

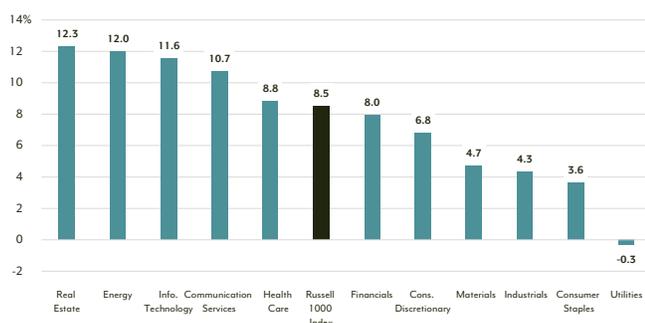
Market Commentary

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 1000® Index advanced in Q2, with double-digit gains in real estate (12%), energy (12%), technology (11%) and communication services (10%). With inflation concerns on the rise, investors looking to hedge their portfolios boosted real estate stocks in Q2, given this market segment often benefits from pricing power. 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 -0.3%, 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 1000® INDEX SECTOR RETURNS - 2Q21



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



TEAM

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Performance Discussion

The portfolio did not keep pace with the Russell 1000® Index in Q2, due in part to the underperformance of our technology holdings. Additionally, relative results were hampered by what we did not own, namely some of the largest index constituents like Microsoft and Apple or the biggest gainers in the index such as NVIDIA Corp. Our holdings in the health care and communication services sectors also trailed those in the index. Despite a challenging relative quarter, the portfolio has advanced over 9% since its inception in February of this year.

On an individual holdings basis, top contributors to return included private equity firm KKR & Co., banking and financial services company Charles Schwab and social media company Facebook. 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. Schwab's share price responded favorably in Q2 to the recent run up in rates—it is among the most interest-rate sensitive stocks in the financial sector. From a fundamental perspective, Schwab has benefited from strength in client asset growth, new account growth, higher trading volumes and client cash utilization. Client engagement also remains favorable, though off from peak levels experienced earlier this year. We remain attracted to the secular growth businesses in the retail (online broker) and institutional (RIA) channels and expect a strong tailwind from higher rates over the next several years.

Facebook was a new purchase in the portfolio this quarter. Facebook is the world's largest social network and owns other large user-base apps such as Instagram, WhatsApp and Messenger. Its family of apps benefits from "network effects" by providing an essential utility to their users, allowing them to connect with friends and share their experiences. We initiated a position in the company based on our belief that its attractive network economics will remain in place over the long term. In our view, the company has executed exceptionally well over the past three years, adding new features and services that users enjoy. We expect Facebook advertising to drive revenue growth with an attractive margin profile for the company.

Other top contributors in the quarter included diversified holding company Berkshire Hathaway and consumer food and beverage products manufacturer Mondelez International, whose share prices advanced 8% and 7%, respectively.

Among our weakest stocks were Cognizant Technology Solutions and new holding Freeport-McMoRan. IT services provider Cognizant Technology Solutions 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. In May, we initiated a position in Freeport-McMoRan, 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.

Other bottom contributors in the quarter included health care products manufacturer Abbott Laboratories, entertainment company Walt Disney and telecom and media company Charter Communications.

Portfolio Activity

With continued gains in equity markets, finding undervalued businesses has been more challenging of late. Additionally, due to the highly concentrated nature of the portfolio, new holdings face high hurdles for making it into the portfolio as we want to be confident any potential new holding is a superior investment to an existing holding. We only made two new investments this quarter—Facebook and Freeport-McMoRan. To help fund these purchases, we exited our positions in Charter Communications and Procter & Gamble.

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 to high 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

Abbott Laboratories	6.0%	Freeport-McMoRan, Inc.	3.9%
Berkshire Hathaway, Inc. (CI B)	6.1	KKR & Co., Inc. (CI A)	5.0
Charles Schwab Corp.	3.9	Mondelez International, Inc. (CI A)	5.0
Cognizant Technology Solutions Corp. (CI A)	3.8	Walt Disney Co.	5.9
Facebook, Inc. (CI A)	4.8		

PERIOD AND ANNUALIZED TOTAL RETURNS AS OF JUNE 30, 2021

	SINCE INCEPTION (2/26/21)	2Q21	EXPENSE RATIO
LARGE CAP CONCENTRATED FUND			
Class I	9.90%	3.88%	0.67%
BENCHMARKS			
Russell 1000 Index	12.64	8.54	—
Russell 1000 Value Index	11.40	5.21	—

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.

Fund holdings subject to change without notice.

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.

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.