

DIAMOND HILL

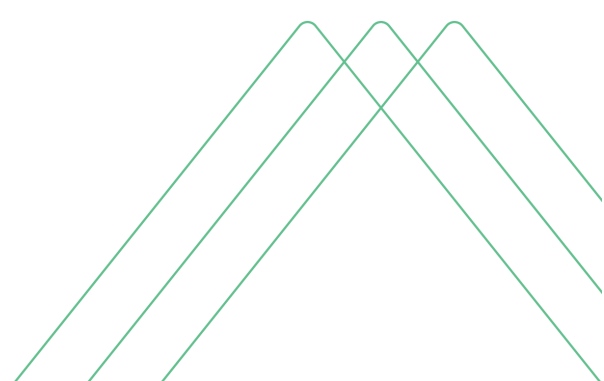
INVESTED IN THE LONG RUN

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Diamond Hill Capital Management, Inc. Form ADV Part 2A – Disclosure Brochure February 28, 2022

This Brochure provides information about the qualifications and business practices of Diamond Hill Capital Management, Inc., an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”). If you have any questions about the contents of this Brochure, please contact us at 614-255-3333. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration with the SEC does not imply that an investment adviser has a certain level of skill or training.

Additional information about Diamond Hill Capital Management, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.



Item 2. Material Changes

There have been no material changes to this Brochure since our last annual amendment on February 28, 2021.

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Item 4. Advisory Business

The Company

Diamond Hill Capital Management, Inc. (“Diamond Hill”, “the firm”, “us”, or “we”) is a wholly owned subsidiary of Diamond Hill Investment Group, Inc. (“DHIL”, “the parent”, or “the parent company”), a publicly traded company listed on NASDAQ and trading under the ticker symbol DHIL.

The firm registered as an investment adviser with the SEC in 1988, and the parent was incorporated in 1990.

As of December 31, 2021, employees and directors of DHIL and its affiliates owned approximately 16% of the shares outstanding, while non-affiliated investors owned the remaining 84% of the shares. As a publicly traded company, the ownership percentage of DHIL changes on a regular basis.

Investment Services

Diamond Hill provides investment management services to individual and institutional investors through mutual funds, separate accounts and a private investment fund. Diamond Hill offers eight equity investment strategies and three fixed income investment strategies. (Item 8 provides more information about our investment strategies.) We do not provide financial planning services, and we do not advise our clients in the selection of other investment advisers or mutual funds not managed by Diamond Hill. Our clients choose one or more of our 11 investment strategies to meet their needs. Upon request, Diamond Hill will work with clients to accommodate client-specific restrictions on any of our investment strategies.

Our portfolio strategies include investments in US and non-US common stocks, investment-grade and non-investment-grade corporate bonds, asset-backed securities, mortgage-related and mortgage-backed securities, US government and agency securities, US dollar-denominated debt of non-US issuers, convertible securities (including stocks and convertible corporate bonds), other structured instruments and open and closed-end investment companies (including exchange traded funds).

Wrap Fee Programs

Diamond Hill participates as an investment adviser in several wrap fee programs that are offered by third-party wrap program sponsors (typically broker/dealers). A wrap fee program is an investment advisory program under which a client typically pays a single fee to the sponsor based on assets under management. Fees paid are not based directly upon transactions in the client's account or the execution of client transactions. Wrap fee program clients typically select Diamond Hill from a list of investment advisers presented to clients by representatives of the sponsor. Wrap fee program clients are typically high-net-worth individuals or small institutions. The program sponsor determines the fee to charge to the wrap fee program clients and has primary responsibility for client communications and service. Diamond Hill provides investment management services to the clients. The program sponsor is typically the executing broker/dealer of client portfolio transactions, and in most cases, provides custodial services for the client's assets for the single fee paid by the client to the sponsor. Diamond Hill is paid a portion of the wrap fee management fee for its services by the program sponsor. Wrap fee accounts are considered directed brokerage accounts. When determining whether to participate in a wrap fee program you should consider, among other things, Diamond Hill's brokerage practices and the fees charged by the program sponsor in relation to the expected trading volume. (Item 12 provides more information about our brokerage practices, including our treatment of directed brokerage accounts.)

Model Delivery Programs

Diamond Hill provides services to model delivery programs in which an investment manager provides its strategy model portfolio to the sponsor of the model delivery program. In these instances, Diamond Hill does not have discretionary investment authority over individual client accounts. Another manager, typically the program sponsor or its designee, is the discretionary investment manager of, has investment discretion over and is responsible for monitoring the client accounts. Diamond Hill provides an updated strategy model portfolio to the sponsors on a periodic basis.

The program sponsor determines the fee to charge the model delivery program client. Diamond Hill is paid a portion of the model delivery program fee for its services by the program sponsor at a pre-determined rate based on assets in the program.

Assets Under Management

As of December 31, 2021, Diamond Hill had \$31.0 billion in assets under management. All of these assets were discretionary assets.

Item 5. Fees and Compensation

Compensation for Advisory Services

Diamond Hill furnishes continuous investment management supervision to client accounts. Such investment management is based on the investment objectives and investment guidelines of each client. Management fees for our services are based on the value that we expect to add over rolling five-year periods, vary by investment strategy and are generally calculated based on a percentage of assets under management. Below are our separate account standard fee schedules:

Tier	Small Cap	Small-Mid Cap	Mid Cap
First \$20 million	0.90%	0.85%	0.70%
Above \$20 million	0.80%	0.75%	0.60%
Minimum Account Size	\$10 million	\$10 million	\$10 million

Tier	Large Cap	Large Cap Concentrated	All Cap Select
First \$20 million	0.60%	0.60%	0.80%
Above \$20 million	0.50%	0.50%	0.70%
Minimum Account Size	\$10 million	\$10 million	\$10 million

Tier	International
First \$50 million	0.75%
Above \$50 million	0.65%
Minimum Account Size	\$50 million

Tier	Core Bond
First \$50 million	0.29%
Next \$50 million	0.22%
Above \$100 million	0.18%
Minimum Account Size	\$50 million

Tier	Short Duration Securitized Bond	Short Duration Investment Grade
First \$200 million	0.45%	0.35%
Above \$200 million	0.35%	0.25%
Minimum Account Size	\$200 million	\$200 million

(Item 8 provides a description of the investment strategies that are available as a separate account.)

Diamond Hill reserves the right to negotiate fees and account minimums. Some clients pay more or less than others depending on certain factors including, but not limited to, the type and size of the account, the range of additional services provided to the client and the total amount of assets managed for a single client. Clients with an account value that is less than the minimums listed above may pay more than our standard fees. Additionally, some clients pay us a performance-based advisory fee. (Item 6 provides more information about performance-based fees.) The fees that we charge for investment advisory services are specified in an agreement between Diamond Hill and each individual client.

Diamond Hill Funds

To the extent a separate account is invested in a Diamond Hill Fund or our private investment fund (each, a “Fund” or collectively, the “Funds”), the account is not assessed a management fee on the portion of the separate account invested in a Fund. Each Fund will, however, incur management and other fees imposed by the Fund as disclosed in each Fund’s prospectus. (Item 10 provides more information about Diamond Hill’s involvement with the Funds.)

Payment of Fees

Management fees are generally billed and payable quarterly in arrears. Fees are generally based on the value of the separate account as of the last business day of the quarter (or average of the month-end values) and are normally adjusted for material cash flows. When an account is opened or terminated, the fee is prorated to the opening or termination date. Diamond Hill provides clients with fee invoices that contain the amount of the fee, the value of the assets in the account on which the fee was based and the fee calculation.

If authorized by a particular client, Diamond Hill will deduct its management fees directly from the client’s custodian account. In this situation, Diamond Hill will send a copy of the invoice details directly to the client and the custodian, unless we have received instructions from a client stating they do not want to receive copies of invoices. It is Diamond Hill’s understanding, as communicated to the client and its custodian, that the custodian sends quarterly (or more frequent) statements directly to the client or its representative showing all assets and transactions in the account, including fees paid to Diamond Hill.

Other Fees or Expenses

Clients pay other expenses in addition to the fees paid to Diamond Hill. For example, clients pay brokerage commissions, transaction fees, custodial fees, transfer taxes, wire transfer fees and other fees and taxes charged to brokerage accounts and securities transactions, which are unrelated to the fees collected by Diamond Hill. (Item 12 provides more information on our brokerage practices.)

Cash balances in client separate accounts may be invested in unaffiliated short-term investment funds (“STIFs”), which include money market funds, designated by a client or its custodian. Diamond Hill does not attempt to assess the quality of the underlying assets of a STIF selected by a client or its custodian. Diamond Hill does not provide any advisory fee credit for client assets invested in a STIF, which means that such assets will bear not only their proportionate share of the expenses of the STIF, but also management fees charged by Diamond Hill.

Additional Compensation

Diamond Hill and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

Item 6: Performance-Based Fees and Side-By-Side Management

Diamond Hill receives performance-based fees from some separate account clients and our private investment fund.¹

Conflicts of Interest

The receipt of performance-based fees creates conflicts of interest. Diamond Hill can potentially receive higher fees from accounts with a performance-based compensation structure than from those accounts that pay a fixed asset-based fee as described in Item 5. For example, Diamond Hill has an incentive to direct the best investment ideas to an account that pays a performance-based fee or to allocate or sequence trades in favor of the performance-based fee account. To manage these conflicts:

- All accounts within a strategy are managed to the strategy's model portfolio.
- Diamond Hill performs a periodic review of each investment strategy's model portfolio versus each client account. In this review, every position size for each client account is compared to our model weights. In addition, portfolios are monitored by our compliance department for consistency with client objectives and restrictions.
- Diamond Hill has implemented policies whereby the performance-oriented portion of portfolio manager incentive compensation is based solely upon the five-year performance of each respective strategy that they manage. This policy is intended to incent portfolio managers to act in the best interests of all clients, regardless of the fee structure of their account.
- Diamond Hill has trade allocation policies and procedures designed to ensure that all clients are treated fairly and equitably and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Diamond Hill has another potential conflict of interest due to being an adviser to both long-only accounts and accounts that execute short sales. We could sell short securities in a long-short account while holding the same security long in a long-only account. In this case, we could harm the performance of the long-only accounts for the benefit of accounts that execute short sales. For example, continually selling a position short may depress the stock price, potentially harming a long-only account if it holds the same security. To manage this conflict, Diamond Hill has a specific policy that prohibits a long position from being held as a short position in any client account.

Item 7: Types of Clients

Diamond Hill provides investment management services to a wide variety of clients, including institutions, registered investment companies, financial institutions, financial intermediaries, annuity funds, pooled investment vehicles, collective investment trusts (CITs), charitable institutions, high-net-worth investors, foundations, trusts, state and municipal government entities, endowment funds, insurance companies, corporations, hospitals, corporate pension and profit-sharing plans and Taft-Hartley plans.

¹ A performance-based fee is an advisory fee based on a percentage of capital gains on or capital appreciation of client assets. Performance-based fees paid to investment advisers can be significantly higher than fixed asset-based fees paid on traditional accounts.

Diamond Hill also offers investment advisory services to the clients of wrap program sponsors. In accounts introduced to Diamond Hill by a wrap program sponsor, the client either enters into agreements directly with both Diamond Hill and the sponsor or enters into an agreement solely with the sponsor or another entity that has an agreement with the sponsor. (Item 4 provides a discussion on wrap fee programs.) (Item 5 provides a discussion on our fees and account minimum sizes.)

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Diamond Hill Investment Strategies

We offer eight equity and three fixed income investment strategies:

Equity Strategies

Small Cap Strategy – Invests in primarily US equity securities of small capitalization companies selling at prices below our estimate of intrinsic value.

Small-Mid Cap Strategy – Invests in primarily US equity securities of small and medium capitalization companies selling at prices below our estimate of intrinsic value.

Mid Cap Strategy – Invests in primarily US equity securities of medium capitalization companies selling at prices below our estimate of intrinsic value.

Large Cap Strategy – Invests in primarily US equity securities of large capitalization companies selling at prices below our estimate of intrinsic value.

Large Cap Concentrated Strategy – Invests in a concentrated portfolio of primarily US equity securities derived from the holdings in the Large Cap strategy selling at prices below our estimate of intrinsic value.

All Cap Select Strategy – Invests in a concentrated portfolio of primarily US equity securities of companies across a broad range of market capitalization selling at prices below our estimate of intrinsic value.

International Strategy – Invests in non-US equity securities of companies across a broad range of market capitalization selling at prices below our estimate of intrinsic value.

Long-Short Strategy² – Invests in (and sells short) primarily US equity securities of companies selling at prices below (or above) our estimate of intrinsic value.

Equity Strategies – Investment Philosophy

We believe that a company's intrinsic value is independent of its stock price. We also believe competitive long-term returns can be achieved by investing in companies when the current market price is at a discount

² The Long-Short strategy is only available to investors through a mutual fund managed by Diamond Hill.

(or a premium, in the case of short positions) to our estimate of intrinsic value, based upon a discounted cash flow methodology.

The following are the guiding principles for our investment philosophy:

- **Treat every investment as a partial ownership interest in that company.**
Investing is most intelligent when it is viewed through the lens of an owner.
- **Always invest with a margin of safety.**
Our discipline is to purchase (or sell short) securities at a sufficient discount (or premium) to our estimate of intrinsic value. We estimate the intrinsic value of the business independent of the current stock market price then compare our estimate to the price to determine if an opportunity exists. When we successfully identify securities trading below (or above) our estimate of intrinsic value, it increases potential reward and serves as the most effective risk control.
- **Possess a long-term investment temperament.**
In the short term, emotion as much as economic fundamentals drives market prices. Over time, the economic performance of the business and the price paid for the ownership stake will determine investment return.
- **Recognize that market price and intrinsic value tend to converge over time.**
Investment opportunity lies in the ability to buy (or short), when the current market price does not reflect a company's intrinsic value, and to sell (or cover) when price and value converge.

Investing in securities always involves the risk of loss that investors should understand and be prepared to bear.

Our investment strategies are actively managed and intrinsic value focused. Bottom-up analysis is of primary importance. We use a discounted cash flow methodology to estimate intrinsic value and then compare our estimate to the current market price. Our portfolios are differentiated by the fact that we manage independent of benchmark weights.

Our valuation approach is based on a five-year discounted cash flow methodology for both long and short positions. This methodology is used to determine whether there is a discrepancy between the current market price and our estimate of intrinsic value.

To forecast the amount and timing of a company's cash flows, we concentrate on the fundamental economic drivers of the business. We evaluate all publicly available material information that may aid us in forecasting future cash flows. In making our forecast, our considerations include, for example, industry competition, regulatory factors, the threat of technological obsolescence and a variety of other factors. Other fundamental factors that we use to estimate intrinsic value include normalized earnings and earnings growth rate, payout ratio and dividends, terminal P/E multiple and required rate of return.

To achieve breadth and depth of company research, our research team is highly integrated. Research analysts and associates are industry specialists and portfolio managers are generalists. Our US equity research team reports to the director of research who is responsible for ensuring a consistent research process, providing feedback and facilitating career development for team members. The director of research serves as the single point between the team and the portfolio managers which streamlines communication and ensures consistent feedback. Research analysts present investment ideas to the

portfolio managers who also serve as an additional source of sector and industry knowledge. This structure ensures that we have company and industry specialization as well as an experienced perspective to build strong investment theses for individual companies and to make long-term buy and sell decisions. Portfolio managers are responsible for investment decision-making, including asset allocation, security selection, portfolio construction and portfolio risk management. Since we value independent thinking, the portfolio managers are ultimately accountable for their strategy's results and are not subordinate to an investment committee.

We regularly compare market price to our estimate of intrinsic value for every holding or short position. We will sell a holding (or cover a short position) under the following circumstances:

- If the market price reaches our estimate of intrinsic value, we examine all model assumptions. Unless there is justification to adjust our assumptions, we will exit the position.
- If our estimate of intrinsic value is lowered (or raised) due to a change in the fundamentals, such that the current market price is no longer at a discount (or premium) to our estimate of intrinsic value, we will exit the position.
- If a more attractive investment opportunity is identified, we may sell (or cover) a holding to raise proceeds.
- If a holding's position size reaches our stated limit of the portfolio at market, we reduce the position. Typically, we trim a position as it approaches the limit, rather than allowing it to exceed the limit.

We define risk as the permanent loss of capital rather than short-term price volatility. We manage risk through our intrinsic value-focused investment philosophy and disciplined investment process. Portfolio managers are ultimately accountable for managing risk in a portfolio. By focusing stock selection on securities selling at discounts (or premiums, if selling short) to our estimates of intrinsic value, we believe we have a built in a "margin of safety." Thus, our primary risk control is to compare current market prices regularly to our estimates of intrinsic value.

To limit downside risk, we diversify portfolios by imposing sector, industry, and position limits.

Equity Strategies – Investment Risks

The material risks associated with our equity strategies are:

Equity Market Risk – Overall stock market risks may affect the value of the investments in equity strategies. Factors such as US economic growth and market conditions, interest rates, political events and widespread public health issues affect the equity markets.

Management Risk – Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, and our intrinsic value approach may fail to produce the intended results.

Small and Mid Cap Company Risk – Investments in small and medium capitalization companies may be riskier than investments in larger, more established companies. The securities of these companies may trade less frequently and in smaller volumes than securities of larger companies. In addition, small and

medium capitalization companies may be more vulnerable to economic, market and industry changes. As a result, share price changes may be more sudden or erratic than the prices of other equity securities. Because smaller companies may have limited product lines, markets or financial resources, or may depend on a few key employees, they may be more susceptible to particular economic events or competitive factors than larger capitalization companies.

Concentration Risk – Some of our strategies concentrate their investments in a small number of securities to create a reasonably diversified equity portfolio. The small number of securities held may not be diversified across all sectors or industries as compared to a broad index, such as the S&P 500 or Russell 3000 indices. As a result, the value of a client account may vary considerably in response to changes in the market value of individual securities, industries or sectors and lead to higher volatility.

Non-US and Emerging Market Risk – Certain strategies may invest in non-US securities and US securities of companies domiciled in non-US countries that may experience more rapid and extreme changes in value than a strategy that invests exclusively in securities of US companies. These companies may be subject to additional risks, including political and economic risks, civil conflicts and war, greater volatility, expropriation and nationalization risks, currency fluctuations, higher transaction costs, delayed settlement, possible non-US controls on investment and less stringent investor protection and disclosure standards of non-US markets. The departure of one or more other countries from the European Union may have significant political and financial consequences for global markets. These risks are magnified in emerging markets as events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. The market for the securities of issuers in emerging markets is typically small and low, and nonexistent trading volumes in those securities may result in a lack of liquidity and price volatility.

Fixed Income Strategies

Short Duration Securitized Bond Strategy – Seeks total potential returns by diversifying credit exposure through investment in securitized assets, including asset-backed, mortgage-backed and collateralized mortgage-backed securities. This strategy generally maintains a duration of one to two, with a maximum of three. The strategy is offered with either of the following credit exposures:

- Investment grade only
- Up to a maximum of 15% below investment grade

Core Bond Strategy – Seeks to maximize total return consistent with the preservation of capital by investing in a diversified portfolio of investment-grade intermediate and long-term fixed income securities with a focus on securities and spread sectors we believe to be undervalued.

Fixed Income Strategies – Investment Philosophy and Process

We have a long-term investment philosophy. Investments are driven by small, individual security decisions rather than a macro focus and are supported by a deep and talented research team. We focus on structured products (asset-backed securities, residential mortgage-backed securities and commercial mortgage-

backed securities) as we believe this differentiated approach provides opportunity to gain incremental yield advantage and diversification on assets that are currently invested in government or corporate credit-focused strategies. We are committed to the investment grade universe without the use of derivative instruments.

Our investment process is driven by security selection, sector allocation, yield curve positioning and duration management in concert with the overall maintenance of a high-quality portfolio. We seek to generate excess return through the selection of undervalued securities and spread sectors.

We primarily focus on identifying undervalued securities, which may result in owning many securities that are not included in each strategy's benchmark index. Portfolio managers and analysts continually monitor and analyze potential securities to determine suitability.

Our primary focus is on the selection of individual issues with an emphasis on identifying undervalued securities. Individual securities are selected following a risk/reward evaluation of interest rate risk, credit risk and an examination of the complex technical structure of the security. We use quantitative valuation methodologies to identify securities we believe to be undervalued, fairly valued and overvalued.

Portfolio managers for the Short Duration strategies primarily invest in securitized bond investments. Securitized bond investments are also referred to as "structured product securities" or "structured products" and include secured loans backed by commercial real estate, residential real estate, commercial or consumer loans and securitizations such as agency and non-agency mortgage-backed securities (including commercial mortgage-backed securities, residential mortgage-backed securities and collateralized mortgage obligations ("CMOs")), asset-backed securities and other similar securities and related instruments. Portfolio managers for the Core Bond strategy may also consider including corporate bonds, Treasury securities and agency bonds in the portfolio.

The following factors are considered in our portfolio construction:

- Sector Allocation – Although bottom-up analysis and security selection are of primary importance, we also consider sector and sub-sector valuations in portfolio construction. Historical spread analysis is conducted to identify sectors that may be overvalued or undervalued and to establish the risk/return trade-off between sectors. When we can readily identify undervalued securities within sectors with attractive sector dynamics, we emphasize those sectors in the portfolio.
- Duration – We carefully manage duration to help control interest rate risk. However, we use it sparingly as an active portfolio management tool. We base our duration decisions on internal interest rate forecasts, which incorporate many factors such as the outlook for inflation, anticipated Federal Reserve policy, and the overall economic environment. We adjust portfolio duration periodically, typically in small increments, to enhance returns when the market is undervalued and to protect portfolio value when the market is overvalued.
- Yield Curve – In conjunction with the portfolio duration decision, we identify broad interest rate trends and supply and demand relationships that may influence the shape of the yield curve. For a given duration target, the yield curve strategy seeks to find optimal exposures along the yield curve. We

establish expected returns using scenario analysis that incorporates yield curve shifts, spread widening or tightening and time horizon.

- **Quality** – The portfolio managers emphasize high quality but can allocate to below investment grade securities in the Short Duration Securitized Bond strategy (15% maximum) based upon value and risk/reward characteristics. The portfolio managers are responsible for investment decision-making, including asset allocation, security selection, portfolio construction, trading and portfolio risk management. Since we place high value on independent thought, the portfolio managers are ultimately accountable for the strategy results and are not subordinate to an investment committee.

Fixed Income Strategies – Investment Risks

The material risks associated with our fixed income strategies are:

Fixed Income Risk – Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. On the other hand, if rates fall, the value of the fixed income securities generally increases. The strategies may invest in variable and floating rate securities. Although these instruments are generally less sensitive to interest rate changes than fixed rate instruments, the value of variable and floating rate securities may decline if their interest rates do not rise as quickly or as much as general interest rates. Fixed income securities with greater interest rate sensitivity and longer maturities tend to produce higher yields but are subject to greater fluctuations in value. Usually, changes in the value of fixed income securities will not affect cash income generated but may affect the value of the investment.

Management Risk – Our judgments about the attractiveness, value and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that individual securities will perform as anticipated. The value of an individual security can be more volatile than the market as a whole, and our intrinsic value approach may fail to produce the intended results.

Credit Risk – There is a risk that issuers and counterparties will not make payments on the securities and repurchase agreements they issue. Such default could result in losses to client accounts. In addition, the credit quality of securities may be lowered if an issuer's financial condition changes. Lower credit quality may lead to greater volatility in the price of a security which may affect liquidity and our ability to sell the security.

Inflation Risk – Because inflation reduces the purchasing power of income produced by existing fixed income securities, the prices at which fixed income securities trade will be reduced to compensate for the fact that the income they produce is worth less. This potential decrease in market value would be the measure of inflation risk.

High Yield Securities Risk – The Short Duration Securitized Bond strategy invests in fixed income securities rated below investment grade, also known as high yield securities or junk bonds. High yield securities provide greater income and opportunity for gain but entail greater risk of loss of principle. High yield securities are predominantly speculative with respect to the issuer's capacity to pay interest and repay principal in accordance with the terms of the obligation. These investments may be issued by companies which are highly leveraged, less creditworthy or financially distressed. Although these securities provide a

higher yield than higher-rated debt securities, the high degree of risk involved in these investments can result in substantial or total loss. The market for high yield securities is less active than the market for higher quality securities, and the market price of these securities can change suddenly and unexpectedly. Based on measures such as dealer inventories and average trade size, the high yield market has become less liquid at the same time as it has grown markedly and become more concentrated under the control of the largest investors. During future periods of market stress, liquidity conditions in the high yield market may be even worse than prior periods of market stress.

Illiquid Securities Risk – The strategies may invest in illiquid securities. The price paid for the purchase of illiquid securities or received for the resale may be lower than the price paid or received for similar securities with a more liquid market. Liquidity risk may result from the lack of an active market or a reduced number and capacity of traditional market participants to make a market in fixed income securities and may be magnified during times of market stress.

Government Securities Risk – The fixed income strategies may invest in securities issued or guaranteed by the US government or its agencies and instrumentalities. These securities may be backed by the credit of the government as a whole or only by the issuing agency. US Treasury bonds, notes, and bills and some agency securities, such as those issued by the Federal Housing Administration and Ginnie Mae, are backed by the full faith and credit of the US government as to payment of principal and interest and are the highest quality government securities. Other securities issued by US government agencies or instrumentalities, such as securities issued by the Federal Home Loan Banks and Freddie Mac, are supported only by the credit of the agency that issued them, and not by the US government. Securities issued by the Federal Farm Credit System, the Federal Land Banks and Fannie Mae are supported by the agency's right to borrow money from the US Treasury under certain circumstances but are not backed by the full faith and credit of the US government. No assurance can be given that the US government would provide financial support to its agencies and instrumentalities if not required to do so by law.

Asset-Backed, Mortgage-Related and Mortgage-Backed Securities Risk – The fixed income strategies may invest in asset-backed, mortgage-related and mortgage-backed securities, including so-called “subprime” mortgages that are subject to certain other risks including prepayment and call risks. When mortgages and other obligations are prepaid and when securities are called, the strategy may have to reinvest in securities with a lower yield or fail to recover additional amounts (*i.e.*, premiums) paid for securities with higher interest rates. In such case, it could result in an unexpected capital loss and/or a decrease in the amount of dividends and yield. In periods of rising interest rates, the strategy may be subject to extension risk, and may receive principal later than expected. As a result, in periods of rising interest rates, the strategy may exhibit additional volatility. During periods of difficult or frozen credit markets, significant changes in interest rates or deteriorating economic conditions, such securities may decline in value, face valuation difficulties, become more volatile and/or become illiquid.

CMOs and stripped mortgage-backed securities, including those structured as interest only (“IOs”) and principal only (“POs”), are more volatile and may be more sensitive to the rate of prepayments than other mortgage-related securities. CMOs are issued in multiple classes, and each class may have its own interest rate and/or final payment date. A class with an earlier final payment date may have certain preferences in receiving principal payments or earning interest. As a result, the value of some classes in which the strategy invests may be more volatile and may be subject to higher risk of non-payment. The risk of default, as described under “Credit Risk,” for sub-prime mortgages is higher than other types of mortgage-backed

securities. The structure of some of these securities may be complex and there may be less available information than other types of debt securities.

The value of IO and PO mortgage-backed securities are more volatile than other types of mortgage-related securities. They are very sensitive not only to changes in interest rates, but also to the rate of prepayments. A rapid or unexpected increase in prepayments can significantly depress the price of interest-only securities, while a rapid or unexpected decrease could have the same effect on principal-only securities. In addition, these instruments may be illiquid because there may be a drop in trading volume, an inability to find a ready buyer, or the imposition of legal restrictions on the resale of securities. The strategy will be exposed to additional risk to the extent that it uses inverse floaters and inverse IOs, which are debt securities with interest rates that reset in the opposite direction from the market rate to which the security is indexed. These securities are more volatile and more sensitive to interest rate changes than other types of debt securities. If interest rates move in a manner not anticipated by Diamond Hill, the strategy could lose all or substantially all of its investment in inverse IOs.

Prepayment and Call Risk – The fixed income strategies may invest in securities where the issuer may repay principal in advance, especially when yields fall. Changes in the rate at which prepayments occur can affect the return on investment of these securities. When debt obligations are prepaid or when securities are called, the proceeds may be reinvested in securities with a lower yield. The account also may fail to recover additional amounts (*i.e.*, premiums) paid for securities with higher coupons, resulting in an unexpected capital loss.

Non-US and Emerging Markets Risk – The fixed income strategies may invest in non-US securities and US securities of companies domiciled in non-US countries that may experience more rapid and extreme changes in value than securities of US companies. These companies may be subject to additional risks, including political and economic risks, civil conflicts and war, greater volatility, expropriation and nationalization risks, currency fluctuations, higher transaction costs, delayed settlement, possible non-US controls on investments, and less stringent investor protection and disclosure standards of non-US markets. The departure of one or more other countries from the European Union may have significant political and financial consequences for global markets. These risks are magnified in emerging markets as events and evolving conditions in certain economies or markets may alter the risks associated with investments tied to countries or regions that historically were perceived as comparatively stable becoming riskier and more volatile. The market for the securities of issuers in emerging markets is typically small and low, and nonexistent trading volumes in those securities may result in a lack of liquidity and price volatility.

LIBOR Transition Risk – Instruments in which the client account invests may pay interest at floating rates based on the London Interbank Offered Rate (“LIBOR”) or may be subject to interest caps or floors based on LIBOR. The United Kingdom’s Financial Conduct Authority phased out the use of LIBOR by December 31, 2021 so that the 1-week and 2-month US dollar LIBOR settings ceased to be published or will no longer be representative, and after June 30, 2023, the overnight 1-month, 3-month, 6-month and 12-month US dollar LIBOR settings will cease to be published or will no longer be representative. Various financial industry groups have begun planning for the transition away from LIBOR, but there are challenges to converting certain securities and transactions to a new reference rate (*e.g.*, the Secured Overnight Financing Rate (“SOFR”), which is intended to replace the US dollar LIBOR). The transition process might lead to increased volatility and illiquidity in markets for instruments whose terms currently include LIBOR and may adversely affect a strategy’s performance.

Consumer Loans Risk – Investments in consumer loans expose client accounts to additional risks beyond those normally associated with more traditional debt instruments. The client accounts' ability to receive payments in connection with the loan depends primarily on the financial condition of the borrower and whether or not a loan is secured by collateral, although there is no assurance that the collateral securing a loan will be sufficient to satisfy the loan obligation. In addition, bank loans often have contractual restrictions on resale, which can delay the sale and adversely impact the sale price. Transactions involving bank loans may have significantly longer settlement periods than more traditional investments (e.g., settlement can take longer than 7 days) and often involve borrowers whose financial condition is troubled or highly leveraged. These facets of bank loans increase the risk that the client account may not receive its proceeds in a timely manner or that the client account may incur losses in order to pay redemption proceeds to its shareholders. In addition, consumer loans are not registered under the federal securities laws like stocks and bonds, so investors in these loans have less protection against improper practices than investors in registered securities.

Other Risks

Business Risks Related to COVID-19 – The global spread of the coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization. COVID-19 has caused volatility, severe market dislocations and liquidity constraints in many financial markets, including markets for the securities the strategies hold, and may adversely affect the strategies' investments and operations. In addition, COVID-19 and governmental responses to COVID-19 may negatively impact the capabilities of the strategies' service providers and disrupt the strategies' operations. This pandemic may result in substantial market volatility and may adversely impact the prices and liquidity of the strategies' investments.

Performance Risk – All investing involves risks, including the permanent loss of capital. Diamond Hill does not guarantee the future performance of a strategy or a client's account, the success of any investment decision or strategy or the success of the overall management of a strategy or an account.

Regulatory Risk – Laws and regulations affecting the management of strategies or client accounts change from time to time, and we are currently operating in an environment of significant regulatory reform. We cannot predict the effects, if any, of future legal and regulatory changes on our business or the services we provide.

Cybersecurity Risk – The computer systems, networks and devices used by Diamond Hill and its service providers to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized by Diamond Hill and its service providers, systems, networks or devices potentially can be breached due to both intentional and unintentional events. Diamond Hill and the client accounts we manage could be negatively impacted as a result of a cybersecurity breach.

Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which Diamond Hill invests, counterparties with which Diamond Hill engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies, other financial institutions and other parties.

Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; ransomware; and attacks that shut down, disable, slow or otherwise disrupt operations, business processes or website access or functionality. Cybersecurity breaches may cause disruptions and impact Diamond Hill's business operations, potentially resulting in financial losses; may negatively impact the financial condition of an issuer, counterparty or other market participant; interference with the Funds' ability to calculate their NAVs; impediments to trading; the inability of Diamond Hill and its service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information. In addition, substantial costs may be incurred by these entities in order to prevent any cybersecurity breaches in the future. Diamond Hill does not control the cybersecurity systems of issuers or third-party service providers.

Item 9. Disciplinary History

Investment advisers registered with the SEC are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Diamond Hill or the integrity of the firm's management in this item. Registered investment advisers are required to report all disciplinary events regardless of whether they are material in Part 1A of Form ADV. Diamond Hill has no legal or disciplinary events of any kind to report.

Item 10. Other Financial Industry Activities & Affiliations

As noted in Item 4, Diamond Hill is a wholly owned subsidiary of Diamond Hill Investment Group, Inc.

Certain employees hold FINRA licenses and are registered representatives of Foreside Financial Services, LLC, an unaffiliated limited purpose broker/dealer that provides statutory underwriting services to mutual fund companies, including Diamond Hill Funds. Neither Diamond Hill nor any of its employees receive any compensation from Foreside Financial Services, LLC.

Mutual Funds

Diamond Hill serves as the investment adviser and administrator to the Diamond Hill Funds, each of which is an open-end registered investment company. Certain persons listed in Schedule A of Diamond Hill's Part 1A of Form ADV are officers of the Diamond Hill Funds. As officers, these persons are involved in the day-to-day management of the Diamond Hill Funds. In order to avoid any potential conflicts of interest, these persons are subject to Diamond Hill's Code of Ethics and are supervised by an independent Board of Trustees.

In addition, the Board of Trustees of the Diamond Hill Funds supervises the advisory services and the administrative services agreements between Diamond Hill and the Diamond Hill Funds.

Diamond Hill does not believe these services create material conflicts of interest between Diamond Hill and its other clients.

Private Investment Fund

Diamond Hill is the Managing Member of Diamond Hill Fund GP, LLC. Diamond Hill Fund GP LLC is the general partner of Diamond Hill Micro Cap Fund, LP. This fund is referred to as a “private investment fund.”³

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics & Personal Trading

Diamond Hill has adopted a Code of Ethics for all employees of the firm describing our high standards of business conduct, fiduciary duty to our clients and rules surrounding personal securities trading by our employees. A copy of the Code of Ethics is on our website and is available to clients and prospective clients upon request.

The Code of Ethics prohibits employees from purchasing individual equity and most fixed income securities that are also eligible to be held in one of our strategies or client portfolios and from purchasing third-party mutual funds in the primary Morningstar categories with which we compete.

The Code of Ethics also includes guidelines related to the reporting of personal securities holdings and trading activity. All Diamond Hill employees must accept the terms of the Code of Ethics upon employment, on an annual basis thereafter, or any time the Code of Ethics is amended.

From time to time, Diamond Hill employees receive gifts and/or entertainment in connection with their employment at Diamond Hill. To reduce the potential for conflicts between an employee’s personal interests and the interests of Diamond Hill clients, Diamond Hill has adopted a gifts and entertainment policy, which is in its Code of Ethics. This policy is based on the principle that employees should not accept or solicit anything of value that is intended or designed to cause, or would reasonably be judged to have the likely effect of causing, such employee to act in a manner that is inconsistent with the best interest of Diamond Hill clients. Under the policy, any employee who receives a gift of more than a nominal value (as defined in the Code of Ethics) in connection with the employee’s employment at Diamond Hill is not permitted to retain the gift. The policy also prohibits an employee from accepting any extravagant or excessive business entertainment.

In addition, the Code of Ethics restricts outside business activities that may create conflicts of interest. Requests to obtain a copy of Diamond Hill’s Code of Ethics should be mailed to:

Diamond Hill Capital Management, Inc.
Attn: Gary Young, Chief Compliance & Risk Officer
325 John H. McConnell Blvd., Suite 200
Columbus, Ohio 43215

³ Private investment funds are often referred to as hedge funds and are only offered on a private placement basis to accredited or qualified investors. As discussed in Items 5 and 6, Diamond Hill could earn either a management fee or both a management fee and a performance-based incentive fee on a private investment fund.

Participation in Client Transactions

Diamond Hill recommends to its clients the purchase or sale of Diamond Hill Funds and private investment fund. Diamond Hill serves as the investment adviser and administrator for and receives fees from the Diamond Hill Funds and private investment fund. Therefore, a conflict of interest exists related to the potential duplication or layering of fees. To eliminate this conflict, we do not charge a separate advisory fee to clients on their assets which are invested in the Diamond Hill Funds or private investment fund.

A portion of Diamond Hill's corporate investment portfolio is invested in Diamond Hill Funds and private investment fund for which Diamond Hill serves as an investment adviser, administrator, general partner or manager. Employees also own shares of the Diamond Hill Funds and interests in the private investment fund. We do not believe that these investments create a conflict of interest between Diamond Hill and its advisory clients due to the pooled nature of the investments. Diamond Hill does not invest its corporate investment portfolio in any individual securities that are eligible to be held in one of our strategies or client portfolios.

Political Contributions

It is Diamond Hill's policy not to make, and to prohibit its employees from making on behalf of Diamond Hill, any political contributions for the purpose of influencing an existing or potential client, a public official or his or her agency. However, employees are permitted to make personal political contributions in accordance with the requirements and restrictions of applicable law and Diamond Hill's policies. To help ensure compliance with SEC rules, and many state and local pay-to play rules, Diamond Hill employees must obtain prior approval from the compliance department before they make any contributions to a political candidate, government official, political party or political action committee.

Trade Errors

There are two types of trade errors: those that are detected after the trade has settled and those that are detected prior to trade settlement. Diamond Hill corrects all its trade errors so that the client does not suffer a loss and is not harmed.

Trade errors that are detected after a trade has settled in a client account are considered "Client Account Trade Errors." For Client Account Trade Errors where Diamond Hill is determined to be at fault, Diamond Hill will reimburse the client for any losses resulting from the error. If it is determined that the client is at fault, Diamond Hill may, in its discretion, pay the loss or charge the loss (in whole or in part) to the client. Net gains incurred when correcting a Client Account Trade Error will be retained by the client.

Trade errors that are detected prior to settlement of a trade in a client account are considered "Adviser Account Trade Errors." Diamond Hill will settle Adviser Account Trade Errors, and any correcting trade, into its error account. Net gains realized on a correcting trade will be retained by Diamond Hill and net losses incurred on a correcting trade will be paid by Diamond Hill. Net gains are retained in the error account and used to offset future net losses within a calendar year. If Diamond Hill has cumulative net gains at the end of any calendar year resulting from correction of an Adviser Account Trade Error, it shall donate those net gains to charity.

Item 12: Brokerage Practices

Broker Selection & Best Execution

For most clients, Diamond Hill has the authority and discretion to make all determinations as to securities to be bought and sold, the amounts of the securities bought or sold, the broker/dealer to be used and commissions and other fees to be paid. As part of its discretionary responsibilities in executing trades on behalf of clients, Diamond Hill seeks best execution under the circumstances of each trade. In limited circumstances, clients can request or select their own broker/dealers subject to Diamond Hill's directed brokerage policy described below.

When selecting broker/dealers to execute transactions, Diamond Hill considers the range and quality of a broker's services including, but not limited to, execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial responsibility and responsiveness. Diamond Hill does not select broker/dealers based on the lowest possible commission cost, but rather whether the broker/dealer's services provide best execution for the clients under the circumstances. Diamond Hill evaluates the reasonableness of the brokerage commissions paid in connection with portfolio transactions is based on the professional opinions and judgments of the persons responsible for the placement and review of such transactions. These opinions are formed on the basis of, among other things, the experience of these individuals in the securities industry and the information available to them, including industry survey data concerning the level of commissions being paid by other investors of comparable size and type.

Diamond Hill has a Best Execution Committee that has oversight and policy-making responsibility for Diamond Hill's brokerage practices. The Best Execution Committee includes representatives from senior management and the trading, compliance and investment teams. The Best Execution Committee meets at least quarterly and has processes in place to review average commission rates, new broker approval, trade impact cost analysis, use of and payments from Client Commission Agreements, and soft dollar commissions paid to research brokers.

Diamond Hill's equity traders use various trade execution management systems to ensure proper trade management, including fair order allocation and to seek best execution. Diamond Hill may also place orders to buy and sell equity securities where the broker is acting on a principal rather than agency basis, when Diamond Hill's traders believe that trading on a principal basis is likely to provide best execution. The fixed income portfolio managers execute their own trades with approved brokers who provide closely monitored inventories of fixed income securities on a regular basis.

We have controls in place for monitoring trade execution in our clients' portfolios, including reviewing trades for best execution. Certain broker/dealers that Diamond Hill uses to execute client trades are also clients of Diamond Hill and/or refer clients to Diamond Hill, which creates a conflict of interest. To mitigate this conflict, we adopted a policy that prohibits us from considering any factor other than best execution when we place a client trade with a broker/dealer.

Execution Practices for Contribution and Withdrawal of Client Assets

Diamond Hill may limit the acceptance of a client's previously acquired securities (*i.e.*, legacy positions or securities) for account funding or contribution purposes. Where accepted, Diamond Hill evaluates legacy positions and will sell all or a portion of such securities to the extent that such securities would not be included in Diamond Hill's model portfolio holdings for such account (unless such securities are subject to another express arrangement). Depending on the size and characteristics of the legacy position and the then-prevailing markets and other factors, the client may receive a sale price that is less favorable than if the transaction involved a more marketable or liquid position. The client will be responsible for all tax liabilities that result from any sale of legacy positions. Similarly, Diamond Hill may be unable to sell securities to raise cash, or to accommodate a terminating account's request to sell securities, as quickly, or at favorable prices, as it might have been able to do under normal ongoing management or normal market conditions. Depending on market movements and liquidity, such delays could have an adverse impact on the client account.

Research and Brokerage Benefits

In allocating brokerage, Diamond Hill takes into consideration the receipt of research and brokerage services, consistent with its obligation to seek best execution for client transactions. As permitted by Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)"), Diamond Hill is permitted to cause its clients to pay a broker that provides brokerage and research services (as defined by Section 28(e)) to Diamond Hill a commission for effecting a securities transaction for clients in excess of the commission other brokers would have charged for the transaction; provided that, Diamond Hill determines in good faith that the higher commission is reasonable in relation to the value of the brokerage and research services provided by the executing broker viewed in terms of either a particular transaction or Diamond Hill's overall responsibility to the client and its other clients. The broker may directly provide brokerage and research services to Diamond Hill or may purchase them from a third party for Diamond Hill. When Diamond Hill uses client commissions to obtain brokerage and research services, Diamond Hill receives a benefit because it does not have to produce or pay for the research, products or services itself.

The term "brokerage and research services" includes advice as to: (i) the value of securities, (ii) the advisability of investing in, purchasing or selling securities, (iii) the availability of securities and (iv) purchasers or sellers of securities that furnish analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. It also includes effecting securities transactions and performing functions incidental thereto (such as clearance and settlement) or required in connection therewith by applicable rules.

Diamond Hill has acquired the following types of brokerage and research services using client commissions (collectively, "Research"):

- Reports or databases containing corporate, fundamental, industry, economic or statistical analyses,
- Industry conferences,
- Access to analysts and corporate management,
- Trading analytics and
- Research field trips to visit corporate management and/or tour company facilities.

Diamond Hill has entered into client commission agreements with broker/dealers that are involved from time to time in executing, clearing or settling securities transactions on behalf of clients (collectively, “CCA Brokers”), which provide for the CCA Brokers to pay a portion of the commissions paid by Diamond Hill’s clients for securities transactions (“CCA Commissions”) to providers of research services.

Because these research service providers play no role in executing client securities transactions, any research prepared by that research service provider typically constitutes third-party research. Diamond Hill uses brokerage commissions, including CCA Commissions from client portfolio transactions, to acquire Research, subject to the procedures and limitations provided in this discussion.

From time to time, Diamond Hill prepares a list of providers of research services that have been deemed by Diamond Hill to provide valuable research (collectively, “Research Firms”) as determined by Diamond Hill’s investment staff. CCA Brokers are eligible to be included in the list of Research Firms. All trades with Research Firms will be affected in accordance with Diamond Hill’s obligation to seek best execution for its client accounts. Diamond Hill uses a vote by its investment team staff as a guide for allocating CCA Commissions. Compensation for research may also be made pursuant to commissions paid on trades executed by a Research Firm who is registered with the SEC as a broker/dealer (each, a “Research Broker”). Under normal circumstances, CCA Brokers are compensated for research solely through trade commissions. To the extent that payments for research to a Research Broker other than a CCA Broker are made pursuant to trade commissions, Diamond Hill will reduce the amount of CCA Commissions to be paid to that Research Broker for its research. However, Diamond Hill will reduce the amount of CCA Commissions to be paid to that Research Broker by less than the full amount of trade commissions paid to that Research Broker. Neither Diamond Hill nor any client has an obligation to any Research Firm if the amount of trade commissions and CCA Commissions paid to the Research Firm is less than the applicable non-binding target. Diamond Hill reserves the right to pay cash to a Research Firm from its own resources in an amount the Adviser determines in its discretion.

The products and services acquired by Diamond Hill in connection with such arrangements are intended to comply with Section 28(e) and the SEC’s related interpretive guidance. Diamond Hill will not cause its clients to use trade commissions or CCA Commissions for purposes other than for eligible brokerage and research services.

Clients desiring to prohibit Diamond Hill from generating CCA Commissions on transactions in their accounts should consider that they will generally pay the same commission rates as accounts that are not prohibited from generating CCA Commissions.

In determining whether a service or product qualifies as brokerage and research services under Section 28(e), Diamond Hill evaluates whether the service or product provides lawful and appropriate assistance to Diamond Hill in carrying out its investment decision making responsibilities. The determination and evaluation of the reasonableness of the brokerage commissions paid is based primarily on the professional opinions of the Diamond Hill investment professionals who utilize the Research.

Research received from broker/dealers is supplemental to Diamond Hill’s own research efforts. As a practical matter, in some cases Diamond Hill could not, on its own, generate all of the research that broker/dealers provide without materially increasing expenses. The management fee paid by Diamond Hill’s clients is not reduced as a consequence of Diamond Hill’s receipt of Research. To the extent the clients’

portfolio transactions are used to obtain Research, the brokerage commissions paid by the clients might exceed those that might otherwise be paid for execution only. The brokerage and research services furnished by broker/dealers is useful and of value to Diamond Hill in servicing any or all of Diamond Hill's clients and may not necessarily be used by Diamond Hill in connection with the accounts that actually paid commissions, nor in proportion to the amount of commissions paid by accounts, to the broker/dealer providing the services.

Receipt of Research from brokers who execute client trades creates conflicts of interest. Since Diamond Hill uses client brokerage commissions to obtain Research, it receives a benefit because it does not have to produce or pay for the research, products, or services itself. Consequently, Diamond Hill has an incentive to select or recommend a broker based on its desire to receive research, products, or services rather than a desire to obtain the most favorable execution. Diamond Hill attempts to mitigate these conflicts through oversight of the use of commissions by its Best Execution Committee.

Directed Brokerage & Aggregated Trades

Although we discourage clients from directing trades to a particular broker/dealer (directed brokerage), we do have clients who request directed trades. Diamond Hill's accommodation of directed brokerage creates a conflict (between those clients who have given Diamond Hill full discretion and those who have directed trading through a specific broker) related to the ordering of trade execution and potential market impact. Diamond Hill's policy is to execute transactions for directed brokerage accounts following the execution of portfolio transactions in other client accounts where Diamond Hill has full discretion to execute trades. Diamond Hill may also place the trade with an executing broker on our approved list and "step out" the trade to the directed broker. In this case, the directed brokerage client may incur additional charges or pay extra commissions. Clients who request or require directed trades may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs and may also receive less favorable prices and execution.

Diamond Hill has a trade allocation policy that allows it to select brokers for accounts where the client has given us full discretion. Trades in discretionary accounts are grouped together and traded first. Directed brokerage accounts, in which the client has requested us to use a specific broker or group of brokers or has an arrangement with a broker, such as the sponsor of a wrap program, which makes it cost prohibitive to trade with any other broker, are grouped together and placed in random order by broker. (Item 4 provides more details about Wrap Fee Programs). Directed brokerage account trades are executed after all discretionary trades in the same security have been completed. As a result, the price of a particular security may move away from the desired execution price prior to completing all directed brokerage account trades, which may cause directed brokerage accounts to not receive the same portfolio weighting in a security as other client accounts where Diamond Hill has full discretion to execute trades. When a trade is partially completed, the shares are allocated on a pro-rata basis to the appropriate client accounts. All grouped trades are allocated to the participating accounts at average cost.

The more client assets we manage and directed brokerage relationships we accommodate, the greater the potential market impact cost will be to client portfolios. Market impact cost is a measure of market liquidity that reflects the non-explicit transaction costs incurred in the execution of portfolio transactions. These costs are mitigated by several things including, but not limited to, the resources the firm receives for the

management of these assets and the deployment of such resources to attract and retain the employees to manage the assets.

Services for Other Clients

Diamond Hill may give advice and take action for itself or clients, including registered investment companies and other pooled investment vehicles, which differs from advice given to, or the timing or nature of action taken for, other clients. Specific asset allocations within client accounts may differ from those in other accounts managed by Diamond Hill due to various factors including, but not limited to, the availability of certain investments, market conditions or the amount of client funds available for investment or reinvestment. Diamond Hill is not obligated to initiate any transactions for clients in any security that Diamond Hill may purchase or sell for its own accounts or the accounts of any other client.

Model Delivery and Trade Rotation

Diamond Hill provides its strategy model portfolio to sponsors of model delivery programs on a periodic basis (see Item 4). In these cases, the program sponsor has investment discretion and is responsible for the selection of broker/dealers and the execution of transactions for its participant accounts. Diamond Hill is not aware of when the program sponsor executes transactions as a result of the model provided to it by Diamond Hill. As a result, both Diamond Hill and the program sponsors may be executing trades in the same security at the same time. Therefore, Diamond Hill's provision of model portfolios to model delivery programs creates a conflict because Diamond Hill clients and clients of the model delivery sponsor may be competing to trade the same securities. Diamond Hill does not communicate changes to the model portfolio until it has already implemented them in accounts where we have investment discretion. Further, Diamond Hill may have already commenced trading before the program sponsor has received or had the opportunity to evaluate or act on Diamond Hill's model portfolio advice. Transactions ultimately placed by the program sponsor for its participants may be subject to price movements, particularly with large orders relative to the given security's trading volume, that may result in the participants receiving prices that are less favorable than the prices obtained by Diamond Hill's other clients.

Item 13: Review of Accounts

Diamond Hill reviews client accounts on a regular basis (typically at least quarterly). Equity portfolio managers perform a periodic review of each client account during which every position is compared to the model weights for the respective investment strategy. Fixed income portfolio managers perform a periodic review of each client account to ensure the account is properly positioned relative to client objectives and restrictions. Client accounts are also monitored by our compliance department daily for consistency with client objectives and restrictions.

Diamond Hill generally provides periodic written reports to its separate account clients. These written reports may contain a transaction statement, appraisal of portfolio holdings, investment results and/or other statistical data related to the client's account.

Wrap fee clients and clients in other similar programs receive reports directly from program sponsors, not from Diamond Hill.

Item 14: Client Referrals and Other Compensation

Certain arrangements with investment consultants, broker/dealers or other investment professionals, which are described below, while not involving compensation for client referrals, nevertheless create a conflict of interest or the appearance of a conflict of interest.

Diamond Hill makes payments to investment consultants or other investment professionals for analytical services, to attend conferences or for research in their (or their affiliate's) capacity as broker/dealers executing trades on behalf of Diamond Hill clients. These entities also refer clients to Diamond Hill. To avoid potential conflicts of interest, individuals or entities that have been referred to Diamond Hill should request that the entity disclose any pre-existing or former relationships with Diamond Hill and any potential conflicts of interest in connection with the referral.

While there are currently no solicitor arrangements in place, Diamond Hill does have a legacy solicitor arrangement whereby we continue to compensate a former solicitor.

Item 15: Custody

Diamond Hill separate account clients select their own custodians to hold the cash and securities in their accounts. A client custodian may be a broker/dealer, bank or other financial institution that satisfies the SEC's definition of "qualified custodian." Diamond Hill is not a qualified custodian and does not provide custody services. Clients will receive statements directly from the qualified custodians at least quarterly. We urge clients to carefully review those statements and compare the custodial records to the reports that we provide them. The information in our reports may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Diamond Hill has custody of the private investment fund since it serves as managing member of the general partner. Investors in the private investment fund will receive the fund's annual audited financial statements within 120 days of the fund's fiscal year-end. Such investors should review these statements carefully. If investors in the private fund do not receive audited financial statements in a timely manner, they should contact Diamond Hill immediately.

Item 16: Investment Discretion

All clients enter into a written investment management agreement with Diamond Hill prior to receiving investment management services. These agreements give us authority to manage the client's account and place trades, subject to the investment objectives and guidelines for the account.

Diamond Hill usually receives and accepts discretionary authority to manage the assets in each client's account. We adhere to the investment limitations and restrictions that are outlined in each account's investment management agreement.

Item 17: Voting Client Securities

Diamond Hill maintains a proxy voting policy, procedures and guidelines designed to ensure that proxies are voted in a manner that maximizes the long-term value of the securities held in our clients' accounts. While we will allow clients to vote the proxies in their own accounts if they prefer, in most cases we accept authority to vote proxies for our clients. For those clients that retain the ability to vote proxies themselves, clients will not receive information about their proxies from Diamond Hill and should instead receive proxies from their custodian, transfer agent or other third-party service provider such as their proxy service provider.

When voting proxies, we pay particular attention to the following matters in exercising our proxy voting responsibilities for our clients:

Accountability. Each company should have effective controls in place to hold those entrusted with managing a company's business accountable for their actions. Company management should be accountable to its board of directors and the board should be accountable to shareholders.

Alignment of Management and Shareholder Interests. Each company should seek to align the interests of management and the board of directors with the interests of the company's shareholders. For example, we believe that compensation should be designed to reward management for creating value for the shareholders of the company.

Transparency. Each company should provide timely disclosure of important information about its business operations and financial performance to enable investors to evaluate the company's performance and to make informed decisions about the purchase and sale of the company's securities.

When we recognize a conflict of interest that impedes our ability to impartially vote a proxy, we will deliver the proxy to the client to be voted. We do not utilize third-party proxy voting services. If a client wishes to direct Diamond Hill to vote in a certain manner for a particular proxy, they should provide such direction in writing to Diamond Hill at least two weeks prior to the shareholder meeting date. A copy of our proxy voting policies and procedures is available on our website and upon request. Information regarding the votes cast by Diamond Hill with regard to a client's securities is available upon request mailed to:

Diamond Hill Capital Management, Inc.
Attn: Proxy Voting Requests
325 John H. McConnell Blvd., Suite 200
Columbus, Ohio 43215

Item 18. Financial Information

Diamond Hill does not require or solicit prepayment of any fees from clients. Diamond Hill has no financial condition or commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients and has never been the subject of a bankruptcy proceeding. Diamond Hill Investment Group, Inc. files quarterly and annual financial statements with the SEC. These are available through the SEC and on our web site at the following location:

<http://ir.diamond-hill.com>

Voluntary Disclosure of Personal Investments

Alignment of interests with those of our clients is a foundational value of Diamond Hill. One way we align our interests with those of our clients is through significant personal investment in our strategies. To foster this alignment of interests further, our Code of Ethics prohibits employees from purchasing individual equity or most taxable fixed income securities, minimizing conflicts of interest. The Code of Ethics also prohibits the purchase of third-party mutual funds in the primary Morningstar categories with which we compete. Because of our investment team's shared investment philosophy and contribution to all strategies, we believe our collective investments across all of our Diamond Hill strategies are the most meaningful indication of our alignment of interests with those of our clients. Each of our portfolio managers has a significant personal investment in the strategy they manage. The tables below represent the dollar range of investments owned by portfolio managers, research analysts, and officers as of December 31, 2021. These tables include shares beneficially owned through Diamond Hill's 401(k) Plan and deferred compensation plans. The following page discloses personal holdings across all Diamond Hill strategies.

Strategy	Portfolio Manager	DOLLAR RANGE OF INVESTMENTS				
		\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	Over - \$1,000,000
Small Cap	Aaron Monroe					X
	Chris Welch					X
Small-Mid Cap	Chris Welch					X
Mid Cap	Chris Welch					X
Large Cap	Chuck Bath					X
	Austin Hawley					X
Large Cap Concentrated	Chuck Bath					X
	Austin Hawley					X
All Cap Select	Austin Hawley					X
	Rick Snowdon					X
International	Grady Burkett					X
	Krishna Mohanraj				X	
Long-Short	Chris Bingaman					X
	Nate Palmer					X
Short Duration Securitized Bond	Mark Jackson					X
	Henry Song					X
Core Bond	Mark Jackson			X		
	Henry Song			X		

Individual	Primary Title	DOLLAR RANGE OF INVESTMENTS IN ALL DIAMOND HILL STRATEGIES				
		\$10,001 - \$50,000	\$50,001 - \$100,000	\$100,001 - \$500,000	\$500,001 - \$1,000,000	Over - \$1,000,000
Chuck Bath	Portfolio Manager					X
Chris Bingaman	Portfolio Manager					X
Grady Burkett	Portfolio Manager					X
Austin Hawley	Portfolio Manager					X
Mark Jackson	Portfolio Manager					X
Krishna Mohanraj	Portfolio Manager					X
Aaron Monroe	Portfolio Manager					X
Nate Palmer	Portfolio Manager					X
Rick Snowdon	Portfolio Manager					X
Henry Song	Portfolio Manager					X
Chris Welch	Portfolio Manager					X
Micah Martin	Director of Research			X		
Harsh Acharya	Research Analyst			X		
Josh Barber	Research Analyst			X		
Brian Bath	Research Analyst				X	
Varun Gupta	Research Analyst				X	
Blake Haxton	Research Analyst					X
Jayant Jangra	Research Analyst				X	
Yiting Liu	Research Analyst			X		
John Loesch	Research Analyst					X
Charlie Minor	Structured Product			X		
Tim Myers	Research Analyst	X				
Laura O'Dell	Research Analyst					X
Chris Piel	Research Analyst			X		
Kavi Shelar	Research Analyst			X		
Greg Sumner	Research Analyst			X		
Chendhore	Research Analyst			X		
Tyler Ventura	Research Analyst			X		
Scott Williams	Research Analyst			X		
Heather Brilliant	Chief Executive Officer				X	
Tom Line	Chief Financial Officer					X
Matthew Stadelman	Chief Investment Officer					X
Jo Ann Quinif	Chief Client Officer					X
Gary Young	Chief Compliance Officer					X
All Employees Collectively (128 Employees)		Over \$179 million				
Diamond Hill Corporate Investments		Over \$85 million				