

The Fund increased 3.00% (Class I) during the quarter, compared to a 3.06% increase in the Russell 1000 Index.

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

The Fund's slight underperformance relative to the Russell 1000 Index was driven by security selection in the information technology and consumer discretionary sectors. Security selection in energy was also a detractor, though our underweight allocation to the sector offset this. Zero allocation to the telecommunication sector and security selection in the industrials and health care were also positive contributors to relative return.

Best Performers

- Shares of banking and financial services company **Citigroup, Inc.** outperformed as the market appears to be increasingly comfortable with the company's excess capital position along with its ability to return capital via dividends and share repurchases.
- 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.
- 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 building and aerospace technology conglomerate **United Technologies Corp.** outperformed as the market began to price in the value of the company's geared turbofan jet engine business, which was previously embedded as a meaningful negative to the stock price.
- Media and technology company **Alphabet, Inc. (CIA)** reported strong year-over-year revenue growth and expanding margins, reflecting strength in its core advertising business including continued rapid growth in mobile search.

PORTFOLIO MANAGEMENT



Chuck Bath, CFA
Portfolio Manager



Austin Hawley, CFA
Asst. Portfolio Manager



Chris Welch, CFA
Asst. Portfolio Manager

Worst Performers

- 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.
- Discount apparel retailer **TJX Cos., Inc.** reported mixed quarterly results. Comparable store sales were up slightly and merchandise margins improved, but third-quarter earnings-per-share guidance was weak.
- Shares of credit services company **Capital One Financial Corp.** declined amid concerns around subprime credit card and auto loans. However, consumer trends have improved over the last few months as employment and housing remain favorable.
- 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.
- Shares of networking and communications company **Cisco Systems, Inc.** underperformed after the firm delivered disappointing fiscal fourth-quarter guidance.

New Positions

We started a position in banking and payment services provider **Discover Financial Services**, the sixth-largest credit card issuer worldwide with a focus on prime borrowers and its own card processing network. Discover has significant excess capital and strong capital return capability. We purchased shares of regional bank **First Republic Bank**, a high quality franchise with a unique platform that we believe positions the company to continue



posting outsized earnings growth versus its peers. We took advantage of a recent decline in the stock price to purchase shares of beverage manufacturer **Molson Coors Brewing Co. (CI B)**, 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. **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 eliminated shares of banking and financial services company **Wells Fargo & Co.** and allocated the proceeds to other opportunities within the industry which offered more attractive risk/reward profiles. We received shares of automobile shopping services provider **Cars.com, Inc.** following the spinoff from TEGNA, Inc., which we then sold due to low confidence in the company's ability to reaccelerate revenue growth in a profitable manner.

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

	SINCE INCEPTION (6/29/01)	10-YR	5-YR	3-YR	1-YR	YTD	2Q17	EXPENSE RATIO	
								GROSS	NET
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class A	8.35%	7.20%	15.07%	8.85%	22.44%	9.41%	2.94%	0.98%	0.98%
Class C	7.52	6.40	14.19	8.03	21.51	8.98	2.71	1.73	1.73
Class I	8.62	7.53	15.36	9.15	22.76	9.53	3.00	0.68	0.68
Class Y	8.50	7.44	15.52	9.28	22.91	9.61	3.04	0.58	0.58
BENCHMARK									
Russell 1000 Index	6.74	7.29	14.67	9.26	18.03	9.27	3.06	—	—
RETURNS AT POP (WITH SALES CHARGE)									
Class A	8.00	6.65	13.89	7.00	16.33	3.96	-2.21	0.98	0.98
Class C	7.52	6.40	14.19	8.03	20.51	7.98	1.71	1.73	1.73

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

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 C, Class I and Class Y shares include Class A share performance achieved prior to the creation of Class C, Class I, and Class Y shares. 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 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. 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.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF JUNE 30, 2017

Abbott Laboratories	4.0%	First Republic Bank	1.0%
Aetna, Inc.	2.5	Molson Coors Brewing Co. (CI B)	1.2
Alphabet Inc. (CI A)	2.8	TEGNA, Inc.	0.8
Capital One Financial Corp.	1.9	TJX Cos., Inc.	2.3
Cars.com, Inc.	0.0	Twenty-First Century Fox, Inc. (CI B)	1.0
Cimarex Energy Co.	1.8	United Technologies Corp.	3.2
Cisco Systems, Inc.	0.9	Verisk Analytics, Inc.	0.5
Citigroup, Inc.	4.3	Wells Fargo & Co.	0.0
Discover Financial Services	1.3		

Mentioned securities not held in the Diamond Hill Large Cap 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.