DIAMOND HILL

INVESTED IN THE LONG RUN

International Fund

As of 31 March 2022

Market Commentary

A wild quarter in global equity markets ended in the worst returns since Q1 2020. Rising inflation and COVID-19 flare-ups continue to be a headwind in many countries across the globe, while Putin's invasion of Ukraine sent commodity prices surging (learn more about the war's agricultural impact in our recent podcast) and an already challenged supply chain system into further disarray. After the US Federal Reserve raised rates in March, some optimism crept back into global markets as investors viewed the sell-off as an opportunity to gobble up stocks that sold off sharply in January and February.

International markets, for the most part, ended the first quarter in negative territory. Stocks in Russia and Ukraine, unsurprisingly, took the biggest hit falling more than -50% and -40%, respectively. European markets were mixed. Stocks in Sweden, the Netherlands and Germany posted double-digit declines, while equities in Greece and Portugal made small gains. In the UK, stocks were down a little over -1% and markets in Spain and Switzerland posted single digit losses. Asia Pacific markets generally were down — Chinese stocks fell the most, down -12%, while equities in South Korea, Taiwan and Japan posted single digit declines. Stocks in Latin America performed the best, with most markets closing the quarter with strong double-digit gains as local currencies strengthened against the dollar and rising commodity prices buoyed markets of exporters of energy and basic metals.

Team

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Portfolio Manager

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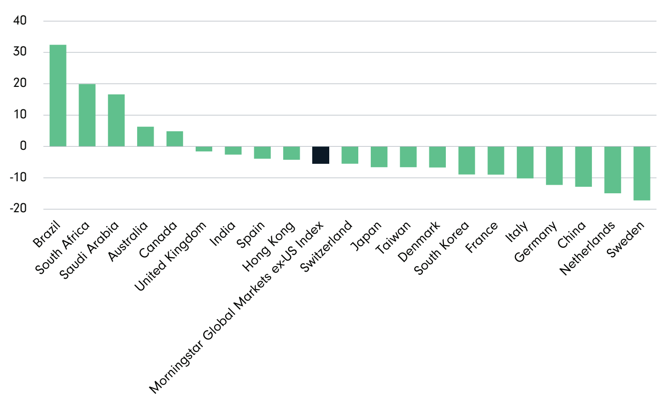
1Q22 Morningstar Global Markets ex-US Index (%)



Source: FactSet, as of 31 Mar 2022.

In the Morningstar Global Markets ex-US Index, the energy sector advanced more than 12% as the inflation and the Russia/Ukraine sanctions caused energy prices to rise sharply in Q1. Brent crude reached a high of $140 per barrel in early March, a level not seen since the global financial crisis in 2008. (Learn more about the state of energy markets in our latest industry perspective.) Global utilities and financial stocks also posted modest gains in Q1. On the downside, the technology and consumer discretionary sectors were the hardest hit, falling -14% and -13%, respectively. The industrials, consumer staples and health care sectors posted high single-digit losses.

Performance Discussion

During a volatile quarter, the portfolio held up better than the Morningstar Global Markets ex-US Index by a decent margin. In Q1, we benefited from good stock selection in Europe and our outsized exposure to Latin America. Our holdings in Israel, Peru and Japan performed better than those in the index. We also benefited from our lack of direct exposure to Russia. The performance of our stocks in the United Kingdom and the US was a headwind during the quarter.

On an individual holdings basis, top contributors to return included Brazilian pharmaceutical company Hypera, Peruvian financial services provider Credicorp and Canadian telecom services provider Rogers Communications. Hypera continues to deliver above-market growth and successfully integrate newly acquired assets. The company also announced new investments into biologics and hospital administered drugs, further diversifying the business and providing the company with a meaningful driver of future long-term growth. The macro climate has also improved as it is becoming less likely tax reform will be passed by Congress—the reform is negative for high dividend paying companies like Hypera.

Credicorp shares outperformed on continued fundamental improvements, better-than-expected FY2022 guidance, positive sentiments on rising rates and higher commodities prices globally, of which Peru is a beneficiary. Rogers Communications reported a solid Q4 as the firm continues to recover from prior COVID-related pressures on service revenue and customer acquisition. The resolution of recent board level discord also may have contributed to the share price appreciation during the quarter.

Other top contributors in Q1 included multinational software provider Check Point Software Technologies and property and casualty insurance company Fairfax Financial. Check Point reported a solid Q4 as the company continues its lengthy transition towards a subscription-based sales model. We expect the firm to consistently repurchase shares with the substantial free cash flow it generates each year. Fairfax has benefited from strong premium growth. Book value per share continues to grow nicely helped by strong investment and underwriting results and revaluation of its investment in Digit, the Indian insurance company.

UK-based consumer goods manufacturer Unilever, US-based social media platform Meta and Chinese internet and advertising services provider Tencent were among our weakest performers. Unilever's recent results have been hampered by inflation, and the company guided to further margin pressure in 2022. In addition, the market was disappointed by Unilever's failed attempt to acquire GSK's consumer health business. The company announced a large reorganization which will reduce management overhead. While we expect Unilever to be able to successfully manage this inflationary environment, near-term results for the business will be challenging.

The share price of Meta (Facebook's parent company) declined significantly as the company reported a slight miss in earnings and provided guidance for a weak 1Q22. Meta also highlighted that competition from TikTok has been impacting user engagement in its apps. In our view, the company is taking the proper steps and investing heavily in ramping up its "Reels" feature, which competes with TikTok. Meta's stock is trading at a meaningful discount to our estimate of intrinsic value, and we expect the company to retain its attractive network economics and manage competition and user privacy concerns well without impairing the value of the business over the long term.

Tencent's stock has been hampered by several factors including a slowdown in business growth, looming regulatory risks, spill-over effects from the Russia/Ukraine conflict, and negative sentiment around the delisting of its ADR in the US. Despite these headwinds, we continue to believe in Tencent's long-term prospects.

Other bottom contributors included emerging markets focused fixed income manager Ashmore Group and Luxembourg-based digital music-streaming services provider Spotify Technology. Ashmore's shares underperformed on higher inflationary expectations, rising rates in developed markets, disappointing investment performance and lower return expectations for the emerging markets asset class, which collectively drove net fund outflows from Ashmore. Additionally, as a specialist in emerging markets, Ashmore has some exposure to Russian securities.

Spotify's stock sold off in Q1 despite strong fundamental results. We believe the sell-off was due to several exogenous factors, including the interest rate policy shift, public backlash over Joe Rogan content, as well as continued skepticism by some around the company's decision to step up growth investments again, thus calling into question the business's longer-term ability to scale. We used the period of weakness to add to our position.

Portfolio Activity

In Q1, we added three new positions to the portfolio. Energy Recovery is a global leader in pressure exchanger technology. The company commands a dominant market share in the desalination end-market, which could see meaningful secular growth over the next several decades. Furthermore, we believe Energy Recovery is close to commercializing its pressure exchanger technology that could allow economic substitution of carbon dioxide for refrigerants that currently contribute to global warming, which could substantially increase the company's addressable market. We believe the current stock price does not fully reflect Energy Recovery's long-term growth potential, thus enabling us to establish a position at an attractive discount to our estimate of intrinsic value.

We also initiated a position in Hakuhodo Dy Holdings, Japan's second largest full-service ad agency, and seventh largest agency globally. The company is an innovative leader in the digital ad space with a unique approach. Hakuhodo is redefining how industry transactions might occur in the future (pioneering an "advertising as a service" model rather than the traditional, transaction-based approach). It is also redefining the types of digital services ad agencies can/will provide to customers going forward. Key industry stakeholders have bought into the new approach, execution has been strong, and the company has been consistently taking market share. It is well understood that digital ads are driving 100% of the industry growth, and Japan remains underweight digital ads compared to the rest of the world. Given Hakuhodo's relatively smaller size (nimble) and foundational forward-thinking creative culture, the company is much further along in its digital transition compared to larger industry peers, which are generally encumbered by years of bolted-on, no longer competitive, traditional media assets. We like the management team and the main creative team, which is run by Michael Birkin, a US-based ex-Omnicom executive. We also like that the business is asset-light (high returns), and the company's financial position is strong. We believe Hakuhodo is being valued as a traditional ad agency and not as a fast-growing digital advertising innovator.

Finally, we initiated a position in Exor, which is the investment company that holds the interests of the Agnelli family, known for founding Fiat motor company. Exor is a collection of auto and industrial assets including Ferrari, Stellantis and CNH Industrial. We initiated a position taking advantage of the sell-off in the stock at the onset of the Russia/Ukraine war. The impending sale of its ownership in PartnerRe (reinsurance company) means that Exor will have significant amounts of cash, which provides substantial optionality in the event of further market sell-offs or a large global recession.

On the sale side, we exited our position in Kasikornbank in favor of other opportunities. We also exited our position in Vivendi after the firm spun out Universal Music Group (UMG) as a separate publicly traded company. We continue to own UMG, which we view as a well-positioned business with solid growth prospects.

Market Outlook

After a strong rebound in 2021, global GDP growth is expected to moderate in 2022, with the potential for additional pressure from lingering supply chain disruptions, higher oil prices and other impacts from Russia's invasion of Ukraine. Despite these headwinds, corporate earnings are expected to continue making new highs in 2022.

Russia's invasion of Ukraine has the potential to disrupt the flow of exports from these countries, which may impact global supplies and prices for a wide variety of end markets. The potential impact to individual businesses varies, and we are monitoring these risks closely.

Although economic stimulus remains high in many parts of the world, it has started to diminish as various tightening measures are implemented. Central banks around the globe will continue to assess economic progress and inflation to determine when and how swift to pull back on pandemic-related stimulus or infuse their economies with more support. We expect to see varying states of economic growth around the world in 2022 and believe persistent inflation will be one of the most critical risk factors economies face this year.

Non-US equity markets remain more attractive on a relative valuation basis than those in the US, providing international investors a more opportunistic pond to fish in for new investment ideas. 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 (%)

Ashmore Group PLC	2.3	Hypera S.A.	1.7
Check Point Software Technologies Ltd.	3.7	Meta Platforms, Inc. (Cl A)	1.3
Credicorp Ltd.	1.4	Rogers Communications, Inc. (Cl B)	2.0
Energy Recovery, Inc.	1.2	Spotify Technology S.A.	2.8
Exor N.V.	1.0	Tencent Holdings Ltd.	2.3
Fairfax Financial Holdings Ltd.	4.0	Unilever PLC	3.0
Hakuhodo Dy Holdings, Inc.	1.1	Universal Music Group N.V.	1.8

Period and Annualized Total Returns (%)	Since Inception (30 Dec 2016)	5Y	3Y	1Y	YTD	1Q22	Expense Ratio (%)
Class I (DHIIX)	10.13	8.48	8.99	0.75	-4.41	-4.41	0.84
Morningstar Global Markets ex-US Index	8.22	7.02	7.93	-1.08	-5.49	-5.49	—

Risk disclosure: International investments involve special risks, including currency fluctuation, lower liquidity, different accounting methods, tax policies, political systems and higher transaction costs. These risks are typically greater in emerging markets. Small- and mid-capitalization issues tend to be more volatile and less liquid than large-capitalization issues.

The views expressed are those of the author as of 31 Mar 2022 and are subject to change without notice. These opinions are not intended to be a forecast of future events, a guarantee of future results or investment advice. Investing involves risk, including the possible loss of principal.

Past performance is not indicative of future results. Investment returns and principal values 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 quoted. For current to most recent month-end performance, visit diamond-hill.com.

Performance assumes reinvestment of all distributions. Returns for periods less than one year are not annualized.

The quoted performance for the Fund reflects the past performance of Diamond Hill International Fund L.P. (the "International Partnership"), a private fund managed with full investment authority by the fund's Adviser. The Fund is managed in all material respects in a manner equivalent to the management of the predecessor unregistered fund. The performance of the International Partnership has been restated to reflect the net expenses and maximum applicable sales charge of the fund for its initial years of investment operations. The International Partnership was not registered under the Investment Company Act of 1940 and therefore was not subject to certain investment restrictions imposed by the 1940 Act. If the International Partnership had been registered under the 1940 Act, its performance may have been adversely affected. Performance is measured from 30 Dec 2016, the inception of the International Partnership and is not the performance of the fund. The assets of the International Partnership were converted, based on their value on 28 Jun 2019, into assets of the fund. The International Partnership's past performance is not necessarily an indication of how the fund will perform in the future either before or after taxes.

Fund holdings subject to change without notice.

The Morningstar Global Markets ex-US Index measures the performance of the stocks located in the developed and emerging countries (excluding the US) as defined by Morningstar. The index is unmanaged, market capitalization weighted, includes net reinvested dividends, does not reflect fees or expenses (which would lower the return) and is not available for direct investment.

Index data source: Morningstar, Inc. See diamond-hill.com/disclosures for a full copy of the disclaimer.

Securities referenced may not be representative of all portfolio holdings. Contribution to return is not indicative of whether an investment was or will be profitable. To obtain contribution calculation methodology and a complete list of every holding's contribution to return during the period, contact 855.255.8955 or info@diamond-hill.com.

Carefully consider the Fund's investment objectives, risks and expenses. This and other important information are contained in the Fund's prospectus and summary prospectus, which are available at diamond-hill.com or calling 888.226.5595. Read 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. Not FDIC insured | No bank guarantee | May lose value