Diamond Hill Large Cap Concentrated 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 U.S. stocks across sectors.

In Q1, all sectors in the Russell 1000® Index posted positive returns (for the second quarter in a row)—double-digit gains were seen in the market's more cyclical areas, including energy, financials and industrials, on expectations that U.S. economic growth and demand are picking up steam. On the other end of the spectrum were technology and consumer staples stocks. After 45% gains in 2020, tech stocks cooled off in Q1 with a gain of only 1.3%. Performance among mega-cap stocks varied as evidenced by the FAANG stocks, with Facebook up 7%, Amazon down 5%, Apple down 7%, Netflix down 3%, and Alphabet (Google) up 17%.

Small cap stocks were the winners this quarter, advancing 12.7% compared to an 8.1% gain for mid caps and a 5.9% gain for large caps. Value bested growth across the market cap spectrum with the widest dispersion in small caps where value led growth by more than 1,600 basis points. Mid cap value stocks beat their growth counterparts by more than 1,300 basis points, and large cap value stocks outpaced large cap growth by roughly 1,000 basis points.

It's fascinating to note that over the past 13 months, which includes a once-in-a-hundred-years (hopefully) global pandemic, U.S. stocks have advanced 36%, and over the past 12 months they have advanced 62% (as measured by the Russell 3000® 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

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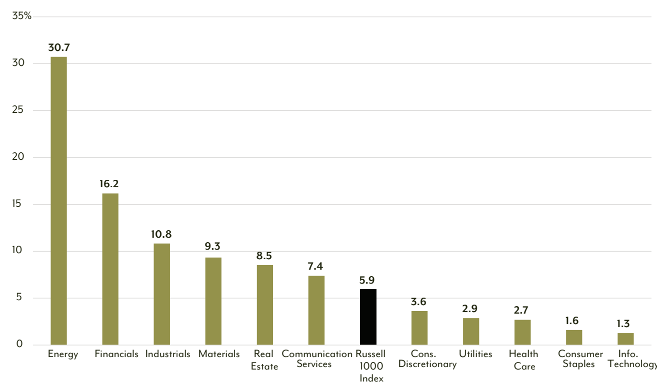
RUSSELL 1000® INDEX SECTOR RETURNS - 1Q21



Source: FactSet.

Performance Discussion

In Q1, the portfolio outpaced the Russell 1000® Index by a decent margin, driven by stock selection strength in the consumer discretionary and health care sectors. We also benefited from the relative outperformance of our holdings in the industrials and financials sectors. Our outsized position in financials was beneficial and as was our underweight exposure to technology, as large cap tech stocks pulled back this quarter following substantial gains in 2020. Our results were hampered by our outsized investment in consumer staples names as staples have lagged cyclicals and areas viewed as more leveraged to an economic reopening post-pandemic. Underperformance of our communication services holdings also weighed on relative results.

On an individual holdings basis, top contributors to return included American International Group (AIG), General Motors and Bank of America. Insurance firm AIG, our largest holding, continues to improve its underwriting margins. It has also benefited from strong premium growth in its commercial business. Auto company General Motors has managed costs well through the pandemic and has benefited from a positive product mix, which has boosted margins. The market has also begun to appreciate the company's technological advantages in autonomous and electric vehicles. Bank of America's share price advanced 28% during the quarter—bank stocks broadly rallied on optimism from vaccine

DIAMOND HILL CAPITAL MANAGEMENT

As of March 31, 2021, Diamond Hill owned equity shares of Facebook, Inc.
Please see GIPS report in the appendix.

rollouts, reopening of the economy, the prospect of rising rates, an improvement in credit, and the possibility of increased M&A activity. Other top contributors in the quarter included private equity firm KKR & Co. and banking and financial services company Charles Schwab.

The portfolio's largest detractors included PepsiCo, Charter Communications, and Cognizant Technology Solutions. Consumer snack and beverage manufacturer PepsiCo's stock was weighed down by macro concerns about rising commodity input costs and how that might impact margins in the coming year. Telecom company Charter Communications, and cable stocks in general, underperformed in Q1 due to worries over broadband subscriber growth and rate regulation. Information technology services provider Cognizant announced during the quarter that it had reached a settlement to exit a large engagement with a European financial services client. This was a disappointing development amid a turnaround that is otherwise progressing relatively well—on the upside, we view this as a one-time event, not a trend. Aside from the announcement, the company reported good Q4 earnings results. Other bottom contributors during the quarter included consumer products manufacturer Procter & Gamble and new holding V.F. Corporation.

Portfolio Activity

We initiated positions in V.F. Corporation and Humana this quarter. Consumer apparel manufacturer V.F. is a company we know well and own in our large cap portfolio. We like the company's strong balance sheet and robust liquidity position, as well as its management team. V.F. has a powerful brand portfolio, including Dickies®, JanSport®, Timberland®, The North Face®, among others. We believe it has the potential to drive long-term growth through these key brands. The company also has the potential to benefit from additional acquisition opportunities due to broad-based declines in footwear and apparel valuations, which could be accretive to long-term earnings growth.

Humana is a leader in health care delivery and health plan administration. We believe the company has a strong opportunity for long-term growth through its Medicare Advantage plans. Humana has invested heavily into its national brand, which has resulted in industry-leading customer satisfaction ratings. Its brand recognition coupled with its scale forms a meaningful moat to defend against new entrants.

We exited our positions in global automotive supplier BorgWarner in favor of higher conviction ideas and discount apparel retailer TJX Companies as its stock price reached our estimate of intrinsic value.

Market Outlook

After history's largest real GDP decline in early 2020, economic activity has been rebounding—albeit different economic areas are recovering at different paces. Retail spending, for example, has been above 2019 levels for several quarters, while other industries may take years to return to such levels. We expect the recovery to continue in 2021 as vaccines are distributed more broadly and restrictions on day-to-day life are eased.

The fiscal and monetary stimulus implemented in the past 12 months is unprecedented, and the Fed made it clear that it will continue doing what it takes to support the U.S. economy—including its intention to keep short-term interest rates near zero through 2023. President Biden also approved nearly $2 trillion of additional COVID-19 relief and is considering additional spending that could focus on areas like infrastructure, jobs and climate change. Along with real GDP growth above historic averages, corporate earnings are expected to increase dramatically in 2021 and reach new highs. That said, a sharp economic rebound, along with continued stimulus, could spur a rise in inflation. Higher inflation and the interest rates that may come with it could be a headwind for equity markets and are risks we are monitoring closely.

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 below historic norms.

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.

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As of March 31, 2021

PERIOD AND ANNUALIZED TOTAL RETURNS

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	1Q21
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	14.77	16.24	15.51	63.63	10.80	10.80
Net of Fees	14.35	15.74	14.99	62.94	10.69	10.69
BENCHMARKS						
Russell 1000 Index	15.76	16.66	17.31	60.59	5.91	5.91
Russell 1000 Value Index	12.65	11.74	10.96	56.09	11.26	11.26

CALENDAR YEAR RETURNS (%)

	2012	2013	2014	2015	2016	2017	2018	2019	2020
LARGE CAP CONCENTRATED COMPOSITE									
Gross of Fees	10.00	38.75	10.70	-0.59	19.17	19.27	-7.16	31.76	10.52
Net of Fees	9.74	37.22	10.62	-0.46	19.15	18.56	-7.63	31.18	10.03
BENCHMARKS									
Russell 1000 Index	16.42	33.11	13.24	0.92	12.05	21.69	-4.78	31.43	20.96
Russell 1000 Value Index	17.51	32.53	13.45	-3.83	17.34	13.66	-8.27	26.54	2.80

Diamond Hill Capital Management Inc. (DHCM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. DHCM has been independently verified for the periods 5/31/00 - 12/31/20. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Large Cap Concentrated Composite has had a Performance Examination for the period 12/31/11 - 12/31/20. The verification and performance exam reports are available upon request. DHCM is a registered investment adviser and wholly owned subsidiary of Diamond Hill Investment Group, Inc.; registration does not imply a certain level of skill or training. DHCM provides investment management services to individuals and institutions through mutual funds and separate accounts. A complete list and description of all composites and policies for valuing investments, calculating performance and preparing GIPS reports are available upon request. In addition, a list of broadly distributed pooled funds is available upon request. The Large Cap Concentrated Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Large Cap Concentrated equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in large capitalization companies selling for less than our estimate of intrinsic value. Holdings are derived from holdings in the Diamond Hill Large Cap strategy. The Large Cap Concentrated strategy typically invests in companies with a market capitalization of $15 billion or greater. The composite results reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains. Returns are calculated using U.S. Dollars. Net returns are calculated by reducing the gross returns by either the actual client fee paid or the highest stated fee in the composite fee schedule, depending on the type of client and account, and are reduced by estimated accrued performance based fees where applicable. Only transaction costs are deducted from gross of fees returns. The Russell 1000 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 1,000 largest companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 1000 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the large cap value segment of the U.S. equity universe including those Russell 1000 Index companies with lower expected growth values. The Russell 3000 Index is an unmanaged market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. Our selection process may lead to portfolios that differ markedly from the benchmarks presented. Returns may be more volatile than, and/or may not be correlated to these indices, which are for comparative purposes only. The Firm's standard fee schedule for Large Cap Concentrated separate accounts is as follows: First $20,000,000 = 0.60%; Over $20,000,000 = 0.50%. The dispersion measure is the asset weighted standard deviation of the annual portfolio returns. Only portfolios represented in the composite for the entire year are included in the calculation. The calculation is not performed if the composite contains 5 or fewer accounts for the full year. No alteration of composites as presented here has occurred because of changes in personnel at any time. **Past performance is not a guarantee of future results.** GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Index data source: London Stock Exchange Group PLC. See diamond-hill.com/disclosures for a full copy of the disclaimer.

AS OF YEAR-END	DHCM	LARGE CAP CONCENTRATED COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Large Cap Concentrated Composite	Russell 1000 Index	Russell 1000 Value Index
2020	$26.4B	5 or fewer	$27.2M	NA[1]	20.56%	19.10%	19.62%
2019	23.4B	5 or fewer	27.7M	NA[1]	12.95	12.05	11.85
2018	19.1B	5 or fewer	25.6M	NA[1]	12.34	10.95	10.82
2017	22.3B	5 or fewer	3.4M	NA[1]	12.41	9.97	10.20
2016	19.4B	5 or fewer	2.9M	NA[1]	12.77	10.69	10.77
2015	16.8B	5 or fewer	418.9M	NA[1]	12.07	10.48	10.68
2014	15.7B	5 or fewer	422.6M	NA[1]	9.29	9.12	9.20
2013	12.2B	5 or fewer	382.3M	NA[1]	NA[2]	NA[2]	NA[2]
2012	9.4B	5 or fewer	275.9M	NA[1]	NA[2]	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 December 2011.

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