Diamond Hill High Yield Fund Commentary

As of June 30, 2017

All Fund returns based on Class I shares.

The Fund generated a 2.96% total return during the second quarter, compared to 2.14% for the Bank of America Merrill Lynch U.S. High Yield Index. Year to date, the Fund generated a total return of 6.82% compared to 4.91% for the High Yield Index. Since inception on December 4, 2014, the Fund generated an annualized total return of 8.46% compared to 6.24% for the High Yield Index.

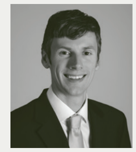
While we are pleased with the Fund's performance compared to the High Yield Index, it is important to note that the High Yield Index is not an investable alternative. Over our five-year time horizon, performance relative to peers will be the best metric to evaluate the Fund. We discuss high yield indices, investable passive alternatives and active management in "Debunking the High Yield Index and High Yield ETFs" available at www.diamond-hill.com/debunking-high-yield-index-high-yield-etfs.

Coming into the year, the Fund's yield-to-worst of 6.44% was 25 basis points higher than the High Yield Index yield-to-worst of 6.19%. At the end of the quarter, the Fund's yield-to-worst of 5.37% was 31 basis points lower than the High Yield Index yield-to-worst of 5.68%, marking an almost 60 basis point shift since the beginning of the year relative to the Index. The Fund's yield-to-worst does not reflect a top-down market call. Instead, it is a product of the values that we identify on a bottom-up basis and our desire to be well-positioned to take advantage of any bouts of volatility and illiquidity in the high yield market. Because of our five-year time horizon, we have no need to chase an overheated market. The first four quarters of the Fund's history were difficult for the high yield market while the last six quarters have been quite strong. Our long-term time horizon and other structural advantages have allowed us to perform well in both environments.

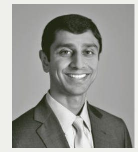
We take into account both price and value when we look at our market, and while value hasn't materially changed this year, price has become more expensive. As a result, we haven't been finding as many bonds trading at a substantial discount to our estimate of intrinsic value. Instead of investing more in less-attractive bonds, we have increased our concentration in our top 10 holdings from 33.4% at the end of 2016 to 42% at the end of the second quarter. Further, we have reduced our CCC and below exposure from 5.8% to 3.1%. Finally, energy exposure is another proxy for risk. The Fund's exposure is actually up on the year from 7.7% to 9.5%,

PORTFOLIO MANAGEMENT

Bill Zox, CFA
Portfolio Manager



John McClain, CFA
Portfolio Manager



Suken Patel, CFA
Asst. Portfolio Manager

almost entirely due to our increased exposure in **Energen Corp. 7.125% due 2028** which went from 4.7% to 6.4%. However, the Fund's 9.5% total energy weighting compares to the High Yield Index energy weighting of 14%.

The energy industry led the high yield market down from the middle of 2014 to early 2016. West Texas Intermediate has moved from $105 a barrel to just above $46, down more than 50% during this timeframe. After a powerful rebound last year, energy is once again the weakest industry in the high yield market this year with option-adjusted spread moving from 425 to 487 basis points and a total return of 1.34% versus the High Yield Index total return of 4.91%. The Fund's energy weighting is well below that of the High Yield Index but we are willing to add materially to the allocation if the prices of high yield energy bonds fall to our buy points. We expect high yield energy bonds to come under pressure to induce producers to cut production in the oversupplied market that we foresee in 2018.

Energen Corp. 7.125% due 2028 was the largest contributor to performance during the second quarter. This bond is the Fund's largest single position and has benefited from both strong operational performance and takeover speculation as activist hedge funds Corvex Management, Highfields Capital, and Elliott Management all have announced meaningful stakes in the company. If a takeover were to occur, we believe our bonds would be made whole as is contractually stipulated if the company decided to redeem the bonds. The make-whole price is dependent on when this would occur and the price of the appropriate Treasury bond. Currently, the make-whole price is substantially higher than the market price of the bonds. We not only search for good credits but also for bond structures that provide the best return opportunities.

Conduent Finance, Inc. 10.5% due 2024 was the second largest contributor to performance during the second quarter. Conduent benefited from its high coupon and reasonable valuation. Since its spinoff from Xerox at the end of last year, Conduent has made progress on margin improvement and free cash flow generation remains on track. It is also important to note that we have reduced our exposure by more than 150 basis points during the quarter as

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bond prices are up nearly 20 points since new issue in November 2016. Price and value dictate our position sizes and Conduent still remains a top 10 holding.

With our deep and talented research team we are always willing to step into a market that is overreacting to near-term issues or otherwise unwilling to reflect long-term fundamental value. We saw several opportunities to do so during the first half of the year and we believe we will continue to have idiosyncratic opportunities in the future when investors overreact to short-term volatility. **Pilgrim's Pride Corp. 5.75% due 2025** was a large detractor from performance and was also a new position during the quarter. We became interested in the debt as headlines swirled around its controlling shareholder JBS (79% ownership) and the holding company of JBS, J&F Investimentos S.A. The Batista family paid personal fines for its role in paying bribes to Brazilian state-run banks and pension funds. J&F was ordered to pay more than $3 billion in fines over a 25-year period to settle five probes. The fine corresponds to 5.6% of the revenues earned by J&F holdings in 2016. While we believe there will continue to be many headlines around J&F and JBS it is important to note that we can analyze the fines levied and the impact to Pilgrim's Pride. Further, Pilgrim's Pride is a U.S.-domiciled public company that has an independent management team, low leverage, strong free cash flow, and good long-term operational trends. J&F fines are levied at the holding company and not at JBS USA or Pilgrim's Pride. J&F will most likely sell some subsidiaries to address the fines.

Frontier Communications Corp. 11.0% due 2025 was also a detractor from performance during the quarter. On the positive side, Frontier reduced its dividend by more than 60% and showed some signs of progress with cost savings, pricing, and new customer adds. On the negative side, Frontier continues to lose too many customers and the pace of deleveraging is expected to be slow. Improvement in customer churn is important.

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

	SINCE INCEPTION (12/4/14)	1-YR	YTD	2Q17	EXPENSE RATIO GROSS	EXPENSE RATIO NET
RETURNS AT NAV (WITHOUT SALES CHARGE)						
Class A	8.15%	14.09%	6.68%	2.89%	0.98%	0.98%
Class I	8.46	14.40	6.82	2.96	0.68	0.68
Class Y	8.57	14.53	6.87	3.00	0.58	0.58
BENCHMARK						
BofA ML U.S. High Yield Index	6.24	12.75	4.91	2.14	—	—
RETURNS AT POP (WITH SALES CHARGE)						
Class A	6.68	10.11	2.91	-0.67	0.98	0.98

Must be preceded or accompanied by a prospectus.

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 (i.e.:"High Yield") securities involve greater risk of default or price changes due to potential changes in the issuer's credit quality.

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.*

The quoted performance for the Fund reflects the past performance of the Diamond Hill High Yield Fund, L.P. (the "High Yield Partnership"), a private fund managed with full investment authority by the fund's Adviser. The Fund is managed in all material respects in a manner equivalent to the management of the predecessor unregistered fund. The assets of the High Yield Partnership were converted into assets of the fund prior to commencement of operation of the fund. The performance of the High Yield Partnership has been restated to reflect the net expenses and maximum applicable sales charge of the fund for its initial years of investment operations. The High Yield Partnership was not registered under the Investment Company Act of 1940 and therefore was not subject to certain investment restrictions imposed by the 1940 Act. If the High Yield Partnership had been registered under the 1940 Act, its performance may have been adversely affected. Performance is measured from December 4, 2014, the inception of the High Yield Partnership and is not the performance of the fund. The High Yield Partnership's past performance is not necessarily an indication of how the fund will perform in the future either before or after taxes.

Performance returns assume reinvestment of all distributions. Returns for periods less than one year are not annualized. The returns at POP reflect the maximum sales charge applicable to each class. The maximum sales charge for A shares is 3.50%; I shares and Y shares have no sales charge.

Fund holdings subject to change without notice.

The BofA Merrill Lynch U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. 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.

Selected New and Eliminated Positions

We are once again selective in the new issue market participating in six new offerings: **Century Communities, Inc. 5.875% due 2025**, **Provident Funding Associates 6.375% due 2025**, **USIS Merger Sub, Inc. 6.875% due 2025**, **KAR Auction Services, Inc. 5.125% due 2025**, **Laureate Education 8.25% due 2025**, and **FirstCash, Inc. 5.375% due 2024**.

Onex USI Acquisition Corp. 7.75% due 2021, **Greektown Holdings LLC 8.875% due 2019**, and **HUB International Ltd. 9.25% due 2021** were called.

We eliminated our position in **The Fresh Market 9.75% due 2023**. While it was a strong contributor during the quarter we are not satisfied with the investment outcome as the bonds declined from $99 issue price in April 2016 to the mid-$80s in the second quarter when we fully exited the position. Due to poor operational results, we had reduced our exposure and then fully exited following the announcement that Amazon would acquire Whole Foods. We believe this transaction will have significant implications on the U.S. grocery market and The Fresh Market has very high customer overlap with Whole Foods. Further, The Fresh Market must improve its value proposition through lower prices which will become harder to do in competition with Amazon. The grocery industry is already hyper-competitive with thin margins. With Whole Foods (at the high end) having deeper pockets and most likely a better value proposition, and Aldi and Lidl (at the low end) aggressively expanding into the U.S., we may see many casualties in this space over the next five years. Our margin of safety evaporated and we exited the position at a loss as the thesis had become impaired.

Finally, we continued to add to our allocation to high yield asset-backed securities (ABS) because the opportunities in the higher-rated portion of the high yield ABS market compare favorably to the BB portion of the high yield corporate bond market.

TOP 5 CONTRIBUTORS

SECURITY NAME	2Q17 CONTRIBUTION	POSITION AS OF 2Q17
Energen Corp. 7.125% due 2028	0.32%	6.2%
Conduent Finance, Inc. 10.5% due 2024	0.17	3.7
Springleaf Finance Corp. 8.25% due 2023	0.16	1.0
Nationstar Capital Group, Inc. 6.5% due 2022	0.15	4.2
Kindred Healthcare, Inc. 8.75% due 2023	0.14	1.2

TOP 5 DETRACTORS

SECURITY NAME	2Q17 CONTRIBUTION	POSITION AS OF 2Q17
Pilgrim's Pride Corp. 5.75% due 2025	-0.04%	1.9
Frontier Communications Corp. 11.0% due 2025	-0.01	1.6
Horizon Pharma, Inc. 8.75% due 2024	-0.01	0.8
Quad Graphics, Inc. 7.0% due 2022	0.00	0.0
Carrizo Oil & Gas, Inc. 7.5% due 2020	0.00	0.0

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF JUNE 30, 2017

Century Communities, Inc. 5.875% due 2025	2.8%	KAR Auction Services, Inc. 5.125% due 2025	0.8%
Conduent Finance, Inc. 10.5% due 2024	3.6	Laureate Education, Inc. 8.25% due 2025	0.7
Energen Corp. 7.125% due 2028	6.2	Onex USI Acquisition Corp. 7.75% due 2021	0.0
FirstCash, Inc. 5.375% due 2024	0.4	Pilgrim's Pride Corp. 5.75% due 2025	1.8
Frontier Communications Corp. 11.0% due 2025	1.6	Provident Funding Associates 6.375% due 2025	1.4
Greektown Holdings LLC 8.875% due 2019	0.0	The Fresh Market, Inc. 9.75% due 2023	0.0
HUB International Ltd. 9.25% due 2021	0.0	USIS Merger Sub, Inc. 6.875% due 2025	1.1

Mentioned securities not held in the Diamond Hill High Yield Fund: Amazon, Inc., JBS S.A., Whole Foods Market, Inc., Xerox 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.