

The Fund decreased 15.89% (Class I) during the quarter, compared to a 14.30% decrease in the Russell 3000 Index.

The Fund's holdings in nearly all sectors detracted from absolute return, led by the financials sector. The energy and consumer discretionary sectors were also large detractors from absolute return. Only the real estate sector provided a modest contribution to return.

The Fund's underperformance relative to the Index was driven primarily by security selection in the energy, financials, and consumer staples sectors. Security selection in the industrials sector, as well as a combination of security selection and an underweight position in the information technology sector were the largest contributors to relative return.

Best Performers

- Real estate investment trust **CubeSmart** outperformed amid steady and resilient storage fundamentals despite increasing levels of new development, and the hope that peaking new development will lead to a stabilization of internal growth within the next 12-18 months.
- Homebuilder **NVR, Inc.** reported decent quarterly results and outperformed the broader market, primarily due to the significant price declines in homebuilders taking place earlier in the year and the ensuing pessimism built into the stock price prior to the start of the quarter. Additionally, the rise in mortgage rates slowed, giving the housing market some relief from earlier in the year.
- Data analytics company **Verisk Analytics, Inc.** outperformed after the company reported quarterly results that demonstrated solid performance in each of the company's three segments. Importantly, the company's insurance segment, which accounts for the vast majority of revenue and earnings, remains uniquely positioned to provide value to clients and continue to grow its revenue base and earnings power.
- Airline operator **Copa Holdings S.A. (CIA)** outperformed, as the company's management team continued to execute on key long-term initiatives, despite near-term financial results being affected by a difficult combination of higher oil prices and steep currency depreciation in Brazil and Argentina.

TEAM



Austin Hawley, CFA
Portfolio Manager



Rick Snowdon, CFA
Portfolio Manager

- Health care products manufacturer **Abbott Laboratories** outperformed amid strong organic growth, particularly in its nutrition segment, which has underperformed over the past few years. We believe that the company's decision to accelerate debt pay-down from the Alere and St. Jude deals will prove to be a prudent move in the years to come.

Worst Performers

- Shares of **Bank OZK**, an Arkansas-based regional bank, declined after the company reported disappointing quarterly results that included two credit-related issues which fueled concerns about the health of commercial real estate in general, as well as the future trajectory of credit at the bank. We believe these were isolated events from legacy credits underwritten before the great financial crisis and are not indicative of the quality of the rest of the company's loan portfolio.
- Underperformance of oil and gas exploration and production company **Cimarex Energy Co.** likely reflects the steep drop in oil prices throughout the quarter. The current outlook for oil prices in 2019 suggests that the broader domestic exploration and production industry will have to substantially slow its drilling activities. We still believe Cimarex holds very attractive assets, which should allow the company to outgrow most of its peers over the next five years.
- Shares of real estate services company **Mr. Cooper Group, Inc.** were impacted by selling pressure from legacy shareholders of predecessor company WMIH Corp. The shareholders were willing sellers at almost any price and were selling a less liquid security into a volatile market, which translated into a significant headwind for shares.



- Shares of casino operator **Red Rock Resorts, Inc. (CIA)** declined amid margin compression related to some opportunistic operating expenditures. These results, coupled with broader economic concerns, led to significant multiple compression across the gaming industry. We remain positive on the long-term prospects for Red Rock's business.
- Shares of life insurance and annuity provider **Brighthouse Financial, Inc.** declined in conjunction with the equity market sell-off. The company's variable annuity assets are exposed to both interest rates and equity markets, and shares tend to underperform during periods of market stress.

New Positions

- We initiated a new position in the shares of pharmaceutical company **Allergan PLC** at an attractive valuation for relatively low-risk cash flows supported by durable assets. We believe management can unlock the company's value through asset disposals or further pipeline development in the coming years.
- We established a position in property and casualty insurance company **American International Group, Inc. (AIG)** after the share price declined sharply. We believe AIG now has one of the best management teams in the industry and is nearing an inflection point in its turnaround.

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

	SINCE INCEPTION (12/30/05)	10-YR	5-YR	3-YR	1-YR	YTD	4Q18	EXPENSE RATIO	
								GROSS	NET ¹
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class I	7.07%	11.59%	5.06%	5.09%	-12.02%	-12.02%	-15.89%	0.88%	0.87%
BENCHMARK									
Russell 3000 Index	7.72	13.18	7.91	8.97	-5.24	-5.24	-14.30	—	—
Russell 3000 Value Index	6.31	11.12	5.77	7.01	-8.58	-8.58	-12.24	—	—

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: Because this Fund expects to hold a concentrated portfolio of a limited number of securities, a decline in the value of these investments would cause the Fund's value to decline to a greater degree than a less concentrated portfolio. 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 December 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. These total return figures may reflect the waiver of a portion of a Fund's advisory or administrative fees for certain periods. Without such waiver of fees, the total returns would have been lower. Class I shares have no sales charge.

Fund holdings subject to change without notice.

The Russell 3000 Index is an unmanaged market capitalization-weighted index comprised of the 3,000 largest U.S. companies by total market capitalization. The Russell 3000 Value Index is an unmanaged market capitalization-weighted index measuring the performance of the broad value segment of the U.S. equity universe including those Russell 3000 Index companies with lower expected growth values. These indices do not incur fees and expenses (which would lower the return) and are 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.

- **Copa Holdings S.A. (CI A)** is a well-managed Latin American airline operator with an attractive growth profile over the next five to 10 years. The firm's poor near-term financial results reflect higher oil prices and steep currency depreciation in Brazil and Argentina. We believe Copa's management will bring margins back to historical levels.
- We initiated an investment in oil and gas exploration and production company **Noble Energy, Inc.** as we believed a wave of uncertainty had been overly discounted in the valuation and that the market was underestimating Noble Energy's free cash flow potential. Investors were primarily concerned with an unsuccessful ballot initiative in November that would have restricted Colorado drilling activity. There was also concern about near-term pricing risk in the Permian Basin from a lack of secure transportation agreements, but we believed this would be solved by late 2019.
- Coating products manufacturer **Axalta Coating Systems Ltd.** and medical liability insurance company **ProAssurance Corp.** were eliminated in favor of more attractive opportunities.
- We sold our shares of real estate investment trust **CubeSmart** after shares appreciated to fund positions in companies trading at greater discounts to intrinsic value.
- We initiated an investment in oil and gas exploration and production company **Devon Energy Corp.** and subsequently eliminated the position as a re-evaluation of the sector fundamentals led us to reduce our estimate of intrinsic value and we found more attractive investment opportunities outside of the energy sector.
- Positions in discount retailers **Dollar General Corp.** and **TJX Cos., Inc.** were eliminated as the stock prices reached our estimates of intrinsic value.
- After approaching our estimate of intrinsic value, consumer snack and beverage manufacturer **PepsiCo, Inc.** was eliminated to make room for higher conviction ideas.
- We eliminated our position in food products manufacturer **Post Holdings, Inc.** and data analytics company **Verisk Analytics, Inc.** to make room for higher conviction ideas after the stocks ran up close to our estimates of intrinsic value.
- Health care benefits company **Aetna, Inc.** ceased trading as a separate entity after it was acquired by CVS, with the Department of Justice granting approval in October.
- We sold our shares of health care products manufacturer **Abbott Laboratories** after several years of strong performance and replaced the position with companies trading at a larger discount to intrinsic value.

Eliminated Positions

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF DECEMBER 31, 2018

Abbott Laboratories	0.0%	Dollar General Corp.	0.0%
Aetna, Inc.	0.0	Mr. Cooper Group, Inc.	3.6
Allergan PLC	2.9	Noble Energy, Inc.	2.1
American International Group, Inc.	3.8	NVR, Inc.	2.3
Axalta Coating Systems Ltd.	0.0	PepsiCo, Inc.	0.0
Bank OZK	3.9	Post Holdings, Inc.	0.0
Brighthouse Financial, Inc.	2.4	ProAssurance Corp.	0.0
Cimarex Energy Co.	3.0	Red Rock Resorts, Inc. (CI A)	4.1
Copa Holdings S.A. (CI A)	3.5	TJX Cos., Inc.	0.0
CubeSmart	0.0	Verisk Analytics, Inc.	0.0
Devon Energy Corp.	0.0		

Mentioned security not held in the Diamond Hill All Cap Select Fund: CVS Health Corp.

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.