Diamond Hill All Cap Select Strategy

As of September 30, 2021

Market Commentary

As we closed out the third quarter, September marked the worst month for equity returns since the pandemic-induced selloff in March 2020. Investor concerns mounted as the delta-variant resurgence in COVID-19 cases, rising inflation and supply chain disruptions impacted economic growth expectations. Also dampening market sentiment in Q3 was continued wrangling in Washington over the debt ceiling and a massive infrastructure deal, as well as concerns over debt-laden property developer China Evergrande Group.

Equity markets ended the third quarter mixed—large-cap stocks (as measured by the Russell 1000® Index) eked out a small gain (up 0.2%), while mid- and small-cap stocks were in the red (down -0.9% and -4.4%, respectively). The Russell growth style indices held up better than their value counterparts in the large- and mid-cap spaces, but the reverse was true for small caps. The Russell 2000® Value Index fell -3.0% during the quarter compared to the Russell 2000® Growth Index's -5.7% decline. Year to date, equities across the market-cap spectrum are still holding on to double-digit gains, and the value indices remain ahead of their growth counterparts, with the widest margin at the small end of the cap spectrum.

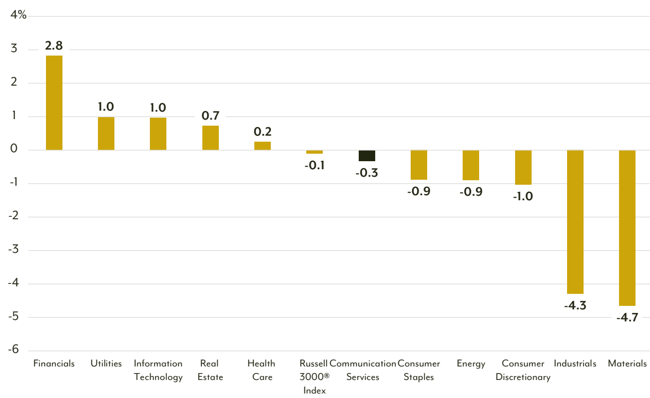
In the Russell 3000® Index, the best performing sectors in Q3 were financials (+2.8%), utilities (+1.0%) and technology (+1.0%). The real estate and health care sectors also posted small gains. On the downside, materials and industrials were the biggest losers with declines in excess of -4%. Energy stocks also took a breather, along with stocks in both consumer sectors. Year to date, energy stocks have been the clear winners with 45%-plus gains as economic activity resumed. The financials and real estate sectors have benefited from higher interest rate expectations, helping stocks in these sectors advance more than 20% thus far in 2021. Defensive areas of the market such as utilities and consumer staples have lagged the impressive returns of other sectors but are still positive for 2021.

TEAM

Austin Hawley, CFA
Portfolio Manager

Rick Snowdon, CFA
Portfolio Manager

RUSSELL 3000® INDEX SECTOR RETURNS - 3Q21



Source: FactSet, as of 9/30/2021.

Performance Discussion

The portfolio outpaced the Russell 3000® Index in Q3 by a decent margin. Stock selection was positive in several sectors, including financials, consumer discretionary, industrials and health care. On the downside, our relative results were hampered by the underperformance of our stocks in the technology and communication services sectors.

Our top contributors to return this quarter were Mr. Cooper and American International Group. Mortgage servicing company Mr. Cooper continues to make smart capital allocation decisions and execute well in its core business. Coincident with the company's Q2 earnings release, Mr. Cooper authorized a $500 million share repurchase—enough for roughly 15% of the company. Subsequent to that announcement, the company repurchased 13% of its shares from private equity firm KKR.

Property and casualty insurance company American International Group (AIG) continues to advance the turnaround of its property & casualty segment and makes progress toward a separation of the life & retirement business. During the quarter, the company announced a partnership with Blackstone to monetize a portion of its ownership in the life & retirement business at an attractive price.

Casino operator Red Rock Resorts, industrial company WESCO International and pharmaceutical company Pfizer were also top contributors. Red Rock controls over half the Las Vegas locals' casino market and executed very well amid pandemic-related restrictions—controlling costs by selectively reopening facilities. Its margins have proven resilient as it continues benefiting from strong demand for gaming across the Las Vegas locals' market, delivering record cash flows.

DIAMOND HILL CAPITAL MANAGEMENT

WESCO is a leading distributor of electrical, industrial and communications materials. Its acquisition of one of its largest competitors is progressing well. Scale is critical for distributors, and Wesco is now the largest player in a fragmented market, giving it increased bargaining power with suppliers, opportunities for cost cutting and better access to products than smaller peers who are struggling with supply chain issues. We believe Wesco is well positioned to continue taking share.

Shares of global pharmaceutical company Pfizer outperformed in Q3 due to positive investor sentiment about the company's COVID-19 vaccine sales. Although we are pleased with the recent stock performance, COVID-19 vaccine sales are not a driver of our long-term thesis. We continue to like Pfizer's long-term prospects as the company has reshaped its business, divesting non-core assets to create a more innovative biopharmaceutical company. Pfizer has a distant patent cliff, an industry-leading product offering, a decent pipeline and cash flow to invest in new pipeline assets.

Bottom contributors this quarter included Kirby Corporation, V.F. Corporation and Cimpress. Kirby, a U.S.-based tank barge transporter of bulk liquid products, retreated from its Q2 highs. The recovery in hydrocarbon product volumes slowed due in part to delta-variant related disruptions and an active hurricane season in the Gulf Coast, which restricted refinery operations.

The share price of apparel and footwear company V.F. Corporation declined in Q3 as the market appeared to be concerned with near-term impacts related to supply chain disruptions, freight cost increases and lingering pressure dampening the recovery for its Vans® brand due to its outsized brick-and-mortar exposure. The remainder of its brand portfolio has experienced solid momentum. We view the long-term prospects and multi-year fundamental outlook as unchanged.

Cimpress makes customized print, signage, apparel, gifts, identity merchandise, packaging and other products for a variety of businesses. The company continues to be impacted by the COVID-19 pandemic, which is limiting demand for many of its products. Despite the headwinds, Cimpress reported good quarterly earnings results.

Other bottom contributors in Q3 included mobile video gaming publisher Zynga and global consumer apparel manufacturer Hanesbrands.

Portfolio Activity

We exited several positions this quarter including W. R. Grace & Co. and Charles Schwab. W. R. Grace & Co. was acquired in an all-cash transaction in Q3, while Charles Schwab's stock price reached our estimate of intrinsic value. We also sold Cal-Maine Foods and Zynga in favor of more attractive opportunities.

We redeployed a portion of that capital into Humana, a leading provider of health care benefit plans in the U.S. whose member enrollment is concentrated in Medicare Advantage. We believe Humana is well positioned to maintain its market leadership as enrollment within the broader Medicare-eligible population continues to rise. The company has made investments into its brand and health care providers, allowing it to maintain an edge in benefits offered. We know the company well and were able to take advantage of recent share price weakness—largely due to political noise and short-term medical utilization uncertainty—to initiate a position at an attractive valuation.

Market Outlook

Vaccination progress globally has allowed economies to reopen, leading to a sharp economic recovery. While we expect the recovery will continue into 2022, an uptick in coronavirus cases, supply chain issues and higher input costs may slow the earnings recovery for many businesses. In some areas, price increases due to short-term supply/demand imbalances may eventually prove transitory, while others may persist for a longer period.

The sharp economic rebound in the U.S., along with continued stimulus, wage growth and instances of supply/demand tightness, has resulted in broader inflation. To the extent this is sustained, rising inflation and higher interest rates could be a headwind for equity markets and are risks we are monitoring closely.

Economic stimulus remains at unprecedented levels. President Biden and Congress are pursuing additional spending measures to support the economy, and although Fed policy remains extraordinarily accommodative, the discussion is beginning to center on how and when to pull back on monetary stimulus via tapering and eventually interest rate hikes. The Fed has acknowledged stronger economic activity and an uptick in inflation—if that continues it may force the Fed to act sooner and more aggressively than is currently anticipated.

Along with real GDP growth above historic averages, corporate earnings have increased dramatically in 2021 and continue to reach new highs. Much of the recovery to date seems fully reflected in equity markets with forward P/E multiples near historic highs. From current levels, equity market returns over the next five years are likely 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.

Diamond Hill All Cap Select Strategy

As of September 30, 2021

PERIOD AND ANNUALIZED TOTAL RETURNS (%)

Inception Date: June 30, 2000

	SINCE INCEPTION	20-YR	15-YR	10-YR	5-YR	3-YR	1-YR	YTD	3Q21
ALL CAP SELECT COMPOSITE									
Gross of Fees	11.84	13.07	11.18	16.61	17.18	17.01	55.58	24.58	1.29
Net of Fees	11.10	12.33	10.49	15.93	16.45	16.25	54.53	23.94	1.11
BENCHMARKS									
Russell 3000 Index	7.61	9.85	10.44	16.60	16.85	16.00	31.88	14.99	-0.10
Russell 3000 Value Index	7.87	8.42	7.52	13.48	10.94	9.94	36.64	16.58	-0.93

CALENDAR YEAR RETURNS (%)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
ALL CAP SELECT COMPOSITE															
Gross of Fees	15.16	6.57	-32.90	34.83	11.51	-0.58	12.70	45.86	12.59	-0.47	10.83	21.26	-11.19	31.92	15.64
Net of Fees	14.37	5.75	-33.39	33.89	10.74	-1.21	12.00	45.11	12.05	-1.02	10.22	20.60	-11.74	31.14	14.83
BENCHMARKS															
Russell 3000 Index	15.72	5.14	-37.31	28.34	16.93	1.03	16.42	33.55	12.56	0.48	12.74	21.13	-5.24	31.02	20.89
Russell 3000 Value Index	22.34	-1.01	-36.25	19.76	16.23	-0.10	17.55	32.69	12.70	-4.13	18.40	13.19	-8.58	26.26	2.87

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 period 5/31/00 - 6/30/21. 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 All Cap Select Composite has had a Performance Examination for the period 6/30/00 - 6/30/21. 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 All Cap Select Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's All Cap Select equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in companies selling for less than our estimate of intrinsic value. The strategy typically invests in securities with a market capitalization of $500 million or greater. The strategy's Adviser anticipates that each of the strategy's investments will also be held in one of the other Diamond Hill strategies. 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 3000 Index is the primary benchmark. This index is an unmanaged market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. The Russell 3000 Value Index is shown as additional information. This index is an unmanaged market-capitalization weighted index measuring the performance of the broad value segment of the U.S. equity universe including those Russell 3000 Index companies with lower expected growth values. 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 All Cap Select separate accounts is as follows: First $20,000,000 = 0.80%; Over $20,000,000 = 0.70%. 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. The views expressed are those of Diamond Hill as of September 30, 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.

AS OF YEAR-END	DHCM	ALL CAP SELECT COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	All Cap Select Composite	Russell 3000 Index	Russell 3000 Value Index
2020	$26.4B	9	$348.2M	0.15%	25.85%	19.41%	19.95%
2019	23.4B	14	423.0M	0.30	15.30	12.21	12.01
2018	19.1B	13	310.7M	0.10	13.45	11.18	11.05
2017	22.3B	12	332.3M	0.16	11.85	10.09	10.33
2016	19.4B	13	324.6M	0.28	12.03	10.88	10.97
2015	16.8B	13	466.5M	0.16	11.66	10.58	10.74
2014	15.7B	13	374.9M	0.07	10.55	9.29	9.36
2013	12.2B	14	277.8M	0.24	13.39	12.53	12.90
2012	9.4B	18	227.2M	0.16	14.48	15.73	15.81
2011	8.7B	26	284.9M	0.42	18.81	19.35	21.04
2010	8.6B	28	189.0M	0.48	NA[1]	NA[1]	NA[1]
2009	6.3B	29	155.0M	0.97	NA[1]	NA[1]	NA[1]
2008	4.5B	35	83.3M	0.82	NA[1]	NA[1]	NA[1]
2007	4.4B	36	102.2M	0.32	NA[1]	NA[1]	NA[1]
2006	3.7B	34	126.3M	0.75	NA[1]	NA[1]	NA[1]

[1] Statistics are not presented because the 3-year annualized standard deviations are not required prior to 2011. This composite was created in October 2013.

Global Investment Performance Standards