Diamond Hill Large Cap Fund Commentary

As of December 31, 2018

The Fund decreased 13.56% (Class I) during the quarter, compared to a 13.82% decrease in the Russell 1000 Index.

The Fund's holdings in all sectors detracted from absolute return, led by the financials sector. The energy and consumer discretionary sectors were also large detractors from absolute return.

The Fund's modest outperformance relative to the Index was driven by security selection and overweight positions in the health care and consumer staples sectors. A large underweight position in the information technology sector also contributed to relative return. Security selection in the energy sector was the largest detractor from relative return.

Best Performers

- Shares of consumer products manufacturer **Procter & Gamble Co.** rallied after reporting solid quarterly results due to a better-than-expected pricing environment in the U.S., as well as a softening input cost environment.

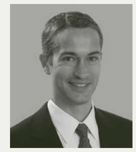
- Homebuilder **NVR, Inc.** reported decent quarterly results and outperformed the broader market, primarily due to the significant price declines in homebuilders taking place earlier in the year and the ensuing pessimism built into the stock price prior to the start of the quarter. Additionally, the rise in mortgage rates slowed, giving the housing market some relief from earlier in the year.

- Personal products manufacturer **Kimberly-Clark Corp.** outperformed after the company reported decent quarterly results and investor fears over an intensifying cost environment began to soften.

- We received shares of automobile equipment manufacturer **Garrett Motion, Inc.** and security services provider **Resideo Technologies, Inc.** after the companies were spun off from Honeywell International, Inc. They were quickly eliminated from the portfolio to allocate funds to more attractive investment opportunities. During the time they were held, they were down less than the overall market.

TEAM

Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Portfolio Manager

Chris Welch, CFA
Asst. Portfolio Manager

Matthew Stadelman, CFA
Sr. Portfolio Specialist

Worst Performers

- Underperformance of oil and gas exploration and production companies **Devon Energy Corp.** and **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 both companies hold very attractive assets, which should allow them to outgrow most peers over the next five years.

- Banking and financial services company **Citigroup, Inc.** underperformed amid a flattening of the yield curve as well as concerns over the outlook for economic growth and the resulting implications for loan growth and credit quality. Pressures on various emerging markets along with softness in global capital markets activities also weighed heavily on its stock. We believe that the company's capital position and solid profitability allow for continued modest balance sheet growth, while also repurchasing shares at a substantial discount to both tangible book value and our estimate of intrinsic value.

- Banking and payment services provider **Discover Financial Services** underperformed despite reporting strong loan growth, as well as reasonable charge-off and delinquency statistics. The company continues to achieve attractive risk-adjusted margins in its core credit card lending business, but investors have steered away from credit card stocks based on recessionary and credit cycle fears. We believe the valuation is compelling, and that the market is not giving Discover credit for its underlying through-the-cycle earnings power.

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- Shares of building and aerospace technology conglomerate **United Technologies Corp.** declined after the company announced its intention to spin off its Aerospace, Carrier, and Otis businesses into three standalone companies. Since the announcement, shares have remained under pressure due to concerns over a peaking of the economic growth cycle.

New Positions

- 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.

- Global automobile manufacturer **General Motors Co.** (GM) has a strong product mix and cash flow driven by its truck and SUV programs. As the mix of auto sales trends more towards crossovers, SUVs, and trucks, we believe GM is well positioned.

- 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 November ballot initiative 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.

Eliminated Positions

- A full position in alcoholic beverage manufacturer **Constellation Brands, Inc. (Cl A)** was never established and was sold to invest in a higher conviction idea.

- 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 received shares of automobile equipment manufacturer **Garrett Motion, Inc.** and security services provider **Resideo Technologies, Inc.** after the companies were spun off from Honeywell International, Inc. They were eliminated from the portfolio to allocate funds to more attractive investment opportunities.

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

	SINCE INCEPTION (6/29/01)	10-YR	5-YR	3-YR	1-YR	YTD	4Q18	EXPENSE RATIO
RETURNS AT NAV (WITHOUT SALES CHARGE)								
Class I	7.81%	11.97%	6.47%	7.61%	-9.63%	-9.63%	-13.56%	0.67%
BENCHMARK								
Russell 1000 Index	6.50	13.28	8.21	9.09	-4.78	-4.78	-13.82	—
Russell 1000 Value Index	6.30	11.18	5.95	6.95	-8.27	-8.27	-11.72	—

Risk Disclosure: Overall equity market risks may affect the value of the fund.

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. Class I shares include Class A share performance achieved prior to the creation of Class I shares. Class I 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 Russell 1000 Value Index is an unmanaged market capitalization-weighted index measuring the performance of the large cap value segment of the U.S. equity universe including those Russell 1000 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.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF DECEMBER 31, 2018

Aetna, Inc.	0.0%	**General Motors Co.**	1.5%
American International Group, Inc.	2.2	**Honeywell International, Inc.**	1.2
Cimarex Energy Co.	1.7	**Kimberly-Clark Corp.**	1.8
Citigroup, Inc.	4.2	**Noble Energy, Inc.**	0.5
Constellation Brands, Inc. (Cl A)	0.0	**NVR, Inc.**	1.9
CVS Health Corp.	3.0	**Procter & Gamble Co.**	2.2
Devon Energy Corp.	1.7	**Resideo Technologies, Inc.**	0.0
Discover Financial Services	3.0	**United Technologies Corp.**	2.8
Garrett Motion, Inc.	0.0		

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.