

The Fund increased 1.15% (Class I) during the quarter, compared to a 2.70% increase in the Russell Midcap Index.

The Fund's holdings in the consumer discretionary, financials, and health care sectors provided the largest contribution to absolute return, while the energy and consumer staples sectors were the primary detractors.

The Fund's underperformance relative to the Russell Midcap Index was primarily driven by security selection in the information technology, industrials, and energy sectors. This was partially offset by security selection in the consumer discretionary sector and an underweight allocation to the energy sector.

Best Performers

- Insurance broker **Willis Towers Watson PLC** reported solid quarterly results with organic growth across all of its businesses. The company had underperformed in recent quarters, leading to reduced expectations and a positive reaction to the most recent results.
- Shares of rental and leasing services company **Aaron's, Inc.** rose amid a continuation of recent performance, including growth in year-over-year net income and earnings per share.
- Household durables manufacturer **Whirlpool Corp.** delivered excellent results in its North American division, with fundamentals remaining strong and the competitive environment stabilizing. Latin America and Asia produced solid results as well, though Europe remains challenged with struggling volumes and significant margin compression.
- Medical device manufacturer **Boston Scientific Corp.** reported excellent quarterly results despite a temporary recall for its Lotus trans-catheter aortic valve. Margins were under pressure due to the recall and new product launches, but organic growth was significantly above investor expectations.
- 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.

PORTFOLIO MANAGEMENT



Chris Welch, CFA
Portfolio Manager



Chris Bingaman, CFA
Asst. Portfolio Manager



Jenny Hubbard, 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.
- Shares of food products manufacturer **Post Holdings, Inc.** underperformed amid a disappointing outlook for its eggs business, a higher-than-expected acquisition price for British cereal company Weetabix, and general volume weakness in the food industry.
- 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.
- 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 industrial and construction supplies distributor **Fastenal Co.** fell amid concerns surrounding the industry pricing environment within industrial distribution.



New Positions

We initiated a position in the largest global electronic equipment distributor, **Avnet, Inc.**, when its shares declined below our estimate of intrinsic value due to near-term challenges from consolidation in its supplier base. Despite these headwinds, we believe Avnet has a strong balance sheet and a durable business in the long term. **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 our position in financial technology company **Broadridge Financial Solutions, Inc.** as the shares approached our estimate of intrinsic value. 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 (12/31/13)	3-YR	1-YR	YTD	2Q17	EXPENSE RATIO	
						GROSS	NET
RETURNS AT NAV (WITHOUT SALES CHARGE)							
Class A	8.45%	7.40%	16.69%	3.89%	1.00%	1.09%	1.09%
Class I	8.78	7.71	17.12	4.12	1.15	0.79	0.79
Class Y	8.89	7.80	17.10	4.11	1.15	0.69	0.69
BENCHMARK							
Russell Midcap Index	9.12	7.69	16.48	7.99	2.70	—	—
RETURNS AT POP (WITH SALES CHARGE)							
Class A	6.86	5.59	10.89	-1.28	-4.04	1.09	1.09

Risk Disclosure: There are specialized risks associated with small and mid 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. The returns at POP reflect the maximum sales charge applicable to each class. The maximum sales charge for A shares is 5.00%; I shares and Y shares have no sales charge.

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

The Russell Midcap Index is an unmanaged market capitalization-weighted index measuring performance of the 800 smallest companies in the Russell 1000 Index. The Russell 1000 Index measures performance of the largest 1000 companies in the Russell 3000 Index. The Russell 3000 Index measures the performance 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

Aaron's, Inc.	1.1%	Hub Group, Inc. (CIA)	1.2%
Avnet, Inc.	0.6	NVR, Inc.	2.1
BankUnited, Inc.	3.2	Post Holdings, Inc.	2.3
Boston Scientific Corp.	2.6	TEGNA, Inc.	0.7
Broadridge Financial Solutions, Inc.	0.0	Verisk Analytics, Inc.	0.5
Cars.com, Inc.	0.0	Whirlpool Corp.	2.7
Cimarex Energy Co.	2.5	Willis Towers Watson PLC	3.3
Fastenal Co.	1.0		

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.