International Fund

As of 31 Dec 2025

DIAMOND HILL
INVESTED IN THE LONG RUN

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Quarterly Snapshot

Performance

The Fund returned 3.84% and the MSCI ACWI ex USA Index returned 5.05%.

Key Drivers

Stock selection in health care and financials detracted from relative performance. Stock selection in information technology and industrials contributed, along with our underweight to communication services.

Summary

Periods of volatility were masked by strong returns for international equities in Q4 and throughout 2025. We were unable to keep pace with the benchmark, but took advantage of the volatility as disciplined investors who look for situations where prices diverge from intrinsic value.

Market and portfolio review

International equities advanced in Q4, with the MSCI ACWI ex USA Index rising 5.05%. Performance varied across regions — Europe led with a 6.24% gain, supported by strength in Switzerland and the UK, while Asia and Pacific markets lagged the benchmark returning 3.45%, as gains in South Korea and Japan were offset by weakness in China.

- The Swiss market, heavily weighted toward health care and consumer staples, was seen as a safe haven amid global growth concerns and benefited from improving trade sentiment with the US.
- In the UK, the Autumn Budget delivered a clearer fiscal policy roadmap and avoided feared sector-specific levies. These developments, along with attractive equity valuations, supported investor interest.
- South Korean stocks gained on progress related to corporate governance initiatives and improved supply/demand picture for its memory chip companies, as manufacturers reported their capacity is largely sold out through 2026.
- Japanese stocks slightly lagged the MSCI ACWI ex USA Index but were still positive, as optimism about renewed fiscal spending and continued corporate governance reform were slightly offset by monetary policy tightening.
- Chinese stocks declined as the impact of front-loaded exports ahead of US tariffs faded and property-related wealth effects remained negative.

Throughout 2025, international equities outperformed their US counterparts, defying widespread expectations of continued US leadership. A declining dollar provided a helpful tailwind to international returns, while regional, sector-specific and policy-driven factors supported a broader set of market leaders. AI infrastructure investment in Asia and optimism around European fiscal spending were especially noteworthy.

- Taiwan's chip foundry, packaging and adjacent industries saw strong growth in 2025, supported by robust demand that shows no signs of slowing in 2026.
- Chinese companies are less integrated into the global semiconductor ecosystem, but AI-related stocks in the country performed well as growing domestic activity drove performance.
- Japanese companies play a pivotal role in the semiconductor supply chain via their chipmaking equipment and other key production materials, and these companies benefited from rising capital expenditures across industry.
- Japanese stocks were also supported by the country's corporate governance reform, which continued to show signs of tangible progress. Companies made notable strides in simplifying corporate structures, improving capital efficiency and prioritizing shareholder returns.

- European banks, supported by cheap valuations, improved capital positions and a more normalized interest rate environment, helped drive strong stock performance for the year.
- Germany passed a robust fiscal spending package early in 2025, which supported equities in Europe's largest economy and provided a lift for more cyclical companies with cheap valuations throughout the region.
- Military defense and adjacent firms also performed well as governments moved toward greater strategic autonomy from the US — expanding confidence in the sectors' future growth prospects.

While we monitor policy and geopolitical developments, they do not dictate our investment focus. We are drawn to companies where market prices have materially diverged from intrinsic value. Periods of volatility often create opportunities to invest in strong businesses that are temporarily mispriced. This disciplined approach keeps us focused on fundamentals and long-term value, rather than short-term market noise.

Key contributors

- **Samsung Electronics**, a global memory chip manufacturer, benefited from improved sentiment around its high-bandwidth memory products, which began shipping to AI providers. Strengthening pricing in its traditional memory business also supported margins and contributed to share price gains.
- **Sumitomo Densetsu**, a Japanese electrical contractor, benefited from a takeover bid by Daiwa House, whose tender offer at a premium price drove the stock higher.
- **Allfunds Group**, a leading European wealth technology platform, benefited from a takeover offer submitted by Deutsche Börse, which lifted shares on expectations of a strategic acquisition.

Key detractors

- **uniQure**, a pioneer in gene therapy, saw its shares decline following regulatory setbacks for its Huntington's disease candidate, AMT-130, as the FDA indicated that current data would be insufficient for an accelerated approval. The resulting delay in the commercial timeline caused a downward revision of the company's near-term valuation.
- **Alibaba Group**, a leader in global e-commerce, underperformed as its core Chinese retail divisions faced stagnant growth amid cautious consumer spending. Profitability was also pressured by sizeable investments in AI infrastructure.
- **EXOR**, a diversified European holding company, underperformed primarily due to weakness in Ferrari shares, one of its most significant holdings. Ferrari shares lagged after the company reduced its guidance at its Capital Markets Day, which weighed on EXOR's look-through value and investor sentiment.

New positions

- **SK hynix**, a leading South Korean memory chip manufacturer, operates in a consolidated industry. The company is benefiting from increased demand for higher-value products, such as high-bandwidth memory used in data centers and AI applications. The stock's valuation still reflects that of a traditional memory cycle rather than a sustained shift toward higher-value products.
- Global contract research organization **ICON** — offers end-to-end clinical services across pharma, biotech and medical devices. We expect continued industry outsourcing to support growth and market share gains versus smaller providers.
- **NatWest Group** is a UK bank with a simplified, digitally oriented operating model following a multi-year restructuring. We initiated a position as the current valuation does not reflect improvements in the business, a steadier earnings profile and strong capital return potential.
- European defense supplier **Theon International** specializes in night vision, thermal imaging, and intelligence, surveillance, and reconnaissance systems. This founder-led, asset-light business is benefiting from a multi-year European rearmament trend. The current stock price is undemanding relative to our estimate of intrinsic value.

Eliminated positions

- We exited our position in global industrial machinery supplier **Konecranes** as shares reached our estimate of intrinsic value.
- Shares of India-based textile manufacturer **Arvind** and Sweden-based mining and infrastructure equipment provider **Epiroc** were sold to fund higher-conviction opportunities.
- Global pharma packaging and device maker with exposure to biologics and GLP-1s **Gerresheimer** was sold to realize tax losses.
- Shares of Japanese electrical contractor **Sumitomo Densetsu** were sold following Daiwa House's tender offer at a premium above both the share price and our estimate of intrinsic value.

Period and Annualized Total Returns (%)	Since Inception (30 Dec 2016)	5Y	3Y	1Y	YTD	4Q25	Expense Ratio (%)
Class I (DHIIX)	10.03	8.95	16.34	28.27	28.27	3.84	0.85
MSCI ACWI ex USA Index	8.86	7.91	17.33	32.39	32.39	5.05	—

Click here for holdings as of 31 December 2025.

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 Diamond Hill as of 31 December 2025 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.

The performance quoted represents past performance. 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 December 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 June 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.

Index data source: MSCI, 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.

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