

Large Cap Concentrated Strategy

As of 30 Sep 2026

DIAMOND HILL
A First Eagle Investments Company

Chuck Bath, CFA
Portfolio Manager

Nate Palmer, CFA, CPA
Portfolio Manager

Matt Stadelman, CFA
Client Portfolio Manager

Quarterly Snapshot

Performance

The Strategy returned 3.35% (net of fees) while the Russell 1000 Value Index returned 2.61%.

Key Drivers

Stock selection in consumer discretionary and our underweight to utilities, along with our stock selection and overweight to energy, were the largest contributors to relative performance. Stock selection in materials, consumer staples and financials were the largest detractors from performance.

Summary

We believe above-average equity market valuations are likely to lead to below-average returns over the next five years. However, we continue to find attractive opportunities on a bottom-up basis and are confident we can achieve better-than-market returns over the next five years through active portfolio management.

Market and portfolio review

Information technology (+13%) was again among the best performing sectors in the Russell 1000 Value Index, and energy (+16%) was the best-performing sector as a resolution to the war in Iran remains elusive. The communication services (+10%) and health care (+9%) sectors also performed well, while the sharp rise in interest rates weighed on utilities (-12%), industrials (-6%) and real estate (-6%).

After assuming responsibility on July 1, the new portfolio management team repositioned the portfolio to reflect their highest conviction ideas, which included nine new and eight eliminated positions. The most notable change was increased exposure to several companies that we believe are well positioned to be long-term beneficiaries of AI, but importantly, many of these companies, such as Alphabet and Meta Platforms, also have a high quality and dominant core business. To help fund these additions, we eliminated or reduced several positions in which we have less confidence, which resulted in reduced exposure to consumer staples, financials and real estate. Financials remain the portfolio's largest sector weight; however, this repositioning resulted in a shift away from insurance toward banks to reflect the new portfolio management team's greater confidence in the fundamentals in the banking industry.

After representing a notable detractor from relative performance over the past several quarters, our technology-related exposure drove the third quarter's outperformance. With incremental concern of a slowdown in the pace of frontier AI model development, we observed a reversal in the areas of

technology that have been driving returns. Although many stocks were recently removed from the value index in June's Russell reconstitution, several of the AI-spending beneficiaries that contributed significantly to index returns in recent quarters were weak. Meanwhile, after several quarters of underperformance, many software and legacy technology companies outperformed in 3Q26, a dynamic that helped relative performance.

Oil prices soared during the quarter, and energy stocks benefited. Given its leverage to oil prices, ConocoPhillips was a top contributor, and our overweight in the sector also benefited relative performance. Higher oil prices also contributed to the sharp rise in interest rates during the quarter, which affected various areas of the market and had a mixed impact on the portfolio's relative performance. Higher rates contributed to poor returns for utilities, so our underweight to the sector contributed to relative returns in the quarter; however, certain holdings with rate-sensitive housing exposure, including Martin Marietta Materials and Ferguson Enterprises, detracted.

Key contributors

- Shares of **Microsoft** rose after the company reported strong Azure results that included a growth reacceleration in quarterly results and guidance. Microsoft remains very well positioned to implement AI into its current offerings while also adding enormous AI-computing capacity to lease to customers on attractive economic terms.

- Exploration and production company **ConocoPhillips** saw shares rise during the quarter on a sharp increase in oil prices amid renewed tensions in the Middle East. The company's exposure to higher commodity prices supported its shares.
- Shares of health care tools and diagnostics company **Thermo Fisher Scientific** outperformed following strong second quarter results and improving customer activity across its key life sciences end markets, reinforcing confidence in continued demand recovery.

Key detractors

- Shares of building materials supplier **Martin Marietta Materials** declined as weak construction sentiment weighed on residential, non-residential and infrastructure markets. Uncertainty surrounding infrastructure funding and the announcement of a large acquisition that increased leverage amid challenging market conditions further pressured shares.
- Insurance broker **Aon** underperformed during the quarter amid concerns that the company overpaid for its acquisition of middle-market broker USI. Investors also questioned whether Aon can accelerate organic growth in the acquired business moving forward.
- Medical technology company **Stryker** saw shares decline amid headwinds in its peripheral vascular business and softer-than-expected joint replacement volumes. Despite strong overall quarterly results, expectations for a slower recovery in these businesses weighed on shares.

New positions

- Health care tools and diagnostics company **Thermo Fisher Scientific** is benefiting from recovering end-market demand following a multiyear slowdown after the pandemic. We believe the company is well positioned to gain market share over time, supported by its scale, broad product portfolio and strong commercial execution.
- **Meta Platforms** is the world's largest social media company and operates several applications, including Facebook, Instagram, Messenger, WhatsApp and Threads, serving more than 3.5 billion daily active users. We initiated a position as we believe the market is underappreciating the company's accelerating core advertising business and broad distribution advantages, creating an attractive entry point from a valuation perspective.

- We initiated a position in **JPMorgan Chase**, a global financial services firm, as we believe its scale enables continued technology investment that should improve efficiency over time. While some of these gains will be reinvested to support revenue growth, we expect improved efficiency to help contain expense growth and drive both positive operating leverage and stronger returns.
- **Taiwan Semiconductor Manufacturing** is the world's largest semiconductor foundry, manufacturing advanced chips for leading technology companies. We are attracted to the company's direct exposure to growing AI-computing demand, supported by its leadership in advanced chip manufacturing and strong profitability.
- We initiated a position in global technology company **Alphabet** as we believe AI is strengthening its core search and advertising business as well as several other products. Additionally, Google Cloud has emerged as a leading AI-infrastructure platform, supporting attractive and profitable revenue growth.
- Global payments technology company **Visa** was added to the portfolio as we are attracted to its durable competitive advantages, asset-light business model and resilient payment volume growth. We also see opportunities for the company to expand its role in digital commerce through its value-added services and commercial payment solutions.
- **Adobe** is a leading software company specializing in content creation, document management and digital marketing. We initiated a position as we believe the market overestimates competitive threats and underappreciates the company's loyal customer base, pricing power and deeply embedded workflows. We see opportunities for continued growth through product innovation and AI. Strong cash flow generation and share repurchases support attractive long-term shareholder returns.
- **Ameren**, a regulated electric and gas utility, was added to the portfolio given its combination of steady growth, a strong balance sheet and a supportive regulatory environment. We believe its attractive rate base growth outlook should also support long-term growth.
- **Stryker** is a medical technology company providing surgical equipment, instruments and implants across orthopedic and neurovascular markets. The company's broad product portfolio, consistent innovation and strong commercial execution position Stryker to continue gaining market share and delivering above-market growth.

Eliminated positions

Shares of the following companies were sold to allocate funds to more attractive opportunities.

- American International Group
- Capital One Financial
- Colgate-Palmolive
- Salesforce
- SBA Communications
- Texas Instruments
- Walt Disney
- Zoetis

Period and Annualized Total Returns (%)	Since Inception (31 Dec 2011)	10Y	5Y	3Y	1Y	YTD	3Q26
Gross of Fees	12.10	11.29	7.99	12.77	3.23	1.88	3.50
Net of Fees	11.38	10.60	7.34	12.09	2.61	1.42	3.35
Russell 1000 Value Index	12.27	11.43	11.92	20.07	23.81	19.27	2.61
Russell 1000 Index	14.90	15.04	13.01	22.48	15.01	12.30	1.80

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

Diamond Hill Capital Management, LLC (DHCM) is an investment adviser registered with the Securities and Exchange Commission and a wholly owned subsidiary of Diamond Hill Investment Group, LLC; registration does not imply a certain level of skill or training. DHCM provides investment management services to individuals and institutions through mutual funds, separately managed accounts, collective investment trusts, a closed-end interval fund and other pooled vehicles including subadvised funds and model delivery programs. Policies for valuing investments, calculating performance and preparing GIPS reports, as well as a complete list and description of all composites, are available upon request. To receive a complete list and description of all Diamond Hill composites and/or a GIPS® report, contact Patrick Trencansky at 614.641.2734, ptrencansky@diamond-hill.com or 325 John H. McConnell Blvd., Suite 200, Columbus, OH 43215. A list of broad distribution pooled funds is available upon request. In addition, a list of limited distribution pooled fund descriptions 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 composite 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 US Dollars. Net returns are calculated by reducing the gross returns by the highest stated fee in the composite fee schedule. Only transaction costs are deducted from gross of fees returns. Prior to 30 September 2022, actual fees were used in calculating net returns. All net returns were changed retroactively to reflect the highest fee in the composite fee schedule. The Russell 1000 Value Index is the benchmark. This index measures the performance of US large-cap companies with lower price/book ratios and forecasted growth values. The Russell 1000 Index is shown as additional information. This index measures the performance of roughly 1,000 US large-cap companies. The indexes are unmanaged, market capitalization weighted, include net reinvested dividends, do not reflect fees or expenses (which would lower the return) and are not available for direct investment. Index data source: London Stock Exchange Group PLC. See diamond-hill.com/disclosures for a full copy of the disclaimer. **The performance data quoted represents past performance; past performance does not guarantee 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.

Securities referenced may not be representative of all portfolio holdings. The reader should not assume that an investment in the securities was or will be profitable.

The views expressed are those of Diamond Hill as of 30 September 2026 and are subject to change without notice. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. Investing involves risk, including the possible loss of principal.