Diamond Hill Large Cap Concentrated Strategy

As of September 30, 2021

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 the value indices 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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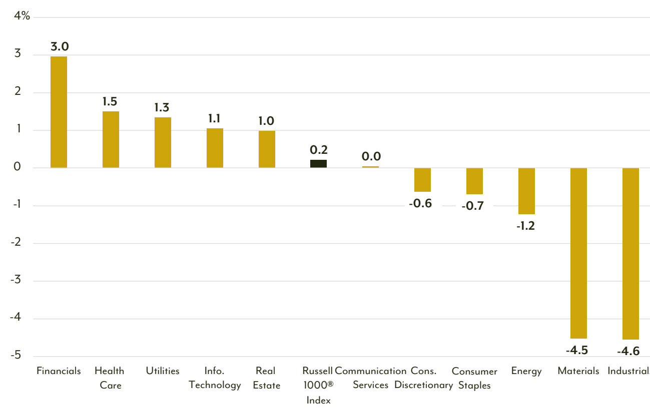
RUSSELL 1000® INDEX SECTOR RETURNS - 3Q21



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

Performance Discussion

The portfolio did not keep pace with the Russell 1000® Index in Q3 largely due to the underperformance of our holdings in the consumer discretionary and technology sectors. Our outsized exposure to financials as well as the strong performance of our holdings in the sector helped offset some of the relative results, as did our underweight to a weak industrials sector.

Several stocks in the financials sector were among our top contributors this quarter. Property and casualty insurance company American International Group (AIG) continues to advance the turnaround of its property & casualty segment and make 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. Other top contributing financial holdings included KKR & Co. and new holding Truist Financial Corporation.

Global pharmaceutical company Pfizer and IT services provider Cognizant Technology Solutions were also among our top contributors. Pfizer's stock advanced in Q3 due to positive investor sentiment about the company's COVID vaccine sales. Although we are pleased with the recent stock performance, COVID 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.

Please see GIPS report in the appendix.

DIAMOND HILL CAPITAL MANAGEMENT

The share price of Cognizant Technology Solutions rebounded this quarter after the company reported solid Q2 results despite continued employee attrition challenges. The company has been able to use subcontractors in some instances to manage through elevated employee attrition levels with minimal impact on operating margins. Cognizant also indicated that for full-year 2021 it expects to generate year-over-year revenue growth of 7% to 8% on an organic, constant currency basis, which was modestly better than previous expectations.

Bottom contributors this quarter included apparel and footwear company V.F. Corporation and financial services technology company Fidelity National Financial Services. 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 Q3 included health care insurance provider Humana, auto manufacturer General Motors and copper-focused mining company Freeport-McMoRan. 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. Freeport-McMoRan's stock, along with other mining companies, reacted to the slight pullback in copper prices this quarter, which reached record levels in the first half of 2021.

Portfolio Activity

We exited our position in Charles Schwab this quarter as its share price reached our estimate of intrinsic value. We redeployed a portion of that capital into Truist Financial Corporation, as the combination of underlying fundamentals and valuation were attractive. The company continues to experience growth driven by non-interest revenues from insurance brokerage and capital markets activities, while merger cost savings progress—Truist was formed in December 2019 as the result of the merger of BB&T (Branch Banking and Trust Company) and SunTrust Banks—and capital return accelerates due to increased share repurchases.

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.

Diamond Hill Large Cap Concentrated Strategy

As of September 30, 2021

PERIOD AND ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2011

	SINCE INCEPTION	5-YR	3-YR	1-YR	YTD	3Q21
LARGE CAP CONCENTRATED COMPOSITE						
Gross of Fees	14.28	14.70	12.67	32.10	13.82	-1.25
Net of Fees	13.86	14.14	12.18	31.57	13.48	-1.35
BENCHMARKS						
Russell 1000 Index	15.89	17.11	16.43	30.96	15.19	0.21
Russell 1000 Value Index	12.45	10.94	10.07	35.01	16.14	-0.78

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 - 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 Concentrated Composite has had a Performance Examination for the period 12/31/11 - 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 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.

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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.

Global Investment Performance Standards