Diamond Hill International Strategy

As of March 31, 2021

Market Commentary

Following a trying 2020, investors (and people in general) were hopeful that 2021 would bring better times. Thus far, we've seen continued distribution of COVID-19 vaccines globally, gradual steps to reopening economies and broad gains in major markets across the globe. Stocks in India and Russia advanced 7% in the first quarter, while equities in the U.K. and U.S. experienced 6% gains. In other regions, we saw stocks pull back, including in China and Brazil. Chinese stocks had momentum through the first half of the quarter but took a breather in the latter half on concerns of slowing earnings growth and expensive valuations, ending the quarter with a small loss. Brazilian stocks fell nearly 10% in the first quarter. Brazil's economic recovery following the pandemic has been tough, despite fiscal stimulus, as a resurgence in COVID-19 cases have plagued the country that has not imposed lockdowns or other restrictions.

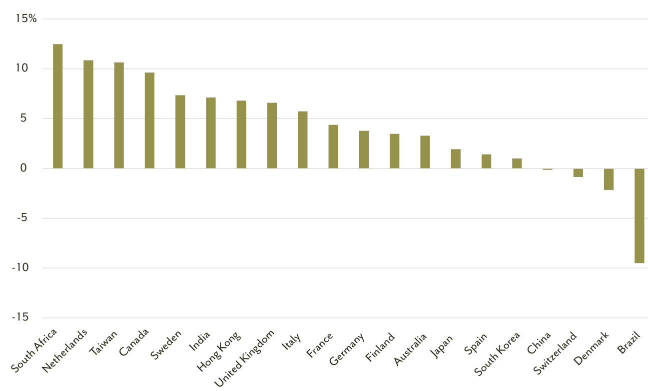
In Q1, most sectors in the Morningstar Global Markets ex-US Index posted positive returns. High single-digit gains were seen in the market's more cyclical areas of energy and financials, on expectations that global economic growth and demand are picking up steam. On the other end of the spectrum were health care (-3.3%) consumer staples (-1.9%) and utilities (-0.6%) stocks. Global tech stocks advanced just 3% in the first quarter after robust 45% gains in 2020.

It's fascinating to note that over the past 12 months, which includes a once-in-a-hundred-years (hopefully) global pandemic, global stocks have advanced 54% (as measured by the MSCI All Country World Index). Those are incredible gains considering what we've been through over the past year. As valuation-disciplined investors, strong market advances like these make our job of finding stocks trading at discounts to their intrinsic value more challenging, but we continue to look for pockets of the market that are not being rewarded.

TEAM

Grady Burkett, CFA Portfolio Manager	**Krishna Mohanraj, CFA** Portfolio Manager

MORNINGSTAR GLOBAL MARKETS EX-U.S. INDEX—Q1 2021



Source: FactSet, as of 3/31/2021. The chart above includes the top 20 countries by weight in the Index and is sorted by total return.

Performance Discussion

In Q1, the portfolio outpaced the Morningstar Global Markets ex-U.S. Index. We benefited from positive stock selection in Canada, China and Switzerland, while our stocks in the U.K. and our lone holding in Germany (Fuchs Petrolub) underperformed. From a sector perspective, we benefited from strong stock selection in the technology sector. Our consumer discretionary and communication services holdings also performed well. Partially offsetting those positives was the underperformance of our materials and industrials holdings. Our outsized exposure to the consumer staples sector was also a headwind—staples have lagged cyclicals and areas viewed as more leveraged to an economic reopening post-pandemic.

On an individual holdings basis, top contributors to return included BlackBerry, Kasikornbank Public Co., and Fairfax Financial Holdings. Canadian information security services provider BlackBerry continues to execute on its new strategy set forth by the management team. We remain confident in the company's long-term growth opportunities though its valuation multiple is beginning to reflect these opportunities. Thai banking and financial services company Kasikornbank performed well in the quarter, benefiting from improving asset quality and increased optimism on the recovery of the Thai economy due to the vaccine rollout. Canadian property & casualty insurance company Fairfax Financial has benefited from improving investment returns in its equity portfolio. Other top contributors in the quarter included U.S. search engine leader Alphabet (a.k.a. Google) and U.K. telecommunications services provider BT Group.

The portfolio's largest detractors included the Check Point Software Technologies, Anheuser-Busch InBev and Fuchs Petrolub. Check Point Software Technologies is a leading provider of cyber security solutions to governments and corporate enterprises globally. Its share price declined this quarter after the company delivered disappointing earnings guidance due primarily to management's expectation for modest margin deterioration. Belgium-based brewing company AB-InBev underperformed due to concerns over margin pressure, while the share price of German lubricant manufacturer Fuchs Petrolub fell after management guided for operating profits to be flat in 2021. Other bottom contributors in the quarter included U.K.-based consumer goods manufacturer Unilever and Swiss health care products manufacturer Novartis. Our long-term fundamental outlook on these companies remains unchanged.

Portfolio Activity

We initiated new positions in Assa Abloy and doValue this quarter. Based in Sweden, Assa Abloy is a dominant leader in intelligent lock and security solutions. In our view, it is a high-quality business trading at a discount to our estimate of intrinsic value due to near-term concerns about the post-pandemic economic recovery. We believe Assa Abloy has a long runway for growth given industry consolidation and bolt-on acquisition opportunities. Its current installed base of users needing upgrades to digital and electromechanical locks also provides healthy organic growth opportunities as well as margin/return support.

Based in Italy, doValue is the largest independent servicer of non-performing loans in Southern Europe. The company’s business is nicely diversified across geographies and clients and is well positioned to benefit from both organic and M&A growth opportunities. doValue is highly cash generative with little on-balance-sheet credit risk and has demonstrated resilient performance across economic cycles.

We exited our positions in Seven & I Holdings and B&M European Value Retail as they reached our intrinsic value estimates.

Market Outlook

After a historic slowdown in global GDP, economic activity has been rebounding—albeit, different parts of the globe are recovering at different paces. We expect the recovery to continue in 2021 as vaccines are distributed more broadly and restrictions on day-to-day life are eased.

Although equity markets have recently hit all-time highs and corporate earnings may soon do the same, the after-effects of COVID-19 will likely linger more acutely for certain industries. While certain businesses have seen unprecedented spikes in demand, others have seen the opposite and have had to borrow heavily to survive. We have been focused on how businesses have managed their balance sheets and liquidity situations through the crisis, and how long-term competitive positions may have been impacted.

With the distribution of multiple, highly efficacious vaccines progressing, it is expected that the spread of COVID-19 will continue to slow over the next several quarters. Despite the risk of new variants, equity markets seemingly reflect much of the economic recovery to come, with a forward P/E multiple at a historically elevated level. From current levels, equity market returns over the next five years are expected to be in the mid-single digit range.

Our primary focus is always on achieving value-added results for our existing clients, and we believe we can achieve better-than-market returns over the next five years through active portfolio management.

Please see GIPS report in the appendix.

PERIOD AND ANNUALIZED TOTAL RETURNS

Inception Date: December 31, 2016

	SINCE INCEPTION	3-YR	1-YR	YTD	1Q21
INTERNATIONAL COMPOSITE					
Gross of Fees	13.67	8.77	56.22	7.22	7.22
Net of Fees	13.37	8.37	55.24	7.05	7.05
BENCHMARK					
Morningstar Global Markets ex-U.S. Index	10.53	6.68	51.53	3.58	3.58

CALENDAR YEAR RETURNS (%)

	2017	2018	2019	2020
INTERNATIONAL COMPOSITE				
Gross of Fees	32.22	-9.62	24.95	7.64
Net of Fees	32.22	-9.62	24.55	6.94
BENCHMARK				
Morningstar Global Markets ex-U.S. Index	27.37	-14.17	21.57	11.17

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AS OF YEAR-END	DHCM	INTERNATIONAL COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	International Composite	Morningstar Global Markets ex-U.S. Index
2020	$26.4B	5 or fewer	$16.9M	NA[1]	19.50%	18.11%
2019	23.4B	5 or fewer	13.5M	NA[1]	12.07	11.15
2018	19.1B	5 or fewer	3.5M	NA[1]	NA[2]	NA[2]
2017	22.3B	5 or fewer	4.0M	NA[1]	NA[2]	NA[2]

[1] NA = Not Applicable

[2] Statistics are not presented because 36 monthly returns are not available.

This composite was created in July 2019.

The views expressed are those of Diamond Hill as of March 31, 2021 and are subject to change. 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. These opinions are not intended to be a forecast of future events, a guarantee of results, or investment advice.

Global Investment Performance Standards