

Market Commentary

Following a trying 2020, investors (and people in general) were hopeful that 2021 would bring better times. Thus far, we've seen continued distribution of COVID-19 vaccines globally, gradual steps to reopening economies and broad gains in major markets across the globe. Stocks in India and Russia advanced 7% in the first quarter, while equities in the U.K. and U.S. experienced 6% gains. In other regions, we saw stocks pull back, including in China and Brazil. Chinese stocks had momentum through the first half of the quarter but took a breather in the latter half on concerns of slowing earnings growth and expensive valuations, ending the quarter with a small loss. Brazilian stocks fell nearly 10% in the first quarter. Brazil's economic recovery following the pandemic has been tough, despite fiscal stimulus, as a resurgence in COVID-19 cases have plagued the country that has not imposed lockdowns or other restrictions.

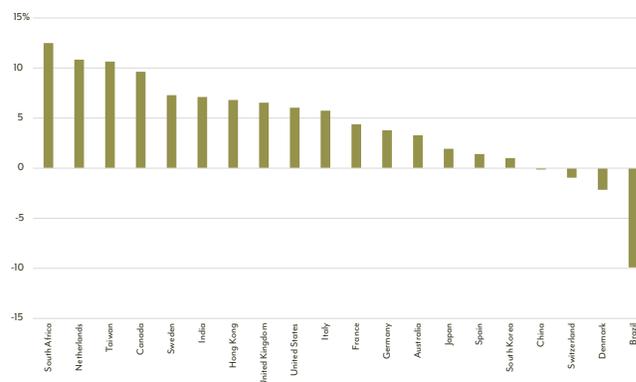
In Q1, all sectors in the Morningstar Global Markets Index posted positive returns. Double-digit gains were seen in the market's more cyclical areas of energy and financials, on expectations that global economic growth and demand are picking up steam. On the other end of the spectrum were consumer staples (0.1%) and health care (0.3%) stocks. Global tech stocks only advanced 2% in the first quarter after robust 45% gains in 2020.

It's fascinating to note that over the past 12 months, which includes a once-in-a-hundred-years (hopefully) global pandemic, global stocks have advanced 54% (as measured by the MSCI All Country World Index). Those are incredible gains considering what we've been through over the past year. As valuation-disciplined investors, strong market advances like these make our job of finding stocks trading at discounts to their intrinsic value more challenging, but we continue to look for pockets of the market that are not being rewarded.

TEAM

Grady Burkett, CFA
Portfolio Manager

MORNINGSTAR GLOBAL MARKETS INDEX—Q1 2021



Source: FactSet, as of 3/31/2021. The chart above includes the top 20 countries by weight in the Index and is sorted by total return.

Performance Discussion

In Q1, the portfolio performed roughly in line with the Morningstar Global Markets Index. We benefited from positive stock selection in the U.S., China and Japan, while our stocks in the U.K. and our lone holding in Israel (Check Point Software Technologies) underperformed. From a sector perspective, stock selection in the consumer discretionary, financials and energy sectors was positive. Our outsized exposure to the communication services sector and our lack of utilities holdings also helped relative performance. Working to offset those positives was the underperformance of our industrial names and our overweight to the consumer staples sector—staples have lagged cyclicals and areas viewed as more leveraged to an economic reopening post-pandemic.

On an individual holdings basis, top contributors to return were largely U.S. stocks, including Chevron Corporation, Charles Schwab and Berkshire Hathaway. Chevron's stock advanced over 25% this quarter—a steady increase in oil prices in Q1 drove a strong recovery in the shares of oil producers, of which Chevron is one of the largest. Charles Schwab has benefited from its asset gathering efforts, expanded product suite and extended customer reach. The continued growth of mobile trading technology is driving increased retail investor engagement. In addition, expectations for solid, relatively stable earnings growth and the potential for positive synergies from the TD Ameritrade acquisition have driven multiples higher. Berkshire Hathaway reported strong



earnings across its major subsidiaries and continued to increase the amount of cash returned to shareholders via buybacks. Other top contributors in the quarter included Japanese telecom services provider KDDI Corporation and U.S. financial services firm JPMorgan Chase.

The portfolio's largest detractors included the aforementioned Check Point Software Technologies, Unilever and Nintendo. Check Point Software Technologies is a leading provider of cyber security solutions to governments and corporate enterprises globally. Its share price declined this quarter after the company delivered disappointing earnings guidance due primarily to management's expectation for modest margin deterioration. U.K.-based consumer goods manufacturer Unilever underperformed due to concerns over margin pressure. The share price of Japanese video game company Nintendo was weighed down due to concerns about the growth prospects of the company's current console and game cycle. Other bottom contributors in the quarter included Swiss pharmaceutical company Roche Holding and U.S. consumer snack and beverage manufacturer PepsiCo. Our long-term fundamental outlook on these companies remains unchanged.

Portfolio Activity

We initiated three new positions this quarter including Verizon Communications, Zynga and Alibaba Group. For the better part of the last decade, and since the onset of the 4G and LTE eras, Verizon has been the leading wireless carrier in the U.S. Verizon's best-in-class 4G LTE network gives the company a sizable competitive advantage compared to T-Mobile and AT&T. This network advantage, combined with the company's ongoing network investments, will provide a strong platform for Verizon to build a leading 5G network.

Zynga is a mobile game developer with popular social games such as Words With Friends and FarmVille. The company is investing significantly in new game launches that we expect should materialize into real cash flow this year and next. Its business model is light on operating expenditures (outside of marketing new games), and they have net cash on the balance sheet. We also like the stickiness of Zynga's loyal customer base. We believe the combination of its strong content, go-to-market capabilities, scale and secular tailwinds will drive intrinsic value growth over the long term.

China-based Alibaba is engaged in the businesses of e-commerce marketplaces, online-to-offline services, payments and financial services, logistics and fulfillment, cloud computing, media and entertainment. The company has built a complete ecosystem of merchants, service and content providers, and end users—all engaged in the online consumption of physical goods, services and

digital content. We expect Alibaba to benefit over the medium term from higher penetration of e-commerce and healthy retail sales growth. Being the most dominant e-commerce platform in China, the company is expected to capture the lion share of incremental profitability in the industry. Moreover, cloud computing and cross-border commerce offer additional areas of growth for Alibaba longer term.

To fund these and other new investment opportunities, we exited our positions in JPMorgan Chase, Taiwan Semiconductor Manufacturing and Howden Joinery Group.

Market Outlook

After a historic slowdown in global GDP, economic activity has been rebounding—albeit, different parts of the globe are recovering at different paces. We expect the recovery to continue in 2021 as vaccines are distributed more broadly and restrictions on day-to-day life are eased.

Although equity markets have recently hit all-time highs and corporate earnings may soon do the same, the after-effects of COVID-19 will likely linger more acutely for certain industries. While certain businesses have seen unprecedented spikes in demand, others have seen the opposite and have had to borrow heavily to survive. We have been focused on how businesses have managed their balance sheets and liquidity situations through the crisis, and how long-term competitive positions may have been impacted.

With the distribution of multiple, highly efficacious vaccines progressing, it is expected that the spread of COVID-19 will continue to slow over the next several quarters. Despite the risk of new variants, equity markets seemingly reflect much of the economic recovery to come, with a forward P/E multiple at a historically elevated level. From current levels, equity market returns over the next five years are expected to be below historic norms.

We expect the businesses we own to thrive as economic conditions strengthen. Importantly, we have conviction that our portfolio holdings will also weather unpredictable negative shocks that will almost certainly occur at some point. 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.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF MARCH 31, 2021

Alibaba Group Holding Ltd.	0.8%	Nintendo Co. Ltd.	1.0%
Berkshire Hathaway, Inc. (CI B)	4.8	PepsiCo, Inc.	2.7
Charles Schwab Corp.	3.2	Roche Holding AG	4.6
Check Point Software Technologies Ltd.	6.0	Unilever PLC	5.5
Chevron Corp.	4.0	Verizon Communications, Inc.	5.2
KDDI Corp.	1.9	Zynga, Inc. (CI A)	1.5

PERIOD AND ANNUALIZED TOTAL RETURNS AS OF MARCH 31, 2021

	SINCE INCEPTION (12/31/13)	5-YR	3-YR	1-YR	YTD	1Q21	EXPENSE RATIO
GLOBAL FUND							
Class I	7.08%	11.06%	6.13%	55.84%	4.40%	4.40%	0.84%
BENCHMARK							
Morningstar Global Markets Index	9.20	13.11	11.82	56.49	4.87	4.87	—

Risk Disclosure: The Fund invests in non-U.S. securities. Investing in non-U.S. securities may entail risk due to foreign economic and political developments; this risk may be higher when investing in emerging markets. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. There are specialized risks associated with small capitalization issues, such as market illiquidity and greater market volatility, than large capitalization issues.

The views expressed are those of the portfolio managers as of March 31, 2021, are subject to change and may differ from the views of other portfolio managers or the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of results, or investment advice.

The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's current performance may be lower or higher than the performance data quoted. Investors may obtain performance information current to the most recent month-end, within 7 business days, at diamond-hill.com.

The quoted performance for the Fund reflects the past performance of Diamond Hill Global Fund L.P. (the "Global Partnership"), a private fund managed with full investment authority by the fund's Adviser. The Fund is managed in all material respects in a manner equivalent to the management of the predecessor unregistered fund. The performance of the Global Partnership has been restated to reflect the net expenses and maximum applicable sales charge of the fund for its initial years of investment operations. The Global Partnership was not registered under the Investment Company Act of 1940 and therefore was not subject to certain investment restrictions imposed by the 1940 Act. If the Global Partnership had been registered under the 1940 Act, its performance may have been adversely affected. Performance is measured from December 31, 2013, the inception of the Global Partnership and is not the performance of the fund. The assets of the Global Partnership were converted, based on their value on December 29, 2017, into assets of the fund. The Global Partnership's past performance is not necessarily an indication of how the fund will perform in the future either before or after taxes.

Performance returns assume reinvestment of all distributions. Returns for periods less than one year are not annualized.

Fund holdings subject to change without notice.

The Morningstar Global Markets Index is a net total return index designed to provide exposure to the top 97% of equity market capitalization in both developed and emerging markets. This index does not incur fees and expenses (which would lower the return) and is not available for direct investment.

Index data source: Morningstar, Inc. See diamond-hill.com/disclosures for a full copy of the disclaimer.

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.

An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending any money. This and other important information about the Fund(s) can be found in the Fund's(s) prospectus or summary prospectus which can be obtained at diamond-hill.com or by calling 888.226.5595. Please read the prospectus or summary prospectus carefully before investing. The Diamond Hill Funds are distributed by Foreside Financial Services, LLC (Member FINRA). Diamond Hill Capital Management, Inc., a registered investment adviser, serves as Investment Adviser to the Diamond Hill Funds and is paid a fee for its services. Like all mutual funds, Diamond Hill Funds are not FDIC insured, may lose value, and have no bank guarantee.