

DIAMOND HILL

INVESTED IN THE LONG RUN

# Leadership and Long-term Client Partnerships

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Chief Executive Officer, Diamond Hill

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**“Strive not to be a success, but rather  
to be of value.”**

**Albert Einstein**

# Living our purpose together

# Our collective purpose

**Help investors achieve  
financial goals**



**Maximize alpha  
generation/risk mitigation**



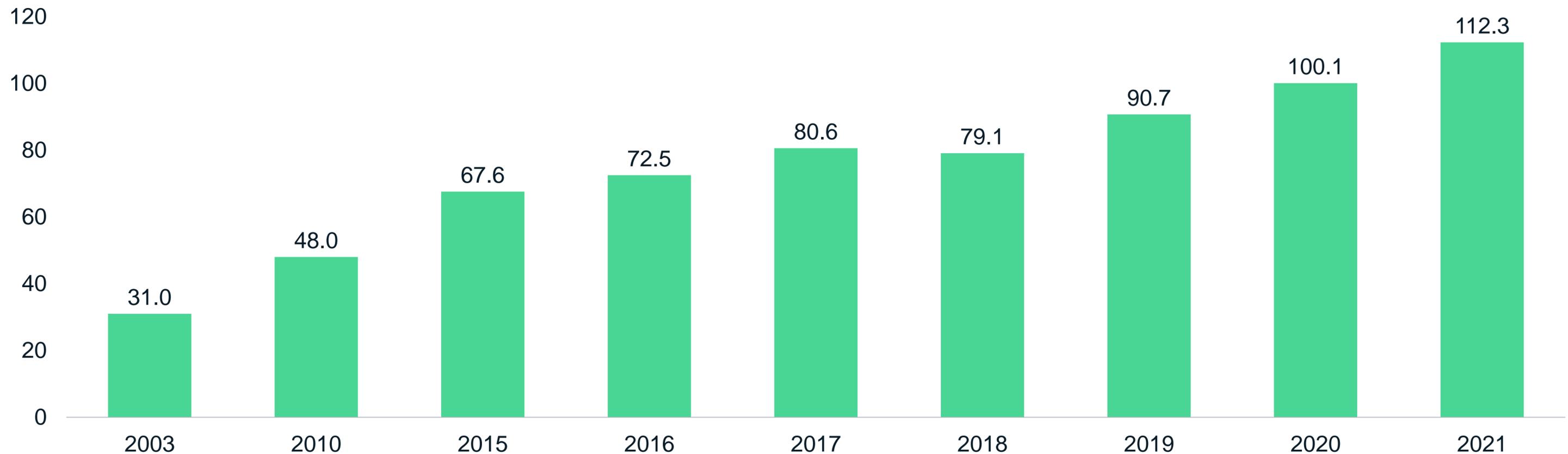
**Be a positive force for  
industry change**



# What gets in the way?

# Size and complexity

## Global AUM (\$ trillions)



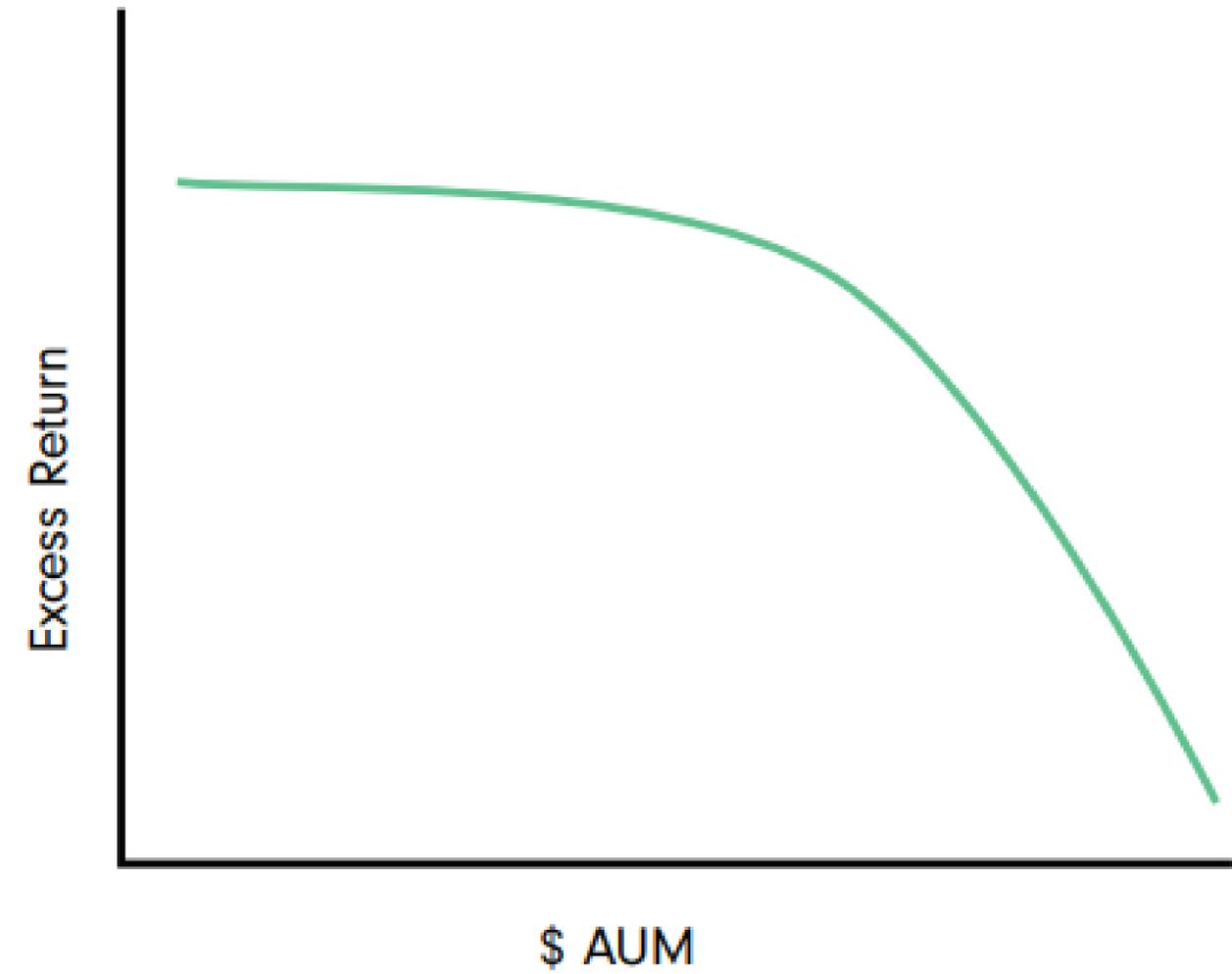
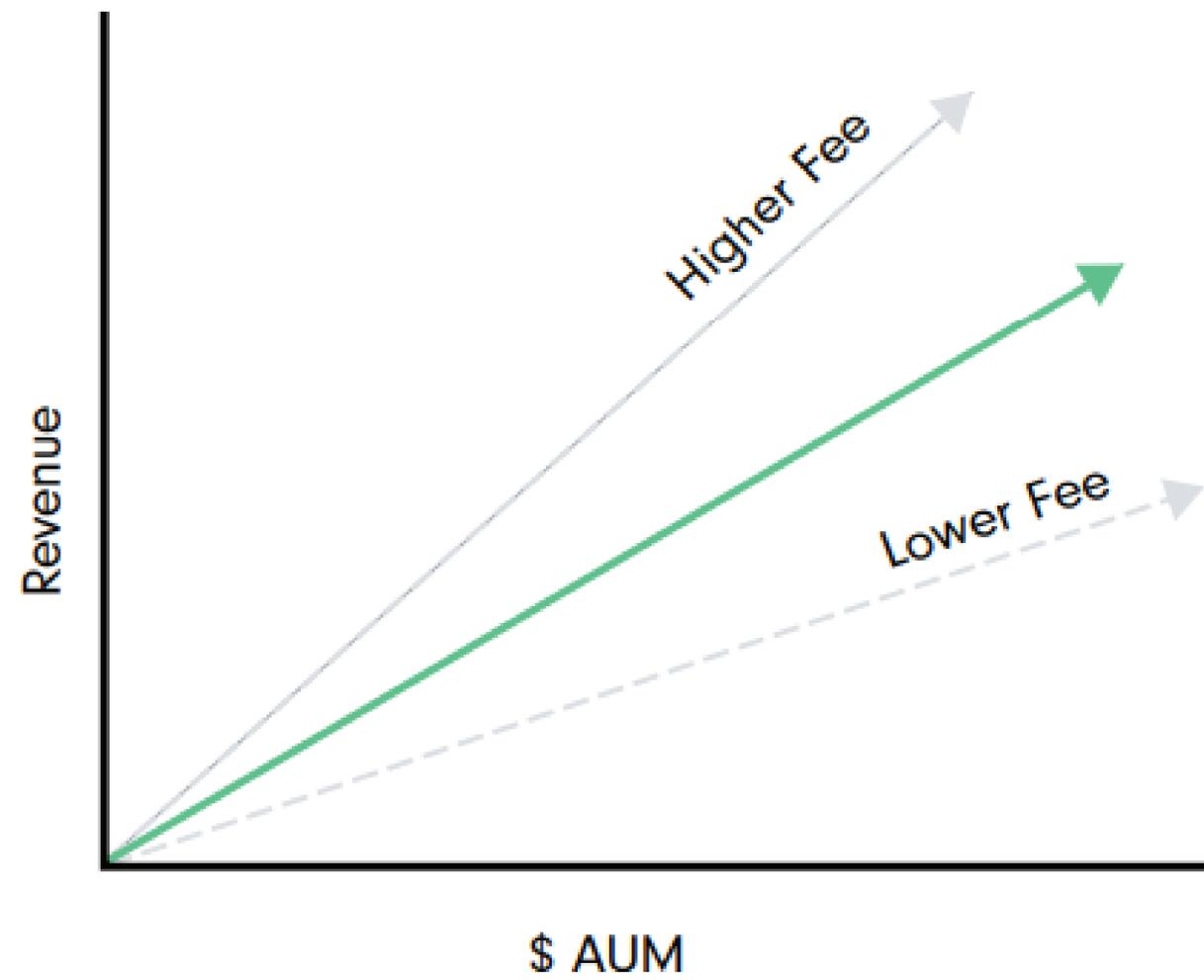
Note: Market sizing includes assets professionally managed in exchange for management fees; AuM includes captive AuM of insurance groups or pension funds where AuM is delegated to asset management entities with fees paid; 44 markets are covered globally, including offshore AuM. For all countries where the currency is not the US dollar, we applied the end-of-year 2021 exchange rate to all years in order to synchronize current and historic data; values differ from those in prior studies because of fluctuations in exchange rates, revised methodology, and changes in source data. Flow analysis is based on our global benchmarking, which includes 101 leading asset managers, representing \$69 trillion AuM, or ~62% of global AuM

Sources: BCG Global Asset Management Market Sizing 2022; BCG Global Asset Management Benchmarking Database 2022. Used with permission.

# Complexity continues to increase

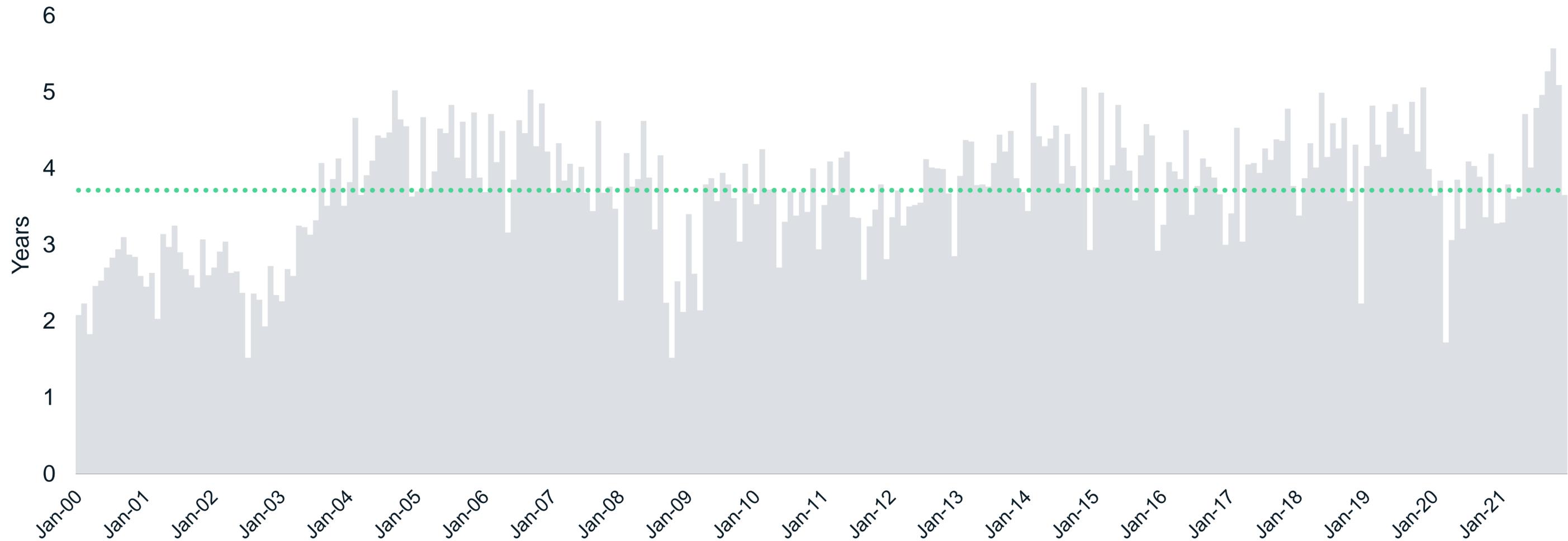
A word cloud of financial terms. The largest words are 'US equities', 'fixed income', 'large caps', 'non-US equities', 'core bond', and 'mega caps'. Other prominent words include 'value', 'mutual funds', 'mid caps', 'small caps', 'real estate', 'micro caps', 'exchange traded funds', 'growth', and 'collectibles'. Smaller words include 'redemption fees', 'sales loads', 'annuities', 'flat fees', 'private equity', 'separate accounts', '2 and 20', 'private funds', 'high yield', 'performance fees', 'management fees', 'core', 'distribution fees', 'hedge funds', 'private debt', 'meme stocks', and 'alternatives'. The colors used are primarily shades of blue, green, and yellow.

# Misalignment of incentives



# Clients tend toward short-termism

Average Equity Mutual Fund Investor Holding Period



Source: 2022 QAIB-VA Report, DALBAR Inc [www.dalbar.com](http://www.dalbar.com). Holding period reflects the length of time the average investor holds a mutual fund if the current redemption rate persists.

# Creating better outcomes

# Aligning interests with our clients

**Strategically manage AUM**



**Invest alongside clients**



**Measure long-term success**

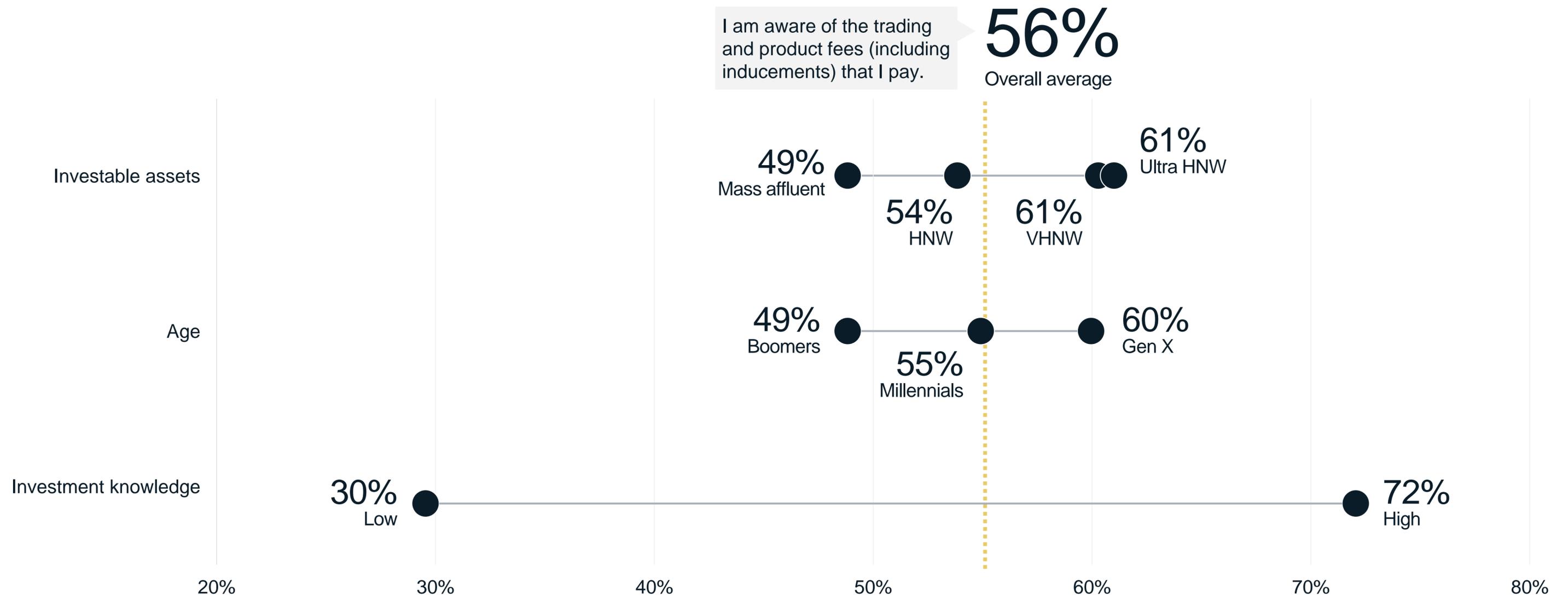


# Investment process transparency

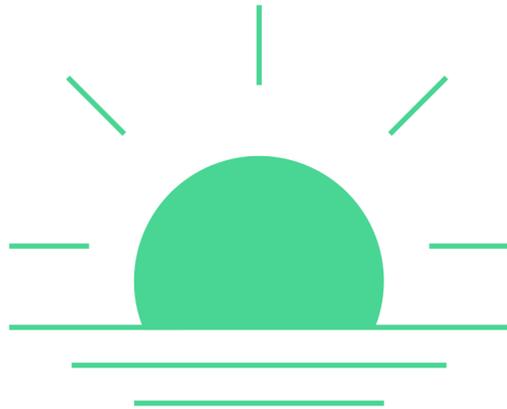


# Fee transparency

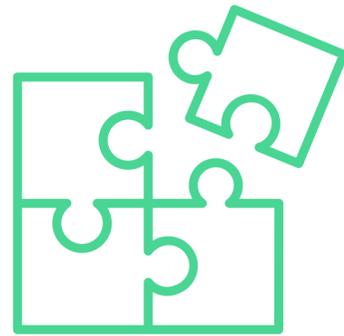
Percentage of clients in each category who are aware of all trading and product fees they pay



# Mitigate behavioral biases



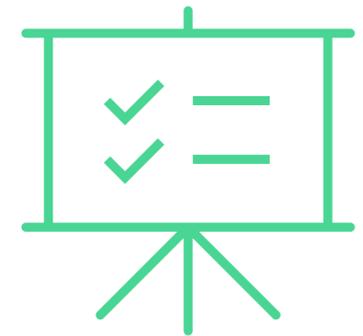
**Take a  
long-term view**



**Employ a  
disciplined process**



**Remain calm**



**Revisit goals**

# Clients are demanding more



## DEI

Diversity, equity and inclusion is a business imperative.



## Remote/hybrid work

Flexible work structures are not only popular but also help advance diversity.



## Technology

Technology is changing the investment industry in meaningful ways.

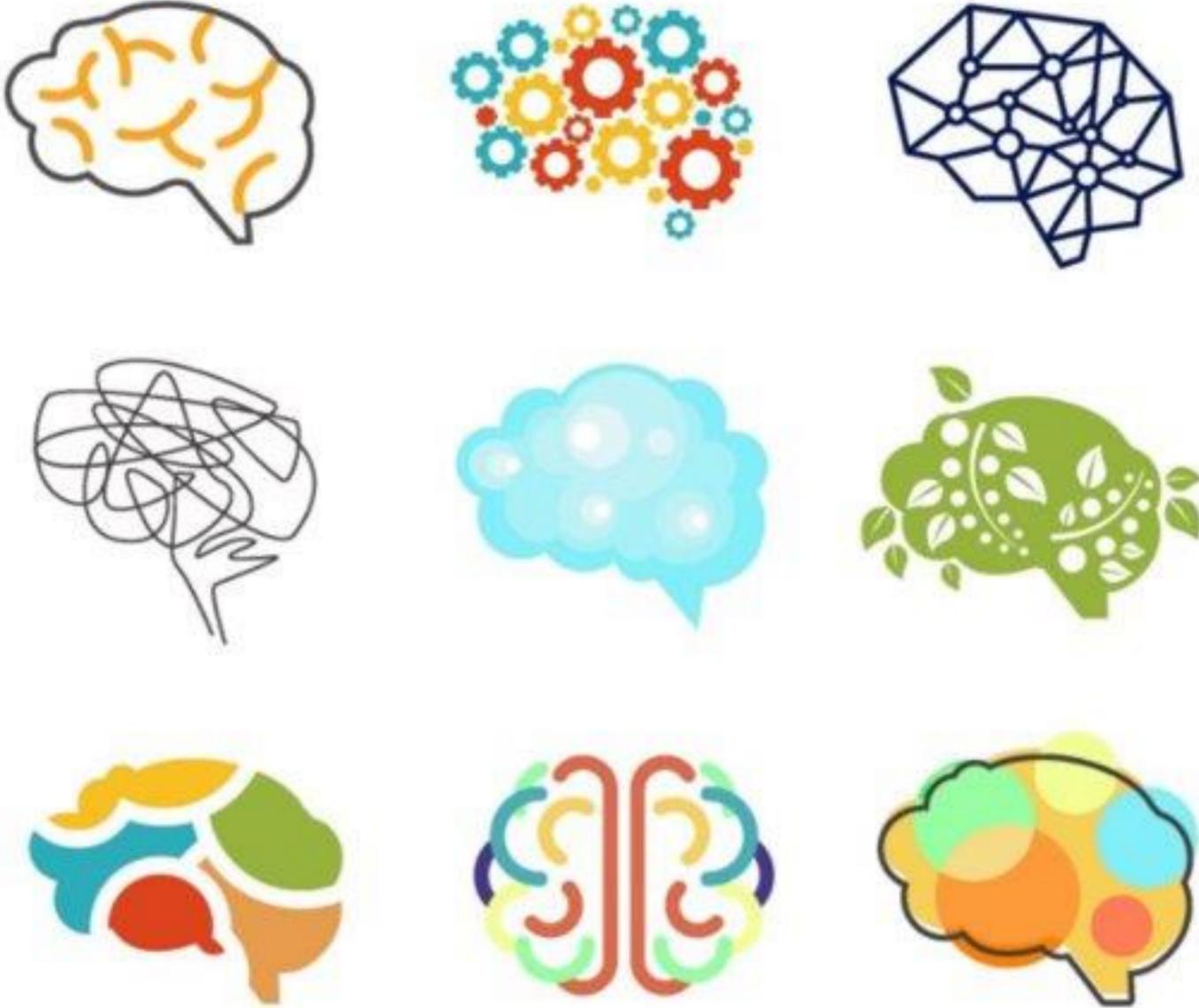


## ESG

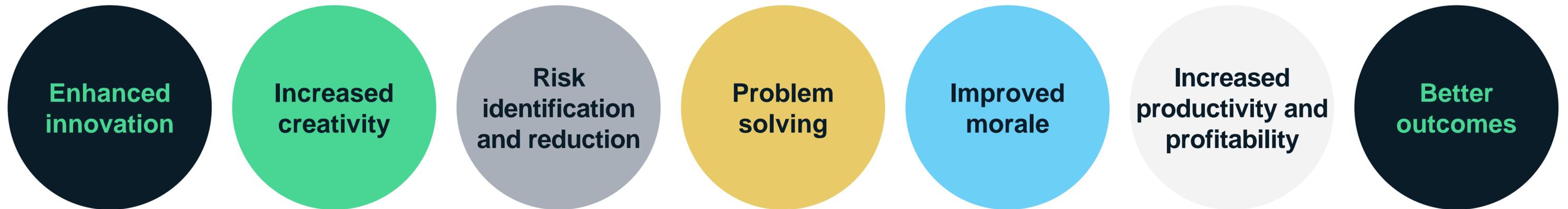
ESG risks are investment risks.

# Leadership and culture

# Cognitive diversity

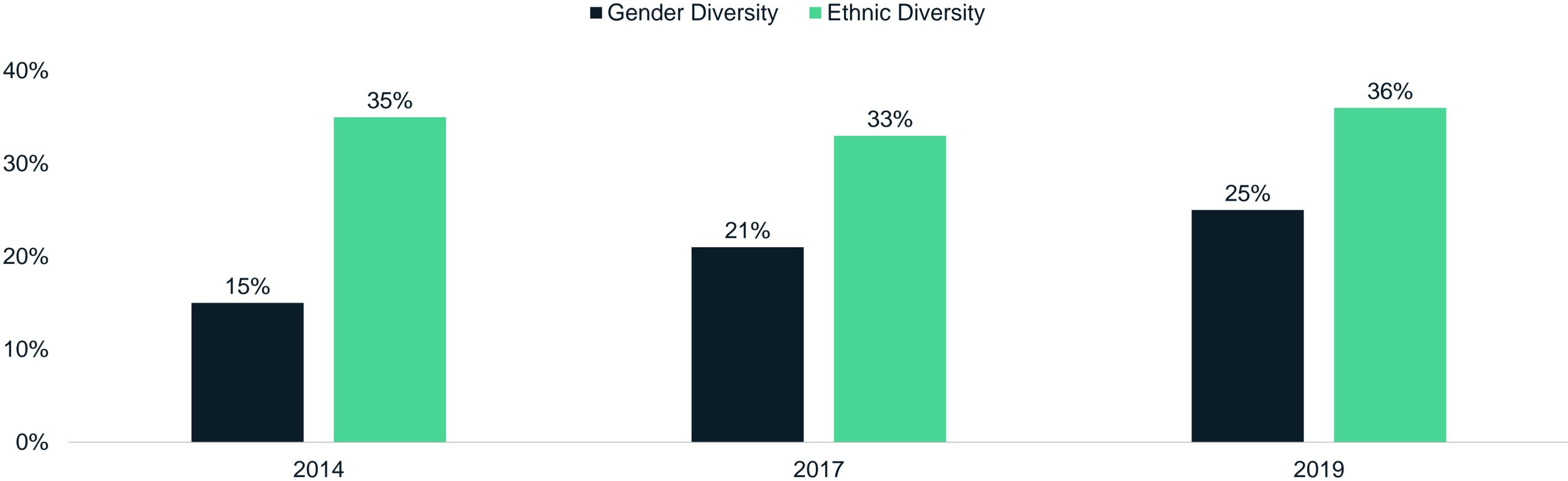


# Diversity's influence on culture



# Diversity in executive teams

## Likelihood of financial outperformance



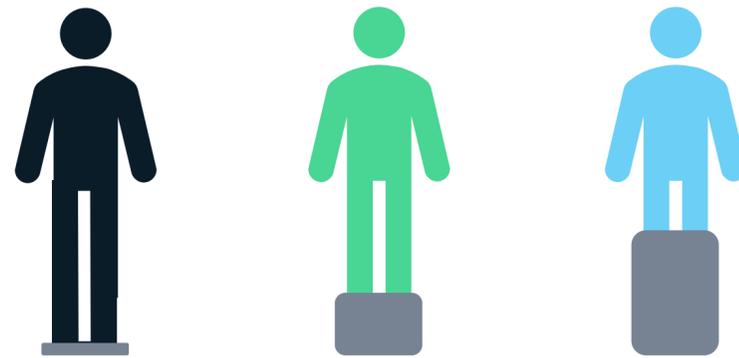
Source: McKinsey & Company, "Diversity Wins: How Inclusion Matters", 19 May 2020

# Building diverse teams



## Diversity

The presence of differences within a given setting.



## Equity

Ensuring that processes and programs are impartial, fair and provide equal possible outcomes for every individual.



## Inclusion

The practice of ensuring that people feel a sense of belonging in the workplace.

# An approach to diversity and inclusion



Increase diverse representation, particularly in leadership and critical roles



Strengthen leadership and accountability for delivering on D&I goals



Enable equality of opportunity through fairness and transparency



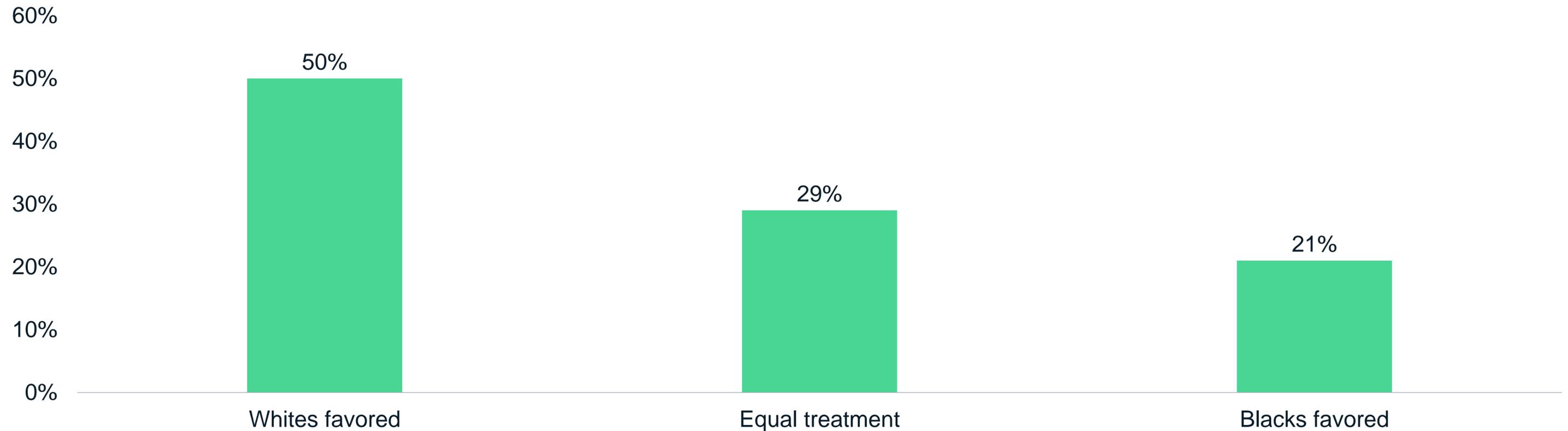
Promote openness, tackling bias and discrimination



Foster belonging through support for multivariate diversity

# We all have biases

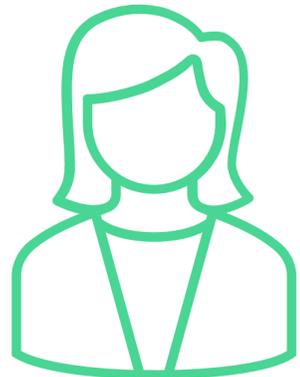
## Percentage of differential rate of callback



Source: Bertrand and Mullainthan 2004 "Are Emily and Greg More Employable Than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination". *American Economic Review* as referenced in *The Conversation* by Robert Livingston 2021.

# Addressing bias

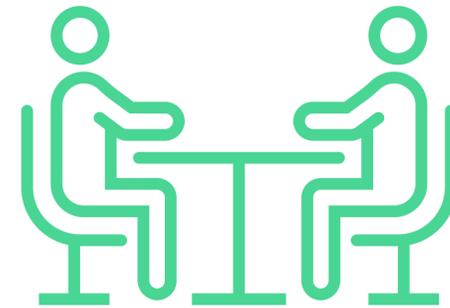
**Self awareness**



**Exposure and context matter**



**Open and meaningful dialogue**

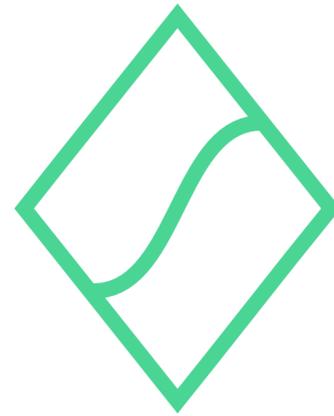


- Discuss assumptions (biases) associated with social upbringing
- Acknowledge emotions and feelings
- Share personal challenges and experiences

# Shared values reinforce culture



**Curiosity**



**Ownership**



**Trust**



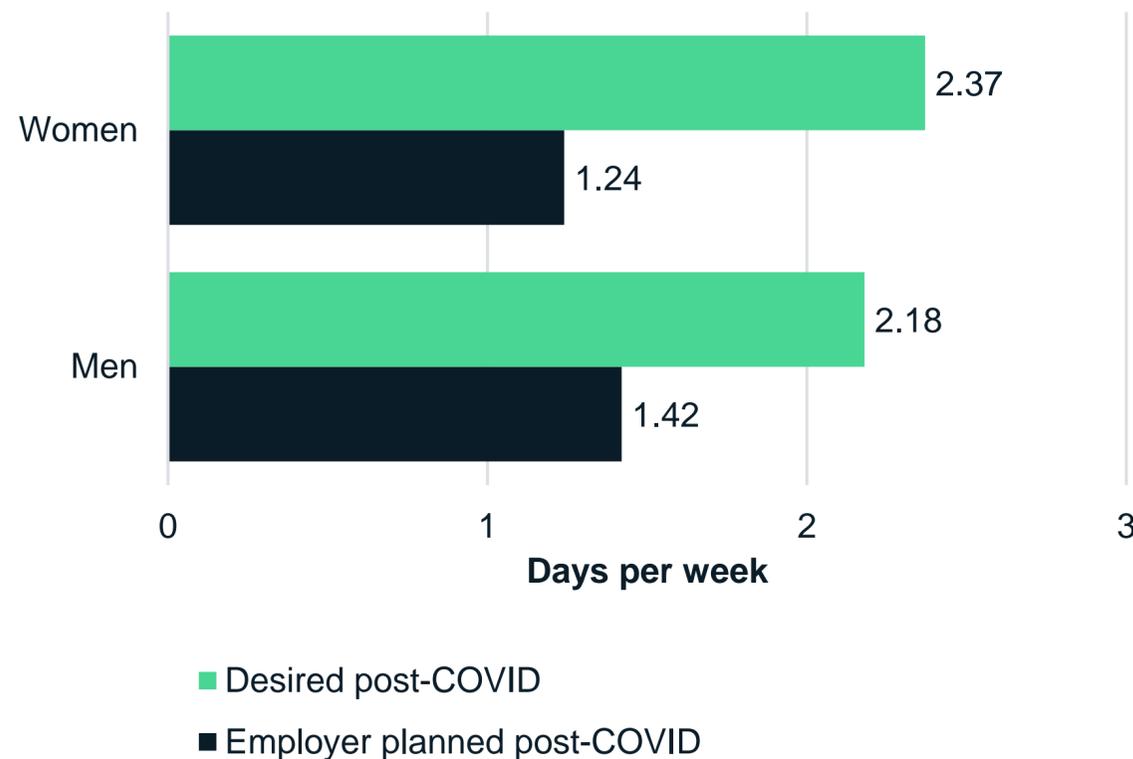
**Respect**

“There is no respect for others without humility in one’s self.”

**Henri Frederic Amiel**  
Swiss philosopher, poet and critic.

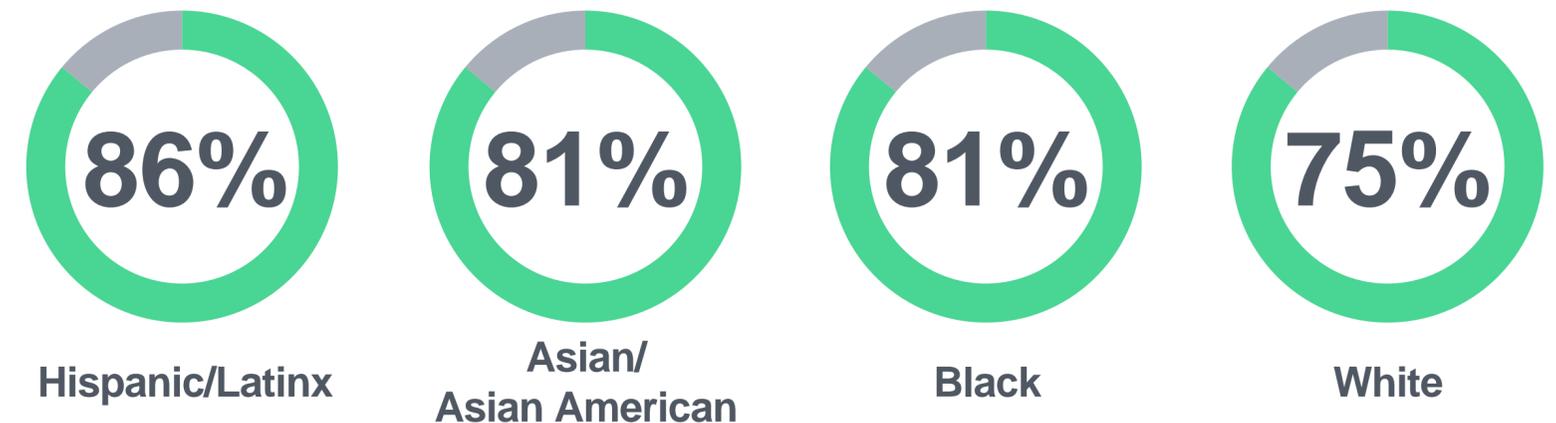
# Cultural implications of hybrid work

## Post-COVID Work From Home



## Desire for flexibility remains strongest among underrepresented groups

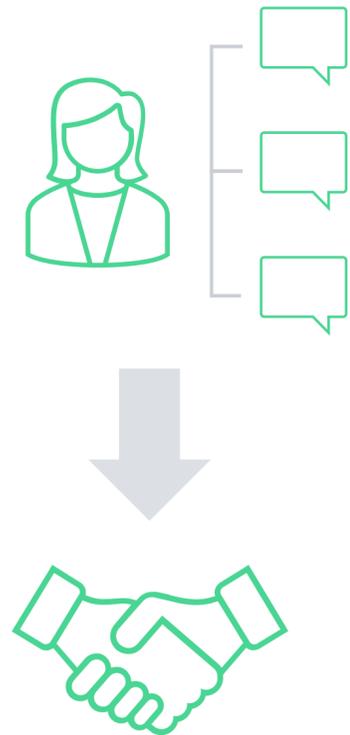
Percentage of US survey respondents who prefer a hybrid or fully remote work arrangement, by race/ethnicity



Source: Barrera, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731. 1Data from 10,000 US responses through 2021, reweighted to match US population. Details on <https://wfhresearch.com/>. 2Survey of 10,737 knowledge workers in the US, Australia, France, Germany, Japan and the UK between 1 Nov 2021 – 30 Nov 2021.

# Engagement has evolved

**Paradigm shift towards personalized engagement**



**Impacts**

**External**  
(client expectations)



**Internal**  
(employee expectations)

**Implications**

**Organizational flexibility is key**



**Data and sales enablement technology need to facilitate this new approach**

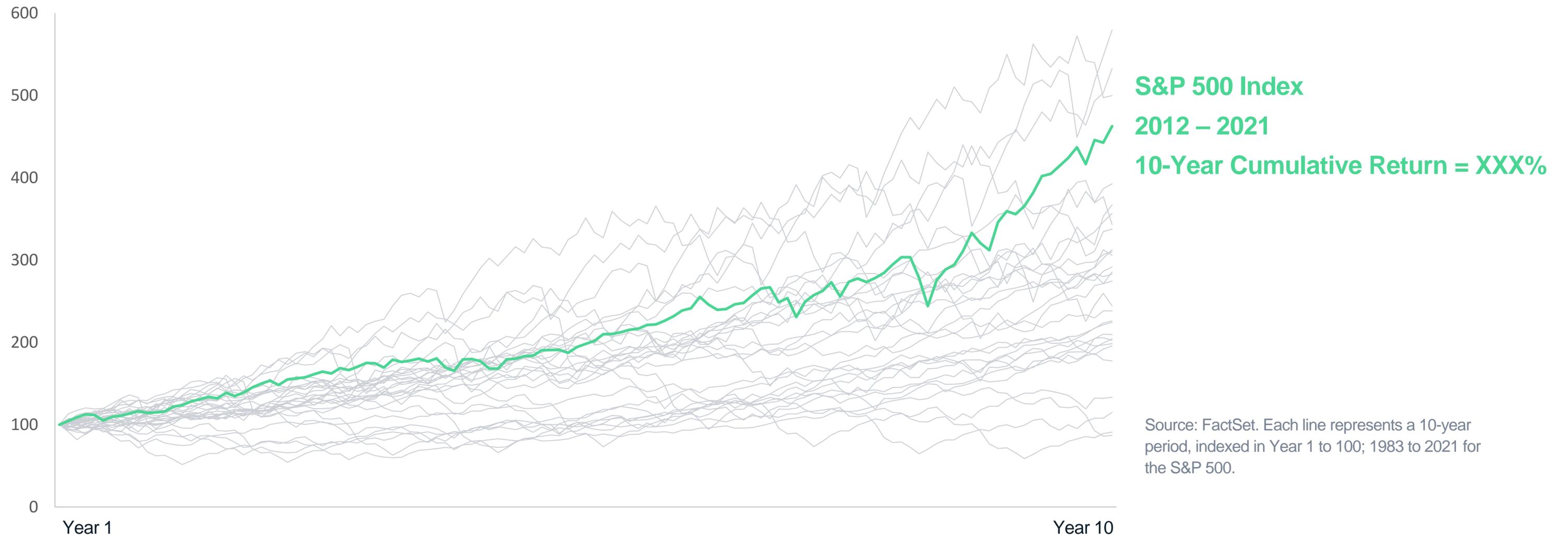
Source: SS&C.

**Be the future!**

**“The purpose of leadership is not to make the present bearable. The purpose of leadership is to make the future possible.”**

**Joan D. Chittister, Best-selling author and well-known international lecturer**

# Focus on where we're going, not where we've been



# Future success will be driven by...



**Faster product  
development**



**Better  
distribution**



**More flexible  
delivery**



**Stronger brand  
building**

# True change in DEI will require a proactive, long-term approach



Inclusive culture



Workforce diversity



Philanthropy and community



Vendors and policy

# Ask us anything

## DIAMOND HILL

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The views expressed are those of Heather Brilliant as of November 2022 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. Past performance is not a guarantee of future results.

# Appendix

DIAMOND HILL

# Shared investment principles

Diamond Hill | Shared Investment Principles

## A consistent foundation that drives results



### Active, fundamental approach

Capitalizes on our intellectual curiosity and unique insights



### Valuation discipline

Requires investing at a discount to underlying value with a long-term mindset



### Ownership

Builds the conviction needed to invest over the long term



### Strategic capacity management

Protects our ability to generate competitive investment outcomes



### Long term

Looking past the near-term noise to realize the benefits of our deep research

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