

Mid Cap Fund

As of 31 Dec 2025

DIAMOND HILL

INVESTED IN THE LONG RUN

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Quarterly Snapshot

Performance

The Fund returned 3.31% and the Russell Midcap Index returned 0.16%.

Key Drivers

Strong stock selection in industrials and materials were the primary drivers of relative outperformance while stock selection within consumer staples was the biggest relative detractor.

Summary

We are somewhat cautious with broad equity markets trading near all-time highs, propelled by AI-driven market exuberance. Our portfolio positioning has become incrementally more defensive over the past quarter.

Market and portfolio review

US equity markets posted positive returns once again in Q4, although the small and large portions of the market were stronger performers, returning 2.19% and 2.41%, respectively. The mid-cap range was a relative laggard, with the Russell Mid Cap Index only slightly positive at 0.16%. Despite a roughly flat Q4, mid caps were up double-digits for the full year at +10.60%.

From a sector perspective, performance was relatively mixed, with about half the sectors in the black and half the sectors in the red for the quarter. The top performing areas were health care (+6.4%) followed by materials (+3.4%) and information technology (+2.5%), while the worst performing sectors were real estate (-4.8%), communication services (-4.7%), and utilities (-3.6%).

As has been the case for most of 2025, the artificial intelligence (AI)-related spending theme continued to be a primary driver in equity markets, although we did see a bit of a breather in December due to intensified investor scrutiny around AI developments along with increased discussion of market bubbles. Many of the top-performing areas within the portfolio tended to be beneficiaries of the ongoing AI-spending buildup, including several of our top performers from industrials, materials and information technology. We continue to be mindful in evaluating valuation versus fundamentals in these cases, as there are many AI-related businesses where, in our view, sentiment has really outpaced fundamentals. Areas that lagged in the quarter tended to be more defensive, such as consumer staples, or tied to industries with ongoing questions, such as housing and software.

Our positioning within the portfolio has continued to become incrementally more defensive. Recently, we have found stocks with a little less debt and less cyclicality more appealing. We continue to find that health care and industrials have been well-stocked ponds to fish in and are two areas where we continue to find significant opportunities. We remain cautious of the elevated valuations in equity markets and believe the portfolio is well positioned for ongoing levels of heightened uncertainty going forward.

Key contributors

- **Ciena**, a networking systems company, saw shares increase meaningfully during the quarter amid optimism around hyperscaler and AI-related demand. The company has also benefited from growing cloud spending, which has supported its pluggables and data interconnect business.
- Electrical products distributor **WESCO International** outperformed in Q4 after reporting solid Q3 results and raising 2025 guidance. Better-than-expected organic growth was driven by its rapidly expanding data center business, which reached nearly 20% of total revenue.
- **Huntington Ingalls Industries**, the largest shipbuilder for the US Navy, outperformed during the quarter after reporting strong Q3 results and raising full-year guidance. Shares also benefited after the award of a new frigate contract and discussion of a potential "Trump-class" battleship, both of which were viewed as meaningful opportunities. Performance was further supported by improving execution as recent labor challenges eased.

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.

Key detractors

- Packaged food company **Post Holdings** faced pressure in Q4 as a tough food staples environment and weaker consumer sentiment hurt volumes. Higher price sensitivity and heavy promotional activity also limited margin growth.
- Shares of internet infrastructure provider **VeriSign** declined after Berkshire Hathaway reduced its stake in the company earlier in 2025, a move driven by regulatory considerations rather than company fundamentals. Despite near-term pressure, the company continues to benefit from high customer switching costs, proprietary technology, US government support and disciplined capital allocation.
- Shares of self-storage **REIT CubeSmart** declined as the slowdown in existing home sales persisted, leading to lower occupancy for storage units. While this weaker backdrop will likely persist in 2026, we believe the company remains well positioned long term given its economies of scale, brand awareness and the industry's high barriers to entry.

New positions

- We initiated a position in cloud-based web services company **Wix.com** as shares fell on concerns surrounding Generative AI. However, we believe these concerns are somewhat misplaced, as the company's core capabilities, coupled with its strong partner ecosystem and critical back-end functionality for partners, should position it well long term.
- **Westlake Corp.**, a low-cost chemicals producer and emerging supplier of building products, is managing supply-side headwinds in its commodity businesses by adjusting capacity. As the housing market recovers from a prolonged downturn in new construction, we believe both segments of the business should benefit over the long term.
- **General Mills**, a food and pet nutrition company with leading positions across several product categories, faced near-term volume pressure as consumer behavior shifted following significant post-pandemic price increases. The company has reinvested productivity savings into pricing and advertising, actions aimed at supporting the long-term health of its brands.
- **Zoetis** is a leader in the animal health market with leading products for companion animals (pets) and livestock. The company has a broad portfolio with multiple growth drivers and a strong pipeline to address several undertreated pet conditions. Concerns about one of its arthritis drugs used in dogs have pressured the share price recently, allowing us to introduce a position below our estimate of intrinsic value.

Eliminated positions

- We exited our position in oil and gas producer **Civitas Resources** after the company announced an all-stock acquisition by SM Energy. While both companies trade at a discount to our estimates of intrinsic value, there is significant uncertainty around the long-term prospects for the combined entity given the lack of operational overlap.
- We exited our position in automotive supplier **Lear Corp.** given shifts in electric vehicle demand and slowing growth at some automakers. While the company remains a stable business in the auto industry, its e-systems segment has struggled to grow margins amid changing hybrid and electric vehicle production schedules, and increased exposure to Chinese original equipment manufacturers has not been enough to materially lift volumes.
- Shares of cybersecurity software firm **Check Point Software Technologies** and food manufacturer **Marzetti** were sold as prices approached our estimate of intrinsic value.

Period and Annualized Total Returns (%)	Since Inception (31 Dec 2013)	10Y	5Y	3Y	1Y	YTD	4Q25	Expense Ratio (%)
Class I (DHPIX)	7.82	8.54	9.35	11.20	13.37	13.37	3.31	0.77
Russell Midcap Index	10.00	11.01	8.67	14.36	10.60	10.60	0.16	—
Russell Midcap Value Index	8.89	9.78	9.83	12.27	11.05	11.05	1.42	—

[Click here](#) for holdings as of 31 December 2025.

Risk disclosure: 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.

Fund holdings subject to change without notice.

Index data source: London Stock Exchange Group PLC. 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](#).

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