Securitized Credit Fund

DIAMOND HILL

INVESTED IN THE LONG RUN

As of 31 Dec 2025

Mark Jackson, CFA
Portfolio Manager

Henry Song, CFA
Portfolio Manager

Douglas Gimple
Senior Portfolio Specialist

Market review and outlook

After lowering the Fed funds rate by 100 basis points (bps) in 2024 and an additional 75 bps in 2025, market expectations are for the Federal Reserve to remain on hold for the foreseeable future. The one caveat to this outlook: changes at the Federal Reserve, including the unresolved court case for Lisa Cook, the pending departure of Jerome Powell, and potential dovish appointments from the current administration. While the labor market has shown signs of weakness — the unemployment rate averaged 4.2% in 2025 and rates for recent months have been trending higher — the current rate is significantly lower than the 40-year average of 5.7%. From an inflation standpoint, the recent lowering trend bodes well for the consumer, as Core CPI dipped to 2.6% in the most recent data, following a period of holding at or slightly above 3% in prior months.

Updates by sector

Securitized

Spreads in the securitized market followed a similar trajectory of other asset classes — tightening from 2024 until the volatility around Liberation Day, then resuming their grind tighter into year end.

- Asset-backed securities (ABS) saw spreads move lower year over year, though volatility increased in late Q3 as disruption in the subprime auto ABS market pushed spreads wider. Uncertainty around the Tricolor bankruptcy on the sector kept spreads wider during Q4, presenting an opportunity for investors willing to separate the noise from reality. Other areas of the market, including consumer unsecured and credit card ABS, continued to perform well despite economic uncertainty. Shorter-duration, benchmark-eligible ABS returned 1.25% in Q4 and 5.93% for calendar year 2025.
- Non-agency commercial mortgage-backed securities (CMBS), similar to other spread sectors (non-Treasury), saw spreads tighten throughout the year. Short periods of spread widening occurred intermittently, largely in response to tariff-related and broader economic news. Benchmark-eligible non-agency CMBS saw spreads compress from 127.9 bps at the start of the year to 121.0 bps by year end and were essentially unchanged from the start of the fourth quarter (122.0 bps) through year end. The sector returned 1.42% for the quarter and 7.76% for calendar year 2025, while agency CMBS returned 1.27% and 7.74% over the same periods.
- Agency residential mortgage-backed securities (RMBS) saw spread levels range from a high of 48.9 bps during Liberation Day–related volatility to a low of 19.8 bps near year-end, finishing the year at 21.8 bps. During Q4, spreads compressed from 30.7 bps to 21.8 bps. Agency RMBS, as measured by the Bloomberg US MBS Index, returned 1.71% in Q4 and 8.58% for calendar year 2025, outperforming the Bloomberg US Treasury Index (6.32%) and the Bloomberg US Corporate Index (7.77%).

Q4 performance review

The Diamond Hill Securitized Credit Fund returned 0.86% in Q4 and 12.44% for 2025.

The portfolio's allocations are spread across ABS, non-agency CMBS, non-agency RMBS and agency RMBS.

Sector allocation as of 31 December 2025:

- ABS: 45.4%
- Non-agency CMBS: 19.1%
- Non-agency RMBS: 28.8%
- Agency RMBS: 0.7%
- Cash: 6.0%

The portfolio had a yield to worst of 11.12% as of 31 December 2025.

Key contributors

- Strong performance in consumer-related segments of the ABS market — including credit card and consumer unsecured — finished the year strong and contributed to results during the quarter.
- Non-agency RMBS delivered the best individual sector performance in the portfolio, fueled by strong results in the reverse mortgage sector.

The performance quoted represents past performance. Past performance is not indicative of future results. Investment returns and principal values will fluctuate sothat 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 theperformance quoted.

- The below-investment-grade allocation contributed meaningfully to Q4 performance, with strength in other segments more than offsetting weaker results in the lowest tier of credit quality within the portfolio.

Key detractors

- The portfolio's minimal allocation to agency RMBS detracted from performance during Q4, as the sector's longer-duration exposure was pressured by rising rates at the long end of the yield curve.
- Within non-agency CMBS, the portfolio's office exposure — the largest allocation in the subsector — detracted from relative performance, offsetting strength in other areas of the CMBS market.
- Exposure to subprime auto ABS detracted from performance in Q4 due to the fading impact of the Tricolor bankruptcy.

2025 performance review

Key contributors

- The below-investment-grade and non-rated components of the portfolio generated strong performance over the past year, well ahead of the potfolio's investment grade allocation.
- Consumer unsecured ABS delivered the best subsector return within the portfolio, benefiting from continued resilience in the consumer space and a focus on the prime and near-prime segments of the market.
- Within non-agency RMBS, reverse mortgages were the best-performing segment and contributed the second most to overall performance. In non-agency CMBS, commercial real estate collateralized loan obligations (CRE CLOs) led performance.

Key detractors

- The latter part of the year saw the impact of the Tricolor bankruptcy and subsequent price adjustments on the firm's subprime auto ABS deals detract from total performance, representing the only negative segment of the portfolio in 2025.
- While delivering positive performance, agency RMBS trailed the other segments of the portfolio and served as a drag on overall performance.
- Second-lien non-agency RMBS, a minimal allocation in the portfolio, generated the lowest return for 2025 and modestly weighed on performance.

Bonds rated AAA, AA, A and BBB are considered investment grade.

Must be preceded or accompanied by a prospectus. The 30-day SEC Yield represents net investment income earned by the fund over the previous 30-day period, expressed as an annual percentage rate based on the Fund's share price at the end of the 30-day period. The 30-day SEC Yield for the Securitized Credit Fund Cl I is 12.22% as of 31 Dec 2025.

Period and Annualized Total Returns (%)

	Since Inception (30 Sep 2024)	1Y	YTD	4Q25	Expense Ratio (%)
Class I (DHCIX)	11.65	12.44	12.44	0.86	1.75

The Diamond Hill Securitized Credit Fund is operated as a continuously offered, non-diversified, registered closed-end, interval fund. As a result, pursuant to Rule 23c-3 under the Investment Company Act of 1940, as amended ("Company Act"), the Fund will conduct quarterly repurchase offers, at net asset value, of no less than 5% and no more than 25% of the Fund's outstanding shares. It is possible that a repurchase offer may be oversubscribed, with the result that shareholders may only be able to have a portion of their shares repurchased. If a repurchase offer is oversubscribed by shareholders, the Fund will repurchase only a pro rata portion of shares tendered by each shareholder. There is no assurance that a shareholder will be able to tender their Fund shares when or in the amount that they desire. Shareholders should not expect to be able to sell Shares other than through the Fund's repurchase policy, regardless of how the Fund performs.

Risk disclosure: An investment in the Fund should be viewed as an illiquid investment, involves a high degree of risk and is not suitable for investors that require liquidity. Shares are not redeemable, are not listed on any securities exchange, and there is not expected to be any secondary trading market in the shares to develop. In general, when interest rates rise, fixed income values fall. There are specialized risks associated with investing in securitized bond investments, including market, credit, distribution, inflation, extension, liquidity, management and interest rate risk. Lower quality/high yield securities involve greater default risk or price changes than bonds with higher credit ratings. Mortgage- and asset-backed securities are influenced by factors affecting the housing market and the assets underlying such securities. The securities may decline in value, face valuation difficulties and become more volatile and/or illiquid. They are also subject to prepayment risk, which occurs when mortgage holders refinance or repay loans sooner than expected, creating an early return of principal to loan holders. There is no assurance that monthly distributions paid by the fund will be maintained at a certain level or that dividends will be paid at all. The Fund's distributions may be funded from unlimited amounts of offering proceeds or borrowings, which may constitute a return of capital and reduce the amount of capital available to the Fund for investment. Any capital returned to Shareholders through distributions will be distributed after payment of fees and expenses. A return of capital to Shareholder's is a return of a portion of their original investment in the Fund, thereby reducing the tax basis of their investment. As a result from such reduction in tax basis, Shareholders may be subject to tax in connection with the sale of Shares, even if such Shares are sold at a loss relative to the Shareholder's original investment.

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.

Analytics provided by The Yield Book® Software.

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