Diamond Hill Long-Short Fund Commentary  
As of March 31, 2020

The Fund decreased 23.39% (Class I) during the quarter, compared to a 20.22% decrease in the Russell 1000 Index and a 12.22% decrease in the blended benchmark (60% Russell 1000 Index/40% ICE Bank of America U.S. Treasury Bill 0-3 Month Index).

On an absolute basis, the long portfolio detracted from return, led by holdings in the financials and industrials sectors. The short portfolio contributed to absolute return, led by the consumer discretionary, industrials, and financials sectors.

The Fund’s underperformance relative to the long-only benchmark was primarily driven by security selection in the industrials and consumer discretionary sectors. An overweight position in the financials sector and an underweight position in the information technology sector were also meaningful detractors from relative return. An underweight position in the energy sector was the largest contributor to relative return.

The Fund’s net exposure at the end of the quarter was 62.6%.

Best Performers

Long Portfolio

• All best performers were short positions.

Short Portfolio

• Shares of sporting goods retailer Dick’s Sporting Goods, Inc. declined as COVID-19 suppression efforts caused the company to close stores temporarily, causing investor concern about the duration of store closures and the lasting impact to consumer spending. While e-commerce for the company remains operational, sales will only offset a portion of brick-and-mortar declines. The near-term sales disruption causes significant profit pressure for a company that is already in a structurally disadvantaged position.

• Shares of Bank of Hawaii Corp., a Hawaii-based regional bank, and Commerce Bancshares, Inc., a Missouri-based regional bank, declined amid an evolving rate outlook, a deteriorating economy, and investor concern over potential future credit losses.

TEAM

Chris Bingaman, CFA  
Portfolio Manager  
Nate Palmer, CFA, CPA  
Portfolio Manager  
Chuck Bath, CFA  
Assistant Portfolio Manager

• Shares of consumer appliance manufacturer Whirlpool Corp. declined as fears of a looming recession mounted and investors became concerned with future demand trends for the company’s products.

• Shares of truck manufacturer PACCAR, Inc. fell as the North American Class 8 market continued its cyclical decline, and the outlook for sales and production took another step back with the economic impact from the pandemic.

Worst Performers

Long Portfolio

• Airline operator United Airlines Holdings, Inc. underperformed due to the decline in air travel demand as a result of COVID-19. We believe management has taken the proper steps to reduce capacity and increase liquidity, and that the company is in a reasonable position to weather several months of very low air travel demand. Should this environment persist into the fall, there are other levers the company can pull to reduce costs and we would anticipate further attempts to increase liquidity.

• Banking and financial services company Citigroup, Inc. underperformed amid concerns over its global footprint and credit card exposure. The company is in a strong capital and liquidity position, while also possessing less overall credit risk as compared to prior periods of stress due in part to exiting the sub-prime lending business a number of years back. We remain confident in Citigroup’s ability to withstand a severe recession and believe the banking industry is positioned to be a positive contributor in helping to stabilize and restart the economy.

• Property and casualty insurance company American International Group, Inc. underperformed amid concerns about potential credit losses in its bond portfolio and insurance risks associated with the coronavirus weighed on shares. We believe these concerns are overly discounted in the current share price. The company is well capitalized, has substantial holding company liquidity, and has reduced its insurance risk profile over recent years.
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• Oil and gas exploration and production company Cimarex Energy Co. underperformed after OPEC failed to reach a deal on output cuts and the coronavirus crisis sapped global demand for petroleum products.

• Diversified technology and industrial company Johnson Controls International PLC underperformed after reporting disappointing quarterly results. We continue to believe the stock is trading at a significant discount to our estimate of intrinsic value and that the new management team has an attractive opportunity to grow that intrinsic value over time through continued operational improvements and shrewd capital allocation.

Short Portfolio
• All of the bottom performers were long positions.

New Positions

Long Portfolio
• Integrated oil and gas company Chevron Corp. shares meaningfully declined during the quarter as OPEC+ failed to reach a deal, allowing us to establish a position in this lower risk, more diversified company at a sufficient discount to our estimate of intrinsic value.

PERIOD AND ANNUALIZED TOTAL RETURNS AS OF MARCH 31, 2020

<table>
<thead>
<tr>
<th>RETURNS AT NAV (WITHOUT SALES CHARGE)</th>
<th>SINCE INCEPTION (6/30/00)</th>
<th>10-YR</th>
<th>5-YR</th>
<th>3-YR</th>
<th>1-YR</th>
<th>YTD</th>
<th>Q20</th>
<th>GROSS</th>
<th>NET (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class I</td>
<td>5.41%</td>
<td>4.30%</td>
<td>0.29%</td>
<td>-3.53%</td>
<td>-13.41%</td>
<td>-23.39%</td>
<td>-23.39%</td>
<td>1.58%</td>
<td>1.57%</td>
</tr>
<tr>
<td>BENCHMARK:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 1000 Index</td>
<td>5.13</td>
<td>10.39%</td>
<td>6.22%</td>
<td>4.64%</td>
<td>-8.03%</td>
<td>-20.22%</td>
<td>-20.22%</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>60%/40% Blended Index</td>
<td>5.99</td>
<td>6.61%</td>
<td>4.40%</td>
<td>3.78%</td>
<td>-3.63%</td>
<td>-12.22%</td>
<td>-12.22%</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

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.

Risk Disclosure: The Fund uses short selling which incurs significant additional risk. Theoretically, stocks sold short have the risk of unlimited losses. Overall equity market risks may affect the value of the fund.

The views expressed are those of the portfolio managers as of March 31, 2020, 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 Class A shares. Performance achieved prior to the creation of Class I shares. Class I shares have no sales charge.

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. 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.

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) 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.
• We initiated a position in high-quality paints and coatings retailer **Sherwin-Williams Co.** Sherwin’s crown jewel is its North American paint stores, which cater primarily to professional painting contractors. There has been a two-decade trend of homeowners hiring painting contractors instead of doing it themselves, which we believe is likely to continue. The pricing power of Sherwin-branded paint is very strong and the store network, which continues to expand, generates very strong returns on invested capital. Longer term, there is additional opportunity to improve margins from businesses acquired from Valspar.

• With the broad market decline we had an opportunity to buy shares in food and beverage products manufacturer **Mondelez International, Inc. (CI A)** at a discount to intrinsic value. We believe Mondelez is one of the premier businesses in the global staples space, with recognized brands and dominant market share positions in everyday snacking categories across both the developed and developing markets.

• During the recent market dislocation, we added payment processing services provider **Visa, Inc. (CI A)**, a high-quality financial services company which is the world’s largest payment processor. Visa acts as the hub for card payment transactions, relaying authorization and settlement messages between issuing and acquiring banks (earning fees from both in the process) and as such, does not have direct credit risk exposure. Visa’s vast global operations scale enables the firm to operate at high operating margins and generate significant cash flow. The business is relatively resilient with a mix of credit and debit offerings across discretionary and non-discretionary categories.

**Short Portfolio**

• Car dealer **Asbury Automotive Group, Inc.** recently agreed to purchase a dealership in Dallas, Texas, to improve its poor new vehicle mix and geographic exposure; however, the deal fell through because the business needs cash to survive the impact of the coronavirus. We believe the core Asbury business is weak (although well run) and that the slowdown in sales from the coronavirus will have a long-term impact on the business.

• We initiated a short position in water measurement products and services provider **Badger Meter, Inc. (BMI)** which supplies water utilities, municipalities, and commercial and industrial customers. We believe that water utilities’ adoption of smart meters will be a slower process than the market currently expects. Furthermore, several European manufacturers are trying to gain market share in BMI’s core U.S. water meter market, which could lead to a price war and falling margins for BMI.

• **Cintas Corp.** provides U.S. businesses with uniform rental services and restroom cleaning, first aid, safety and fire protection goods and services. We re-initiated a short position in Cintas as we believe the stock price does not reflect the likelihood its results will be hard hit by increases in unemployment caused by the COVID-19 pandemic.

• **First Financial Bankshares, Inc.** is a Texas-based bank trading at a premium to our estimate of intrinsic value. We don’t believe the market price reflects the increased regulatory expenses the bank will face once it exceeds $10 billion in assets. In addition, there are fewer acquisition target available now for the bank to continue its historical growth.

• We initiated a short position in financial data services provider **FactSet Research Systems, Inc.** because we believe the company's future fundamentals will differ from its strong operating history. For example, organic growth has slowed in recent years due to pressure on active investment managers, a trend we expect to continue and potentially be amplified by COVID-19. In the midst of growth deceleration, we find it curious that management has made changes to certain disclosures in the financial statements that make analyzing growth drivers more difficult.

• We initiated a short position in mall owner **Taubman Centers, Inc.** following its announced acquisition by Simon Property Group, as we thought the pandemic fallout increased the chances of the merger being cancelled or re-negotiated. The shares subsequently declined to our estimate of intrinsic value and we covered our position.

• We initiated a position in software and technology company **CDK Global, Inc.**, early in the quarter and covered the position as the stock price fell to our estimate of intrinsic value with the market-wide sell off.

**Eliminated Positions**

**Long Portfolio**

• We eliminated oil and gas exploration and production company **Devon Energy Corp.** after January’s rising commodity prices caused the share price to reach our estimated of intrinsic value, and before the energy markets began declining in February.

• We sold our shares of banking and financial services company **Wells Fargo & Co.** and deployed the proceeds into other financial services companies that possess better risk-adjusted return profiles.
As of March 31, 2020

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- We sold our shares of banking and payment services company Discover Financial Services to fund more attractive investment opportunities.

- Our position in building and aerospace technology conglomerate United Technologies Corp. was sold to fund a position in another opportunity with better risk reward characteristics.

Short Portfolio

- We closed our short position in athletic apparel manufacturer Under Armour, Inc. (Cl A) as the shares reached our estimate of intrinsic value.

HVAC manufacturer Lennox International, Inc. was sold as it reached our estimate of intrinsic value.

We closed our short position in health care services provider Encompass Health Corp. when shares fell to our estimate of intrinsic value.

MENTIONED SECURITIES AND RESPECTIVE WEIGHTS AS OF MARCH 31, 2020

<table>
<thead>
<tr>
<th>Security Name</th>
<th>Weight</th>
<th>Position</th>
<th>Security Name</th>
<th>Weight</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>American International Group, Inc.</td>
<td>2.9%</td>
<td>Long</td>
<td>Factset Research Systems, Inc.</td>
<td>(0.7)%</td>
<td>Short</td>
</tr>
<tr>
<td>Asbury Automotive Group, Inc.</td>
<td>(0.2)</td>
<td>Short</td>
<td>First Financial Bankshares, Inc.</td>
<td>(0.5)</td>
<td>Short</td>
</tr>
<tr>
<td>Badger Meter, Inc.</td>
<td>(0.3)</td>
<td>Short</td>
<td>Johnson Controls International PLC</td>
<td>2.8</td>
<td>Long</td>
</tr>
<tr>
<td>Bank of Hawaii Corp.</td>
<td>(0.5)</td>
<td>Short</td>
<td>Lennox International, Inc.</td>
<td>0.0</td>
<td>Short</td>
</tr>
<tr>
<td>CDK Global, Inc.</td>
<td>0.0</td>
<td>Short</td>
<td>Mondelez International, Inc. (Cl A)</td>
<td>1.4</td>
<td>Long</td>
</tr>
<tr>
<td>Chevron Corp.</td>
<td>1.1</td>
<td>Long</td>
<td>PACCAR, Inc.</td>
<td>(1.4)</td>
<td>Short</td>
</tr>
<tr>
<td>Cimarex Energy Co.</td>
<td>1.0</td>
<td>Long</td>
<td>Sherwin-Williams Co.</td>
<td>1.4</td>
<td>Long</td>
</tr>
<tr>
<td>Cintas Corp.</td>
<td>(0.3)</td>
<td>Short</td>
<td>Taubman Centers, Inc.</td>
<td>0.0</td>
<td>Short</td>
</tr>
<tr>
<td>Citigroup, Inc.</td>
<td>2.3</td>
<td>Long</td>
<td>Under Armour, Inc. (Cl A)</td>
<td>0.0</td>
<td>Short</td>
</tr>
<tr>
<td>Commerce Bancshares, Inc.</td>
<td>(1.6)</td>
<td>Short</td>
<td>United Airlines Holdings, Inc.</td>
<td>1.5</td>
<td>Long</td>
</tr>
<tr>
<td>Devon Energy Corp.</td>
<td>0.0</td>
<td>Long</td>
<td>United Technologies Corp.</td>
<td>0.0</td>
<td>Long</td>
</tr>
<tr>
<td>Dick's Sporting Goods, Inc.</td>
<td>(0.5)</td>
<td>Short</td>
<td>Visa, Inc. (Cl A)</td>
<td>1.4</td>
<td>Long</td>
</tr>
<tr>
<td>Discover Financial Services</td>
<td>0.0</td>
<td>Long</td>
<td>Wells Fargo &amp; Co.</td>
<td>0.0</td>
<td>Long</td>
</tr>
<tr>
<td>Encompass Health Corp.</td>
<td>0.0</td>
<td>Short</td>
<td>Whirlpool Corp.</td>
<td>(0.6)</td>
<td>Short</td>
</tr>
</tbody>
</table>

Mentioned security not held in the Diamond Hill Long-Short Fund: Simon Property Group, Inc.

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.