

Long-Short Fund

Investment Objective

- ◆ Long-term capital growth by investing in companies selling for less than and shorting companies selling for more than our appraisal of intrinsic value.
- ◆ Seek positive total returns on both long and short positions.
- ◆ Tends to have reduced volatility compared to long-only funds.
- ◆ Suitable for investors with a 5+ year investment horizon.

Portfolio Management



Chuck Bath, CFA
Co-Manager



Ric Dillon, CFA
Co-Manager



Chris Bingaman, CFA
Assistant Manager

Investment Strategy

BUY LONG / SELL SHORT STRATEGY The Fund seeks to buy long or sell short securities of companies at prices below or above 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 LONG / COVER SHORT STRATEGY Investments are sold or shorts covered 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

- A long-biased fund with typically 20-60 long positions and 20-60 short positions.
- Total long positions are between 80-100% of net assets, with total short positions comprising 20-40% of net assets.

EXPOSURE

- Target gross market exposure (long % + short %) = Up to 140%
- Target net market exposure (long % - short %) = Between 40%-65%

The Fund uses short selling which incurs significant additional risk. Theoretically, stocks sold short have the risk of unlimited losses.

Performance Update

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

	Second Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years	Total Expense Ratio
PERFORMANCE AT NAV <i>without sales charges</i>							
Class A Shares	-8.56%	-9.56%	3.65%	-5.58%	2.13%	5.23%	1.84% ¹
Class C Shares	-8.74%	-9.91%	2.87%	-6.31%	1.36%	4.42%	2.59% ¹
Class I Shares	-8.43%	-9.38%	4.13%	-5.21%	2.54%	5.46%	1.48% ¹
BENCHMARK							
Russell 1000 Index	-11.44%	-6.40%	15.24%	-9.54%	-0.56%	-1.22%	—
50% Russell 1000 Index / 50% BofA ML US T-Bill 0-3 Mo. Index	-5.75%	-3.03%	7.80%	-3.66%	1.41%	1.01%	—
PERFORMANCE AT POP <i>includes sales charges</i>							
Class A Shares	-13.13%	-14.09%	-1.54%	-7.19%	1.09%	4.69%	1.84%
Class C Shares	-9.65%	-10.81%	1.87%	-6.31%	1.36%	4.42%	2.59%

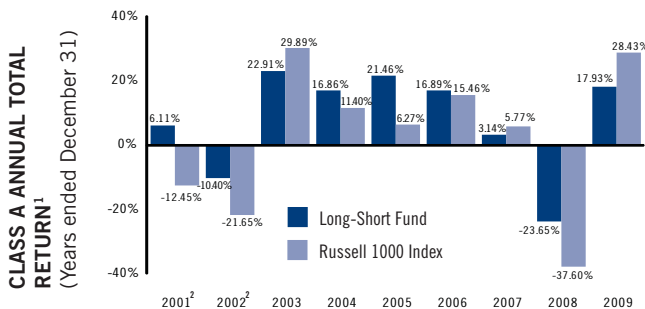
The performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The Fund's current performance 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 1000 Index is a market capitalization-weighted index measuring performance of the largest 1,000 companies, on a market capitalization basis, in the Russell 3000 Index, a market-capitalization weighted index

measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. The blended index represents a 50% weighting of the Russell 1000 Index as described above and a 50% weighting of the BofA Merrill Lynch US T-Bill 0-3 Month Index. The BofA Merrill Lynch US T-Bill 0-3 Month Index tracks the performance of US dollar denominated US Treasury Bills publicly issued in the US domestic market with a remaining term to final maturity of less than 3 months. 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.

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

²The fund was long-only from inception through June 2002. Fund inception date: 6/30/2000.



Best Performers

Security Name	Second Quarter Contribution ³	Position as of June 30
Cimarex Energy Co.	0.3%	1.2%-Long
General Mills, Inc.	0.0%	2.3%-Long
Assurant, Inc.	0.0%	1.1%-Long
Career Education Corp.	0.6%	(1.8%)-Short
Royal Caribbean Cruises Ltd.	0.5%	(1.3%)-Short
Dow Chemical Co.	0.4%	(1.7%)-Short

Worst Performers

Security Name	Second Quarter Contribution ³	Position as of June 30
Anadarko Petroleum Corp.	-2.1%	2.4%-Long
Apache Corp.	-0.7%	3.9%-Long
Assured Guaranty Ltd.	-0.7%	1.2%-Long
Akamai Technologies, Inc.	-0.3%	(1.4%)-Short
Netflix, Inc.	-0.2%	(0.8%)-Short
Salesforce.com, Inc.	-0.2%	(1.5%)-Short

New Positions

Security Name	Position as of June 30
3M Co.	2.1%-Long
Exxon Mobil Corp.	2.0%-Long
Air Products & Chemicals, Inc.	1.9%-Long
Quest Diagnostics, Inc.	1.3%-Long

Eliminated Positions

Security Name
Transocean Ltd. - Long
XTO Energy, Inc. - Long
Chipotle Mexican Grill, Inc. - Short
Colgate-Palmolive Co. - Short
Dean Foods Co. - Short
J.C. Penney Co., Inc. - Short
Laboratory Corp. of America Holdings - Short
Prosperity Bancshares, Inc. - Short

Top Five Long Holdings

Security	Industry	% of Portfolio
Occidental Petroleum Corp.	Oil, Gas & Consumable Fuels	4.1%
Apache Corp.	Oil, Gas & Consumable Fuels	3.9%
United Technologies Corp.	Aerospace & Defense	3.2%
Procter & Gamble Co.	Household Products	3.0%
Medtronic, Inc.	Health Care Equipment & Supplies	2.9%

Top Five Short Holdings

Security	Industry	% of Portfolio
Tractor Supply Co.	Specialty Retail	(1.9%)
Career Education Corp.	Diversified Consumer Services	(1.8%)
Dow Chemical Co.	Chemicals	(1.7%)
Omnicare, Inc.	Health Care Providers & Services	(1.6%)
Boeing Co.	Aerospace & Defense	(1.6%)

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

Total Net Assets	\$1.9B
Median Market Capitalization—Long/(Short)	\$24.7B/(\$4.7B)
Portfolio Turnover Rate (12 months trailing)	36%*
Number of Long/(Short) Equity Securities in Portfolio	44/(28)
Long/(Short) Securities (% of Net Assets)	88.2%/(28.8%)
Gross Exposure (Long + Short)	117.0%
Net Exposure (Long - Short)	59.4%
% of Net Assets in Cash & Equivalents	11.8%

* This calculation is the lesser of long buys plus short sales or long sales plus short covers divided by the monthly average value of portfolio securities, excluding cash.

5-Year Risk Statistics* *(Class A Load Waived)*

Annualized Standard Deviation (%)	12.12
Beta (%)	0.61†
Sharpe Ratio	0.02
Alpha (%)	1.23†
R-squared (%)	74.75†
Upside / Downside Capture Ratio (%)	64 / 54†

† Relative to the Russell 1000 Index.

Sector Allocation *(Overweight in bold)*

	Health Care	Energy	Industrials	Financials	Consumer Staples	Information Technology	Consumer Discretionary	Utilities	Materials	Telecom	Cash & Equiv.
Long Portfolio	17.3%	16.4%	13.5%	13.1%	12.3%	7.3%	3.8%	2.6%	1.9%	—	11.8%
Russell 1000 Index	12.6%	10.3%	10.5%	16.8%	9.2%	18.1%	11.8%	3.8%	3.9%	3.0%	—
Short Portfolio	(3.0%)	—	(2.0%)	—	(1.7%)	(2.8%)	(17.0%)	—	(1.7%)	(0.6%)	—

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	DIAMX	25264S403	5.00%	None	0.90%	0.25%	0.69%	1.84% ⁴	Distributions: Annual Lipper Classification: Long-Short Morningstar Classification: Long-Short
C Shares	DHFCX	25264E107	None	1.00%	0.90%	1.00%	0.69%	2.59% ⁴	
I Shares	DHLSX	25264S833	None	None	0.90%	None	0.58%	1.48% ⁴	

⁴Includes dividend expense relating to short sales. If dividend expenses relating to short sales were excluded, the Total Expense Ratio for the Long-Short Fund would have been 1.47% for Class A, 2.22% for Class C, and 1.11% for Class I.

³Contribution 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.