41	7.76	4.61	7.81	-1.23	-1.23	2.03	2.02
Class I	10.79	8.54	8.88	5.70	8.94	-0.97	-0.97	0.99	0.98
Class Y	10.68	8.48	9.01	5.81	9.07	-0.94	-0.94	0.87	0.86
BENCHMARK									
Russell 2000 Index	8.34	9.84	11.47	8.39	11.79	-0.08	-0.08	—	—
RETURNS AT POP (WITH SALES CHARGE)									
Class A	10.19	7.66	7.46	3.61	3.20	-5.97	-5.97	1.28	1.27
Class C	9.70	7.41	7.76	4.61	6.81	-2.21	-2.21	2.03	2.02

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 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 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 2000 Index is an unmanaged market capitalization-weighted index comprised of the smallest 2,000 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.

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MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF MARCH 31, 2018

Aircastle Ltd.	1.8%	DST Systems, Inc.	4.7%
American Campus Communities, Inc.	0.5	Fortinet, Inc.	0.0
Avis Budget Group, Inc.	3.7	Navigators Group, Inc.	2.6
B&G Foods, Inc.	1.2	Popular, Inc.	2.3
Bank of the Ozarks	1.1	Red Rock Resorts, Inc. (CI A)	2.2
Cal-Maine Foods, Inc.	0.7	Trinity Industries, Inc.	2.4
Cimarex Energy Co.	2.2	Validus Holdings Ltd.	1.9
Colony NorthStar, Inc. (CI A)	0.0	Versum Materials, Inc.	0.6

Mentioned securities not held in the Diamond Hill Small Cap Fund: Air Products and Chemicals, Inc., American International Group, Inc., SS&C Technologies Holdings, Inc.

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.