Diamond Hill Large Cap Strategy

As of September 30, 2021

(closed to most new investors)

Market Commentary

As we closed out the third quarter, September marked the worst month 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 value stocks remain ahead of their growth counterparts, with the widest margin at the small end of the cap spectrum.

In the Russell 1000® Index, the best performing sectors in Q3 were financials (+3.0%), health care (+1.5%) and utilities (+1.3%). The technology and real estate sectors also posted small gains. On the downside, industrials and materials 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 40%-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, consumer staples and materials have lagged the impressive returns of other sectors but are still positive for 2021.

TEAM

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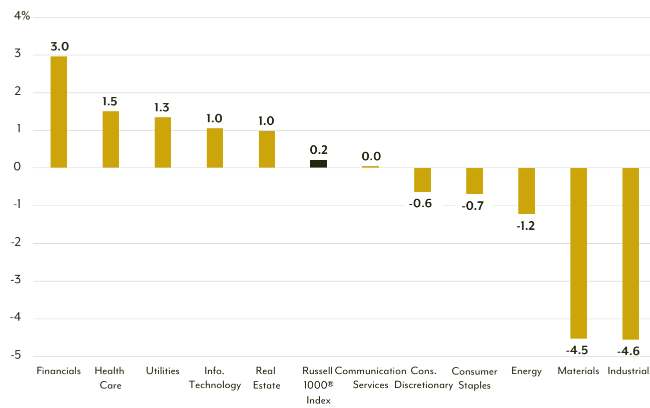
RUSSELL 1000® INDEX SECTOR RETURNS - 3Q21



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

Performance Discussion

The portfolio performed roughly in line with the Russell 1000® Index in Q3. We benefited from the relative strength of our holdings in the financials and industrial sectors, however our stocks in the consumer discretionary and communication services sectors hampered relative results. In the technology sector, we trailed the index largely due to what we did not own, namely large index constituents such as Apple and Microsoft.

On an individual holdings' basis, top contributors to return included American International Group (AIG), Hartford Financial Services Group ("The Hartford") and Pfizer. Property and casualty insurance company 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. The Hartford reported excellent results in its second quarter, with underwriting profitability benefitting from the strong pricing environment for commercial insurers.

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.

DIAMOND HILL CAPITAL MANAGEMENT

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Pfizer has a distant patent cliff, an industry-leading product offering, a decent pipeline and cash flow to invest in new pipeline assets.

Other top contributors included investment firm Morgan Stanley and online travel services provider Booking Holdings. Morgan Stanley continues to benefit from a favorable fundamental backdrop and execution on its strategic initiatives, while Booking has improved its market share in the U.S. and is poised to grow profitably as global travel recovers more fully.

Among our weakest stocks were mobile video gaming publisher Zynga, apparel and footwear company V.F. Corporation and financial services technology company Fidelity National Information Services. Zynga's share price was hampered due to two recent headwinds: first, the company has experienced higher than expected churn on recently acquired users; second, Apple's new privacy policies have meaningfully disrupted the marketing channels Zynga uses to acquire new users. We believe Zynga is well positioned to emerge from these issues if they prove transitory, but we are closely following its progress on both fronts.

V.F. Corporation's share price 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.

Fidelity National Information Services (FIS) shares weakened despite relatively solid quarterly results and forward guidance. The market became increasingly worried about competition in merchant acquiring (one third of FIS's total business) and the contrast between new payment technology companies and legacy payment technology companies (like FIS). While the fears of market share dislocation related to new payment technology companies are unlikely to dissipate in the near term, we continue to see FIS as well positioned to grow organically, or via acquisition, over the long term. We expect FIS to maintain attractive levels of profitability and cash flow generation as management deploys excess capital toward debt repayment and opportunistic share repurchases. In our view, the shares are attractively priced relative to the market, and we expect the company to generate mid-teens or higher earnings growth over time.

Other bottom contributors in the quarter included health care insurance provider Humana and auto manufacturer General Motors. Humana's share price has been clouded by uncertainty around medical utilization and prospective regulatory changes to Medicare Advantage reimbursement rates. General Motors has been impacted by the supply shortage of semiconductors, which has limited automotive production for far longer than initially anticipated. The company has taken steps to mitigate the shortage but we expect production headwinds will remain into 2022.

Portfolio Activity

We eliminated one stock this quarter—Kimberly-Clark Corporation—to make room for more attractive long-term opportunities. We exited our position after persistent signs of weak market share trends for key brands eroded the company's long-term competitive position, in our view.

Two new additions to the portfolio in Q3 were Home Depot and NASDAQ. Home Depot is a high-quality retailer in the home improvement industry. We believe the company is well positioned to continue gaining share due to its premium real estate locations, strong operations and recent investments in its supply chain. We like Home Depot's exposure to the professional customer as we believe home improvement spending is likely to remain elevated in upcoming years.

NASDAQ is a leading stock exchange and financial technology services/solutions provider with a strong brand and a relatively diversified, recurring revenue base. The company derives over 70% of its revenue from non-trading related solutions. It operates critical market infrastructure and benefits from several competitive advantages such as scale, network effects, high switching costs, proprietary data and technology, and favorable regulations. After a series of acquisitions in recent years, NASDAQ is well positioned to access large addressable technology services markets and capitalize on secular growth trends in areas such as information services, data/analytics, indices and anti-financial crime. We believe the stock is under-appreciated as the company undergoes a strategic shift to these areas. We expect a continued focus on growth in the company's recurring revenue base that will translate into increasing cash flow generation and a higher valuation.

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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 to high 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.

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PERIOD AND ANNUALIZED TOTAL RETURNS (%)

Inception Date: June 30, 2001

	SINCE INCEPTION	20-YR	15-YR	10-YR	5-YR	3-YR	1-YR	YTD	3Q21
LARGE CAP COMPOSITE									
Gross of Fees	10.42	11.14	10.28	15.61	14.64	13.59	33.19	15.58	-0.06
Net of Fees	9.83	10.55	9.72	15.04	14.10	13.06	32.59	15.18	-0.18
BENCHMARKS									
Russell 1000 Index	8.79	9.81	10.55	16.76	17.11	16.43	30.96	15.19	0.21
Russell 1000 Value Index	7.59	8.32	7.52	13.51	10.94	10.07	35.01	16.14	-0.78

CALENDAR YEAR RETURNS (%)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
LARGE CAP COMPOSITE															
Gross of Fees	17.04	6.95	-33.92	31.49	10.61	3.60	13.35	37.79	11.59	-0.18	15.27	21.09	-8.81	32.96	10.00
Net of Fees	16.42	6.37	-34.29	30.79	10.00	3.11	12.79	37.06	10.98	-0.71	14.71	20.50	-9.25	32.35	9.49
BENCHMARKS															
Russell 1000 Index	15.46	5.77	-37.60	28.43	16.10	1.50	16.42	33.11	13.24	0.92	12.05	21.69	-4.78	31.43	20.96
Russell 1000 Value Index	22.25	-0.17	-36.85	19.69	15.51	0.39	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 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 Large Cap Composite has had a performance examination for the period 6/30/01 - 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 Large Cap Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's Large Cap 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. The composite typically invests in large-capitalization companies, which are defined as companies with a market capitalization of $5 billion or greater, or in the range of those market capitalizations of companies included in the Russell 1000 Index at the time of purchase. 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 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.

In August 2021, an error was discovered in the trailing period returns as of 6/30/21 for the Large Cap Composite, which incorrectly stated the 20-year return. The correction changed the net return from 13.50% to 9.97% and the gross return from 14.32% to 10.56%.

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	LARGE CAP COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)		
	Assets Under Management	Number of Accounts	Assets Under Management	Dispersion (Gross of Fees)	Large Cap Composite	Russell 1000 Index	Russell 1000 Value Index
2020	$26.4B	231	$13.1B	0.45%	20.61%	19.10%	19.62%
2019	23.4B	199	10.4B	0.19	12.84	12.05	11.85
2018	19.1B	199	8.0B	0.36	11.63	10.95	10.82
2017	22.3B	196	9.1B	0.12	11.36	9.97	10.20
2016	19.4B	185	7.1B	0.28	11.91	10.69	10.77
2015	16.8B	180	5.8B	0.30	11.83	10.48	10.68
2014	15.7B	155	5.8B	0.10	9.53	9.12	9.20
2013	12.2B	132	4.2B	0.24	12.48	12.26	12.70
2012	9.4B	135	3.7B	0.24	14.42	15.40	15.51
2011	8.7B	129	3.5B	0.21	18.88	18.95	20.69
2010	8.6B	123	3.2B	0.22	NA[1]	NA[1]	NA[1]
2009	6.3B	106	1.5B	0.64	NA[1]	NA[1]	NA[1]
2008	4.5B	108	792.5M	0.86	NA[1]	NA[1]	NA[1]
2007	4.4B	96	764.2M	0.44	NA[1]	NA[1]	NA[1]
2006	3.7B	42	672.7M	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