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Quarterly Snapshot

Performance

The Fund returned 4.38% and the Russell 3000 Index returned 2.40%.

Key Drivers

Stock selection in industrials and financials were the primary drivers of outperformance during the quarter while stock selection in health care was the largest relative detractor.

Summary

We remain cautious of the AI-driven market exuberance, as we see sentiment outpacing fundamentals for many of these businesses, and continue to find more attractive opportunities among large-cap, high-quality, cash generative, more defensive businesses.

Market and portfolio review

Equity markets continued to move higher in Q4, with the Russell 3000 Index increasing 2.40%, capping off a strong year of performance where the index advanced just over 17%. While small caps and large caps were roughly even in Q4, the Russell 1000 Index (+17.37%) still edged out the Russell 2000 Index (+12.81%) for the year, though it was still a strong showing for small caps on an absolute return basis.

From a sector perspective, health care was the top-performing sector (+11.7%), which seemed to garner renewed investor attention given depressed valuations after several quarters of elevated uncertainty. Communication services (+6.1%) was the second-best-performing sector driven almost entirely Alphabet's 29% gain, which accounts for roughly half of the sector weight. Sectors in the red tended to be on the defensive side, namely real estate (-2.3%), utilities (-1.5%) and consumer staples (-0.5%).

While the artificial intelligence (AI)-related spending theme continued to be a dominant narrative and strong driver of outperformers within US equity markets for most of the quarter, our relative outperformance was driven by several holdings completely outside of that realm such as specialty chemical maker Ashland Chemical, Capital One Financial, General Motors and ship-builder for the US Navy Huntington Ingalls Industries. While our underexposure to the AI-related spending theme remained a relative headwind for the full year, we were pleased to see stock selection drive outperformance in Q4.

One area where we have continued to find more value over the past several quarters is among more fundamentally stable, higher-quality, cash-generative large-cap businesses such as Colgate, Berkshire Hathaway and our most recent addition,

Waste Management. The fundamentals for these businesses continue to perform consistently with our expectations, and despite some recent underperformance, we believe they are some of the more attractive opportunities available in the market today. Roughly 40% of the portfolio remains invested in small- and small-mid cap businesses (\$20B market cap and below), including several top ten holdings. However, our incremental opportunities have skewed toward large-cap, stable, high-quality businesses, where we are seeing valuations at levels not observed in decades.

Key contributors

- Automobile manufacturer **General Motors** saw strong results as volumes have stabilized across the auto industry. The company has also taken market share while maintaining pricing and growing in the electric vehicle and software services spaces.
- **Ashland**, a specialty chemicals provider, showed signs of stabilization during the quarter as its product portfolio upgrade appeared largely complete. Shares also benefited after the investment arm of Standard Industries, a prominent activist investor in the sector, announced that it took a 10% economic interest in the company, adding to investor confidence.
- Consumer finance company **Capital One Financial Group** outperformed during the quarter following strong Q3 results, with better-than-expected revenue and expense trends. Shares also benefited from management's clarity around accelerating share buybacks and from generally favorable economic data during the period, which supported investor confidence in spending and credit trends.

Key detractors

- Shares of used car retailer **CarMax** declined as continued deterioration in sales performance led to a CEO transition. Interim leadership is taking decisive action to improve sales trends and enhance the consumer experience, and we believe these initial steps are prudent. Long term, we believe the company can potentially regain market share with the right strategic initiatives and strong execution.
- Shares of containerboard manufacturer **International Paper** declined after the company reduced its medium-term guidance, driven by slower-than-expected demand for its product.
- Rocket Companies**, a fully integrated mortgage provider after the closing of its acquisition of Mr. Cooper, underperformed due to evolving market expectations surrounding the path of interest rates, which is a key driver of its mortgage originations business.

New positions

- Waste Management**, one of the largest providers of waste collection services in the US, benefits from an industry-leading landfill footprint that supports long-term pricing power. The company's prior investments in recycling and renewable natural gas projects also position it for incremental growth as those initiatives move toward completion.
- 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.
- Medical products and health care IT services company **Solventum** was spun off from 3M in April 2024. We believe the company will likely show improved growth and margins as a standalone company, as the business has previously been challenged by years of underinvestment and market share losses. Solventum's new management team is focused on improving revenue growth, and we expect to see more fully optimized research and development and improved sales mix from new products moving forward.

Eliminated positions

- Shares of **Coherent**, a global leader in materials, networking and lasers for the industrial, communications, electronics and instrumentation markets; auto manufacturer **General Motors**; and **WESCO International**, a leading distributor of electrical products, were sold as prices approached our estimate of intrinsic value.

Period and Annualized Total Returns (%)	Since Inception (30 Dec 2005)	20Y	15Y	10Y	5Y	3Y	1Y	YTD	4Q25	Expense Ratio (%)
Class I (DHLTX)	10.02	10.02	12.16	12.41	13.13	18.83	13.58	13.58	4.38	0.87
Russell 3000 Index	10.76	10.77	13.58	14.29	13.15	22.25	17.15	17.15	2.40	—
Russell 3000 Value Index	8.26	8.26	10.63	10.46	11.18	13.77	15.71	15.71	3.78	—

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

Risk disclosure: 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 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. These total return figures may reflect the waiver of a portion of a Fund's advisory or administrative fees for certain periods. Without such waiver of fees, the total returns would have been lower. Class I shares include Investor share performance achieved prior to the creation of Class I shares.

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.

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