

(closed to new investors)

The Fund increased 0.94% (Class I) during the quarter, compared to a 2.46% increase in the Russell 2000 Index.

The Fund's holdings in the consumer discretionary and health care sectors were the primary contributors to absolute return. Holdings in the energy, industrials, and consumer staples sectors detracted from absolute return.

The Fund's underperformance relative to the Index was primarily driven by security selection in the industrials and information technology sectors, underweight allocations to health care and information technology, as well as the Fund's allocation to cash. Security selection in the consumer discretionary and health care sectors were positive contributors to relative return.

Best Performers

- Medical diagnostic systems provider **Alere, Inc.** announced that the company finalized its merger with Abbott Laboratories.
- 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.
- Entertainment company **Live Nation Entertainment, Inc.** continued its dominance in concert promotion and live event ticketing. Live events are a key source of revenue for artists and Ticketmaster's model has proven to be resilient amid attempts by others to enter the business.
- Shares of home infusion services provider **BioScrip, Inc.** increased as the company's new management team continued to execute on its recovery plan. The company terminated the majority of its contract with UnitedHealth which was running at a negative margin.
- Ski resort owner and operator **Vail Resorts, Inc.** closed out the ski season on a high note and raised full-year guidance. Epic Pass sales for next season remain strong and the recent Stowe Mountain Resort purchase should continue to support the company's growth.

PORTFOLIO MANAGEMENT



Tom Schindler, CFA
Portfolio Manager



Aaron Monroe, 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.
- Rental car company **Avis Budget Group, Inc.** reported poor first-quarter earnings. Pricing in the Americas was down, and the company's full-year outlook for per-unit fleet costs increased. Over fleeting in the industry has not allowed price increases to offset rising fleet costs, which have been impacted by lower residual used car values.
- 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.
- Shares of aircraft rental and leasing services company **Aircastle Ltd.** underperformed amid concerns regarding the risk of impairments on wide-body and freighter aircrafts.



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New Positions

We did not initiate any new positions during the quarter.

Eliminated Positions

We eliminated our position in business-to-business media company **Global Sources Ltd.** as the price approached our estimate of intrinsic value. We sold the shares of medical device company **Nuvector Corp.**, which we received in the 2016 spinoff from Integer Holdings Corp., as we do not believe Nuvector will reach profitability for some time. Specialty health insurer **Universal American Corp.** was acquired in an all-cash deal by WellCare Health Plans, Inc.

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

	SINCE INCEPTION (12/29/00)							EXPENSE RATIO	
	10-YR	5-YR	3-YR	1-YR	YTD	2Q17	GROSS	NET	
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class A	10.53%	6.18%	12.06%	2.61%	13.35%	1.69%	0.89%	1.30%	1.30%
Class C	9.71	5.39	11.23	1.83	12.46	1.29	0.69	2.05	2.05
Class I	10.79	6.51	12.36	2.88	13.65	1.81	0.94	1.00	1.00
Class Y	10.67	6.42	12.51	3.01	13.79	1.86	0.99	0.90	0.90
BENCHMARK									
Russell 2000 Index	8.17	6.92	13.70	7.36	24.60	4.99	2.46	—	—
RETURNS AT POP (WITH SALES CHARGE)									
Class A	10.18	5.64	10.92	0.87	7.70	-3.40	-4.14	1.30	1.30
Class C	9.71	5.39	11.23	1.83	11.46	0.29	-0.31	2.05	2.05

Risk Disclosure: 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 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 2000 Index is an unmanaged market capitalization-weighted index comprised of the smallest 2,000 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.

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MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF JUNE 30, 2017

Aaron's, Inc.	1.9%	Global Sources Ltd.	0.0%
Aircastle Ltd.	2.0	Hub Group, Inc. (CIA)	1.8
Alere, Inc.	2.8	Integer Holdings Corp.	0.8
Avis Budget Group, Inc.	5.0	Live Nation Entertainment, Inc.	2.9
BankUnited, Inc.	2.1	Nuvectra Corp.	0.0
BioScrip, Inc.	0.6	Universal American Corp.	0.0
Cimarex Energy Co.	1.9	Vail Resorts, Inc.	3.2

Mentioned securities not held in the Diamond Hill Small Cap Fund: Abbott Laboratories, Integer Holdings Corp., UnitedHealth Group, Inc., and WellCare Health Plans, 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.