

(closed to new investors)

The Fund increased 1.00% (Class I) during the quarter, compared to a 2.13% increase in the Russell 2500 Index.

The Fund's holdings in the consumer discretionary, financials, and health care sectors made the largest contribution to absolute return. Holdings in the consumer staples, energy, and industrials sectors were the largest detractors from absolute return.

The Fund's underperformance relative to the Index was primarily driven by security selection in the industrials and information technology sectors. An overweight allocation combined with security selection in the consumer staples sector also detracted from relative return. This was partially offset by security selection in the consumer discretionary, financials, and real estate sectors, as well as an underweight allocation to energy.

Best Performers

- 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.
- 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 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.
- 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 medical device manufacturer **Orthofix International N.V.** rose after the company reported solid quarterly results showing improved growth dynamics, particularly in its largest business. We believe the company's electro-magnetic products have the potential to further improve profitability.

PORTFOLIO MANAGEMENT



Chris Welch, CFA
Portfolio Manager



Jenny Hubbard, CFA
Asst. Portfolio Manager



Tom Schindler, 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.
- 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 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.
- Digital media company **TEGNA, Inc.** reported disappointing quarterly results primarily driven by soft advertising revenue and weak results at Cars.com and CareerBuilder. The company was successful in spinning off Cars.com, but the outlook for broadcast regulatory reform appears less certain than investors previously expected.



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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.

Eliminated Positions

Specialty health insurer **Universal American Corp.** was acquired in an all-cash deal by WellCare Health Plans, Inc. 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 (12/30/05)	10-YR	5-YR	3-YR	1-YR	YTD	2Q17	EXPENSE RATIO	
								GROSS	NET
RETURNS AT NAV (WITHOUT SALES CHARGE)									
Class A	9.09%	8.80%	15.48%	7.06%	15.92%	3.45%	0.92%	1.24%	1.24%
Class C	8.29	7.99	14.61	6.25	15.04	3.01	0.75	1.99	1.99
Class I	9.44	9.13	15.79	7.35	16.32	3.55	1.00	0.94	0.94
Class Y	9.30	9.04	15.95	7.49	16.42	3.64	1.00	0.84	0.84
BENCHMARK									
Russell 2500 Index	8.60	7.42	14.04	6.93	19.84	5.97	2.13	—	—
RETURNS AT POP (WITH SALES CHARGE)									
Class A	8.60	8.24	14.30	5.25	10.13	-1.70	-4.11	1.24	1.24
Class C	8.29	7.99	14.61	6.25	14.04	2.01	-0.25	1.99	1.99

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 Y shares include Class A share performance achieved prior to the creation of Class Y shares. These total return figures may reflect the waiver of a portion of a Fund's advisory or administrative fees for certain periods. Without such waiver of fees, the total returns would have been lower. 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 2500 Index is an unmanaged market capitalization-weighted index comprised of the smallest 2,500 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.	2.3%	NVR, Inc.	2.3%
Avnet, Inc.	0.5	Orthofix International N.V.	1.4
BankUnited, Inc.	3.0	Post Holdings, Inc.	2.1
Boston Scientific Corp.	2.3	TEGNA, Inc.	1.6
Cars.com, Inc.	0.0	Universal American Corp.	0.0
Cimarex Energy Co.	2.5	Willis Towers Watson PLC	3.8
Hub Group, Inc. (CIA)	2.1		

Mentioned securities not held in the Diamond Hill Small-Mid Cap Fund: 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.