

Small-Mid Cap Fund

Investment Objective

- ◆ Long-term capital growth by investing in companies selling for less than our appraisal of intrinsic value.
- ◆ Suitable for investors with a 5-plus year investment horizon.

Portfolio Management



Chris Welch, CFA
Manager



Tom Schindler, CFA
Assistant Manager



Chris Bingaman, CFA
Assistant Manager

Investment Strategy

BUY STRATEGY The Fund seeks to buy securities of companies at prices below our appraisal of intrinsic value. To determine intrinsic value, the business must be understandable and the cash flows must be reasonably estimable. In addition, we seek businesses with a lasting competitive advantage and management with an owner mentality such that shareholders will reap the rewards of the underlying business performance.

SELL STRATEGY Investments are sold when the stock price approximates our appraised intrinsic value. Ideally, this occurs as the stock price has risen and closed the gap with a growing intrinsic value. In a less than ideal situation, our estimate of intrinsic value may be revised such that the market

price is no longer at a discount to intrinsic value. In cases where we no longer have confidence we can predict with any reasonable accuracy the business cash flows, the mistake is admitted and the investment is sold. Finally, we may sell one investment in order to raise proceeds for investment in a more attractive alternative.

FUND STRUCTURE Typically 40-70 positions. Maximum sector exposure is 30%.

MARKET CAPITALIZATION The Fund normally invests at least 80% of its net assets in small and medium capitalization companies, defined as those companies with a market capitalization between \$500 million and \$10 billion at the time of purchase or those companies in the Russell 2500 Index.

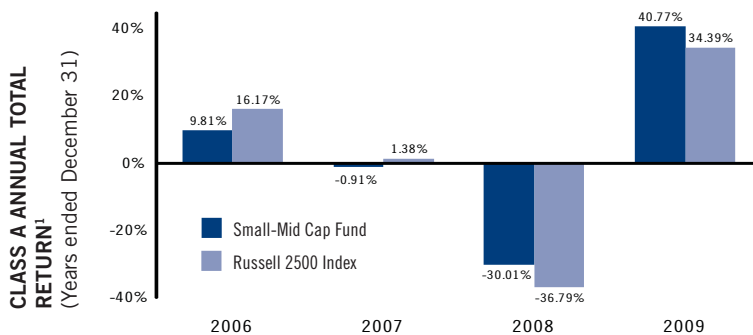
There are specialized risks associated with small capitalization issues, such as market illiquidity and greater market volatility than large capitalization issues.

Performance Update

Period & Average Annual Total Returns as of June 30, 2010

	Second Quarter	Year to Date	One Year	Three Years	Five Years	Since Inception (12/30/05)	Total Expense Ratio
PERFORMANCE AT NAV <i>without sales charges</i>							
Class A Shares	-6.88%	-0.68%	26.56%	-3.08%	—	1.41%	1.33%
Class C Shares	-6.95%	-1.00%	25.63%	-3.78%	—	0.70%	2.08%
Class I Shares	-6.78%	-0.49%	27.00%	-2.70%	—	1.80%	0.97%
BENCHMARK							
Russell 2500 Index	-9.98%	-1.69%	24.03%	-7.98%	—	-0.37%	—
PERFORMANCE AT POP <i>includes sales charges</i>							
Class A Shares	-11.51%	-5.67%	20.26%	-4.72%	—	0.25%	1.33%
Class C Shares	-7.89%	-1.99%	24.63%	-3.78%	—	0.70%	2.08%

The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment 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 data quoted. Investors may obtain performance information current to the last month-end, within 7 business days, at www.diamond-hill.com.



The Russell 2500 Index is a market capitalization-weighted index measuring performance of the smallest 2,500 companies, on a market capitalization basis, in the Russell 3000 Index. The Russell 3000 Index is a market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. One cannot invest directly in an index. Unlike mutual funds, the index does not incur expenses. If expenses were deducted, the actual returns of this index would be lower.

¹ Figures do not reflect sales charges. If they did, the returns would be lower.

Best Performers

Security Name	Second Quarter Contribution ²	Position as of June 30
Cimarex Energy Co.	0.8%	3.7%
American Italian Pasta Co.	0.2%	1.0%
Hain Celestial Group, Inc.	0.2%	0.5%
Huntington Bancshares, Inc.	0.1%	0.9%
K-Swiss, Inc.	0.1%	1.1%

Worst Performers

Security Name	Second Quarter Contribution ²	Position as of June 30
Assured Guaranty Ltd.	-1.1%	2.1%
King Pharmaceuticals, Inc.	-1.1%	2.5%
Noble Energy, Inc.	-0.6%	3.6%
Verigy Ltd.	-0.5%	1.9%
Energizer Holdings, Inc.	-0.4%	2.2%



New Positions

Security Name	Position as of June 30
Arch Capital Group Ltd.	2.2%
Molson Coors Brewing Co.	1.7%
Quest Diagnostics, Inc.	1.3%
Kinetic Concepts, Inc.	1.0%
Popular, Inc.	0.9%
Myriad Genetics, Inc.	0.9%
Linear Technology Corp.	0.8%
First American Financial Corp.	0.6%

Eliminated Positions

Security Name
Analogic Corp.
City National Corp.

Top Ten Holdings

Security	Industry	% of Portfolio
Cimarex Energy Co.	Oil, Gas & Consumable Fuels	3.7%
Noble Energy, Inc.	Oil, Gas & Consumable Fuels	3.6%
Dover Corp.	Machinery	3.2%
Old Republic International Corp.	Insurance	3.0%
Assurant, Inc.	Insurance	2.8%
Flowers Foods, Inc.	Food Products	2.6%
ConAgra Foods, Inc.	Food Products	2.6%
King Pharmaceuticals, Inc.	Pharmaceuticals	2.5%
Arch Capital Group Ltd.	Insurance	2.2%
Forest Laboratories, Inc.	Pharmaceuticals	2.2%

Portfolio Statistics *(Portfolio composition is subject to change)*

Total Net Assets	\$46M
Median Market Capitalization	\$2.2B
Portfolio Turnover Rate (12 months trailing)	53%
Number of Equity Securities in Portfolio	63
% of Net Assets in Cash & Cash Equivalents	12.7%

Risk Statistics* *(Since Inception, Class A Load Waived)*

Annualized Standard Deviation (%)	22.31
Beta (%)	0.97
Sharpe Ratio	0.06
Alpha (%)	1.76
R-squared (%)	91.15
Upside / Downside Capture Ratio (%)	95 / 90

Sector Allocation *(Overweight in bold)*

	Financials	Energy	Consumer Staples	Industrials	Health Care	Information Technology	Consumer Discretionary	Utilities	Materials	Telecom	Other	Cash & Equiv.
Small-Mid Cap Fund	19.6%	17.1%	12.5%	10.6%	10.0%	6.9%	5.8%	4.8%	—	—	—	12.7%
Russell 2500 Index	21.1%	5.6%	3.4%	14.4%	11.6%	14.7%	14.4%	5.9%	7.3%	1.2%	0.4%	—

Fund Identification & Expenses

	Ticker Symbol	CUSIP	Maximum Front-End Sales Charge	Contingent Deferred Sales Charge	Management Fee	Distribution Fee (12b-1)	Other Expenses	Net Operating Expenses	Minimum Initial Investment: Classes A & C: \$2,500 Class I: \$50,000
A Shares	DHMAX	25264S817	5.00%	None	0.75%	0.25%	0.33%	1.33%	Distributions: Annual Lipper Classification: Mid-Cap Core Morningstar Classification: Mid-Cap Value
C Shares	DHMCX	25264S791	None	1.00%	0.75%	1.00%	0.33%	2.08%	
I Shares	DHMIX	25264S783	None	None	0.75%	None	0.22%	0.97%	

*Contribution to Return (CR) is an approximate measure of the contribution by an individual position to the overall portfolio return of the stated period. A daily contribution for each position is calculated by multiplying the position's previous day ending position weight by its daily total return. The daily total return is determined by summing the end of day stock price and any dividends and dividing the result by the beginning stock price. These daily contributions are then geometrically linked to determine the CR for the entire stated period. The holdings identified do not represent all of the securities purchased, sold, or held in the Fund, and past performance does not guarantee future results.

Performance is not guaranteed. Performance returns assume reinvestment of all distributions. The total return figures for the Fund reflect the maximum sales charge applicable to each class. Class I and Class C shares include performance based on Class A shares, which was achieved prior to the creation of Class I and Class C shares. Class C returns have been restated for sales charges and for fees applicable to Class C shares, which includes a 1.00% 12b-1 fee. These total return figures may reflect the waiver of a portion of a Fund's advisory or administrative fees for certain periods. In such instances, and without such waiver of fees, the total returns would have been lower. Fund holding and sector weightings are subject to change without notice. The maximum sales charge for A shares is 5.00%; C shares have a maximum contingent deferred sales charge (CDSC) of 1.00% for redemptions within the first year of purchase; I shares have no sales charge.

Investors should consider the investment objectives, risks, and charges and expenses of the Diamond Hill Funds carefully before investing. This and other information about the Funds is in the prospectus, which can be obtained at www.diamond-hill.com. Read the prospectus carefully before you invest. 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. The Diamond Hill Funds are distributed by BHIL Distributors, Inc. (Member FINRA), an affiliated company. Investors may obtain a copy of the current prospectus at 888-226-5595 or www.diamond-hill.com. Like all mutual funds, Diamond Hill Funds are not FDIC insured, may lose value, and have no bank guarantee.

***Risk Statistic Definitions:** Standard Deviation is a statistical measure of the historical volatility of the portfolio. Beta is a measure of the volatility of a portfolio relative to the overall market. Sharpe Ratio is a risk-adjusted measure calculated using standard deviation and excess return to determine reward per unit of risk. Alpha is a measure of the incremental return generated from active portfolio management. R-squared represents the percentage of the portfolio's movements that can be explained by the general movements of the market. Upside/Downside Capture Ratio measures a manager's ability to generate excess return above the benchmark return in up markets and retain more of the excess return in down markets. The upside/downside capture ratio is the Fund's up/down market return divided by the index's up/down market return. The up/down market return equals the linked returns for all quarters in which the index return was greater /less than zero.