Diamond Hill Large Cap Fund Commentary

As of September 30, 2021

(closed to most new investors)

Market Commentary

As we closed out the third quarter, September marked the worst month since the pandemic-induced selloff in March 2020. Investor concerns mounted as the delta-variant resurgence in COVID-19 cases, rising inflation and supply chain disruptions impacted economic growth expectations. Also dampening market sentiment in Q3 was continued wrangling in Washington over the debt ceiling and a massive infrastructure deal, as well as concerns over debt-laden property developer China Evergrande Group.

Equity markets ended the third quarter mixed—large-cap stocks (as measured by the Russell 1000® Index) eked out a small gain (up 0.2%), while mid- and small-cap stocks were in the red (down -0.9% and -4.4%, respectively). The Russell growth style indices held up better than their value counterparts in the large- and mid-cap spaces, but the reverse was true for small caps. The Russell 2000® Value Index fell -3.0% during the quarter compared to the Russell 2000® Growth Index's -5.7% decline. Year to date, equities across the market-cap spectrum are still holding on to double-digit gains, and value stocks remain ahead of their growth counterparts, with the widest margin at the small end of the cap spectrum.

In the Russell 1000® Index, the best performing sectors in Q3 were financials (+3.0%), health care (+1.5%) and utilities (+1.3%). The technology and real estate sectors also posted small gains. On the downside, industrials and materials were the biggest losers with declines in excess of -4%. Energy stocks also took a breather, along with stocks in both consumer sectors. Year to date, energy stocks have been the clear winners with 40%-plus gains as economic activity resumed. The financials and real estate sectors have benefited from higher interest rate expectations, helping stocks in these sectors advance more than 20% thus far in 2021. Defensive areas of the market such as utilities, consumer staples and materials have lagged the impressive returns of other sectors but are still positive for 2021.

TEAM

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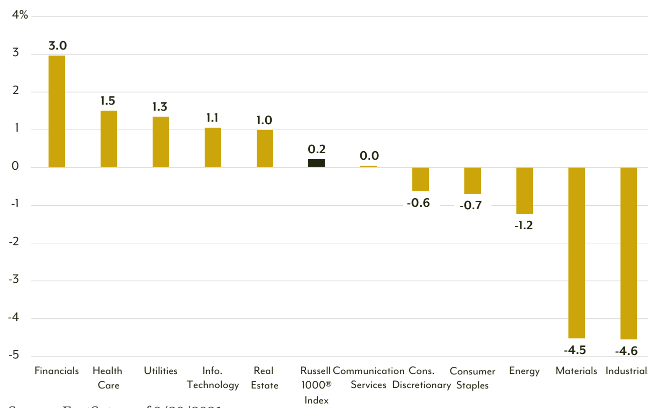
RUSSELL 1000® INDEX SECTOR RETURNS - 3Q21



Source: FactSet, as of 9/30/2021.

Performance Discussion

The portfolio performed roughly in line with the Russell 1000® Index in Q3. We benefited from the relative strength of our holdings in the financials and industrial sectors, however our stocks in the consumer discretionary and communication services sectors hampered relative results. In the technology sector, we trailed the index largely due to what we did not own, namely large index constituents such as Apple and Microsoft.

On an individual holdings' basis, top contributors to return included American International Group (AIG), Hartford Financial Services Group ("The Hartford") and Pfizer. Property and casualty insurance company AIG continues to advance the turnaround of its property & casualty segment and makes progress toward a separation of the life & retirement business. During the quarter, the company announced a partnership with Blackstone to monetize a portion of its ownership in the life & retirement business at an attractive price. The Hartford reported excellent results in its second quarter, with underwriting profitability benefitting from the strong pricing environment for commercial insurers.

Shares of global pharmaceutical company Pfizer outperformed in Q3 due to positive investor sentiment about the company's COVID-19 vaccine sales. Although we are pleased with the recent stock performance, COVID-19 vaccine sales are not a driver of our long-term thesis. We continue to like Pfizer's long-term prospects as the company has reshaped its business, divesting non-core assets to create a more innovative biopharmaceutical company. Pfizer has a distant patent cliff, an industry-leading product offering, a decent pipeline and cash flow to invest in new pipeline assets.

DIAMOND HILL FUNDS

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Other top contributors included investment firm Morgan Stanley and online travel services provider Booking Holdings. Morgan Stanley continues to benefit from a favorable fundamental backdrop and execution on its strategic initiatives, while Booking has improved its market share in the U.S. and is poised to grow profitably as global travel recovers more fully.

Among our weakest stocks were mobile video gaming publisher Zynga, apparel and footwear company V.F. Corporation and financial services technology company Fidelity National Information Services. Zynga's share price was hampered due to two recent headwinds: first, the company has experienced higher than expected churn on recently acquired users; second, Apple's new privacy policies have meaningfully disrupted the marketing channels Zynga uses to acquire new users. We believe Zynga is well positioned to emerge from these issues if they prove transitory, but we are closely following its progress on both fronts.

V.F. Corporation's share price declined in Q3 as the market appeared to be concerned with near-term impacts related to supply chain disruptions, freight cost increases and lingering pressure dampening the recovery for its Vans® brand due to its outsized brick-and-mortar exposure. The remainder of its brand portfolio has experienced solid momentum. We view the long-term prospects and multi-year fundamental outlook as unchanged.

Fidelity National Information Services (FIS) shares weakened despite relatively solid quarterly results and forward guidance. The market became increasingly worried about competition in merchant acquiring (one third of FIS's total business) and the contrast between new payment technology companies and legacy payment technology companies (like FIS). While the fears of market share dislocation related to new payment technology companies are unlikely to dissipate in the near term, we continue to see FIS as well positioned to grow organically, or via acquisition, over the long term. We expect FIS to maintain attractive levels of profitability and cash flow generation as management deploys excess capital toward debt repayment and opportunistic share repurchases. In our view, the shares are attractively priced relative to the market, and we expect the company to generate mid-teens or higher earnings growth over time.

Other bottom contributors in the quarter included health care insurance provider Humana and copper-focused mining company Freeport-McMoRan. Humana's share price has been clouded by uncertainty around medical utilization and prospective regulatory changes to Medicare Advantage reimbursement rates. Freeport-McMoRan's stock, along with other mining companies, reacted to the slight pullback in copper prices this quarter, which reached record levels in the first half of 2021.

Portfolio Activity

We eliminated one stock this quarter—Kimberly-Clark Corporation—to make room for more attractive long-term opportunities. We exited our position after persistent signs of weak market share trends for key brands eroded the company's long-term competitive position, in our view.

Two new additions to the portfolio in Q3 were Home Depot and NASDAQ. Home Depot is a high-quality retailer in the home improvement industry. We believe the company is well positioned to continue gaining share due to its premium real estate locations, strong operations and recent investments in its supply chain. We like Home Depot's exposure to the professional customer as we believe home improvement spending is likely to remain elevated in upcoming years.

NASDAQ is a leading stock exchange and financial technology services/solutions provider with a strong brand and a relatively diversified, recurring revenue base. The company derives over 70% of its revenue from non-trading related solutions. It operates critical market infrastructure and benefits from several competitive advantages such as scale, network effects, high switching costs, proprietary data and technology, and favorable regulations. After a series of acquisitions in recent years, NASDAQ is well positioned to access large addressable technology services markets and capitalize on secular growth trends in areas such as information services, data/analytics, indices and anti-financial crime. We believe the stock is under-appreciated as the company undergoes a strategic shift to these areas. We expect a continued focus on growth in the company's recurring revenue base that will translate into increasing cash flow generation and a higher valuation.

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Market Outlook

Vaccination progress globally has allowed economies to reopen, leading to a sharp economic recovery. While we expect the recovery will continue into 2022, an uptick in coronavirus cases, supply chain issues and higher input costs may slow the earnings recovery for many businesses. In some areas, price increases due to short-term supply/demand imbalances may eventually prove transitory, while others may persist for a longer period.

The sharp economic rebound in the U.S., along with continued stimulus, wage growth and instances of supply/demand tightness, has resulted in broader inflation. To the extent this is sustained, rising inflation and higher interest rates could be a headwind for equity markets and are risks we are monitoring closely.

Economic stimulus remains at unprecedented levels. President Biden and Congress are pursuing additional spending measures to support the economy, and although Fed policy remains extraordinarily accommodative, the discussion is beginning to center on how and when to pull back on monetary stimulus via tapering and eventually interest rate hikes. The Fed has acknowledged stronger economic activity and an uptick in inflation—if that continues it may force the Fed to act sooner and more aggressively than is currently anticipated.

Along with real GDP growth above historic averages, corporate earnings have increased dramatically in 2021 and continue to reach new highs. Much of the recovery to date seems fully reflected in equity markets with forward P/E multiples near historic highs. From current levels, equity market returns over the next five years are likely 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.

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MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF SEPTEMBER 30, 2021

American International Group, Inc.	4.7%	**Humana, Inc.**	2.2%
Booking Holdings, Inc.	1.8	**Morgan Stanley**	0.1
Fidelity National Information Services, Inc.	2.0	**Nasdaq, Inc.**	1.0
Freeport-McMoRan, Inc.	2.1	**Pfizer, Inc.**	2.1
Hartford Financial Services Group, Inc.	2.1	**V.F. Corp.**	1.8
Home Depot	2.0	**Zynga, Inc. (Cl A)**	0.7

PERIOD AND ANNUALIZED TOTAL RETURNS (%) AS OF SEPTEMBER 30, 2021

	SINCE INCEPTION (6/29/01)	20-YR	15-YR	10-YR	5-YR	3-YR	1-YR	YTD	3Q21	EXPENSE RATIO
LARGE CAP FUND										
Class I	9.41%	10.13%	9.49%	14.78%	13.80%	12.72%	32.28%	15.05%	-0.23%	0.67%
BENCHMARKS										
Russell 1000 Index	8.79	9.81	10.55	16.76	17.11	16.43	30.96	15.19	0.21	—
Russell 1000 Value Index	7.59	8.32	7.52	13.51	10.94	10.07	35.01	16.14	-0.78	—

Risk Disclosure: Overall equity market risks may affect the value of the fund.

The views expressed are those of the portfolio managers as of September 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 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.

The Russell 2000 Index is an unmanaged market capitalization-weighted index comprised of the smallest 2,000 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 2000 Value Index is an unmanaged market capitalization-weighted index measuring the performance of the small cap value segment of the U.S. equity universe including those Russell 2000 Index companies with lower expected growth values. The Russell 2000 Growth Index is an unmanaged market capitalization-weighted index measuring the performance of the small cap growth segment of the U.S. equity universe including those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values. Index data source: London Stock Exchange Group PLC.