

# Financial Long-Short Fund

As of March 31, 2018



## OBJECTIVE

Long-term capital appreciation by investing in financial services companies selling for less than and shorting companies selling for more than our estimate of intrinsic value.

## PORTFOLIO GUIDELINES

### Fund Guidelines

- A long-biased fund with typically 30–50 long positions and 5–25 short positions
- Total long positions are generally between 80–100% of net assets
- Total short positions are generally between 5–25% of net assets
- Flexible mandate allows for international equities up to 20% (effective May 1, 2018)

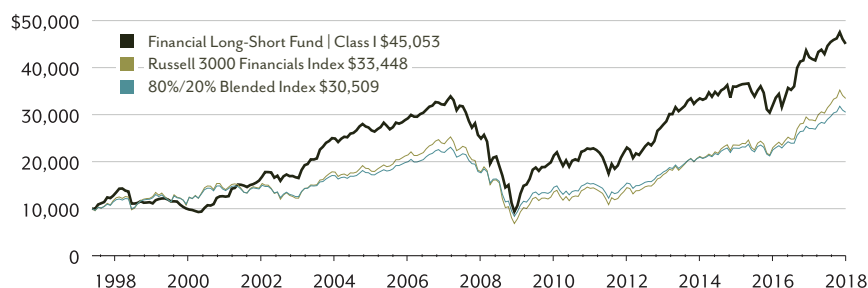
### Exposure Guidelines

- Maximum gross market exposure (long % + short %) = Up to 125%
- Target net market exposure (long % – short %) = 60–100%

## PORTFOLIO MANAGEMENT

Josh Barber, CFA Portfolio Manager	Krishna Mohanraj, CFA Portfolio Manager
John Loesch, CFA Portfolio Manager	Tyler Ventura, CFA Portfolio Manager

## GROWTH OF \$10,000 SINCE INCEPTION<sup>1,2</sup>



<sup>1</sup> The chart represents a comparison of a hypothetical \$10,000 investment and the reinvestment of dividends and capital gains in Class I shares versus the benchmark(s). The Index is unmanaged and does not incur fees. The Fund's performance is before taxes and reflects the deduction of fees and expenses.

<sup>2</sup> The Fund was long-only from inception through April 2006.

An investor should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. The prospectus or summary prospectus contain this and other important information about the Fund(s) and are available 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. Diamond Hill Funds are not FDIC insured, may lose value, and have no bank guarantee.

Side One. Not Valid Without Side Two.

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## INVESTMENT STRATEGY

- To estimate intrinsic value, the business must be understandable, and we must be able to reasonably forecast its cash flows. For long positions, we seek businesses with sustainable competitive advantages, conservative balance sheets, and management with an ownership mentality. The inverse is often true for our short positions.
- Seek positive total returns on both long and short positions.

## TOP FIVE LONG EQUITY HOLDINGS

Nationstar Mortgage Holdings, Inc. Banks, Thrifts & Mortgage Finance	5.6%
Berkshire Hathaway, Inc. (CI B) Diversified Financial Services	5.5
Discover Financial Services Consumer Financial Services	5.1
BankUnited, Inc. Banks, Thrifts & Mortgage Finance	4.2
Loews Corp. Insurance	4.2

## TOP FIVE SHORT EQUITY HOLDINGS

Westamerica Bancorp Banks, Thrifts & Mortgage Finance	(2.2)%
Selective Insurance Group, Inc. Insurance	(2.2)
Cincinnati Financial Corp. Insurance	(2.2)
First American Financial Corp. Insurance	(1.3)
Western Union Co. IT Services	(1.0)

## BEST & WORST PERFORMERS<sup>3</sup>

SECURITY NAME	IQ18 CONTRIBUTION	POSITION AS OF IQ18
<b>Best</b>		
Validus Holdings Ltd.	1.2%	3.0% Long
Popular, Inc.	0.4	3.0 Long
First Republic Bank	0.2	3.3 Long
Mercury General Corp.	0.2	0.0 Short
SVB Financial Group	0.1	3.9 Long
<b>Worst</b>		
Atlas Financial Holdings, Inc.	-1.2%	1.2% Long
Franklin Resources, Inc.	-0.4	2.8 Long
MetLife, Inc.	-0.4	4.1 Long
iStar, Inc.	-0.4	3.8 Long
Discover Financial Services	-0.3	5.1 Long

<sup>3</sup> The holdings identified do not represent all of the securities purchased, sold, or recommended for the adviser's clients. The reader should not assume that an investment in the securities identified was or will be profitable. 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, contact 855.255.8955 or [info@diamond-hill.com](mailto:info@diamond-hill.com).

## INDUSTRY ALLOCATION<sup>4</sup>

	LONG PORTFOLIO	RUSSELL 3000 FINANCIALS INDEX	SHORT PORTFOLIO
Banks, Thrifts & Mortgage Finance	38.3%	31.9%	(3.2)%
Insurance	20.2	13.0	(6.3)
REITs & Real Estate Management	13.5	18.1	(0.4)
Capital Markets	9.1	14.0	0.0
Consumer Financial Services	7.1	3.6	0.0
Diversified Financial Services	5.5	6.9	0.0
IT Services	3.0	12.4	(1.0)
Cash & Other	3.4	0.0	0.0

<sup>4</sup> Cash & Other may include cash, treasuries, money market funds, and short duration fixed income funds.

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

	SINCE INCEPTION <sup>5</sup>	10-YR	5-YR	3-YR	1-YR	YTD	1Q18
RETURNS AT NAV (WITHOUT SALES CHARGE)							
<b>Class A</b>	7.36%	5.77%	9.77%	7.50%	6.37%	-2.59%	-2.59%
<b>Class C</b>	6.59	4.96	8.95	6.69	5.59	-2.75	-2.75
<b>Class I</b>	7.56	6.11	10.07	7.83	6.69	-2.51	-2.51
BENCHMARK							
<b>Russell 3000 Financials Index</b>	6.02	6.48	14.17	12.45	15.85	-0.50	-0.50
<b>80%/20% Blended Index</b>	5.55	5.64	11.38	10.09	12.81	-0.30	-0.30
RETURNS AT POP (WITH SALES CHARGE)							
<b>Class A</b>	7.09	5.23	8.64	5.68	1.05	-7.47	-7.47
<b>Class C</b>	6.59	4.96	8.95	6.69	4.59	-3.72	-3.72

## CALENDAR YEAR RETURNS (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Class I</b>	-44.79	25.31	17.29	-13.21	26.94	37.33	8.42	-4.40	19.10	11.90
<b>Russell 3000 Financials Index</b>	-48.94	17.61	12.59	-11.91	26.58	34.46	14.06	0.68	17.96	19.95
<b>80%/20% Blended Index</b>	-40.67	15.49	10.37	-9.33	20.99	26.91	11.18	0.68	14.42	15.92

## FEES AND EXPENSES

	CLASS A	CLASS C	CLASS I
<b>Ticker</b>	BANCX	BSGCX	DHFSX
<b>CUSIP</b>	25264S106	25264S205	25264S825
<b>Minimum Initial Investment</b>	\$2,500	\$2,500	\$2,500
<b>Maximum Front-End Sales Charge</b>	5.00%	None	None
<b>Contingent Deferred Sales Charge</b>	None	1.00%	None
<b>Management Fee</b>	0.95%	0.95%	0.95%
<b>Distribution Fee (12b-1)</b>	0.25%	1.00%	None
<b>Other Expenses</b>	0.66%	0.66%	0.62%
<b>Expense Ratio<sup>5</sup></b>	1.86%	2.61%	1.57%

<sup>5</sup> Includes dividend expense relating to short sales. If dividend expenses relating to short sales were excluded, the Expense Ratio for the Financial Long-Short Fund would have been 1.41% for Class A, 2.16% for Class C, and 1.12% for Class I.

**Risk Disclosure:** The Fund uses short selling which incurs significant additional risk. Theoretically, stocks sold short have the risk of unlimited losses. There are specialized risks associated with small capitalization issues, such as market illiquidity and greater market volatility, than large capitalization issues. 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 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 and Class I shares include Class A share performance achieved prior to the creation of Class C and Class I.

Fund holdings, industry allocations, and portfolio statistics subject to change without notice.

The Russell 3000 Financials Index consists of Russell 3000 companies involved in banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investments and real estate, including REITS. The blended index represents a 80% weighting of the Russell 3000 Financials Index and a 20% weighting of the ICE BofAML U.S. T-Bill 0-3 Month Index. The ICE BofAML 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. 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. These indexes do not incur fees and expenses (which would lower returns) and are not available for direct investment.

<sup>7</sup> **Risk Statistic Definitions:** **Standard Deviation** measures the volatility of the Fund's returns. **Beta** measures the Fund's sensitivity to market movements. **Sharpe Ratio** uses the Fund's standard deviation and average excess return over the risk-free rate to determine reward per unit of risk. **Alpha** measures excess return relative to the market that is attributable to active portfolio management. **R-squared** represents the percentage of the portfolio's movements that can be explained by general market movements. **Upside / Downside Capture Ratio** measures a manager's ability to generate excess return above the benchmark return in up markets and retain more of the excess return in down markets. Since inception risk statistics are calculated using monthly returns beginning on the first day of the Fund's first full month of performance. Statistics for periods less than one year are not annualized. Risk statistics are relative to the Russell 3000 Financials Index.

Side Two. Not Valid Without Side One.

## PORTFOLIO STATISTICS

<b>Inception</b>	August 1, 1997
<b>Total Net Assets</b>	\$34M
<b>Distributions</b>	Annual
<b>Median Market Capitalization — Long / (Short)</b>	\$11.5B / (\$3.6B)
<b>Portfolio Turnover (12 months trailing)<sup>6</sup></b>	32%
<b>Number of Long / (Short)</b>	
<b>Holdings in Portfolio</b>	40 / (9)
<b>Long / (Short) Holdings (% of Net Assets)</b>	96.6% / (10.9%)
<b>Gross Exposure (Long + Short)</b>	108%
<b>Net Exposure (Long – Short)</b>	86%

<sup>6</sup> This calculation is the lesser of long buys plus short sales or long sales plus short covers divided by the average gross value of portfolio securities excluding cash equivalents.

SINCE INCEPTION RISK STATISTICS<sup>7</sup>  
(CLASS I SHARES)

<b>Standard Deviation (%)</b>	18.41
<b>Beta (%)</b>	0.81
<b>Sharpe Ratio</b>	0.38
<b>Alpha (%)</b>	2.16
<b>R-squared (%)</b>	73.91
<b>Upside / Downside Capture Ratio (%)</b>	85 / 75

## MORNINGSTAR CLASSIFICATION

Financial

## LIPPER CLASSIFICATION

Financial Services