

Long-Short Fund

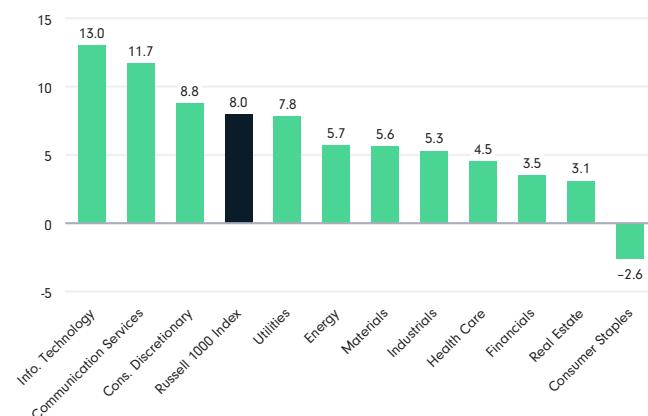
As of 30 Sep 2025

Market Commentary

Markets continued their year-to-date rise in Q3, with US stocks gaining over 8% (as measured by the Russell 3000 Index) and taking calendar-year gains to over 14%. Small-cap stocks had the best quarter, up over 12%, while large caps gained roughly 8% and mid caps were up 5%. From a style perspective, growth led at the larger end of the cap spectrum, while small-cap growth and value stocks delivered nearly identical returns — with small value slightly ahead (up over 12%).

From a sector perspective, the artificial intelligence (AI)-fueled boom in technology (13%) and communication services (12%) stocks continues, with the two sectors leading and driving much of the Russell 1000 Index's positive return. Another meaningful positive contributor was the consumer discretionary sector, up nearly 9%. The sole sector in the red in Q3 was consumer staples, which fell -2.6%.

3Q25 Russell 1000 Index Sector Returns (%)



Source: FactSet, as of 30 Sep 2025.

Team

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Trade, monetary policy and geopolitics remained the top headlines in Q3, even as markets seemed to shrug off any ongoing concerns and continue their rise (and rebound from late Q1's and early Q2's sharp downturn in the wake of President Trump's initial tariff announcements). Despite the uncertainty stemming from these and other areas, markets plodded along in Q3, with several indices notching new all-time highs. Technology companies have continued their torrid run as sentiment around the potential for AI to radically change life as we know it remains high.

Against such a backdrop, it can be challenging to fight the urge to float with the current — but we believe investors who do the hard work of researching and identifying high-quality companies the markets may be entirely overlooking can ultimately generate attractive long-term returns. As such, we will continue focusing on areas where we believe valuations are disconnected from underlying fundamentals and long-term growth outlooks — an approach we believe will benefit investors regardless of how events continue unfolding in the quarters and years ahead.

Performance Discussion

Our portfolio trailed the Russell 1000 Index and the blended benchmark (60% Russell 1000 Index/40% Bloomberg US Treasury Bills 1-3 Month Index) in Q3. Our long book posed a relative headwind in the quarter, in large part driven by our positioning within the technology sector. This

includes a negative impact from our underweight to the sector, weaker performance from a few of our holdings, and not owning some of the sector's best performers, such as NVIDIA and Apple. Our long consumer discretionary holdings also trailed benchmark peers, weighing on relative returns. Conversely, our long industrials holdings provided a relative tailwind, as did our short book, which materially underperformed the index.

On an individual holdings' basis, top contributors to return in Q3 were all from our long book, including Alphabet and Ciena. Media and technology company Alphabet benefited from the better-than-expected resolution of its search business antitrust case. The company also launched new AI products which, along with its cloud business, demonstrated strong profitable growth, boosting shares in the quarter.

Networking systems company, Ciena, is seeing strong demand for its products from its hyperscaler customers, which has helped drive strong earnings growth. Hyperscaler demand is being fueled by AI-related projects, which Ciena's management team believes should translate to meaningfully elevated and durable demand in the period ahead.

Other top Q3 contributors included Citigroup, WNS Holdings and Taiwan Semiconductor Manufacturing. Banking and financial services company Citigroup is making progress reducing expenses and announced it would increase share buybacks in the quarter. Shares of business process management company WNS Holdings rose following its announced acquisition by Capgemini. Semiconductor manufacturer Taiwan Semiconductor is benefiting from significant demand for its services from AI and high-performance computing (HPC) chip customers.

Among our bottom individual contributors in Q3 were our long positions in Salesforce and lululemon. Guidance from customer relationship management (CRM) software company Salesforce seems to imply a weaker outlook later in the fiscal year; however, we believe this is likely conservatism on the part of management.

Athletic apparel manufacturer lululemon's efforts to improve merchandise this year have seemingly fallen flat with customers — requiring the company to reset its strategic plan and set back the timeline for its expected reacceleration. Increased competition and evolving fashion trends are also weighing on sales. Tariffs and the removal of the de minimis

exemption (which exempted imports worth \$800 or less from taxes) are expected to disproportionately affect lululemon — and will take time to mitigate.

Other bottom contributors in Q3 were from our short book, including Medpace Holdings, MP Materials and Garmin. Medpace Holdings provides clinical research-based drug and medical device development services. Shares rose in the quarter as the company's bookings were better than expected. Rare earth materials producer MP Materials signed a deal with the US Department of Defense whereby the latter will guarantee a minimum level of earnings in connection with a new magnet manufacturing facility, establish a price floor for NdPr (Neodymium-praseodymium) at substantially higher than prevailing market rates and take a direct stake in the company. However, we continue to believe management's illustrative profitability targets are very unlikely to be reached. Wireless devices developer and manufacturer Garmin is benefiting from strong demand for wearables, which is driving strong revenue growth and boosting the share price.

Portfolio Activity

Though markets have continued rising throughout the year, we have continued finding individual companies whose prices we believe are not reflective of their long-term growth outlooks. Accordingly, we initiated three new long positions in Q3, including Zoetis, Cooper Companies and Booz Allen Hamilton Holding Corporation.

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 establish a position below our estimate of intrinsic value.

Cooper Companies is a medical devices company operating CooperVision, a global leader in contact lenses, and CooperSurgical, a leader in women's health and fertility care. We anticipate the contact lens industry will remain healthy and has an ample runway for growth as customers trade up for higher quality lenses. Further, Cooper Companies has an opportunity to take modest share in the contact lens business. CooperSurgical currently faces cyclical headwinds but operates in an end market that should benefit from several secular tailwinds. The company recently made heavy investments in manufacturing capacity.

Given the appealing outlook and our view that slower revenue growth in both CooperSurgical and CooperVision is transitory, we initiated a position at what we believe is an attractive valuation.

Booz Allen Hamilton is a leading US government and military contractor that provides technology consulting, digital transformation, AI, cybersecurity, engineering and mission operations services to the US federal agencies in the defense, intelligence and civil sectors. Negative headlines amid the Department of Government Efficiency's (DOGE) initiatives weighed on shares. However, we believe Booz Allen provides differentiated technology consulting services to the US government, whose demand we expect to increase over time. The depressed valuation provided us an attractive entry point.

Higher valuations have also made some companies look meaningfully overvalued — and we accordingly initiated two new short positions in the quarter: ResMed and Brinker International.

ResMed is the world's largest manufacturer of obstructive sleep apnea (OSA) devices and masks. Following a product recall from its largest competitor, ResMed took market share and improved its pricing power, doubling its earnings power over the last five years. However, the company is starting to lose market share in both devices and its higher-margin mask business. Further, the proliferation of GLP-1 drugs, especially those specific to OSA, could present long-term demand headwinds as approximately 75% of OSA patients are obese. We believe the company is overvalued and initiated a short position in the quarter.

Brinker International owns and operates casual dining restaurants including the Chili's Grill & Bar and Maggiano's Little Italy brands. We believe Chili's faces increased competition in the periods ahead. Further, we believe strong, comparable store sales will start to decelerate back to more normal levels due to this competition, along with more limited opportunities for menu innovation that can spur the viral marketing they have benefitted from. Given these challenges, we initiated a short position in Q3.

We exited our long position in medical technology company Enovis in order to redeploy our capital to more attractive opportunities. We also covered our short positions in integrated logistics company ArcBest, rigid packaging solutions company Silgan Holdings, high-performance footwear, apparel and accessories company Deckers

Outdoor, healthy fast food restaurant Sweetgreen and talent solutions and business consulting firm Robert Half as their share prices approached our estimates of intrinsic value.

The portfolio's net exposure at the end of the quarter was 57%.

Market Outlook

Amid what could potentially be a bubble (only hindsight will tell), sentiment around AI is driving remarkable equity market returns year to date. In many of these cases, we believe sentiment is at least partially disconnected from reality given AI's potential is yet to be fully borne out. Not only are investors rewarding companies with even minimal potential exposure to AI, but they are disproportionately punishing companies whose business models may be at any risk from AI disruption or whose businesses are not sufficiently (or at all) exposed to AI — said another way, AI seems to be all many investors care about.

This environment can produce interesting opportunities for discerning investors to unearth companies with attractive business models that markets are either currently ignoring altogether or disproportionately punishing. Over the long term, we believe such high-quality companies could offer solid returns to patient investors.

On the other hand, investors' narrow focus on one major theme is impacting sector and index performance and, in our view, embedding a significant amount of optimism in share prices. Such an investing backdrop can be a challenging one, especially if you are inclined to swim against the tide — which we generally are. However, we are not contrarian for its own sake; rather, we find it hard to justify the valuations of some top-performing companies when much remains to be seen about whether — and how — AI will impact businesses in the future.

Further complicating the macroeconomic picture is the state of the consumer, which is hard to clearly discern. It seems there is a growing divide between those at the top end of the income spectrum who are holding up remarkably well and whose spending levels are either steady or increasing and those in the middle or at the bottom — a share of the population among whom jobs have become increasingly scarce and who are feeling inflation's pinch meaningfully. Given consumers' significant contribution to GDP, overall softening in their spending could pose a risk to the double-digit corporate earnings growth projections expected in 2026.

The selloff in late Q1 and early Q2 started to create some attractive investment opportunities. However, the window to capitalize on those was short given the market's subsequent rebound. Equity markets are back to above-average valuation levels, making it difficult to expect returns that match historical averages over the next five years. Our primary focus is always on achieving value-added results for our existing clients, and we believe we can achieve better-than-market returns over the next five years through active portfolio management.

| Period and Annualized Total Returns (%) | Since Inception (30 Jun 2000) | 20Y | 15Y | 10Y | 5Y | 3Y | 1Y | YTD | 3Q25 | Expense Ratio (%) ¹ |
|---|----------------------------------|-------|-------|-------|-------|-------|-------|-------|------|-----------------------------------|
| Class I (DHLSX) | 7.10 | 6.36 | 7.96 | 7.87 | 11.78 | 14.20 | 11.95 | 13.23 | 4.03 | 1.46 |
| Russell 1000 Index | 8.31 | 10.92 | 14.49 | 15.04 | 15.99 | 24.64 | 17.75 | 14.60 | 7.99 | — |
| 60%/40% Blended Index | 5.99 | 7.44 | 9.35 | 10.00 | 10.97 | 16.60 | 12.47 | 10.08 | 5.20 | — |
| Russell 1000 Value Index | 7.94 | 8.19 | 11.24 | 10.72 | 13.88 | 16.96 | 9.44 | 11.65 | 5.33 | — |

[Click here](#) for holdings as of 30 September 2025.

¹ Includes dividend expense relating to short sales. If dividend expenses relating to short sales were excluded, the Expense Ratio for the Long-Short Fund would have been 1.07% for Class I.

Risk disclosure: The portfolio uses short selling which incurs significant additional risk. Theoretically, stocks sold short have the risk of unlimited losses. Overall equity market risks may affect the portfolio's value.

The views expressed are those of Diamond Hill as of 30 September 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. 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: Bloomberg Index Services Limited. 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