Diamond Hill All Cap Select Fund Commentary

As of June 30, 2021

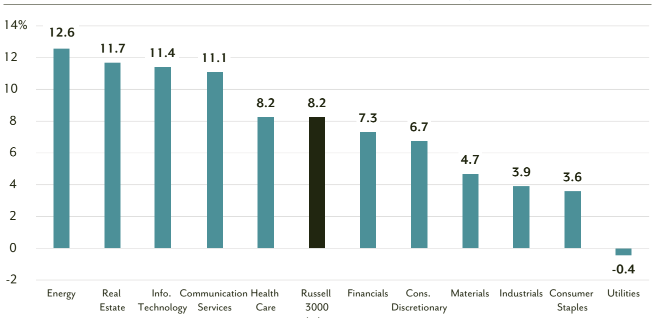
Market Commentary

Equity markets moved higher in Q2, closing out the first half of the year with double-digit gains as the economic recovery picked up steam. Vaccination rates continued to rise—albeit at a slower pace—and many states lifted mask mandates giving consumers more confidence that conditions are improving. The White House announced a tentative infrastructure spending deal, which contributed to the rosy economic outlook. With a backdrop of improving economic conditions, inflation ticked up, though it remains unclear whether it's transitory or the beginning of a longer-term trend.

Most sectors in the Russell 3000® Index advanced in Q2, with double-digit gains in energy (12%), real estate (11%), technology (11%) and communication services (11%). With a strong economic rebound and expectations for rising inflation, the energy sector continues seeing strong gains. After taking a breather in Q1, technology stocks rallied on the back of higher economic growth, including Facebook, which advanced more than 18%. Relative laggards this quarter were the more defensive sectors of the market, including consumer staples and utilities, which returned 3.6% and -0.4%, respectively.

In a reversal from Q1, large cap stocks posted the strongest gains (up 8.5%) followed closely by mid caps (up 7.5%) and then small caps (up 4.3%). Also changing course this quarter was the preference for value—growth stocks' advance roughly doubled value's in the large and mid cap market segments. Interestingly, small cap value stocks edged out small growth by 64 basis points. Value stocks across all market cap segments still lead by a wide margin year to date due to their strong Q1 performance.

RUSSELL 3000® INDEX SECTOR RETURNS - 2Q21



Source: FactSet, as of 6/30/2021.

TEAM

Austin Hawley, CFA	Rick Snowdon, CFA
Portfolio Manager	Portfolio Manager

Performance Discussion

The portfolio did not keep pace with the Russell 3000® Index in Q2, due in part to the underperformance of our technology holdings. Additionally, relative results were hampered by what we did not own in tech, namely software companies, which advanced nearly 15%. Our holdings in the consumer staples and financials sectors also trailed those in the index. Helping to offset some of those relative shortfalls was positive security selection among our industrials, utilities and materials stocks. Despite a challenging relative quarter, the portfolio has advanced over 22% in the first half of the year, outpacing the index by a wide margin.

On an individual holdings basis, top contributors to return included casino operator Red Rock Resorts, private equity firm KKR & Co. and industrial materials manufacturer WESCO International. Red Rock Resorts, which controls over half the Las Vegas locals market, is benefiting from pent-up demand, but it also executed well through the pandemic—controlling costs by selectively reopening facilities, improving its balance sheet and delivering record margins. KKR & Co. continues to benefit from the improving growth and cash flow dynamics of the increasingly clearer fundraising cycle and improving prospects for monetizing prior investments.

WESCO, a leader in electrical, industrial and communications materials, continues making progress on its integration of Anixter—an acquisition that closed in early 2020—and is strategically paying down merger-related debt. With increased scale and added synergy from its acquisition, we believe Wesco is well positioned as it generates strong free cash flow. Other top contributors in the quarter included social media company Facebook and specialty chemicals producer W.R. Grace.

Cognizant Technology Solutions was our biggest decliner during the quarter. The IT services provider has experienced a higher-than-normal level of employee attrition of late given the highly competitive nature of the industry, which has hampered near-term revenue growth. Shares of mortgage company Mr. Cooper Group sold off in Q2 as refinancing activity slowed down. The booming refi market has driven outsized profits in recent quarters, but an eventual slowdown was not unexpected in this cyclical industry.

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Cal-Maine, the largest producer and distributor of fresh eggs in the U.S., was another bottom contributor. The environment for shell eggs has been challenging over the past 12 months. During 2020, producers that typically sell into restaurants and cafeterias responded to the demand shock by shifting into grocery stores where Cal-Maine operates—pressuring pricing. The economic reopening has improved the oversupply, but pricing remains challenged as an increase in eating away from home has pressured demand. We continue to think the long-term opportunity for Cal-Maine is in its cage-free production capabilities. Cal-Maine's ongoing investments here have depressed free cash flow in the near term but should bear long-term fruit, particularly as California looks to go 100% cage-free in 2022.

Other bottom contributors in the quarter included consumer apparel manufacturer Hanesbrands and diversified media and entertainment company Walt Disney.

Portfolio Activity

With continued gains in equity markets, finding undervalued businesses has been more challenging of late. That said, we continue to find small pockets of interesting ideas. In Q2, we added one new holding to the portfolio—Freeport-McMoRan. Freeport-McMoRan is a copper-focused mining company with high quality assets around the world. As global demand for electrification and construction increases, the supply of new copper-producing projects has lagged. This supply-and-demand dynamic has created an attractive opportunity to invest in a strong business that is oriented toward strengthening end markets.

We sold our position in SBA Communications, a stock we owned only a short time, as its share price quickly appreciated before we were able to build a larger position. We also exited our positions in payment processing and services provider Visa and online travel services provider Booking Holdings.

Market Outlook

Vaccination progress globally has allowed economies to reopen and consumers to dust off the cobwebs of being in a prolonged lockdown. Many economic sectors are recovering quickly as pent-up demand is unleashed. That said, some industries may take years to return to prior levels, e.g., business travel. Additionally, the COVID-19 Delta variant, which has caused a spike in cases and hospitalizations, could be a deterrent to further economic progress as we move into the second half of the year.

Fiscal and monetary stimulus remains at unprecedented levels. The White House is pursuing additional spending measures to support the economy, including the aforementioned infrastructure plan. The Fed remains extraordinarily accommodative, but its recent comments acknowledged stronger economic activity and an uptick in inflation. The Fed's outlook was mostly unchanged in its recent meeting, which seemed to curb some inflation concerns. Rate hikes are now expected to occur in 2023 rather than 2024, but continued economic strength, federal stimulus, wage growth and supply/demand tightness could alter that course and force the Fed to pull the timeframe forward. Rising inflation and the higher interest rates that may come with it could be a headwind for equity markets and are risks we are monitoring closely.

Along with real GDP growth above historic averages, corporate earnings are expected to come in markedly higher in 2021. Equity markets seem to fully reflect the economic progress with forward P/E multiples near historic highs. From current levels, equity market returns over the next five years are expected to be in the mid-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.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF JUNE 30, 2021

Cal-Maine Foods, Inc.	2.5%	Mr. Cooper Group, Inc.	5.8%
Cognizant Technology Solutions Corp. (Cl A)	2.3	Red Rock Resorts, Inc. (Cl A)	3.5
Facebook, Inc. (Cl A)	3.7	W.R. Grace & Co.	3.3
Freeport-McMoRan, Inc.	2.1	Walt Disney Co.	2.1
Hanesbrands, Inc.	5.2	WESCO International, Inc.	6.4
KKR & Co., Inc. (Cl A)	4.5		

PERIOD AND ANNUALIZED TOTAL RETURNS AS OF JUNE 30, 2021

	SINCE INCEPTION (12/30/05)	15-YR	10-YR	5-YR	3-YR	1-YR	YTD	2Q21	EXPENSE RATIO
ALL CAP SELECT FUND									
Class I	10.14%	10.14%	13.38%	17.97%	17.01%	71.09%	22.53%	6.35%	0.87%
BENCHMARKS									
Russell 3000 Index	10.65	10.78	14.70	17.89	18.73	44.16	15.11	8.24	—
Russell 3000 Value Index	8.19	7.99	11.54	11.99	12.23	45.40	17.67	5.16	—

Risk Disclosure: Because this Fund expects to hold a concentrated portfolio of a limited number of securities, a decline in the value of these investments would cause the Fund's value to decline to a greater degree than a less concentrated portfolio. 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 June 30, 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.

Performance returns assume reinvestment of all distributions. Returns for periods less than one year are not annualized. These total return figures may reflect the waiver of a portion of a Fund's advisory or administrative fees for certain periods. Without such waiver of fees, the total returns would have been lower. Class I shares include Investor share performance achieved prior to the creation of Class I shares.

Fund holdings subject to change without notice.

The Russell 3000 Index is an unmanaged market capitalization-weighted index comprised of the 3,000 largest U.S. companies by total market capitalization. The Russell 3000 Value Index is an unmanaged market capitalization-weighted index measuring the performance of the broad value segment of the U.S. equity universe including those Russell 3000 Index companies with lower expected growth values. The Russell 1000 Index is an unmanaged market capitalization-weighted index comprised of the largest 1,000 companies by market capitalization in the Russell 3000 Index, which is comprised of the 3,000 largest U.S. companies by total market capitalization. The Russell 1000 Value 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. These indices do not incur fees and 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.

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.