

# Core Bond Fund

As of June 30, 2017



**DIAMOND HILL** FUNDS

## OBJECTIVE

Maximize total return consistent with the preservation of capital by investing in a diversified portfolio of intermediate and long-term fixed income securities.

## INVESTMENT STRATEGY

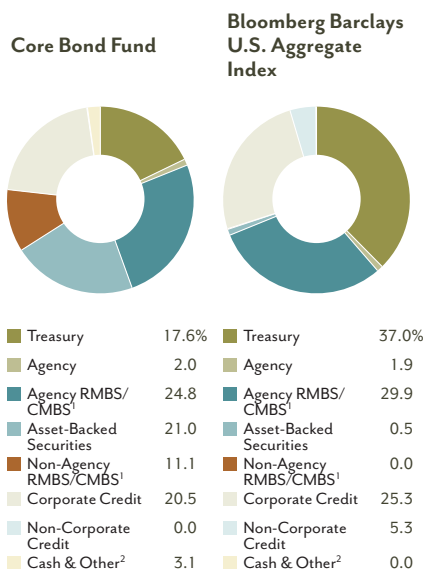
- Identify opportunities with a bottom-up, intrinsic value-focused approach to active investment management and disciplined risk control.
- Perform risk/reward analysis to evaluate credit risk, interest rate risk, prepayment risk, and security structure.
- Invest in securities we believe offer attractive prospects for income and/or capital appreciation relative to the risk borne.

## PORTFOLIO GUIDELINES

### Fund Guidelines

The Fund generally invests at least 80% of its assets in a diversified portfolio of investment grade, fixed income securities and may invest a significant portion or all of its assets in mortgage-related and mortgage-backed securities. The Fund will typically maintain an average portfolio duration within 20% of the duration of the Bloomberg Barclays U.S. Aggregate Index.

### SECTOR ALLOCATION



## PORTFOLIO MANAGEMENT



Henry Song, CFA  
Portfolio Manager



Mark Jackson, CFA  
Portfolio Manager

## DURATION BREAKDOWN

	CORE BOND FUND	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX
Less than one	13.8%	0.1%
1-3	17.3	23.3
3-5	16.1	35.4
5-7	22.4	18.8
7-10	20.3	8.3
10-20	8.9	12.9
20+	1.2	1.2

## CREDIT QUALITY<sup>3</sup>

QUALITY RATING	% OF PORTFOLIO
AAA	58.1%
AA	5.6
A	11.6
BBB	23.6
BB	0.1
Not Rated	1.0

## MORNINGSTAR CLASSIFICATION

Intermediate-Term Bond

## LIPPER CLASSIFICATION

Core Bond

<sup>1</sup> Residential Mortgage-Backed Securities/Commercial Mortgage-Backed Securities.

<sup>2</sup> Cash & Other may include cash, money market funds, and short duration fixed income funds.

<sup>3</sup> Security quality ratings are derived from underlying portfolio securities by using the middle rating of Standard & Poor's, Moody's, and Fitch. If only two of Standard & Poor's, Moody's, and Fitch rates a security the higher of the two is selected. If only one of Standard & Poor's, Moody's, and Fitch rates a security the available rating is used. For securities that are not rated by Standard & Poor's, Moody's, or Fitch a rating from a secondary Nationally Recognized Statistical Rating Organization ("NRSRO") may be used. Ratings by any agency represent an opinion only, not a recommendation to buy or sell. Securities that are not rated by any agencies are reflected as Not Rated "NR".

*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 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. Diamond Hill Funds are not FDIC insured, may lose value, and have no bank guarantee.*

Side One. Not Valid Without Side Two.

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

	SINCE INCEPTION	YTD	2Q17
RETURNS AT NAV (WITHOUT SALES CHARGE)			
Class A	0.33%	2.67%	1.59%
Class I	0.71	2.91	1.76
Class Y	0.78	2.95	1.79
BENCHMARK			
Bloomberg Barclays U.S. Aggregate Index	-1.01	2.27	1.45
RETURNS AT POP (WITH SALES CHARGE)			
Class A	-3.16	-0.90	-1.93

## FEES AND EXPENSES

	CLASS A	CLASS I	CLASS Y
Ticker	DHRAX	DHRIX	DHRYX
CUSIP	25264S528	25264S510	25264S494
Minimum Initial Investment	\$2,500	\$2,500	\$500,000
Maximum Front-End Sales Charge	3.50%	None	None
Management Fee	0.30%	0.30%	0.30%
Distribution Fee (12b-1)	0.25%	None	None
Other Expenses	0.23%	0.18%	0.08%
Expense Ratio	0.78%	0.48%	0.38%

## PORTFOLIO CHARACTERISTICS

Inception	July 5, 2016
Total Net Assets	\$42M
Distributions	Monthly
30-day SEC Yield	
Class A	2.27%
Class I	2.65%
Class Y	2.75%
Distribution Yield	
Class A	2.31%
Class I	2.55%
Class Y	2.67%

PORTFOLIO STATISTICS<sup>4</sup>

	CORE BOND FUND	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX
Number of Holdings	280	9,347
Effective Duration	5.41	6.01
Weighted Average Life	6.90	8.27
Convexity	0.44	0.16
Option-Adjusted Spread	100	59

SINCE INCEPTION RISK STATISTICS<sup>5</sup>  
(CLASS I SHARES)

	CORE BOND FUND	BLOOMBERG BARCLAYS U.S. AGGREGATE INDEX
Standard Deviation (%)	3.03	3.07
Sharpe Ratio	-0.11	-0.52
Beta (%)	0.98	N/A
R-squared (%)	98.26	N/A
Information Ratio	3.15	N/A

**Risk Disclosure:** The value of fixed-income securities varies inversely with interest rates; as interest rates rise, the market value of fixed-income securities will decline. Lower quality debt (ie: "High Yield") securities involve greater risk of default or price changes due to potential changes in the issuer's credit quality. The value of investments in mortgage-related and asset-backed securities will be influenced by the factors affecting the housing market and the assets underlying such securities. The securities may decline in value, face valuation difficulties, become more volatile and/or become illiquid. They are also subject to prepayment risk, which occurs when mortgage holders refinance or otherwise repay their loans sooner than expected, creating an early return of principal to holders of the loans.

*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.

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

The Bloomberg Barclays U.S. Aggregate Index is an unmanaged index representing the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through, and asset-backed securities. This index does not incur fees and expenses (which would lower the return) and is not available for direct investment.

<sup>4</sup> **Portfolio Statistics Definitions:** **Effective Duration** measures the interest rate risk of the Fund. It is an estimate of the approximate percentage change in the Fund's net asset value resulting from a one percentage point change in interest rates. **Weighted Average Life** is the average number of years each dollar of unpaid principal remains outstanding. **Convexity** is an estimate of the approximate change in the Fund's effective duration resulting from a one percentage point change in interest rates. **Option-Adjusted Spread** is the difference between the portfolio yield and the risk-free rate, accounting for embedded options. Source: The Yield Book.

<sup>5</sup> **Risk Statistic Definitions:** **Standard Deviation** measures the volatility of the Fund's returns. **Sharpe Ratio** uses the Fund's standard deviation and average excess return over the risk-free rate to determine reward per unit of risk. **Beta** measures the Fund's sensitivity to market movements. **R-squared** represents the percentage of the portfolio's movements that can be explained by general market movements. **Information Ratio** uses the Fund's standard deviation and excess return over a benchmark to determine excess return per unit of risk. Statistics for less than one year are not annualized. Since inception risk statistics are calculated using monthly returns beginning on the first day of the Fund's first full month of performance.