Value Investor INSIGHT

The Leading Authority on Value Investing

November 30, 2023

Anti-Herd Mentality

Austin Hawley and Win Murray of Diamond Hill Capital Management describe why having a long-term perspective is a sustainable value-investor competitive advantage, how portfolio concentration can best pay off, why they recently sold their position in Walt Disney, and why they see unrecognized upside today in AIG, Ferguson and Texas Instruments.

INVESTOR INSIGHT

Diamond Hill Capital
Austin Hawley (*l*), Win Murray (*r*)

While he's been destined to fully take over Diamond Hill Capital Management's Large Cap strategy since 2015, Austin Hawley is now slated to do that at year-end when long-time portfolio manager Chuck Bath retires. It's a big job, managing a franchise with some $16 billion in assets and a strong record – having earned a net annualized 8.4% since 2001, vs. 6.7% for the Russell 1000 Value Index.

"We won't know for years, but we've managed the transition to put ourselves in the best position for success possible," Hawley says. In a market where the valuation gap between perceived haves and have-nots is wide, he and firm research head Win Murray are finding upside in such areas as insurance, industrial distribution and semiconductors.

As a U.S. large-cap investor, what do you think it takes to distinguish yourself from your plentiful active, algorithmic and passive competition?

Austin Hawley: First off, we're value investors, trying to buy something for less than it's intrinsically worth and doing so through fundamental research with a time horizon of at least five years. It's hard for investors who think the way we do to understand how this could be, but this approach is distinctly different than that of much of our competition.

We are firm believers that this is a creative enterprise and that to be successful requires having a different view than the market on how a company and its business are going to evolve over the years. You can obviously underperform taking that path if you don't have real insights, but we also think over time that it's the only way you can outperform.

There are three general categories where we're likely to find opportunity. One is simply where there are short-term cyclical or other issues that people are worried about and which are reflected in a stock's valuation, but which we don't believe change the longer-term dynamics of the business. The second would be turnarounds, which many investors avoid because they're really hard and often take longer than expected, but that can give you a long runway on the other side when you get it right. The final bucket is where we feel we have an informational advantage or better-informed, non-consensus view. This is where experience really comes into play, typically in companies that are undergoing change and aren't widely covered. Even in large cap you can find these types of opportunities, especially in a top-heavy market like we have today.

Win Murray: In my experience younger analysts tend to love to do screens while older analysts prefer to use their rolodex in looking for new ideas. We have sector analysts here, many of whom have years and years of experience. One significant benefit of that is that with our time horizon of five to seven years they're better able to recognize when companies they've been following for many years have gotten mispriced for some temporary cyclical or macro reason.

If we had an overarching screen or firm-wide way to source new ideas, I'd argue that's probably not in our clients' best interests. Anything we do to limit the creativity of our best analysts in finding ideas will likely produce portfolios that aren't very distinguished from the competition.

Let's look at some current examples of ideas falling in your three general buckets of opportunity. What attracted your attention in recent portfolio addition Extra Space Storage [EXR]?

AH: Self-storage is an industry we know well and with what we consider to be an attractive business model. There are real benefits from scale – especially from investments in technology – minimal capital requirements, and continued opportunity for organic and inorganic growth.

Our interest in Extra Space Storage falls in the short-term-concern bucket.

Investors are nervous about rising interest rates hurting real estate and real estate investment trusts. They're concerned that rents and occupancy rates in the sector are set to normalize after two years of robust demand. There also seems to be some worry over the integration of the company's just-completed merger with Life Storage, which makes it the largest operator of owned and third-party-managed storage facilities in the U.S.

We don't disagree that near-term fundamentals may be challenged, but we think that's been more than reflected in the share price. [*Note*: At a recent price of just under $130, the shares are down 25% from their 52-week high.] That's given us the opportunity to invest in a business we know well and in a company with significant potential to improve both its market position and profitability over time.

We take it American International Group [AIG] falls in the turnaround category?

AH: This is a perfect example of how difficult and extended a turnaround can be, particularly for such a sprawling, complicated global business that had lost its way as an underwriter. It can take a very long time in such a long-duration business to work your way out of legacy underwriting decisions and to rationalize and focus your portfolio of businesses. First under Brian Duperreault and now Peter Zaffino as CEO, the turnaround at AIG has taken root and with company fundamentals starting to reflect that, we believe we are now closer to the end of that process than the beginning.

As I mentioned earlier, the stocks in such situations often don't immediately reflect the changed circumstances. We believe the company is still a year or two away from being a revitalized, standalone P&C business with an optimal capital structure. We're confident they're on the right trajectory and think there's a very long runway of improvement ahead.

What would be a good example where you believe you have a "better-informed, non-consensus" view?

WM: We as a firm have a good track record in finding industrial companies that have been relatively poorly run, but with the right new management are pursuing broad-based operational overhauls that can sustainably improve the business. A good example of that today that we don't think the market is recognizing well is Regal Rexnord [RRX], which manufactures electric motors and motion-control products found in a wide range of industrial and HVAC equipment.

ON CREATIVITY:

This is a creative enterprise; we have to have a different view on how a company and its business are going to evolve.

The company over the past two years has made two significant deals – merging with the motion-control division of Rexnord and expanding its automation business by buying publicly traded Altra Industrial Motion – that we think put it in an excellent position to benefit from secular tailwinds from an increasing industrial focus on energy efficiency, automation, re-shoring and electrification. At the same time, the new management team is extremely focused on improving cost efficiency and returns on invested capital, with significant ongoing potential to do both as the combined businesses are further integrated.

The business isn't well followed and the shares seem to reflect more short-term economic uncertainty than improving fundamental longer-term prospects and earnings power. We think the stock at today's price [of about $117.50] is mispriced relative to the $15 or so per share we think the company can earn in 2026. The cumulative free cash flow we estimate the business can generate through 2025 is close to 25% of the current market cap. Time will tell if we have a better-informed view than the market, but we think the indicators of that here are well in place.

Walt Disney's [DIS] prospects are much debated today among value investors. Describe your thinking behind selling your position in it in the third quarter.

AH: We have an estimate of intrinsic value for every stock we own and we're generally quite disciplined about exiting positions priced above that estimated value. We believe one of the easiest ways to expose our clients to permanent impairment of capital is to own shares trading at more than we think they're worth.

Of course, a stock can trade at above our estimated value either because the share price goes up or the estimate of value goes down. In this latter case, we really don't want to drag our feet and should exit the position quickly. That was the case with Disney.

It took some time, but over the last year we've been losing confidence that the direct-to-consumer economics of the company's television business can get anywhere close to what it was in the pre-streaming world. This is not a Disney-specific problem – Disney in fact has remarkable content and other assets that others can't replicate – but the impact on TV was enough to bring our estimate of value down to a point where the risk/reward wasn't favorable enough for us. We also were worried somewhat about the balance sheet in a rising interest rate environment and about the parks business everyone loves being closer to the peak part of the cycle than people seem to think.

We could certainly be proven wrong here, but there were just too many red flags for us to maintain our position. We have plenty of ideas where our confidence levels are much higher.

Austin, you run three funds with the same basic value-based strategies but with varying takes on concentration. One is large-cap with just over 50 positions today. One is large-cap but concentrated, with 20 names. And one is an all-cap portfolio with 20 to 25 holdings. Value investors tend to believe fewer names is generally better. What has your experience shown on that front?

AH: I don't disagree that in theory concentrating on ideas for which you have the greatest conviction makes sense. My experience with large-cap, however, is that it's harder to add a lot of value just by shrinking the number of names unless you also are willing to make concentrated bets within industries and sectors, which we try not to do. We've added a little alpha in the concentrated strategy through security selection, but it's been relatively close.

In the all-cap Select strategy there are more opportunities to add value through concentration, though some of that comes from our having more leeway in terms of industry and sector exposure. Generally, when you can swap out of a small-cap healthcare idea, say, in favor of a large-cap financial idea, you just have more diverse opportunities for adding value based on relative levels of conviction and valuation. The volatility has been higher, but we have been able to deliver excess returns in the more concentrated all-cap portfolio.

Please flesh out further your broader investment case for AIG.

AH: First some quick history. We were investors in AIG pre-financial crisis, very painfully. We invested again in 2013, this time successfully, when the stock traded so cheaply to tangible book value that we thought not a lot had to go right to earn a reasonable return. That turned out to be true, but in terms of putting their operating house in order there were enough red flags that we sold out at the end of 2016.

We were observers of the company for a time and renewed our interest as top management turned over again and we became much more confident in the quality and experiences of the team responsible for turning things around. Fixing an insurance company is like turning a tanker. The in-force book of business doesn't go away and it takes a long time for the impact of what you hope is better underwriting discipline to have a tangible effect.

We eventually in late 2018 took a modest-sized position after seeing a number of steps taken by management that gave us confidence things where actually going to change. One was an adverse-development portfolio transfer the company did with Berkshire Hathaway, transferring out a significant amount of legacy underwriting risk on pre-2016 business. Another was seeing revenues in a variety of lines shrink dramatically. AIG's previous culture had become one where to keep revenue volume up they would cut price, which eroded underwriting discipline. Seeing that change was evidence to us that this was the right team to bring the company back. Through the pandemic the stock got really cheap and we kept adding to the point where AIG is now our biggest position.

It's an ongoing process but there has been real evidence of improvement. Between 2018 and 2023 the combined ratio – premiums divided by all expenses and incurred losses, in percentage terms – has on a normalized basis fallen from around 100 to 90, improving every quarter for the last four years. The company also continues to streamline its product portfolio, further divesting its Corebridge Financial [CRBG] life-insurance business and recently selling its Validus Re reinsurance division to RenaissanceRe at an attractive valuation. This continues to focus and simplify the overall business, highlighting

INVESTMENT SNAPSHOT

American International Group
(NYSE: AIG)

Business: Through an extensive, drawn out and ongoing restructuring process is transforming itself almost exclusively into a global provider of property/casualty insurance.

Share Information (@11/29/23):

Price	**64.83**
52-Week Range	45.66 – 65.72
Dividend Yield	2.2%
Market Cap	$45.51 billion

Financials (TTM):

Revenue	$50.15 billion
Operating Profit Margin	30.6%
Net Profit Margin	8.3%

Valuation Metrics (@11/29/23):

	AIG	S&P 500
P/E (TTM)	11.6	20.4
Forward P/E (Est.)	9.0	20.4

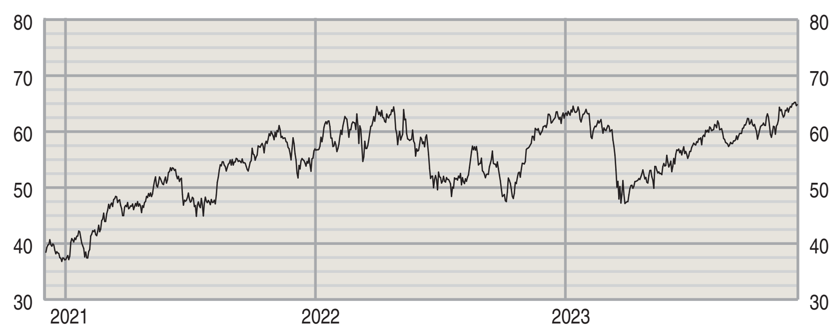
Largest Institutional Owners (@9/30/23 or latest filing):

Company	% Owned
Vanguard Group	10.4%
BlackRock	9.2%
Capital Research & Mgmt	5.9%
State Street	4.3%
T. Rowe Price	3.9%

Short Interest (as of 11/15/23):

Shares Short/Float	0.9%

AIG PRICE HISTORY



THE BOTTOM LINE

Austin Hawley believes the market is only slowly recognizing the extent of the turnaround underway at the company and the tangible evidence of its success. Within two years he expects it to be earning a more predictable low-teens return on tangible equity and that its stock will deserve a book-value multiple that's at least 50% above the current level.

Sources: Company reports, other publicly available information

what we believe is a rejuvenated global property/casualty franchise.

Usually by this point we would have spoken about interest rates and/or the hard or soft insurance pricing environment. How do those issues impact your thesis today?

AH: Both certainly impact the business, but that we haven't spoken about them yet reflects the fact that our interest here isn't really predicated on interest rates or the insurance pricing environment. As it happens, we consider both of these tailwinds today. Higher interest rates are generally positive for P&C insurers, as liabilities are not interest-bearing but you can earn higher rates on your investments. We've also seen very strong pricing across the commercial insurance industry over the past couple of years, which continues. New business today is being written above loss-cost inflation, which at least for the near term should continue to have a positive impact on margins.

How attractive do you consider the shares at today's price of around $65?

AH: The market is only slowly recognizing the extent of the turnaround underway. When it's complete, which we still think is a year or two away, AIG should be a standalone P&C business earning a low-teens return on tangible equity and with a more predictable and less volatile earnings stream. Insurance companies that generally fit that description, like Chubb, Arch Capital or W.R. Berkley, tend to trade at around 1.5x tangible book value and maybe 12-13x earnings. AIG now trades at 9x forward earnings and at a discount to tangible book. We think there's a lot of upside to come.

I'd also mention that the company still has a meaningful deferred-tax asset that has given a big boost to free cash flow over the last few years, which has been used and will continue to be used to repurchase shares.

Describe the unrecognized upside you see in industrial distributor Ferguson [FERG].

AH: We generally like distribution businesses, the best of which have over the last few years really proven their worth to both customers and suppliers in an environment where it's been difficult to source goods. Ferguson is a leading distributor of plumbing, waterworks and heating, ventilation and air conditioning products. Its business is roughly 50/50 residential/non-residential and its business mix has continued to shift from new construction to maintenance and repair, which now accounts for 60% of total revenues.

We'd known the company for some time, but it wasn't really investable. It was part of a U.K.-based distribution conglomerate called Wolseley, which had a variety of pieces in Europe that weren't very interesting. But by May of 2022 they had sold off the other businesses and moved the primary share listing to New York. It's not yet followed widely by analysts here, but it's a pure-play U.S. distributor in areas where it has the leading market share and it overall earns north of 30% returns on invested capital.

Distribution is obviously a business where scale matters. Ferguson's plumbing business, for example, serves more than 35,000 suppliers and hundreds of thou-

INVESTMENT SNAPSHOT

Ferguson
(NYSE: FERG)

Business: Distributor of plumbing, heating, ventilation, air conditioning and other related products to new construction and repair and remodel markets primarily in North America.

Share Information (@11/29/23):

Price	**168.68**
52-Week Range	111.85 – 171.06
Dividend Yield	1.8%
Market Cap	$34.26 billion

Financials (TTM):

Revenue	$29.73 billion
Operating Profit Margin	10.1%
Net Profit Margin	6.3%

Valuation Metrics
(@11/29/23):

	FERG	S&P 500
P/E (TTM)	18.5	20.4
Forward P/E (Est.)	17.5	20.4

Largest Institutional Owners
(@9/30/23 or latest filing):

Company	% Owned
Vanguard Group	12.6%
BlackRock	6.3%
Fidelity Mgmt & Research	3.5%
Janus Henderson	3.2%
Stichting Pensioenfonds	2.7%

Short Interest (as of 11/15/23):

Shares Short/Float	1.0%

FERG PRICE HISTORY

THE BOTTOM LINE

The off-the-radar company has the potential to translate competitive advantages in a huge, fragmented market into above-GDP growth with high returns on capital for many years, says Austin Hawley. Through revenue growth, margin expansion and capital return, he believes the shares can produce at least low-double-digit compound returns over time.

Sources: Company reports, other publicly available information

sands of contractors and plumbing specialists. It offers a wide inventory, value-added service that insulates it from online competition, and well-developed local-market distribution. Those kinds of scale benefits compound over time, making it harder for local companies to compete. Ferguson typically adds 1-2% to annual growth through organic market share gains and another 1-2% from buying out smaller competitors. Margins tend to improve over time in small but meaningful increments.

We also see two secular tailwinds here. One is tied to residential construction, which while going through an adjustment process due to higher mortgage rates should benefit long term from years of undersupply running up against growing demand for homes from the large millennial cohort entering their prime homebuying years. The other tailwind is tied to the Inflation Reduction Act's many initiatives supporting commercial construction in the U.S. This money is just now starting to be spent and should benefit distributors like Ferguson for years to come.

Now trading at around $168.70, what upside do you see in the shares?

AH: The stock today trades at less than 12x EV/EBITDA, which we don't think reflects the company's potential to translate competitive advantages in a huge, highly fragmented market into above-GDP growth with high returns on capital for many, many years. Through a combination of high-single-digit revenue growth, small but steady margin expansion and disciplined cash return from buybacks and dividends, we expect the shares to produce at least low-double-digit compound returns over time. If that happens, there's then the potential kicker of a higher valuation that better reflects the fundamentals of the business.

We also think there's a real possibility that Ferguson will eventually be added to the S&P 500 – it was added to the Russell 1000 in June – reflecting its listing on the NYSE and shift in business entirely to North America. That could serve as an additional catalyst to closing the valuation gap versus peers.

From industrial distribution to semiconductors, explain your interest today in Texas Instruments [TXN].

AH: This is another example where we believe short-term concerns are crowding out what is a very positive longer-term story. The company has a leading share in the market for analog chips, which are used to convert real-world signals such as sound, temperature and pressure into digital signals that can go into an operating system to be processed. As electronics across the board are built in increasing degrees into industrial equipment, autos, homes and just about everything, that translates into higher demand for analog chips.

The industry competitive structure here is attractive, with Texas Instruments and Analog Devices controlling most of the market. They benefit from significant economies of scale and scope, providing the broadest inventory of products at prices that are extremely low relative to the end-product's total cost. That tends to make customer relationships sticky as the chips are built into product designs

INVESTMENT SNAPSHOT

Texas Instruments
(Nasdaq: TXN)

Business: Designs, manufactures and sells analog and embedded semiconductors used in industrial, automotive, consumer electronics, communications and other end markets.

Share Information (@11/29/23):

Price	**153.20**
52-Week Range	139.48 – 188.12
Dividend Yield	3.4%
Market Cap	$138.1 billion

Financials (TTM):

Revenue	$18.11 billion
Operating Profit Margin	41.6%
Net Profit Margin	39.2%

Valuation Metrics
(@11/29/23):

	TXN	S&P 500
P/E (TTM)	19.9	20.4
Forward P/E (Est.)	24.1	20.4

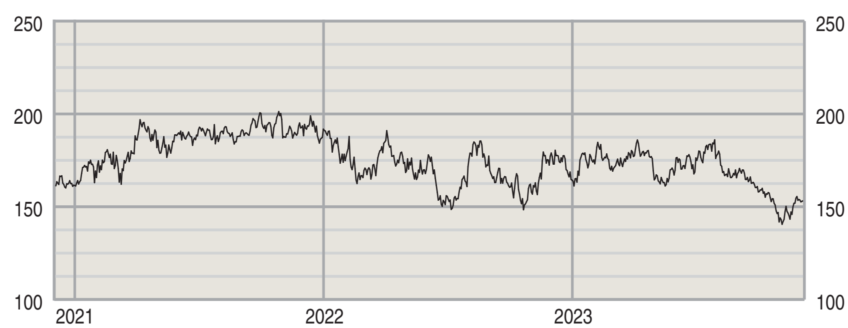
Largest Institutional Owners
(@9/30/23 or latest filing):

Company	% Owned
Vanguard Group	9.8%
BlackRock	8.6%
State Street	4.1%
Capital Research & Mgmt	3.7%
Wellington Mgmt	2.9%

Short Interest (as of 11/15/23):

Shares Short/Float	1.9%

TXN PRICE HISTORY



THE BOTTOM LINE

Despite secular demand growth for its products, the company's results have been hurt by a down industry cycle and by heavy spending to build out manufacturing and supply-chain capacity, says Austin Hawley. As a shareholder he expects to benefit over time at least in line with the low-teens compound growth he forecasts in annual free cash flow.

Sources: Company reports, other publicly available information

and there isn't usually strong incentive to switch them out.

What's happened to create the opportunity? First of all, despite long-term demand for analog chips going up and to the right, the business is still cyclical and is currently in a down part of the cycle, resulting in four straight quarters of decreased sales for Texas Instruments.

Specific to the company, it is investing heavily to build out new, low-cost capacity and to bring more of its supply chain in house. They're getting significant government support to do so after passage of the CHIPS and Science Act, but they are building out enough capacity to double revenues over the next seven years. It's a significant undertaking that's depressing current earnings and cash flow and is clearly not without risk in the implementation. We believe they're making the right strategic decisions and that management is fully capable of delivering on their articulated goals in a way that strengthens the company's moat over time.

How are you looking at valuation from today's price of just over $153?

AH: The stock at around 24x doesn't look that cheap on forward earnings, but we'd argue those earnings are close to trough levels. We're more focused on normalized earnings and the competitive strength of the company, which we think are being overlooked due to short-term issues.

If we assume near-term normalized annual revenue of $20 billion and normalized free cash flow margins of 30%, the stock today trades at around a 5% free-cash-flow yield. In the near term, free cash flow is primarily going towards funding the 3.4% dividend yield, but over time shareholders will benefit further from share buybacks as management is committed to returning 100% of a growing level of free cash flow to shareholders. If we assume even 6-9% annual revenue growth – well below what is implied by management's capacity-expansion targets – we estimate free cash flow can compound at a low-teens rate. Again, as that's recognized there's also the potential the market will value that cash flow at a higher level than is the case today.

Tell us about your experience owning Silicon Valley Bank and any lessons learned.

AH: We took a position in SVB in the second quarter of 2022 when the stock started to sell off given its deep Silicon Valley innovation-economy ties. We had the thesis that this was an interesting franchise with some competitive advantages not often found in a financial institution, including some real network effects reinforcing growth over time. We also liked that it didn't have a lot of credit-quality risk on the asset side of the balance sheet.

That was all true, but we did not contemplate a scenario where those network effects could work in reverse, essentially causing a run on a bank that didn't have major asset-quality problems. We never in a million years would have envisioned how quickly that all unfolded. As for lessons, we'll certainly look more carefully in the future at the quality and stability of deposits and the mix of uninsured versus insured deposits. But this is one where we were just wrong. We ended up selling our position six months after buying it, when data showed that their clients were burning so much cash that it was having an impact on SVB's deposits. There's no silver lining and it was a terrible investment, but we did at least get out before the ultimate collapse in March.

Austin, you will take over full responsibility for Diamond Hill's flagship Large Cap strategy when Chuck Bath retires at the end of this year. Are you happy with how the transition process has played out?

AH: We won't know for years if this ends up being a seamless and rewarding process for clients, but we've tried to do it the right way and put ourselves in as good a position for success as we can. I've been at the firm for 15 years, working with Chuck the entire time. In 2015 I was expected to eventually take over for him, so I was named assistant portfolio manager for Large Cap then and have been a full co-PM since 2017.

It has obviously helped that Chuck and I have similar philosophies and a similar passion and intellectual curiosity for markets and individual companies. What also has been critical is that he has been very good about not trying to dictate to me the rules I should follow to invest and manage the portfolio just like he did. It has been more about sharing how he thinks about markets and the frameworks he uses to identify good investments and in managing a portfolio. He's been helping me prepare to make my own decisions based on my own judgement. That's the only way this can ultimately work. VII

Large Cap Fund Period and Annualized Total Returns as of 30 Sep 2023 (%)	Since Inception (29 Jun 2001)	20Y	15Y	10Y	5Y	3Y	1Y	YTD	3Q23	Expense Ratio (%)
Investor	8.07	9.52	9.16	8.81	6.39	8.17	12.89	1.77	-3.17	0.96
Class I	8.36	9.84	9.48	9.12	6.70	8.51	13.23	2.00	-3.08	0.67
Class Y	8.30	9.78	9.51	9.25	6.82	8.62	13.34	2.06	-3.07	0.55
Russell 1000 Index	7.99	9.79	11.26	11.63	9.63	9.53	21.19	13.01	-3.15	—
Russell 1000 Value Index	6.95	8.22	8.59	8.45	6.23	11.05	14.44	1.79	-3.16	—

Large Cap Concentrated Fund Period and Annualized Total Returns as of 30 Sep 2023 (%)	Since Inception (26 Feb 2021)	1Y	YTD	3Q23	Expense Ratio (%)
Investor	3.42	16.59	3.97	-1.47	0.97
Class I	3.72	16.89	4.18	-1.38	0.68
Class Y	3.83	17.04	4.28	-1.38	0.56
Russell 1000 Index	4.93	21.19	13.01	-3.15	—
Russell 1000 Value Index	4.53	14.44	1.79	-3.16	—

Select Fund Period and Annualized Total Returns as of 30 Sep 2023 (%)	Since Inception (30 Dec 2005)	15Y	10Y	5Y	3Y	1Y	YTD	3Q23	Expense Ratio (%)
Investor	8.45	9.93	9.63	8.69	14.69	17.29	10.39	-6.05	1.16
Class I	8.78	10.26	9.94	9.01	15.04	17.60	10.59	-6.00	0.87
Class Y	8.74	10.27	10.08	9.15	15.19	17.74	10.71	-5.97	0.75
Russell 3000 Index	9.18	11.05	11.28	9.14	9.38	20.46	12.39	-3.25	—
Russell 3000 Value Index	7.10	8.49	8.29	5.98	11.19	14.05	1.67	-3.15	—

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. Class I shares and Class Y shares include Investor share performance achieved prior to the creation of Class I shares and Class Y shares.

EV/EBITDA: ratio that compares a company's Enterprise Value (EV) to its Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA).

As of 31 October 2023, Diamond Hill owned shares of Extra Space Storage, Inc., American International Group, Inc., Regal Rexnord Corp., Berkshire Hathaway, Inc., RenaissanceRe Holdings Ltd., Ferguson PLC and Texas Instruments, Inc. A complete list of portfolio holdings for each fund can be found here: https://www.diamond-hill.com/investment-strategies/documents/mutual-funds/.

Risk Disclosure: Large Cap Fund: Overall equity market risks may affect the portfolio's value. **Large Cap Concentrated Fund:** Because the portfolio holds a limited number of securities, a decline in the value of these investments may affect overall performance to a greater degree than a less concentrated portfolio. **Select Fund:** Because the portfolio holds a limited number of securities, a decline in the value of these investments may affect overall performance to a greater degree than a less concentrated portfolio. Small- and mid-capitalization issues tend to be more volatile and less liquid than large-capitalization issues.

The S&P 500 Index measures the performance of 500 large companies in the US. The Russell 1000 Index measures the performance of roughly 1,000 US large-cap companies. The Russell 1000 Value Index measures the performance of US large-cap companies with lower price/book ratios and forecasted growth values. The Russell 3000 Index measures the performance of roughly 3,000 of the largest US companies. The Russell 3000 Value Index measures the performance of the largest US companies with lower price/book ratios and forecasted growth values. The indexes are unmanaged, market capitalization weighted, include net reinvested dividends, do not reflect fees or expenses (which would lower the return) and are not available for direct investment. Index data source: London Stock Exchange Group PLC. See diamond-hill.com/disclosures for a full copy of the disclaimer.

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

Clarification: Chuck Bath will be transitioning to Assistant Portfolio Manager of the Diamond Hill Large Cap and Diamond Hill Large Cap Concentrated Funds as of 28 February 2024 and will retire from Diamond Hill 31 December 2024.