

Fund ("Short Term Fund").¹ Diamond Hill, a wholly owned subsidiary of Diamond Hill Investment Group, Inc., serves as investment adviser to five of the Funds. DHS, a wholly owned subsidiary of Diamond Hill, serves as investment adviser to the remaining Fund. Diamond Hill and DHS are registered as investment advisers under the Investment Advisers Act of 1940.

2. Each Fund has, and may be expected to have, uninvested cash in an account at its custodian ("Uninvested Cash"). Uninvested Cash may result from a variety of sources, such as dividends or interest received on portfolio securities, unsettled securities transactions, reserves held for investment purposes, scheduled maturity of investments, proceeds from liquidation of investment securities, dividend payments, or money received from investors. Certain of the Funds may also participate in a securities lending program under which the Fund may lend its portfolio securities to registered broker-dealers or other institutional investors (the "Securities Lending Program"). The loans will be continuously secured by collateral equal at all times to at least the market value of the securities loaned. Collateral for these loans may include cash ("Cash Collateral," and together with Uninvested Cash, "Cash Balances").

3. Applicants request relief to permit certain of the Funds (the "Investing Funds") to use Cash Balances to purchase shares of the Short Term Fund, as well as any future Fund that operates as a money market fund in accordance with rule 2a-7 under the Act (each, a "Money Market Fund" and together with the Short Term Fund, the "Cash Management Funds"), and the Cash Management Funds to sell their shares to, and redeem their shares from, each of the Investing Funds. The Short Term Fund seeks to provide total return consistent with current income and preservation of capital by investing in short- and intermediate-term debt securities and generally will maintain a dollar-weighted average maturity of

three years or less. Investment of Cash Balances in shares of the Cash Management Funds will be made only to the extent consistent with such Investing Fund's investment restrictions and policies as set forth in its prospectus and statement of additional information. Applicants believe that the proposed transactions will result in higher yields, increased investment opportunities, reduced transaction costs, increased returns, reduced administrative burdens, enhanced liquidity, and increased diversification.

Applicants' Legal Analysis

1. Section 12(d)(1)(A) of the Act provides that no registered investment company may acquire securities of another investment company if such securities represent more than 3% of the acquired company's outstanding voting stock, more than 5% of the acquiring company's total assets, or if such securities, together with the securities of other acquired investment companies, represent more than 10% of the acquiring company's total assets. Section 12(d)(1)(B) of the Act provides that no registered open-end investment company may sell its securities to another investment company if the sale will cause the acquiring company to own more than 3% of the acquired company's voting stock, or if the sale will cause more than 10% of the acquired company's voting stock to be owned by investment companies.

2. Section 12(d)(1)(f) of the Act authorizes the Commission to exempt any person, security or transaction (or classes thereof) from any provision of section 12(d)(1) if, and to the extent that, the exemption is consistent with the public interest and the protection of investors. Applicants request an exemption from the provisions of sections 12(d)(1)(A) and (B) to the extent necessary to permit each Investing Fund to invest Cash Balances in the Cash Management Funds.

3. Applicants state that the proposed arrangement would not result in the abuses that section 12(d)(1)(A) and (B) were intended to prevent. Applicants state that because each Cash Management Fund will maintain a highly liquid portfolio, an Investing Fund will not be in a position to gain undue influence over a Cash Management Fund through threat of redemption. Applicants also represent that the proposed arrangement will not result in an inappropriate layering of fees because shares of the Cash Management Funds sold to the Investing Funds will not be subject to a sales load, redemption fee, distribution fee under a plan adopted in accordance with rule

12b-1 under the Act, or service fee (as defined in rule 2830(b)(9) of the National Association of Securities Dealers, Inc. ("NASD") Conduct Rules) or, if such shares are subject to any such fees, the Adviser will waive its advisory fee for each Investing Fund in an amount that offsets the amount of such fees incurred by the Investing Fund. Applicants state that if a Cash Management Fund offers more than one class of securities, each Investing Fund will invest only in the class with the lowest expense ratio (taking into account the expected impact of the Investing Fund's investment) at the time of the investment. Before the next meeting of the board of trustees (the "Board") of an Investing Fund is held for the purpose of voting on an advisory contract under section 15(a) of the Act, the Adviser to the Investing Fund will provide the Board with specific information regarding the approximate cost to the Adviser of, or portion of the advisory fee attributable to, managing the Uninvested Cash of the Investing Fund that can be expected to be invested in the Cash Management Funds. In connection with approving any advisory contract for an Investing Fund, the Board, including a majority of the trustees who are not "interested persons," as defined in section 2(a)(19) of the Act ("Independent Trustees") will consider to what extent, if any, the advisory fees charged to each Investing Fund by the Adviser should be reduced to account for reduced services provided to the Investing Fund by the Adviser as a result of Uninvested Cash being invested in a Cash Management Fund. Applicants represent that no Cash Management Fund whose shares are held by an Investing Fund will acquire securities of any other investment company in excess of the limitations contained in section 12(d)(1)(A) of the Act.

4. Section 17(a) of the Act makes it unlawful for any affiliated person of a registered investment company, acting as principal, to sell or purchase any security to or from the company. Section 2(a)(3) of the Act defines an "affiliated person" of an investment company to include the investment adviser, any person that owns 5% or more of the outstanding voting securities of that company, and any person directly or indirectly controlling, controlled by, or under common control with the investment company. Applicants state that each of the Investing Funds and the Cash Management Funds may be deemed to be under common control, and therefore affiliated persons of each other, because

¹ All investment companies that currently intend to rely on the requested relief have been named as applicants and any existing or future registered open-end management investment company that may rely on the requested relief in the future will do so only in accordance with the terms and conditions of the application. The applicants are also seeking relief for any registered open-end management investment company or series thereof that is currently, or in the future may be, advised by the Adviser, as defined below (included in the term "Funds"). Diamond Hill and DHS and any person controlling, controlled by or under common control with Diamond Hill and/or DHS that currently or in the future serves as investment adviser to a Fund are collectively referred to as the "Adviser."