

*(formerly Select Fund)*

The Fund increased 1.49% (Class I) during the quarter, compared to a 3.02% increase in the Russell 3000 Index.

The Fund's holdings in the health care, financials, and information technology sectors provided the largest contribution to absolute return, while the energy sector detracted.

The Fund's underperformance relative to the Russell 3000 Index was primarily driven by security selection in the energy, industrials, and consumer discretionary sectors as well as an underweight allocation to health care. Security selection in the health care and telecommunication sectors and an underweight allocation to energy were positive contributors to relative return.

## Best Performers

- Shares of homebuilder **NVR, Inc.** rose after the company reported good quarterly results as increased demand, low supply of existing homes, and higher prices have been providing a favorable environment for homebuilders. The company also continues to be one of the most efficient operators in the industry.
- Health care products manufacturer **Abbott Laboratories** reported solid first-quarter results and is well-positioned to benefit from its recent St. Jude acquisition. Abbott also announced it will purchase Alere at a lower price than originally indicated, with the deal expected to close later this year.
- Shares of mortgage servicing company **Nationstar Mortgage Holdings, Inc.** outperformed as expectations about the health of the mortgage refinancing market improved on the pullback in interest rates.
- Health care benefits company **Aetna, Inc.** revealed its standalone outlook, which includes a mid-teens growth rate for its Medicare Advantage business. The broader managed care group has also done well as investors are beginning to recognize the potential upside from the repeal of Affordable Care Act taxes, public exchange exits, tax reform, and rising interest rates.
- Shares of airline operator **United Continental Holdings, Inc.** rose as the revenues continue to improve for the airline industry, with United experiencing encouraging initial results on its revenue initiatives.



## PORTFOLIO MANAGEMENT



Austin Hawley, CFA  
Portfolio Manager



Rick Snowdon, CFA  
Portfolio Manager

## Worst Performers

- Shares of diversified media and entertainment company **Twenty-First Century Fox, Inc. (CI B)** fell as a result of increased concerns around advertising declines and cord-cutting acceleration. Despite this dynamic, Fox reported solid quarterly results that were driven by its cable and broadcast segments.
- Freight transportation management company **Hub Group, Inc. (CIA)** reduced full-year guidance as it became clear that intermodal pricing for 2017 would be well below prior expectations, largely due to the continued oversupply of capacity in the competing truckload market. We believe this issue is transitory and expect a more favorable pricing environment in 2018 as new regulations help constrain the supply of truckload capacity.
- Shares of regional bank **BankUnited, Inc.** declined amid broader concerns surrounding delays in tax and regulatory reforms. Additionally, the company's first-quarter results called into question management's loan growth guidance for the full year.
- Media and communications company **Liberty Global PLC (CIA)** reduced 2017 guidance based on slowing expansion and competitive pressures in the company's U.K. segment.
- Shares of oil and gas exploration and production company **Cimarex Energy Co.** underperformed amid a faster-than-expected increase in shale drilling activity and a large rebound in oil production from Libya and Nigeria. These factors have increased the risk that oil inventories may not normalize in the near future.

## New Positions

We initiated a position in telecommunication services provider **Cincinnati Bell, Inc.**, whose management team has completely reshaped the business by selling non-core assets, reducing net debt, and investing in modern fiber networks. We expect free cash flow to expand meaningfully over the next several years.

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We purchased shares of shipping and transportation company **Kirby Corp.**, the largest U.S. tank barge operator. The company is well-positioned to benefit from increasing petrochemical plant capacity in the United States. Management has a strong track record of opportunistic capital allocation and the current industry environment could provide attractive M&A opportunities. We took advantage of a recent decline in the stock price to purchase shares of beverage manufacturer **Molson Coors Brewing Co. (CIB)**, the second largest brewer in North America. We believe the company's recent acquisition of SAB Miller's stake in Miller Coors will result in significant margin expansion over the next few years. **Validus Holdings Ltd.** is a Bermudian reinsurance company with a good track record of underwriting and value creation. Validus is well-diversified and has built strong operating platforms. We believe the company will continue creating value for shareholders

despite a challenging global reinsurance market. **Verisk Analytics, Inc.** is a specialized data and analytics provider that serves customers in the insurance, energy, and financial services industries. We believe Verisk possesses unique data assets that allow it to provide high and recurring value to its customers and that it has a large cross-selling opportunity over the next several years.

## Eliminated Positions

We sold our position in industrial manufacturing and engineering company **Colfax Corp.** as the share price approached our estimate of intrinsic value. We eliminated our position in insurance broker **Willis Towers Watson PLC** and reallocated the capital to more attractive opportunities.

## PERIOD AND AVERAGE ANNUAL TOTAL RETURNS AS OF JUNE 30, 2017

|                                       | SINCE INCEPTION<br>(12/30/05) | 10-YR | 5-YR   | 3-YR  | 1-YR   | YTD   | 2Q17  | EXPENSE RATIO |       |
|---------------------------------------|-------------------------------|-------|--------|-------|--------|-------|-------|---------------|-------|
|                                       |                               |       |        |       |        |       |       | GROSS         | NET   |
| RETURNS AT NAV (WITHOUT SALES CHARGE) |                               |       |        |       |        |       |       |               |       |
| <b>Class A</b>                        | 7.76%                         | 6.91% | 14.51% | 6.10% | 24.84% | 6.29% | 1.43% | 1.18%         | 1.18% |
| <b>Class C</b>                        | 6.97                          | 6.11  | 13.65  | 5.30  | 23.80  | 5.91  | 1.20  | 1.93          | 1.93  |
| <b>Class I</b>                        | 8.09                          | 7.24  | 14.81  | 6.39  | 25.22  | 6.49  | 1.49  | 0.88          | 0.88  |
| <b>Class Y</b>                        | 7.95                          | 7.14  | 14.95  | 6.50  | 25.20  | 6.48  | 1.42  | 0.78          | 0.78  |
| BENCHMARK                             |                               |       |        |       |        |       |       |               |       |
| <b>Russell 3000 Index</b>             | 8.28                          | 7.26  | 14.58  | 9.10  | 18.51  | 8.93  | 3.02  | —             | —     |
| RETURNS AT POP (WITH SALES CHARGE)    |                               |       |        |       |        |       |       |               |       |
| <b>Class A</b>                        | 7.27                          | 6.36  | 13.34  | 4.30  | 18.56  | 1.00  | -3.67 | 1.18          | 1.18  |
| <b>Class C</b>                        | 6.97                          | 6.11  | 13.65  | 5.30  | 22.80  | 4.91  | 0.20  | 1.93          | 1.93  |

**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 June 30, 2017, 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 Y shares include Class A share performance achieved prior to the creation of Class Y shares. 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. 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 3000 Index is an unmanaged market capitalization-weighted index 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 BHIL Distributors, 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 JUNE 30, 2017

|                           |      |                                       |      |
|---------------------------|------|---------------------------------------|------|
| Abbott Laboratories       | 3.7% | Molson Coors Brewing Co. (CI B)       | 2.6% |
| Aetna, Inc.               | 2.1  | Nationstar Mortgage Holdings, Inc.    | 3.0  |
| BankUnited, Inc.          | 3.4  | NVR, Inc.                             | 2.7  |
| Cimarex Energy Co.        | 1.0  | Twenty-First Century Fox, Inc. (CI B) | 4.9  |
| Cincinnati Bell, Inc.     | 1.1  | United Continental Holdings, Inc.     | 3.3  |
| Colfax Corp.              | 0.0  | Validus Holdings Ltd.                 | 2.0  |
| Hub Group, Inc. (CI A)    | 2.9  | Verisk Analytics, Inc.                | 1.0  |
| Kirby Corp.               | 1.0  | Willis Towers Watson PLC              | 0.0  |
| Liberty Global PLC (CI A) | 3.2  |                                       |      |

Mentioned securities not held in the Diamond Hill All Cap Select Fund: Alere, 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](mailto:info@diamond-hill.com).