

Market Commentary

Every major market generated positive double-digit returns during the second quarter, while major currencies held fairly steady against the U.S. dollar. In June, the International Monetary Fund updated its forecast for global output to decline by 4.9% in 2020, 1.9 percentage points below its previous forecast. Global equities generally appreciated in value during the quarter despite this weak near-term economic outlook for three primary reasons, in our view. First, many governments have implemented strong monetary and fiscal support; second, we observed that across Diamond Hill's portfolios, most equity prices had declined well below intrinsic value during the first quarter; and third, governments increasingly eased COVID-19-related restrictions throughout the second quarter.

International Strategy Review

The Composite increased 13.96%, net of fees, compared to a 16.96% increase in the Morningstar Global Markets ex-U.S. Index.

On an absolute basis, all sectors represented in the strategy contributed to return, led by the communication services, financials and industrials sectors.

The Composite's underperformance relative to the Index was primarily driven by security selection in the health care, materials and information technology sectors. An underweight position in the materials sector and a combination of an overweight position and security selection within the consumer staples sector also detracted from relative return. Security selection in the financials and real estate sectors provided the largest contribution to return.

Best Performers

- Private banking products and services provider **Julius Baer Gruppe A.G.**
- Internet and advertising services provider **Tencent Holdings Ltd.**
- Diversified media and entertainment company **Walt Disney Co.**
- Eyeglass manufacturer **EssilorLuxottica S.A.**
- Alcoholic beverage manufacturer **Anheuser-Busch InBev S.A./N.V.**

TEAM

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Portfolio Manager

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Worst Performers

- Telecommunications services provider **BT Group PLC**
- Lubricants manufacturer **Fuchs Petrolub S.E.**
- Telecommunications services provider **Telesites SAB de CV (CI B)**
- Media and communications company **Rogers Communications, Inc. (CI B)**
- Property and casualty insurance company **Fairfax Financial Holdings Ltd.**

New Positions

- Discount retailer **B&M European Value Retail S.A.**
- Lubricants manufacturer **Fuchs Petrolub S.E.**
- Storage facilities operator **Shurgard Self Storage S.A.**
- Specialty business services provider **WNS (Holdings) Ltd.**

Eliminated Positions

- Automation products manufacturer **Fanuc Corp.**
- Lubricants manufacturer **Fuchs Petrolub S.E. Pref**
- Asset manager **Noah Holdings Ltd. (CI A)**
- Information technology security company **Palo Alto Networks, Inc.**
- Software and information services provider **Software A.G.**
- Telecommunications services provider **Telesites SAB de CV (CI B)**



PERIOD & ANNUALIZED TOTAL RETURNS (%)

Inception Date: December 31, 2016

	SINCE INCEPTION	3-YR	1-YR	YTD	2Q20
INTERNATIONAL COMPOSITE					
Gross of Fees	6.81	2.45	-7.86	-15.68	14.14
Net of Fees	6.61	2.23	-8.47	-15.96	13.96
BENCHMARK					
Morningstar Global Markets ex-U.S. Index	4.87	1.18	-4.51	-11.12	16.96

CALENDAR YEAR RETURNS (%)

	2017	2018	2019
INTERNATIONAL COMPOSITE			
Gross of Fees	32.22	-9.62	24.95
Net of Fees	32.22	-9.62	24.55
BENCHMARK			
Morningstar Global Markets ex-U.S. Index	27.37	-14.17	21.57

Diamond Hill Capital Management Inc. (DHCM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. DHCM has been independently verified for the period 5/31/00 – 3/31/20. DHCM's current verification firm is ACA Compliance Group. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The verification and performance exam reports are available upon request. DHCM is a registered investment adviser and wholly owned subsidiary of Diamond Hill Investment Group, Inc.; registration does not imply a certain level of skill or training. DHCM provides investment management services to individuals and institutional investors through mutual funds and separate accounts. A complete list and description of all composites and policies for valuing portfolios, calculating and reporting returns, and preparing compliant presentations are available upon request. The International Composite is comprised of discretionary fee paying non-wrap accounts managed according to the firm's International equity strategy. The strategy's investment objective is to achieve long-term capital appreciation by investing in foreign companies selling for less than our estimate of intrinsic value. The composite typically invests in companies with a market capitalization of \$1 billion or greater. The composite results reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains. Returns are calculated using U.S. Dollars. Net returns are calculated by reducing the gross returns by either the actual client fee paid or the highest stated fee in the composite fee schedule, depending on the type of client and account, and are reduced by estimated accrued performance based fees where applicable. Only transaction costs are deducted from gross of fees returns. The Morningstar Global Markets ex-U.S. Index is a net total return index designed to provide exposure to the top 97% market capitalization in each of two economic segments, developed markets, excluding the United States, and emerging markets. Our selection process may lead to portfolios that differ markedly from the benchmarks presented. Returns may be more volatile than, and/or may not be correlated to these indices, which are for comparative purposes only. The Firm's standard fee schedule for International separate accounts is as follows: First \$20,000,000 = 0.75%; Over \$20,000,000 = 0.65%. The dispersion measure is the asset weighted standard deviation of the annual portfolio returns. Only portfolios represented in the composite for the entire year are included in the calculation. The calculation is not performed if the composite contains 5 or fewer accounts for the full year. No alteration of composites as presented here has occurred because of changes in personnel at any time. **Past performance is not a guarantee of future results.** It should not be assumed that an investment in the securities identified was or will be profitable. The holdings identified do not

AS OF YEAR-END	DHCM	INTERNATIONAL COMPOSITE			3-YR ANNUALIZED STANDARD DEVIATION (GROSS OF FEES)	
		Assets Under Management	Number of Accounts	Assets Under Management (Gross of Fees)	International Composite	Morningstar Global Markets ex-U.S. Index
2019	\$23.4B	5 or fewer	\$13.5M	NA ¹	12.07%	11.15%
2018	19.1B	5 or fewer	3.5M	NA ¹	NA ²	NA ²
2017	22.3B	5 or fewer	4.0M	NA ¹	NA ²	NA ²

¹ NA = Not applicable

² Statistics are not presented because 36 monthly returns are not available. This composite was created in July 2019.

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