International Strategy

As of 30 Jun 2026

DIAMOND HILL
A First Eagle Investments Company

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Quarterly Snapshot

Summary

The Strategy returned 7.79% (net of fees) compared to a 14.49% return for the MSCI ACWI ex USA Index.

Performance

Stock selection in health care and consumer discretionary contributed to performance. Information technology and consumer staples were the largest detractors during the quarter.

Key Drivers

Market volatility and geopolitical uncertainty remain elevated, and we continue to look for opportunities where market prices diverge meaningfully from our estimates of intrinsic value.

Market and portfolio review

- International equities advanced during the quarter, with performance led by a narrow group of artificial intelligence (AI)-related semiconductor companies. Strength in Taiwan and South Korea more than offset mixed returns across Europe and Japan, as investors remained focused on companies benefiting from accelerating AI infrastructure spending.
- European equities generated positive returns, supported by improving economic data, easing inflation and expectations for additional monetary policy accommodation. Cyclical sectors outperformed defensives, although returns varied meaningfully across individual companies and industries.
- Japanese equities were positive as corporate governance reforms and shareholder-friendly capital allocation continued. However, a stronger yen and uncertainty around global trade tempered gains later in the quarter.
- Emerging markets outperformed developed international markets, driven primarily by Taiwan and South Korea, where semiconductor manufacturers and memory producers benefited from continued strong demand related to AI infrastructure investment. Chinese markets declined as investors weighed policy support against a still-challenging domestic economic backdrop.
- Information technology was the strongest-performing sector, led by semiconductor and equipment companies exposed to AI-related demand. Market leadership remained highly concentrated, with capital continuing to flow toward a relatively small number of companies viewed as beneficiaries of expanding AI investment.
- We continue to focus on identifying individual companies where market prices differ meaningfully from our estimates of intrinsic value. While periods of narrow market leadership can create short-term performance challenges, we believe they also create opportunities to invest in high-quality businesses with long runways for value compounding at attractive prices.

Key contributors

- **Taiwan Semiconductor Manufacturing Company** is the world's largest dedicated chip foundry, holding approximately 70% market share and advanced manufacturing capabilities. Shares outperformed after the company announced strong demand for its semiconductor manufacturing services and increased its revenue outlook, driven by AI and high-performance computing chips.
- Shares of South Korean semiconductor manufacturers **Samsung Electronics** and **SK hynix** outperformed during the quarter, supported by strong AI-related memory demand, rising prices for semiconductor memory and continued momentum in high-bandwidth memory.

Key detractors

- Oil and natural gas companies **Canadian Natural Resources** and **Imperial Oil** underperformed in 2Q26 due to industry-wide weakening energy prices. Fundamentally, these businesses continue to perform well, and our long-term theses remain unchanged.

- **Alibaba** shares declined during the quarter as investors remained concerned about the pace of China's consumer recovery, ongoing competitive pressures in e-commerce and mixed expectations for cloud growth despite continued AI investment. Broader weakness in Chinese equities also weighed on the stock.

New positions

There were no new positions in the portfolio during the quarter.

Eliminated positions

- **HDFC**, a retail-focused bank in India, Japanese industrial company **SWCC**, UK-based aerospace manufacturer **Melrose Industries** and global insurance broker **Willis Towers Watson** were sold to fund more attractive opportunities.

Period and Annualized Total Returns (%)

	Since Inception (31 Dec 2016)	5Y	3Y	1Y	YTD	2Q26
Gross of Fees	11.80	9.25	16.64	24.34	12.00	7.99
Net of Fees	10.97	8.44	15.77	23.41	11.58	7.79
MSCI ACWI ex USA Index	9.85	8.79	18.82	27.66	13.68	14.49

Calendar Year Returns (%)

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Gross of Fees	32.22	-9.62	24.95	7.64	13.73	-12.76	19.18	4.81	29.38
Net of Fees	31.23	-10.30	24.01	6.83	12.87	-13.41	18.29	4.03	28.41
MSCI ACWI ex USA Index	27.19	-14.20	21.51	10.65	7.82	-16.00	15.62	5.53	32.39