

# Core Bond Fund

As of 30 Jun 2022

# DIAMOND HILL

INVESTED IN THE LONG RUN

## Team

**Henry Song, CFA**  
Portfolio Manager

**Mark Jackson, CFA**  
Portfolio Manager

**Douglas Gimple**  
Senior Portfolio Specialist

## Tickers

Investor: DHRAX

Class I: DHRIX

Class Y: DHRXX

## Philosophy and Process Highlights

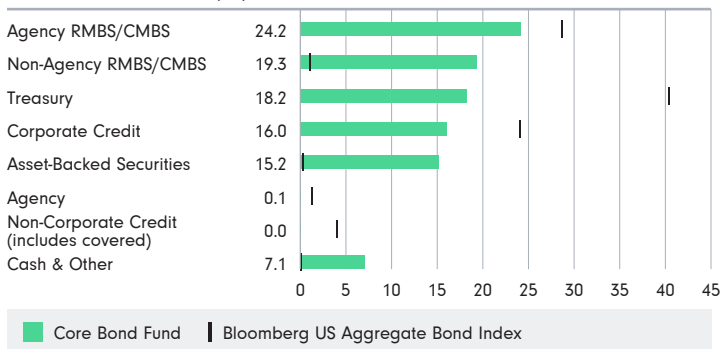
We believe successful, long-term fixed income investing starts with small, individual security decisions.

- We look for undervalued securities and spread sectors that offer incremental yield and total return relative to the index.
- With a focus on securitized products, we have the potential to achieve higher credit quality while maintaining a yield advantage over government or corporate credit-focused strategies.
- We regularly look outside the benchmark for value-add opportunities.

## Portfolio Guidelines

The portfolio generally invests at least 80% of its assets in a diversified portfolio of investment grade, fixed income securities and may invest a significant portion or all of its assets in mortgage-related and mortgage-backed securities. The portfolio will typically maintain an average portfolio duration within 20% of the duration of the Bloomberg US Aggregate Bond Index.

## Sector Allocation (%)<sup>1</sup>



## Credit Quality Rating<sup>2</sup>

| Credit Quality Rating | % of Portfolio |
|-----------------------|----------------|
| AAA                   | 55.9           |
| AA                    | 5.4            |
| A                     | 13.8           |
| BBB                   | 20.1           |
| BB                    | 0.0            |
| B                     | 0.0            |
| CCC & Below           | 0.0            |
| Not Rated             | 4.8            |

## Duration Breakdown (%)

| Duration      | Core Bond Fund (%) | Bloomberg US Aggregate Bond Index (%) |
|---------------|--------------------|---------------------------------------|
| Less than one | 22.2               | 0.9                                   |
| 1-3           | 15.6               | 22.3                                  |
| 3-5           | 16.7               | 24.0                                  |
| 5-7           | 14.8               | 25.2                                  |
| 7-10          | 10.2               | 11.5                                  |
| 10-20         | 18.5               | 14.5                                  |
| 20+           | 2.0                | 1.5                                   |

## Morningstar Ratings™

|   |               |
|---|---------------|
| Class I Shares   Intermediate Core Bond |               |
| Overall Rating <sup>3</sup>             | ★★★★★         |
| Fee level <sup>4</sup>                  | Below Average |

The Overall Morningstar Rating™ among 396 Intermediate Core Bond funds is derived from a weighted average of the risk-adjusted performance figures associated with its 3- and 5-year periods Morningstar Ratings as of 30 Jun 2022.

## Key Rate Duration (%)<sup>6</sup>

| Key Rate Duration | Core Bond Fund (%) | Bloomberg US Aggregate Bond Index (%) |
|-------------------|--------------------|---------------------------------------|
| 1Y                | 0.07               | 0.10                                  |
| 2Y                | 0.15               | 0.24                                  |
| 3Y                | 0.32               | 0.51                                  |
| 5Y                | 0.92               | 1.33                                  |
| 10Y               | 1.67               | 1.40                                  |
| 20Y               | 2.03               | 1.59                                  |
| 30Y               | 0.65               | 1.18                                  |

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](http://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**

<sup>1</sup> Cash & Other may include cash and money market funds. RMBS: Residential Mortgage-Backed Securities, CMBS: Commercial Mortgage-Backed Securities.

<sup>2</sup> Security quality ratings are derived from underlying portfolio securities by using the middle rating of Standard & Poor's, Moody's and Fitch. If only two of Standard & Poor's, Moody's and Fitch rates a security the higher of the two is selected. If only one of Standard & Poor's, Moody's and Fitch rates a security the available rating is used. For securities that are not rated by Standard & Poor's, Moody's or Fitch a rating from a secondary Nationally Recognized Statistical Rating Organization ("NRSRO") may be used. Ratings by any agency represent an opinion only, not a recommendation to buy or sell. Securities that are not rated by any agencies are reflected as Not Rated "NR."

<sup>3</sup> The Fund's Class I rating was 5 stars among 396 and 5 stars among 359 funds for the 3- and 5-year periods ended 30 Jun 2022. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star.

<sup>4</sup> The Morningstar Broad Fee Level data point compares the fund's prospectus adjusted operating net expense ratio to the prospectus adjusted operating net expense ratio of all the other funds within its Morningstar Category. See Morningstar for fee level grouping methodology. © 2022 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

# Core Bond Fund

As of 30 Jun 2022

| Period and Annualized Total Returns (%) | Since Inception<br>(5 Jul 2016) | 5Y   | 3Y    | 1Y     | YTD    | 2Q22  | Expense<br>Ratio (%) |
|---|---------------------------------|------|-------|--------|--------|-------|----------------------|
| Investor (DHRAX)                        | 1.16                            | 1.32 | -0.49 | -8.99  | -8.88  | -4.14 | 0.76                 |
| Class I (DHRIX)                         | 1.44                            | 1.59 | -0.22 | -8.78  | -8.77  | -3.98 | 0.47                 |
| Class Y (DHRYS)                         | 1.54                            | 1.69 | -0.11 | -8.66  | -8.72  | -4.04 | 0.35                 |
| Bloomberg US Aggregate Bond Index       | 0.56                            | 0.88 | -0.93 | -10.29 | -10.35 | -4.69 | —                    |

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](http://diamond-hill.com). Performance assumes reinvestment of all distributions. Returns for periods less than one year are not annualized.

## Portfolio Characteristics

|   |         |
|---|---------|
| Management Fee                          | 0.30%   |
| Total Net Assets                        | \$528MM |
| Distributions                           | Monthly |
| Portfolio Turnover (12 months trailing) | 40%     |
| 30-day SEC Yield <sup>5</sup>           |         |
| Investor                                | 2.83%   |
| Class I                                 | 3.34%   |
| Class Y                                 | 3.35%   |

## Portfolio Statistics<sup>6</sup>

|                        | Core Bond<br>Fund | Bloomberg US Aggregate<br>Bond Index |
|------------------------|-------------------|--------------------------------------|
| Number of Holdings     | 800               | 12,563                               |
| Effective Duration     | 5.86              | 6.44                                 |
| Weighted Average Life  | 7.57              | 8.63                                 |
| Convexity              | 0.39              | 0.64                                 |
| Option-Adjusted Spread | 151               | 55                                   |

## Five-Year Risk Statistics<sup>7</sup> (Class I)

|                        | Core Bond<br>Fund | Bloomberg US<br>Aggregate Bond<br>Index |
|------------------------|-------------------|---|
| Standard Deviation (%) | 3.97              | 4.04                                    |
| Sharpe Ratio           | 0.14              | -0.04                                   |
| Beta (%)               | 0.94              | N/A                                     |
| R-squared (%)          | 90.74             | N/A                                     |
| Information Ratio      | 0.58              | N/A                                     |

## Calendar Year Returns (%)

|                                   | 2017 | 2018 | 2019 | 2020 | 2021  |
|-----------------------------------|------|------|------|------|-------|
| Class I                           | 4.17 | 1.59 | 7.93 | 7.94 | -0.99 |
| Bloomberg US Aggregate Bond Index | 3.54 | 0.01 | 8.72 | 7.51 | -1.54 |

**Risk disclosure:** In general, when interest rates rise, fixed income values fall. Mortgage- and asset-backed securities are influenced by factors affecting the housing market and the assets underlying such securities. The securities may decline in value, face valuation difficulties and become more volatile and/or illiquid. They are also subject to prepayment risk, which occurs when mortgage holders refinance or repay loans sooner than expected, creating an early return of principal to loan holders.

Fund holdings, sector allocations and portfolio statistics subject to change without notice.

The Bloomberg US Aggregate Bond Index measures the performance of investment grade, fixed-rate taxable bond market and includes government and corporate bonds, agency mortgage-backed, asset-backed and commercial mortgage-backed securities (agency and non-agency). The index is unmanaged, 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: Bloomberg Index Services Limited. See [diamond-hill.com/disclosures](http://diamond-hill.com/disclosures) for a full copy of the disclaimer.

Analytics provided by The Yield Book® Software.

<sup>5</sup>The 30-day 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.

<sup>6</sup>**Key Rate Duration** measures the contribution to duration to the entire portfolio from each part of the yield curve. **Effective Duration** measures the interest rate risks of bonds with optionality, such as mortgage-backed securities (MBS), where the timing of principal repayment is highly dependent on interest rate levels. **Weighted Average Life** is the average number of years each dollar of unpaid principal remains outstanding. **Convexity** estimates how the effective duration of a portfolio changes as interest rates change. **Option-Adjusted Spread** is the difference between the portfolio yield and the risk-free rate, accounting for embedded options. Source: The Yield Book.

<sup>7</sup>**Standard Deviation** measures the volatility of a portfolio's returns. **Sharpe Ratio** is the measure of risk-adjusted return of an investment portfolio. **Beta** measures a portfolio's sensitivity to market movements. **R-squared** represents the percentage of a portfolio's movements that can be explained by general market movements. **Information Ratio** is a measurement of excess returns beyond a benchmark compared to the volatility of those returns. Relative to the Bloomberg US Aggregate Bond Index.