Diamond Hill Corporate Credit Fund Commentary

As of June 30, 2021

All Fund returns based on Class I shares.

The Fund generated a 1.87% total return during the second quarter, compared to a 3.46% total return for the ICE BofA U.S. Corporate & High Yield Index. Year-to-date, the Fund generated a 2.79% total return compared to -0.33% for the index. For the trailing five years, the Fund generated an annualized total return of 7.87% compared to 5.39% for the index.

Unlike most corporate bond funds, the Diamond Hill Corporate Credit Fund is not managed against any index. Instead, the Fund is managed against absolute objectives within a range of inflation plus 3% and 7% nominal, each measured over rolling five-year periods. Our goal is to generate a yield and total return within that range while minimizing the risk of downside volatility over longer time periods. Although the Fund's investable universe (and the corporate & high yield index) includes both investment grade and high yield corporate bonds, since early 2010, the Fund has been largely focused on the high yield portion of the market to achieve these objectives. About 89% of the Fund was in high yield corporate bonds at the end of Q1 2021.

The high yield portion of the U.S. corporate bond market, as represented by the ICE BofA U.S. High Yield Index, began the quarter with a yield-to-worst (YTW) of 4.27% and an option-adjusted spread (OAS) of 336 basis points (bps). After generating a 2.77% total return for the quarter, the high yield index ended the quarter with a 3.86% YTW, OAS of 304 bps and an effective duration of 4.

As of the end of Q2, over all periods one year and longer, we have achieved our absolute objectives or better. In many environments, we have had to be closer to the top of our peer group but in some performance more towards the middle of our peers was sufficient. We always want to hold up especially well during down markets and then capture our fair share of up markets. Since the bottom of the market on March 23, 2020, our upside capture compared to peers has been very consistent and below median. But if you add the down market from the beginning of 2020 through March 23, 2020, our performance is right where we want it to be compared to our absolute objectives, relevant benchmarks and peers.

TEAM

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Portfolio Manager

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With yields and credit spreads at these levels, we are asked how we continue finding opportunities in the high yield market. Before addressing that question, it is important to consider the high yield asset class in the context of a broader opportunity set.

At the end of the quarter, the Inflation Indexed United States 10 Year Government Bond had a yield of -0.88%. Globally, over $13 trillion of the Bloomberg Barclays Global Aggregate Index had a negative nominal yield. So the starting point for investment grade fixed income investors is all too often a negative real yield in the U.S. and a negative nominal yield outside the U.S. And the effective duration of the Bloomberg Barclays Global Aggregate Bond Index is about 7.5. For investors who want a starting yield above expected inflation without undue interest rate risk, the high yield market as represented by the high yield index with a 3.86% yield-to-worst and duration of 4 should be of interest.

Now consider U.S. equities. Since the beginning of 2020 (before the pandemic impacted prices) through the end of Q2 2021, the market value of publicly traded U.S. equities as represented by the Wilshire 5000 Total Market Index has increased over 37% (cumulatively) which is over $12 trillion. Compare this to the market value of the U.S. investment grade and high yield corporate bond markets as represented by the corporate & high yield index which ended Q2 with a market value of about $10.3 trillion. Another way to illustrate this concept over a much longer period is shown in Exhibit 1 which shows nonfinancial corporate business debt as a percentage of the market of value of equities going back to 1951. We were at a historic low at the end of the first quarter when the data ends and that is before the 8.42% total return of the Wilshire 5000 Total Market Index in the second quarter.

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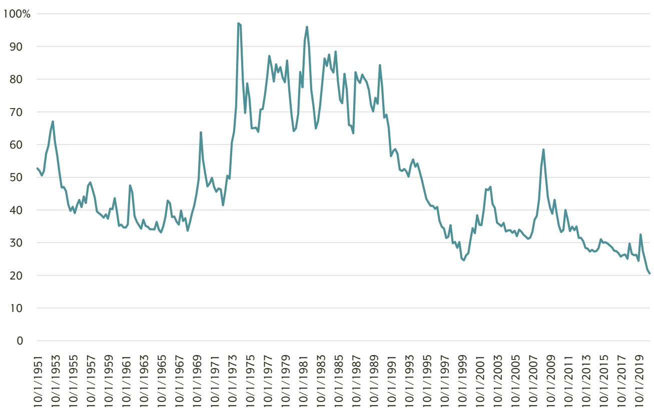
EXHIBIT 1: NONFINANCIAL CORPORATE BUSINESS DEBT AS A PERCENTAGE OF THE MARKET OF VALUE OF EQUITIES



Source: Federal Reserve Bank of St. Louis, from 9/30/1951 to 3/31/2021.

While the overlap between these equity and corporate bond indices is not perfect, it is safe to say that the value of the equity cushion has increased dramatically even from pre-pandemic levels. For corporate bond investors, the value of the "equity cushion" is an important part of the margin of safety. The value of that equity has to be zero or close to zero before the corporate bondholder is permanently impaired. Further, equity is an important source of capital for corporations that can further increase the margin of safety for bondholders.

The Federal Reserve, Congress and the executive branch, as well their counterparts globally, have a lot do with all of this. But the U.S. high yield market as represented by the high yield index is a little over $1.6 trillion while the market value of the Wilshire 5000 Total Market Index is over $45 trillion. While policymakers' direct support of the U.S. credit markets, including the high yield market, is important, the suppression of yields in the investment grade market and the huge increase in value of the equity market are more important factors.

Further, we believe the quality of high yield issuers and their fundamentals have improved dramatically, which is why defaults are now below historic averages and we expect them to continue to decline for the foreseeable future.

For all of these reasons, we believe high yield spreads will likely continue to be narrow until there is a material drawdown in equities. We doubt that high yield will be the canary in the coal mine warning of broader dangers in financial markets.

With that backdrop, we follow our standard playbook which is to look for relative values in the high yield market while staying away from the riskiest fringes. Reasonable yield and downside protection rather than price appreciation potential are the most important factors. To that end, we are encouraged by our ability to source defensive high yield bonds better than we have in a number of years. Record levels of high yield issuance and fund outflows have forced many high yield managers to sell bonds to fund new issue purchases. If they want to sell defensive yield-to-call bonds that we like at favorable prices, we are happy to facilitate their desire for liquidity.

The Fund's YTW is typically somewhere in the range of our absolute objectives, although it was well below the low end of the range in late June 2014 and well above the high end of the range in early February 2016 and again at the beginning of the second quarter of 2020. At the end of the second quarter, the Fund's YTW was again below the low end of the range at 3.63% and the effective duration was 2.66. This compares to the High Yield Index with a 3.86% YTW and 4 effective duration.

As always, we are focused on delivering risk-adjusted returns over a complete market cycle by holding up better during down markets and capturing our fair share of up markets. We continue to be constructive on corporate credit, particularly defensive high yield bonds.

Business Update

John was one of three nominees for the 2021 Morningstar Awards for Investing Excellence—Rising Talent. This is the second consecutive year that John was nominated for this award. Every day we have further proof of what I wrote last year: John has a unique combination of intellect, passion and, most importantly, creativity that is perfectly suited to the high yield market. Morningstar said, "McClain has demonstrated a strong ability to execute the approaches of two high-conviction strategies with different mandates and risk profiles."

Bill

PERIOD AND ANNUALIZED TOTAL RETURNS AS OF JUNE 30, 2021

	SINCE INCEPTION (9/30/02)	15-YR	10-YR	5-YR	3-YR	1-YR	YTD	2Q21	EXPENSE RATIO
CORPORATE CREDIT FUND									
Class I	7.31%	6.61%	6.58%	7.87%	8.18%	14.08%	2.79%	1.87%	0.63%
BENCHMARK									
ICE BofA U.S. Corporate & High Yield Index	6.17	6.08	5.42	5.39	7.73	5.35	-0.33	3.46	—

Must be preceded or accompanied by a prospectus. The 30-day SEC Yield represents net investment income earned by the fund over the previous 30-day period, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-day SEC Yield for the Corporate Credit Fund (Cl I) is 3.16%.

Risk Disclosure: The value of fixed-income securities varies inversely with interest rates; as interest rates rise, the market value of fixed-income securities will decline. Lower quality debt (i.e.: "High Yield") securities involve greater risk of default or price changes due to potential changes in the issuer's credit quality.

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. Class I shares include Investor share performance achieved prior to the creation of Class I shares.

Fund holdings subject to change without notice.

The ICE BofA U.S. Corporate & High Yield Index is comprised of U.S. dollar denominated investment grade and below investment grade corporate debt publicly issued in the U.S. domestic market. The ICE BofA U.S. High Yield Index tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The Bloomberg Barclays Global Aggregate Index measures global investment grade debt from twenty-four local currency markets. Includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. The Wilshire 5000 Total Market Index (TMWX) is a broad-based market capitalization-weighted index composed of 3,451 publicly traded companies. See diamond-hill.com/disclosures for a full copy of the disclaimer. These indices do not incur fees and expenses (which would lower the return) and are not available for direct investment.

Index data source: Bloomberg Index Services Limited, London Stock Exchange Group PLC and ICE Data Indices, LLC. The ICE index data referenced herein is the property of ICE Data Indices, LLC, its affiliates ("ICE Data") and/or its third party suppliers and has been licensed for use by Diamond Hill Capital Management, Inc. ICE Data and its third party suppliers accept no liability in connection with its use.

Analytics provided by The Yield Book® Software.

Effective duration measures the interest rate risk of the Fund. It is an estimate of the approximate percentage change in the Fund's net asset value resulting from a one percentage point change in interest rates.

Morningstar Rising Talent Award Morningstar presents the Rising Talent Award to an up-and- coming manager in Morningstar's coverage universe. The manager must have less than seven years' tenure managing portfolios and have delivered exceptional results to investors over that span of time. To qualify for the award, the manager's strategy must earn a Morningstar Analyst Rating of Gold, Silver or Bronze, for at least one vehicle and/or share class, or be featured in Morningstar Prospects, a publication highlighting investments that Morningstar analysts are following closely but have not yet received full coverage.

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.