Diamond Hill Long-Short Fund Commentary

As of September 30, 2021

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 the value indices 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 sector has benefited from higher interest rate expectations, helping the sector to 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.

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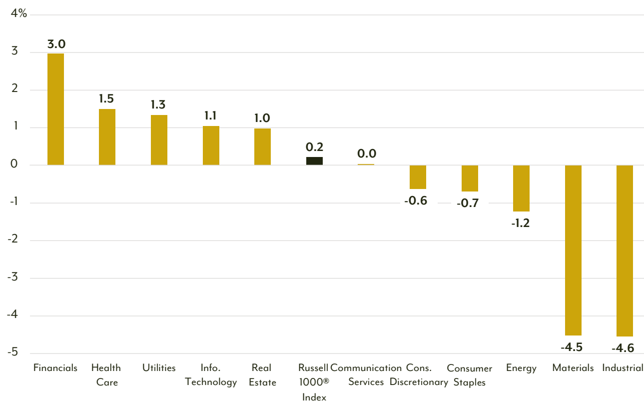
RUSSELL 1000® INDEX SECTOR RETURNS - 3Q21



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

Performance Discussion

The portfolio outpaced both the Russell 1000® Index and the blended benchmark (60% Russell 1000 Index/40% ICE Bank of America U.S. Treasury Bill 0-3 Month Index) in Q3. Our short portfolio broadly contributed to performance, particularly our consumer staples shorts. Only our technology and consumer discretionary shorts in aggregate detracted. On the long side, our financials holdings were a source of strength, while our industrials and consumer discretionary long holdings were weaker.

On an individual holdings' basis, top contributors to return included our long positions in AIG, Hartford Financial Services Group, Alphabet and Pfizer as well as our short position in Boston Beer Company.

Insurance company AIG continues advancing its property & casualty segment turnaround, improving underwriting margins and accelerating premium growth. It is also making progress in its separation of the life & retirement business—in Q3 AIG 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.

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Alphabet, the parent company of search engine Google, reported strong operating results. Alphabet is a dominant internet advertising provider, and its management team is allocating capital to increase and defend its competitive advantages. We expect Google search, YouTube advertising and the company's other initiatives on machine learning and cloud computing to continue driving profitable revenue growth for the company.

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.

Our short position in the Boston Beer Company, known best for its Sam Adams beer brand, is performing well as the seltzer category is showing signs of a material slowdown, due in large part to saturation in the space.

Bottom contributors in Q3 included our long positions in Kirby Corporation, V.F. Corporation, Fidelity National Information Services and Humana, as well as our short position in Dick's Sporting Goods.

Kirby, a U.S.-based tank barge transporter of bulk liquid products, retreated from its Q2 highs. The recovery in hydrocarbon product volumes slowed due in part to delta-variant related disruptions and an active hurricane season in the Gulf Coast, which restricted refinery operations.

Apparel and footwear company V.F. Corporation was pressured by concerns about the near-term impacts from supply chain disruptions, freight cost increases and lingering pressure dampening the recovery for its popular Vans® brand due to its outsized brick-and-mortar exposure. Yet, the remainder of its larger brands (including The North Face, Timberland, Dickie's and Supreme) has experienced solid momentum, and its emerging brands (e.g., Smartwool, Icebreaker and Altra) are seeing strong and accelerating demand. In our view, the long-term fundamental outlook remains 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 above-average earnings growth over time.

Humana's share price has been clouded by uncertainty around medical utilization and prospective regulatory changes to Medicare Advantage reimbursement rates.

Our short position in general sporting goods retailer Dick's Sporting Goods has been pressured by increased demand for home fitness equipment and outdoor activity products (e.g., golfing, biking, running) amid COVID-related gym shutdowns. The outsized demand in key categories and lean industry inventory levels allowed for less promotional activity, resulting in a meaningful increase in profitability. While the company's product offering aligns well with shutdown-related consumer behavior shifts, we believe the company should return to a more moderate top-line growth profile and normalized operating margin once the recent favorable dynamics fade.

Portfolio Activity

In Q3, we initiated new short positions in MultiPlan Corp and Teradata Corporation. MultiPlan is a healthcare services business that went public in late 2020 via a special purpose acquisition company (SPAC). MultiPlan's primary business is providing out-of-network cost management solutions to healthcare payors to help reduce out-of-network bills on behalf of payors. We believe the stocks has a too-high valuation relative to several fundamental risk factors. MultiPlan has a concentrated customer base and is at risk of its largest customer reducing its relationship over time. MultiPlan also faces a regulatory overhang from the No Surprises Act, which goes into effect in early 2022—the law is intended to provide transparency into and limit unexpected costs from out-of-network medical providers.

Teradata provides a multi-cloud data platform for enterprise analytics. We believe the market is overvaluing Teradata's ability to successfully transition into a competitive cloud data warehouse provider. We believe Teradata is overexposed to the legacy, on-premise data warehouse market and will likely struggle to compete with cloud-native data warehouse peers.

We exited our short positions in restaurant operator Cheesecake Factory, manufacturer of medium- and heavy-duty trucks PACCAR, and direct-to-consumer insurance broker Root, Inc., as the holdings approached our estimates of intrinsic value. Our long position in specialty chemicals and materials company W. R. Grace & Co., was closed as the all-cash acquisition by Standard Industries Holdings, a privately held building materials company, was completed on September 22.

The Fund's net exposure at the end of the quarter was 59%.

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 below historical averages.

Our primary focus is always on adding value through stock selection by identifying both long opportunities and short opportunities. We believe investors who are willing to perform deep research and valuation work to identify individual businesses that are being mispriced by the market will be rewarded with favorable risk-adjusted returns over the long term.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF SEPTEMBER 30, 2021

American International Group, Inc.	4.1%	Long	**Humana, Inc.**	2.2%	Long
Alphabet, Inc. (Cl A)	3.4	Long	**Kirby Corp.**	2.0	Long
Boston Beer Co., Inc. (Cl A)	(0.2)	Short	**MultiPlan Corp. (Cl A)**	(0.5)	Short
Dick's Sporting Goods, Inc.	(1.0)	Short	**Pfizer, Inc.**	1.5	Long
Fidelity National Information Services, Inc.	2.2	Long	**Teradata Corp.**	(0.6)	Short
Hartford Financial Services Group, Inc.	2.2	Long	**V.F. Corp.**	1.8	Long

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

	SINCE INCEPTION (6/30/00)[1]	20-YR	15-YR	10-YR	5-YR	3-YR	1-YR	YTD	3Q21	EXPENSE RATIO GROSS	EXPENSE RATIO NET[2,3]
LONG-SHORT FUND											
Class I	7.02%	8.02%	5.73%	9.16%	7.92%	8.02%	30.47%	14.67%	1.20%	1.55%	1.54%
BENCHMARKS											
Russell 1000 Index	7.54	9.81	10.55	16.76	17.11	16.43	30.96	15.19	0.21	—	—
60%/40% Blended Index	5.38	6.60	6.92	10.26	10.77	10.55	17.93	8.99	0.17	—	—
Russell 1000 Value Index	7.72	8.32	7.52	13.51	10.94	10.07	35.01	16.14	-0.78	—	—

[1] The Fund was long-only from inception through June 2002.

[2] Includes dividend expense relating to short sales. If dividend expenses relating to short sales were excluded, the Expense Ratio for the Long-Short Fund would have been 1.08% for Class I.

[3] The Fund may invest in another Diamond Hill Fund. Diamond Hill Capital Management, Inc. is required to permanently waive a portion of its management fee in the pro-rata amount of the management fee charged by the underlying Diamond Hill 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 blended index represents a 60% weighting of the Russell 1000 Index and a 40% weighting of the ICE BofA U.S. T-Bill 0-3 Month Index. The ICE BofA U.S. T-Bill 0-3 Month Index is comprised of U.S. dollar denominated U.S. Treasury Bills with a term to maturity of less than 3 months. 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. The 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. See diamond-hill.com for a full copy of the disclaimer. ICE Data was not involved in the creation of the blended index. These indices do not incur fees and expenses (which would lower returns) and are not available for direct investment.

Index data source: London Stock Exchange Group PLC and ICE Data Indices, LLC. See diamond-hill. com/disclosures for a full copy of the disclaimer. 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. ICE Data was not involved in the creation of the blended index.

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.