

# Large Cap Concentrated Strategy

DIAMOND HILL  
A First Eagle Investments Company

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**Austin Hawley, CFA**  
Portfolio Manager

**Brian Fontanella, CFA**  
Portfolio Specialist

## Quarterly Snapshot

### Performance

The Strategy declined 3.31% (net of fees) compared to an increase of 2.10% for the Russell 1000 Value Index.

### Key Drivers

Stock selection in financials and information technology was the largest detractor from relative performance, while our underweight to utilities also detracted. Stock selection in energy, along with our overweight to consumer staples and underweight to communication services, contributed.

### Summary

The war in Iran is creating near-term uncertainty in markets. Our energy positioning – a large weight in ConocoPhillips, an oil-sensitive exploration and production company with higher beta to the commodity price – is intentional and was beneficial in Q1. We continue to evaluate the war's broad economic impacts and are adjusting our estimates of intrinsic business value as necessary.

## Market and portfolio review

Equity market volatility picked up in Q1 due in large part to the ongoing war in Iran. While the broad market fell in Q1, the Russell 1000 Value Index increased 2.10%. Unsurprisingly, energy (+38%) was by far the best-performing sector, with oil prices rising sharply as global supplies have been impacted by the closure of the Strait of Hormuz. Materials (+11%) and utilities (+9%) also saw strong outperformance in Q1, while financials (-8%) and consumer discretionary (-4%) were the two worst-performing sectors.

A small group of holdings, including some of our largest positions, underperformed meaningfully in Q1 and drove much of the underperformance. Salesforce, Capital One Financial, Abbott Laboratories and American International Group were the largest detractors from performance. While the health of the consumer, including the impact of higher gasoline prices, is a near-term concern regarding credit for Capital One, we continue to feel very good about the long-term outlook for these holdings. Stock-specific concerns have driven significant valuation multiple compression, but their fundamentals remain consistent with our expectations.

We have been finding more attractive opportunities in defensive areas of the market, along with cyclicals that aren't benefiting from artificial intelligence (AI). Some of these holdings, including Colgate-Palmolive, Union Pacific and Labcorp, outperformed in Q1 as the market broadened. And although our energy exposure was just a modest positive contributor to relative performance,

ConocoPhillips (+42%) was the largest contributor to absolute returns. However, these contributors were not enough to offset the impact of the previously mentioned holdings.

### Key contributors

- Exploration and production company **ConocoPhillips** saw shares rise as the sharp increase in oil prices drove a broad rally across US-based oil producers. As geopolitical tensions in the Middle East tightened the supply outlook, investors increasingly rewarded US producers for their leverage to higher commodity prices, potential for outsized cash generation and capacity for strong capital returns.
- Semiconductor and processor producer **Texas Instruments** saw shares rise after issuing Q1 guidance that exceeded market expectations and indicated a recovery in demand following a protracted industry downturn.
- Despite a softer consumer backdrop, global consumer products company **Colgate-Palmolive** has continued to deliver strong recent results. We believe this performance reflects disciplined execution, sustained brand investment and the strength of its market positions, particularly in categories such as toothpaste and pet food. Although management expects category growth to remain somewhat muted in 2026, Colgate appears well-positioned to continue outperforming through innovation, advertising support and consistent operational execution.

## Key detractors

- Shares of **Salesforce** declined amid concerns around generative AI competition. Despite a more prolonged slowdown than initially anticipated, growth appears poised to reaccelerate in 2026, and if management's longer-term guidance proves accurate, revenue growth and profitability should trend higher over time.
- Consumer finance company **Capital One** underperformed during the quarter following its announced acquisition of Brex, an AI-native commercial fintech platform. While the market generally viewed the deal's strategic and financial merits favorably over the long term, shares were pressured by near-term concerns, including higher planned marketing spend to capture credit opportunities and rising uncertainty around future credit costs amid macro volatility.
- Shares of diversified health care company **Abbott Laboratories** declined following Q4 results and forward guidance that were below expectations, largely due to headwinds in its nutrition business.

## New positions

- We initiated a position in global software provider **Microsoft** as near-term concerns around Azure's cloud computing growth and capacity constraints weighed on sentiment, giving us the opportunity to purchase the shares at a very attractive valuation. We believe these factors, along with the company's evolving relationship with OpenAI, have temporarily obscured long-term competitive advantages and growth potential.

## Eliminated positions

- As shares of automaker **General Motors Company** approached our estimate of intrinsic value, we eliminated the position to allocate funds to more attractive opportunities.

| Period and Annualized Total Returns (%) | Since Inception<br>(31 Dec 2011) | 10Y   | 5Y    | 3Y    | 1Y    | YTD   | 1Q26  |
|---|----------------------------------|-------|-------|-------|-------|-------|-------|
| Gross of Fees                           | 12.15                            | 11.77 | 7.48  | 12.77 | 0.49  | -3.17 | -3.17 |
| Net of Fees                             | 11.42                            | 11.07 | 6.83  | 12.09 | -0.11 | -3.31 | -3.31 |
| Russell 1000 Value Index                | 11.51                            | 10.58 | 9.43  | 14.31 | 15.87 | 2.10  | 2.10  |
| Russell 1000 Index                      | 14.19                            | 13.97 | 11.34 | 18.14 | 17.74 | -4.18 | -4.18 |

| Calendar Year Returns (%) | 2012  | 2013  | 2014  | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2021  | 2022   | 2023  | 2024  | 2025  |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|-------|-------|-------|
| Gross of Fees             | 10.00 | 38.75 | 10.70 | -0.58 | 19.17 | 19.26 | -7.17 | 31.76 | 10.51 | 27.43 | -12.59 | 17.32 | 14.97 | 9.22  |
| Net of Fees               | 9.23  | 37.78 | 9.92  | -1.28 | 18.33 | 18.48 | -7.77 | 30.90 | 9.79  | 26.65 | -13.12 | 16.62 | 14.28 | 8.56  |
| Russell 1000 Value Index  | 17.51 | 32.53 | 13.45 | -3.83 | 17.34 | 13.66 | -8.27 | 26.54 | 2.80  | 25.16 | -7.54  | 11.46 | 14.37 | 15.91 |
| Russell 1000 Index        | 16.42 | 33.11 | 13.24 | 0.92  | 12.05 | 21.69 | -4.78 | 31.43 | 20.96 | 26.45 | -19.13 | 26.53 | 24.51 | 17.37 |

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