



Trends and Changes in Investment Management Positioning Your Firm and Career For Success

614.255.3333 | DIAMOND-HILL.COM

Diamond Hill® Capital Management, Inc. 325 John H. McConnell Blvd., Suite 200 Columbus, Ohio 43215

This presentation is for informational purposes. The views expressed are those of the speaker as of April 2021 and are subject to change. 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.

Challenges Facing Investors

Low Interest Rate Environment = Search for Yield and Return →

Private Markets, Less Liquid Vehicles, Fewer Public Companies

Fees Matter, Move to Low Cost

Lower Discount Rates Help Long Term Assets (Growth Companies)

If Active Underperforms, Move to Passive

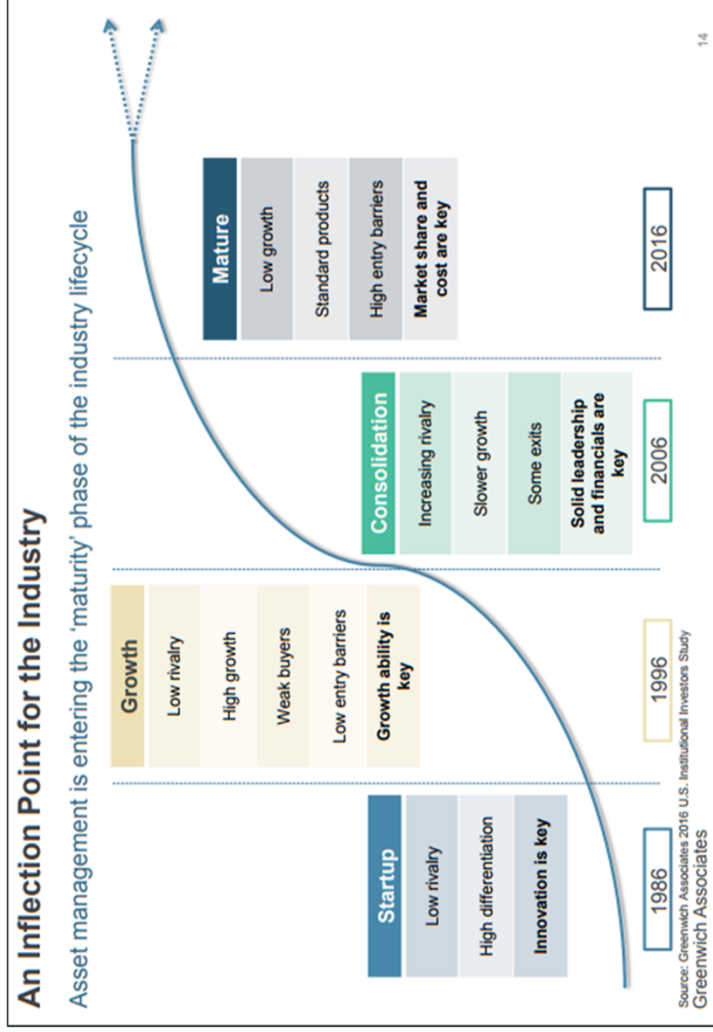
Evolving Demographics →

Client Expectations, Greater Buyer Demands

Too Many Products →

Need for Differentiation, Greater Buyer Demands

Mature Industry + COVID-19

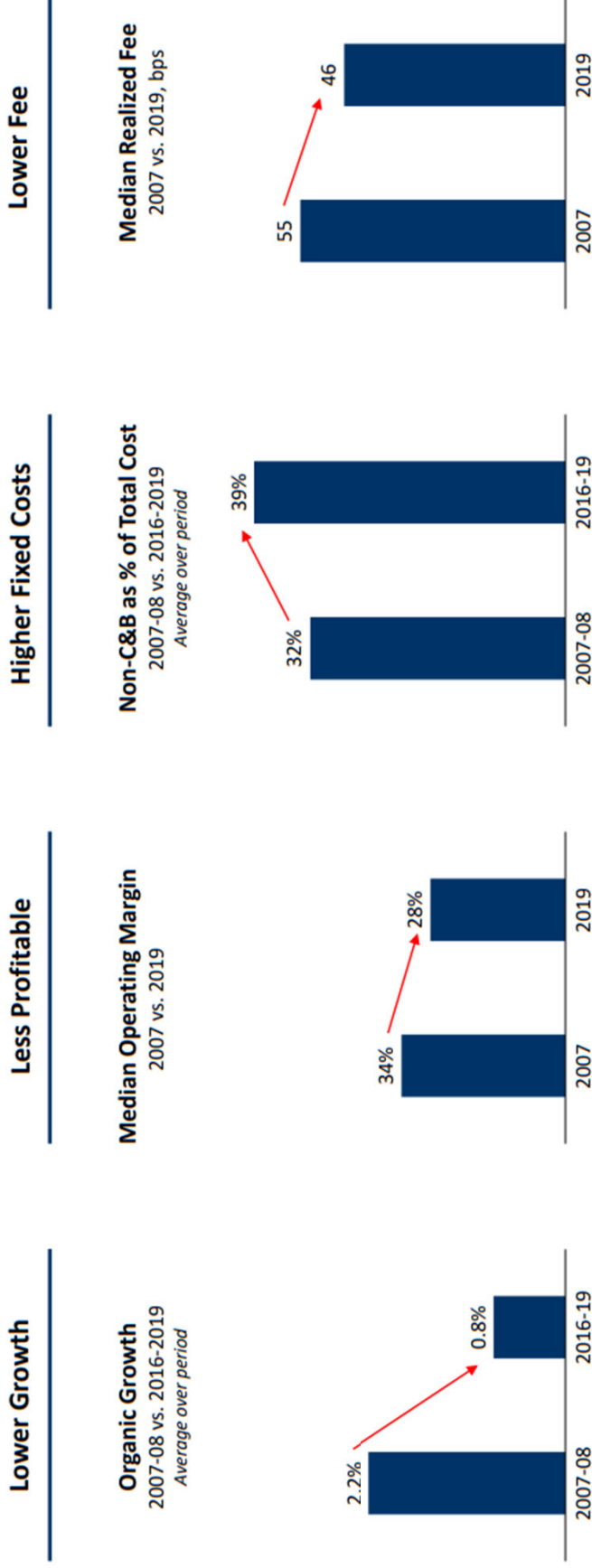


+ COVID:



**DIAMOND
 HILL**
 MANAGEMENT

Industry Headwind: Economics



Source: Casey Quirk Performance Intelligence, S&P Capital IQ, eVestment, Morningstar



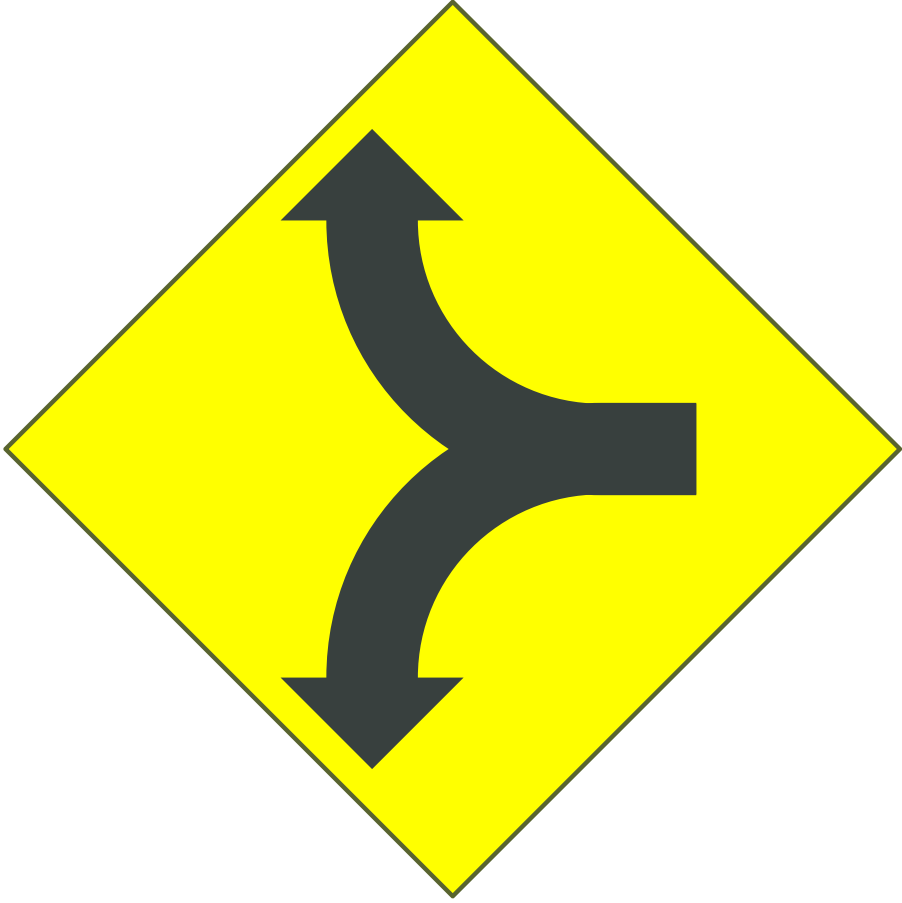
Industry Headwind: Consolidating Influence



Source: Casey Quirk Advisor Database, Casey Quirk Global Demand Model, Cerulli



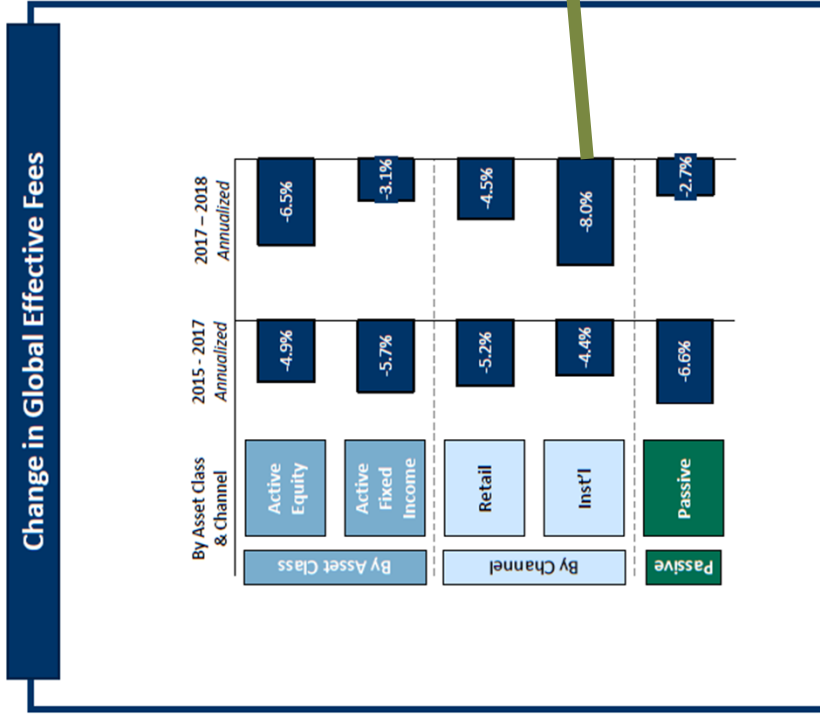
For Investment Managers: A Choice



SCALE

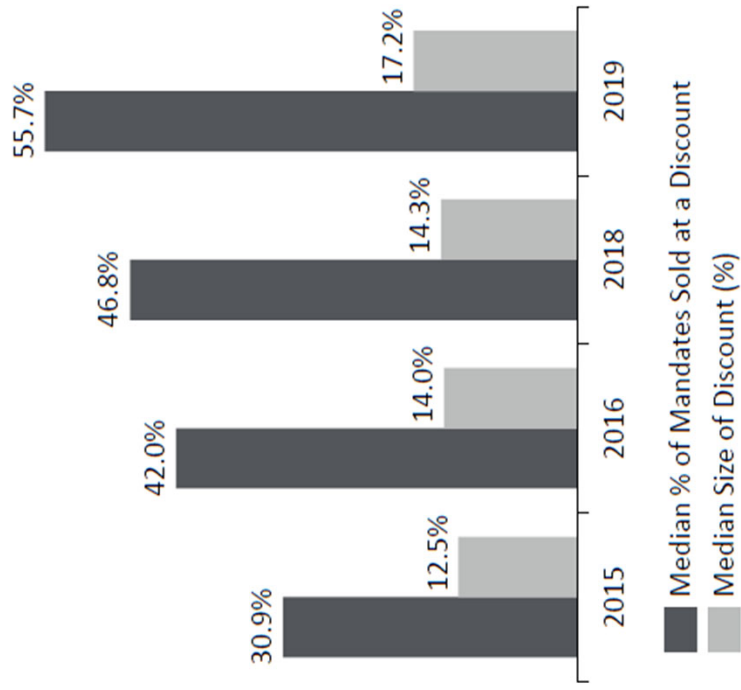
DISTINCTION

Industry Response: Discount Fees and Reduce Cost



Discounted Mandates and Size of Discounts

Average, %, 2015-2019

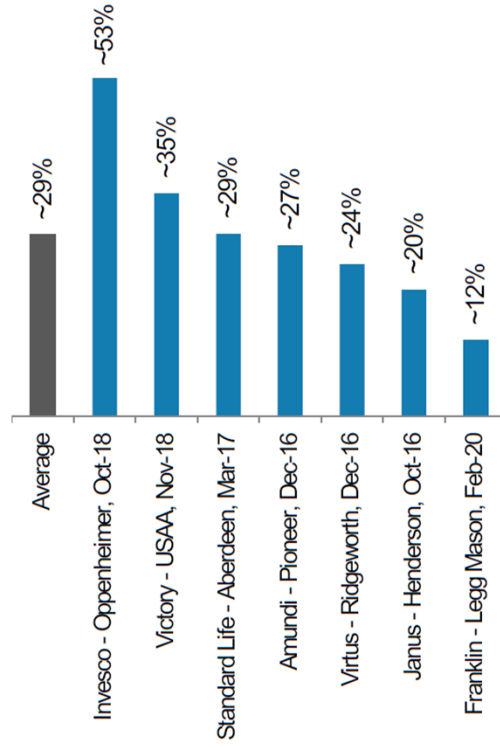


Sources: Casey Quirk/McLagan Performance Intelligence, Casey Quirk research



Industry Response: Pursue M&A

**Exhibit 2: Nearly ~30% of acquired costs base taken out from prior deals on average
% of Acquired Costs Taken Out in Prior Deals**



Sources: Company Data, Morgan Stanley Research estimates. Note: 1) based on targeted expense synergies announced before close, 2) reflects our estimates for acquired costs base and combined costs base for the year announced, 3) Standard Life Aberdeen expense synergies target of £200M converted to USD based on historical fx rate Mar 31, 2017 4) Amundi expense synergies target of £150m converted to USD based on historical fx rate Dec 31, 2016

Expand Product Offerings & Diversify Client Base

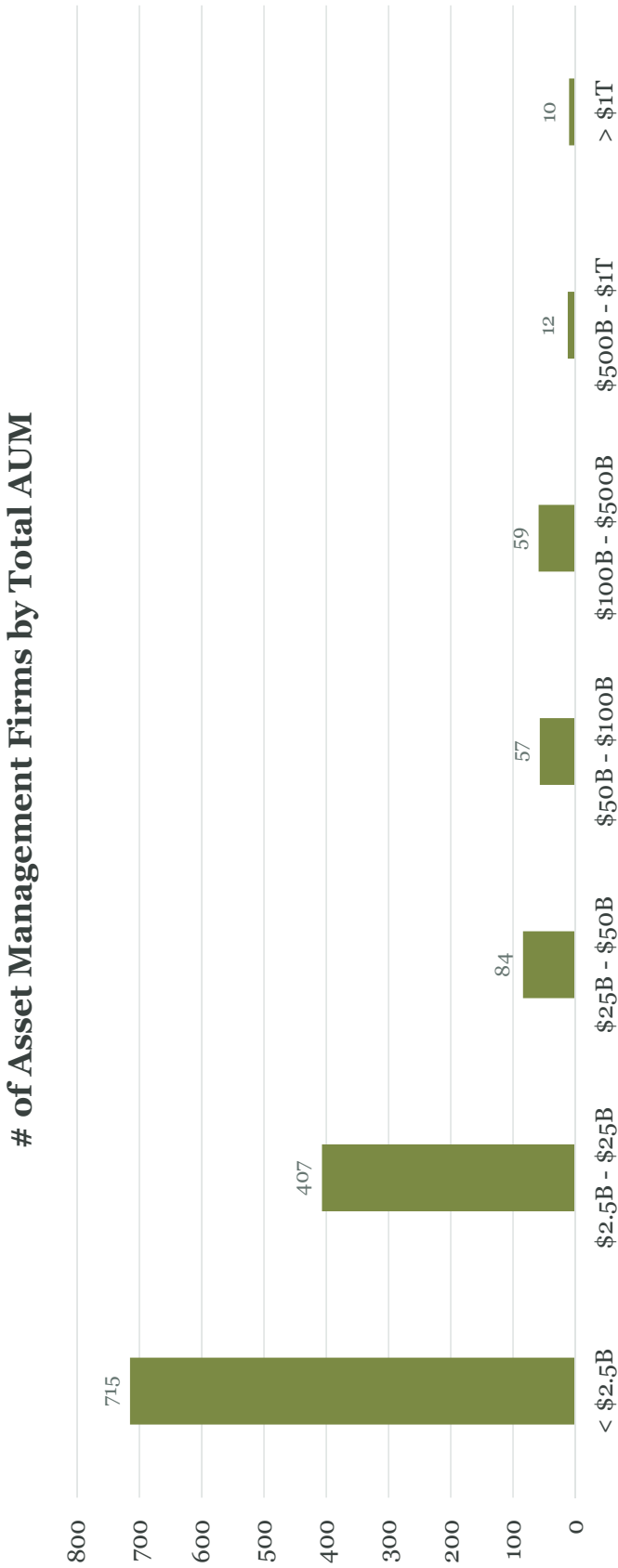
Address Client Needs – Search for Yield

Fill Gaps in Product Offerings, Address Capacity

Expand Technology - Direct to Consumer



Low Barriers to Entry, High Barriers to Success



Source: eVestment as of 12/31/2020



Industry Response: Less Liquid and Other Vehicles

- **Less Liquid**
 - Interval Funds
 - Limited Partnerships
 - Tender Offer Fund
- **Customization**
 - SMAs
 - Model Portfolios
- **Private**
 - Auction Funds
 - Business Development Company (BDC)
 - Special Purpose Acquisition Companies (SPACs)

Evolving Buyers --> Increased Expectations from Clients

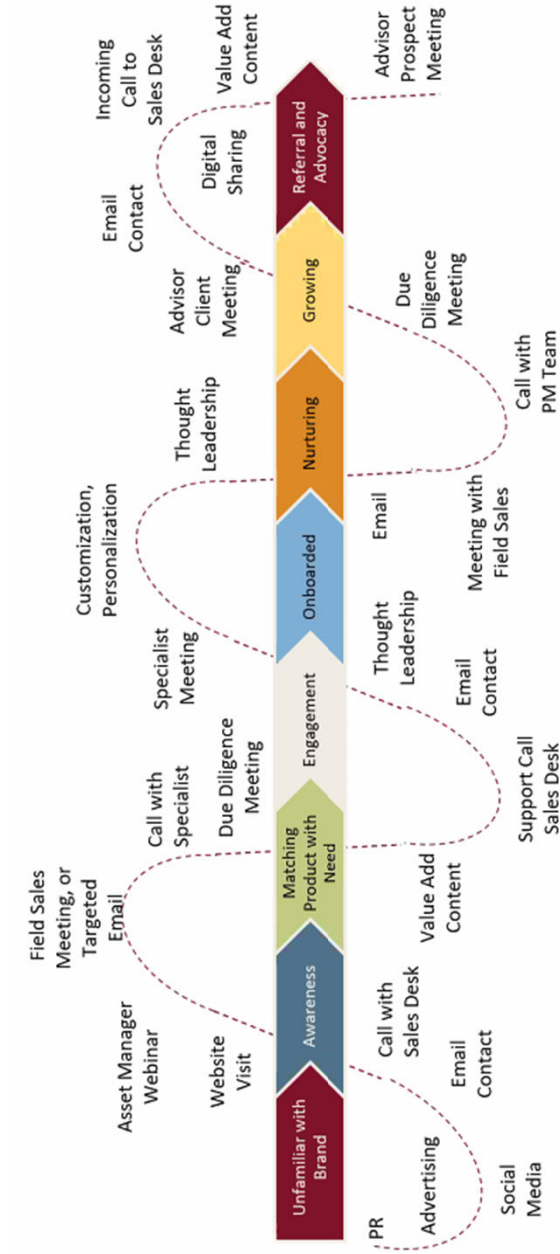
Investment Results
Client Service & Support Expectations
Technology and Operations
Environmental, Social, Governance (ESG)
Diversity, Equity, Inclusion (DEI)



Evolve Client Service & Support

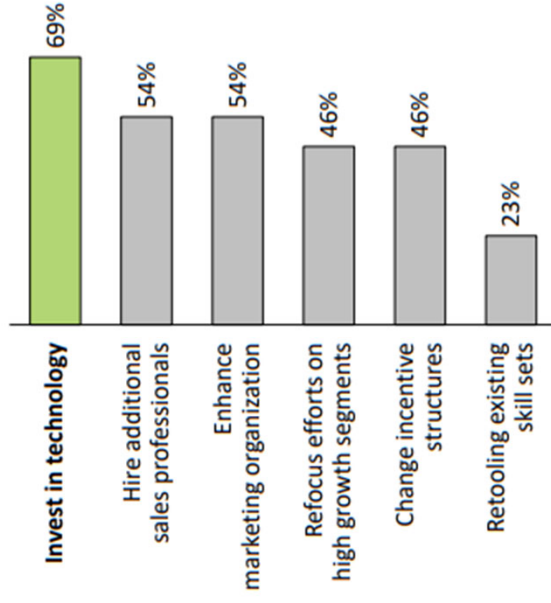
Client service coverage and responsibilities

Brand and website investment



Invest in Technology for Growth

Most Important Goal for Organic Growth: U.S., European Asset Managers, 2019



Source: Casey Quirk Distribution Benchmarking