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Interval Funds vs Limited Partnerships:

Benefits, Risks and Other Considerations

DIAMOND HILL

INVESTED IN THE LONG RUN

The growing interest in private credit continues to reshape how investors approach portfolio diversification and yield enhancement. Many institutional and individual investors are drawn to private credit for its potential to provide uncorrelated returns, downside protection and access to illiquidity premiums. Traditionally dominated by limited partnerships and private fund structures, this market segment has seen a significant shift with the emergence of hybrid vehicles like interval funds. These structures combine features of mutual funds and private investments and are designed to offer unique benefits while catering to a broader range of investors.

Interval funds can be a solution for accessing private credit and other alternative investments. Unlike limited partnerships, interval funds provide periodic liquidity — requiring at least 5% of fund assets to be available for redemption — offering a level of liquidity uncommon in traditional private investment vehicles. This structure helps mitigate the risks associated with unexpected redemption surges during market downturns, a challenge often faced by hedge funds. Investors can redeem shares at net asset value (NAV), avoiding the potential for trading at a discount or premium common with other closed-end vehicles. Additionally, these funds offer built-in regulatory safeguards under the 1940 Investment Act, ensuring transparency and tax efficiencies, such as simplified 1099 tax reporting instead of cumbersome K-1 filings.

Accessibility is another notable advantage. Interval funds often have lower minimum investment requirements compared to private funds, bringing institutional-quality strategies within reach of a wider audience. By eliminating requirements for accredited investor or qualified purchaser status (may vary by fund), these funds democratize access to illiquid asset classes, including private credit, real estate and reinsurance. This makes them particularly appealing for financial advisors looking to diversify portfolios or replace traditional fixed income holdings with higher-yielding alternatives.

The flexibility of interval fund structures allows managers to pursue illiquid and below-investment-grade securities, unlocking the potential for enhanced returns. This approach aligns with the increasing demand for innovative investment vehicles that blend liquidity options with exposure to non-traditional fixed income markets.

However, interval funds are not without complexities. Their structure, while regulated and transparent, may not be appropriate for less experienced investors. Additionally, their focus on illiquid investments may not suit individuals who require frequent access to their capital. Investors must weigh these considerations against the potential benefits, including diversified exposure to asset classes once reserved exclusively for high-net-worth individuals and large institutions.

Ultimately, interval funds represent a compelling alternative to traditional limited partnership structures. They are designed to provide greater liquidity, transparency, tax efficiencies and broadened access to otherwise exclusive investment opportunities. For those seeking diversification and the advantages of private credit without the operational challenges of private fund structures, interval funds offer a flexible and innovative solution.

Interval Fund vs Typical Private Fund

	Interval Fund	**Typical Private Fund**
1940 Act Registered	Yes	No
Continuously offered	Yes	No
Daily valuations	Yes[1]	No
Tax reporting	1099	Typically, K-1
Performance fee	No[1]	Yes
Capital calls	No	Yes
Investor suitability	None[2]	Qualified purchaser
Investment minimum	$$	$$$
Liquidity	Periodic (typically quarterly)	Periodic/illiquid
Illiquid securities	75%-95% max[3]	Unlimited

[1]May vary by fund. [2]Typically, interval funds are not legally required to impose investor suitability. However, because of their relative illiquidity, individual distributors may require clients to meet certain criteria. [3]There may be some limitations, as funds must maintain liquid assets sufficient to meet repurchase offers.

Spotlight: Diamond Hill Securitized Credit Fund

Launched in September 2024, the Diamond Hill Securitized Credit Fund is specifically designed to capitalize on our fixed income team's extensive expertise in securitized assets. This interval fund structure allows for strategic investments in illiquid and below-investment grade securities, presenting opportunities to enhance potential returns while maintaining a focused approach to the asset class. The Fund may be well-suited for institutional investors seeking to complement traditional credit portfolios or diversify exposure with illiquid private credit strategies.

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

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 Diamond Hill Securitized Credit Fund is distributed by Foreside Financial Services, LLC.