

Quarterly Commentary



DIAMOND HILL[®]
funds

June 30, 2010

SMALL CAP FUND

SMALL-MID CAP FUND

LARGE CAP FUND

SELECT FUND

LONG-SHORT FUND

FINANCIAL LONG-SHORT FUND

STRATEGIC INCOME FUND

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2010 Second Quarter Review

The second quarter of 2010 brought a sharp reversal in the rally that began in March 2009. The S&P 500 Index declined 11.9% during the quarter, which was the worst quarterly performance since the fourth quarter of 2008 when the U.S. financial crisis was in full force. All industry sectors declined during the quarter with defensive sectors declining the least. The worst performing sectors included materials (-16%), energy (-14%) and financials (-13%).

Corporate earnings reports were significantly better than expected in April, which initially fueled a continuation of the first quarter rally. However, as the quarter progressed, the Greek debt crisis deteriorated, causing capital markets in other debt-laden European countries to decline as fears of contagion spread. At the same time, there were growing concerns about China's efforts to slow its booming economy and the resulting negative impact on global economic growth. In addition, the U.S. stock market also had to digest the uncertainty around proposed financial regulatory reform, the oil spill in the Gulf of Mexico, and worries about the potential for a double-dip recession as economic data showed signs of weakening in June. These macro issues clearly overshadowed any positive news, and investors responded by selling stocks and buying U.S. Treasuries and other traditionally less risky assets.

Corporate Earnings and Economic News

The S&P 500 began the quarter with a 1.6% total return in April. Despite macro headwinds, investors focused on strong corporate earnings reports. First quarter 2010 earnings beat analysts' consensus expectations by 13%. Financial sector companies were the main drivers of the earnings surprise, exceeding expectations by 47%. Excluding financials, reported earnings exceeded expectations by 7%, with the more cyclical sectors (industrials, consumer discretionary and materials) beating expectations by the widest margins.

Economic data in April was also strong. GDP grew for the third consecutive quarter, nonfarm payrolls increased and personal consumption improved. Retail sales were stronger than expected and inflation remained low. Housing starts increased, existing home sales rose and new home sales improved. By May, the economic data was still good, but showing modest signs of slowing momentum. In addition, macro fears around the European debt crisis, a pullback in Chinese economic growth, and U.S. financial sector regulation were

growing. The S&P 500 declined 8% in May with all industry sectors posting negative returns. The energy sector was hardest hit, reflecting declining energy prices and fallout from the Gulf of Mexico oil spill. In June, home sales and housing starts were surprisingly weak, following the expiration of the home buyer tax credit, and nonfarm payrolls grew less than estimated. Retail sales also declined for the first time since July 2009. This news, plus concerns about the sustainability of domestic and global economic growth, contributed to an additional 5% decline in the S&P 500. For the second consecutive month, all sectors declined, with the consumer discretionary sector declining the most (-10%).

Market Outlook

Our exposure to the energy sector detracted from second quarter results. However, our long-term secular thesis for energy remains intact, due to the continued tight conditions in worldwide supply and demand for oil and the belief that natural gas will be an increasingly important fuel for the foreseeable future. In our Long-Short strategy, short positions in the consumer discretionary sector contributed positively to results in the second quarter after rising painfully faster than the overall market in the first quarter. Again, our long-term secular thesis is unchanged. We continue to believe that consumer discretionary spending will likely face secular headwinds for the foreseeable future, due to high unemployment rates, household deleveraging, and tax increases. Finally, we expect economic challenges as a result of the removal of fiscal and monetary stimulus in the coming years.

At the end of the 2010 first quarter, we were finding more attractive valuation opportunities in higher quality securities. As a result, our relative investment results benefited from the flight to quality in the second quarter. We believe that our disciplined intrinsic value approach and long-term investment horizon allows us to look beyond short-term market moves that are often emotion-based. Capital markets were extremely volatile during the second quarter, but we maintain our focus on assessing the long-term economics of the businesses in which we invest.

Views and opinions regarding the investment prospects of our portfolio holdings and funds are "forward looking statements" which may or may not be accurate over the long term. While we believe we have a reasonable basis for our opinion, actual results may differ materially from those we anticipate. Information provided in this report should not be considered a recommendation to purchase or sell any particular security. We cannot assure future results. You should not place undue reliance on forward-looking statements, which speak only as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. The portfolio holdings are subject to change.

Small Cap Fund



Portfolio Management



Tom Schindler, CFA
Manager



Chris Welch, CFA
Assistant Manager



Chris Bingaman, CFA
Assistant Manager

The Fund declined 6.63% (Class A, without sales charge) in the second quarter, compared with a 9.92% decline in the Russell 2000 Index. Holdings in the financial and healthcare sectors provided the largest negative contribution to return during the quarter.

In the financial sector, insurers continue to have a heavier weight in the portfolio relative to banks. Within the insurance industry, Assured Guaranty Ltd. posted the biggest decline. Assured Guaranty reported weaker than anticipated earnings in May, reflecting the addition of reserves to cover insured residential mortgage backed securities (RMBS) underwritten between 2005 and 2008. While disappointed by the lower than expected first quarter earnings, we do not believe the first quarter results necessarily imply diminished normalized earnings. We expect reserving for RMBS will continue to be uneven. In addition to the weaker than expected earnings, elevated concerns about the growing level of default risk in the municipal debt markets has created substantial headline risk which may constrain valuation levels in the near-term.

In the healthcare sector, King Pharmaceuticals, Inc. and Myriad Genetics, Inc. were the largest detractors from return. King reported weaker than expected revenue, including weakness in its recently launched opioid drug Embeda, which has struggled to penetrate the general physician market as a result of FDA restrictions on the company's marketing efforts. Despite this setback, we believe the long-term growth story remains intact. King has the potential to be the only company with two new abuse-resistant opioid drugs in 2011. Myriad Genetics reported disappointing earnings and lowered guidance for the remainder of the fiscal year, reflecting weaker than expected growth in their flagship BRACAnalysis product. Growth expectations have been reset, and we believe the company has an opportunity to

deliver better than expected high-to-mid single digit revenue growth in fiscal 2011.

Household products company, Energizer Holdings, Inc., also detracted significantly from performance in the second quarter. Energizer was negatively impacted by a sluggish battery market and heightened competitive pressures. In addition, investors are nervous about Energizer's European exposure; however we continue to believe that the current stock price is a significant discount to our estimate of intrinsic value.

Cimarex Energy Co. was the best performing security during the quarter as management again increased production guidance, due to better than expected results in the core areas of its business. The shares also may have benefited from the relative attractiveness of onshore exploration and production assets versus offshore assets.

Consumer staples companies American Italian Pasta Co. and Hain Celestial Group, Inc. also provided positive contribution to return. American Italian Pasta benefited significantly by Ralcorp Holdings, Inc.'s offer to acquire the company for \$53 per share, a 27% premium to the most recent closing price. Hain shares increased sharply during the quarter reflecting news that activist investor Carl Icahn acquired a 13% stake in the company.

In the consumer discretionary sector, shares of e-commerce company, Global Sources Ltd., increased following management's announcement of a tender offer to repurchase 25% of company shares outstanding at \$9 per share.

During the quarter, we established new positions in store brand food manufacturer, Ralcorp Holdings, Inc.; biotechnology company, Myriad Genetics, Inc.; wound healing product designer and manufacturer, Kinetic Concepts, Inc. and commercial bank holding company, Popular, Inc. We also acquired a position in financial services provider, First American Financial Corp., through a spin-off from an existing holding, CoreLogic, Inc.

We eliminated our position in electronic instrument manufacturer, Analogic Corp. as its price reached our estimate of intrinsic value, which had been revised down over the past several years. The down-

Performance Update

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

	Second Quarter	One Year	Three Years	Five Years	Since Inception (12/29/00)	Total Expense Ratio
PERFORMANCE AT NAV <i>without sales charges</i>						
Class A Shares	-6.63%	23.70%	-4.54%	1.72%	10.08%	1.38%
Class C Shares	-6.81%	22.82%	-5.25%	0.97%	9.25%	2.13%
Class I Shares	-6.55%	24.21%	-4.17%	2.14%	10.32%	1.02%
BENCHMARK						
Russell 2000 Index	-9.92%	21.48%	-8.60%	0.37%	3.82%	—
PERFORMANCE AT POP <i>includes sales charges</i>						
Class A Shares	-11.31%	17.52%	-6.17%	0.69%	9.48%	1.38%
Class C Shares	-7.74%	21.82%	-5.25%	0.97%	9.25%	2.13%



Small Cap Fund (cont'd)



ward revisions reflected lower than expected earnings in the medical equipment business due to tight budgets in the healthcare sector and lower than expected earnings in security products following the large increase in airport screeners post 9/11. We also eliminated positions in interior aviation products manufacturer, BE Aerospace, Inc. and consumer bank holding company, City National Corp. as their prices

reached our estimates of intrinsic value. Finally, we eliminated our position in LaSalle Hotel Properties as it reached our estimate of intrinsic value. In this case, the market seemed to be anticipating a much quicker rebound in the hotel business than we were willing to assume.

Mentioned Securities and Respective Weights as of June 30, 2010

American Italian Pasta Co.	1.6%	CoreLogic, Inc.	1.0%	King Pharmaceuticals, Inc.	1.3%
Analogic Corp.	~	Energizer Holdings, Inc.	3.8%	LaSalle Hotel Properties	~
Assured Guaranty Ltd.	3.8%	First American Financial Corp.	0.6%	Myriad Genetics, Inc.	1.0%
BE Aerospace, Inc.	~	Global Sources Ltd.	0.9%	Popular, Inc.	0.4%
Cimarex Energy Co.	2.6%	Hain Celestial Group, Inc.	0.5%	Ralcorp Holdings, Inc.	1.5%
City National Corp.	~	Kinetic Concepts, Inc.	1.0%		

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The Russell 2000 Index is a market-capitalization weighted index measuring performance of the smallest 2,000 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. 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.

The portfolio holdings are subject to change without notice. Performance is not guaranteed. Performance returns assume reinvestment of all distributions. Returns for the periods less than one year are not

annualized. The total return figures for the Fund do not reflect the applicable sales charge for each class. The investment return and net asset value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original purchase price. 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. In such instances, and without such waiver of fees, the total returns would have been lower.

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. Past performance is no guarantee of future results.

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.

Small-Mid Cap Fund



Portfolio Management



Chris Welch, CFA
Manager



Tom Schindler, CFA
Assistant Manager



Chris Bingaman, CFA
Assistant Manager

The Fund declined 6.88% (Class A, without sales charge) in the second quarter, compared with a 9.98% decline in the Russell 2500 Index. Holdings in the financial and healthcare sectors provided the largest negative contribution to return during the quarter.

In the financial sector, insurers continue to have a heavier weight in the portfolio relative to banks. Within the insurance industry, Assured Guaranty Ltd. posted the biggest decline. Assured Guaranty reported weaker than anticipated earnings in May, reflecting the addition of reserves to cover insured residential mortgage backed securities (RMBS) underwritten between 2005 and 2008. While disappointed by the lower than expected first quarter earnings, we do not believe the first quarter results necessarily imply diminished normalized earnings. We expect reserving for RMBS will continue to be uneven. In addition to the weaker than expected earnings, elevated concerns about the growing level of default risk in the municipal debt markets has created substantial headline risk which may constrain valuation levels in the near-term.

In the healthcare sector, King Pharmaceuticals, Inc. was the largest detractor from return. King reported weaker than expected revenue, including weakness in its recently launched opioid drug Embeda, which has struggled to penetrate the general physician market as a result of FDA restrictions on the company's marketing efforts. Despite this setback, we believe the long-term growth story remains intact. King has the potential to be the only company with two new abuse-resistant opioid drugs in 2011.

Other positions that detracted from second quarter results included Noble Energy, Inc., Verigy Ltd., and Energizer Holdings, Inc. Noble Energy posted good operating results during the quarter, but the

stock performance likely reflected uncertainty regarding future Gulf of Mexico exploration and development. Verigy's shares trailed both the semiconductor index (SOX) and its main competitor Teradyne, Inc. Because testing equipment is one of the last pieces of equipment to be purchased when demand increases, the test companies have been slower to recover in comparison to other semiconductor equipment companies. In addition, Verigy has more exposure to the memory market, which has been slower to recover due to the significant memory capacity added prior to the most recent downturn. Energizer Holdings, Inc. was negatively impacted by a sluggish battery market and heightened competitive pressures. In addition, investors are nervous about Energizer's European exposure; however we continue to believe that the current stock price is a significant discount to our estimate of intrinsic value.

Cimarex Energy Co. was the best performing security during the quarter as management again increased production guidance due to better than expected results in the core areas of its business. The shares also may have benefited from the relative attractiveness of onshore exploration and production assets versus offshore assets.

Consumer staples companies American Italian Pasta Co. and Hain Celestial Group, Inc. also provided positive contribution to return. American Italian Pasta benefited significantly by Ralcorp Holdings, Inc.'s offer to acquire the company for \$53 per share, a 27% premium to the most recent closing price. Hain shares increased sharply during the quarter reflecting news that activist investor Carl Icahn acquired a 13% stake in the company.

During the quarter, we established new positions in property casualty insurer, Arch Capital Group, Ltd.; brewer, Molson Coors Brewing Co.; diagnostic testing company, Quest Diagnostics, Inc.; wound healing product designer and manufacturer, Kinetic Concepts, Inc.; commercial bank holding company, Popular, Inc.; biotechnology company, Myriad Genetics, Inc.; and integrated circuit manufacturer, Linear Technology Corp. We also acquired a position in financial services provider, First American Financial Corp., through a spin-off from an existing holding, CoreLogic, Inc.

Performance Update

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

	Second Quarter	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%	26.56%	-3.08%	—	1.41%	1.33%
Class C Shares	-6.95%	25.63%	-3.78%	—	0.70%	2.08%
Class I Shares	-6.78%	27.00%	-2.70%	—	1.80%	0.97%
BENCHMARK						
Russell 2500 Index	-9.98%	24.03%	-7.98%	—	-0.37%	—
PERFORMANCE AT POP <i>includes sales charges</i>						
Class A Shares	-11.51%	20.26%	-4.72%	—	0.25%	1.33%
Class C Shares	-7.89%	24.63%	-3.78%	—	0.70%	2.08%



Small-Mid Cap Fund *(cont'd)*



We eliminated our position in electronic instrument manufacturer, Analogic Corp. as its price reached our estimate of intrinsic value, which had been revised down over the past several years. The downward revisions reflected lower than expected earnings in the medical equipment business due to tight budgets in the healthcare sector and

lower than expected earnings in security products following the large increase in airport screeners post 9/11. We also eliminated our position in consumer bank holding company, City National Corp. as its price reached our estimate of intrinsic value.

Mentioned Securities and Respective Weights as of June 30, 2010

American Italian Pasta Co.	1.0%	Energizer Holdings, Inc.	2.2%	Myriad Genetics, Inc.	0.9%
Analogic Corp.	~	First American Financial Corp.	0.6%	Noble Energy, Inc.	3.6%
Arch Capital Group, Ltd.	2.2%	Hain Celestial Group, Inc.	0.5%	Popular, Inc.	0.9%
Assured Guaranty Ltd.	2.1%	Kinetic Concepts, Inc.	1.0%	Quest Diagnostics, Inc.	1.3%
Cimarex Energy Co.	3.7%	King Pharmaceuticals, Inc.	2.5%	Verigy Ltd.	1.9%
City National Corp.	~	Linear Technology Corp.	0.8%		
CoreLogic, Inc.	0.9%	Molson Coors Brewing Co.	1.6%		

Mentioned securities not held in Diamond Hill Small-Mid Cap Fund: Teradyne, Inc. and Ralcorp Holdings, Inc.

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Large Cap Fund



Portfolio Management



Chuck Bath, CFA
Manager



Bill Dierker, CFA
Assistant Manager



Chris Welch, CFA
Assistant Manager

The Fund declined 12.59% (Class A, without sales charge) in the second quarter, compared with an 11.44% decline in the Russell 1000 Index.

During the quarter, no positions provided positive contribution to return. Our holdings in the energy, health care, and financial sectors provided the largest negative contribution to return, while our holdings in the materials and utilities sectors provided the smallest negative contribution to return.

In the energy sector, oil and gas exploration companies Anadarko Petroleum Corp. and Apache Corp. were impacted by uncertainty regarding the future of Gulf of Mexico exploration. Our position in Anadarko Petroleum provided the largest negative contribution to return during the quarter due to its 25% non-operating interest in the oil well at the Deepwater Horizon site. The oil drilling rig that exploded and sank in April 2010, resulted in the largest offshore oil spill in United States history. Anadarko Petroleum shares have discounted a substantial liability resulting from the Deepwater Horizon accident in addition to the uncertainty regarding future deepwater development. Apache was another significant detractor in the energy sector. The company announced two acquisitions that increased the company's exposure to the Gulf of Mexico a few weeks prior to the Deepwater Horizon accident.

In the health care sector, our positions in Medtronic, Inc. and Baxter International, Inc. were the largest negative contributors to return.

Medtronic depreciated during the quarter due to concerns about their 2011 earnings guidance, currency headwinds, and what appears to be a weak economic environment. We believe the company has a strong new product pipeline and continue to think that the stock is undervalued. Baxter depreciated during the quarter after materially revising their earnings guidance downward due to a market share loss in their plasma business and a government recall of their Colleague infusion pumps. We feel that the stock market has adequately discounted shares of Baxter to reflect these issues.

In the financial sector, JPMorgan Chase & Co. and Wells Fargo & Co. were the largest detractors from performance as concerns over European sovereign risks and pending regulatory reform in the United States caused the positions to depreciate during the quarter.

During the quarter, we initiated positions in diversified chemical company, Air Products & Chemicals, Inc.; integrated oil and gas company, Exxon Mobil Corp.; and medical laboratories and research company, Quest Diagnostics, Inc. Air Products was added during the quarter as shares became depressed due to concerns surrounding its potential acquisition of gas distributor Airgas, Inc.

During the quarter, we eliminated our position in XTO Energy, Inc. and used the proceeds to initiate a position in its acquirer, Exxon Mobil. Exxon Mobil's shares were under pressure possibly due to a perceived change in strategy and return-discipline. As a result, Exxon Mobil was trading at a discount to our estimate of intrinsic value. We also initiated a position in Quest Diagnostics. Its shares became very cheap as investors looking for a cyclical recovery fled the healthcare sector and concerns regarding increased government regulation continued. Quest Diagnostics' margins have shown the potential for continued expansion due to an improved product mix that should help drive profit growth. Management has also been very shareholder friendly with repeated share buybacks.

Performance Update

Period & Average Annual Total Returns as of June 30, 2010	Second Quarter	One Year	Three Years	Five Years	Since Inception (6/29/01)	Total Expense Ratio
PERFORMANCE AT NAV <i>without sales charges</i>						
Class A Shares	-12.59%	14.46%	-7.85%	1.12%	3.88%	1.16%
Class C Shares	-12.75%	13.66%	-8.56%	0.36%	3.06%	1.91%
Class I Shares	-12.48%	14.91%	-7.50%	1.51%	4.12%	0.80%
BENCHMARK						
Russell 1000 Index	-11.44%	15.24%	-9.54%	-0.56%	0.43%	—
PERFORMANCE AT POP <i>includes sales charges</i>						
Class A Shares	-16.97%	8.76%	-9.41%	0.08%	3.28%	1.16%
Class C Shares	-13.62%	12.66%	-8.56%	0.36%	3.06%	1.91%



Large Cap Fund (cont'd)



Finally, we eliminated our position in Transocean Ltd. during the quarter. Following the Deepwater Horizon accident, we believed that the long-term risks to Transocean's business and potential liabilities

could be material, which changed our assumptions and lowered our estimate of intrinsic value.

Mentioned Securities and Respective Weights as of June 30, 2010

Air Products & Chemicals, Inc.	2.0%	Medtronic, Inc.	3.4%
Anadarko Petroleum Corp.	2.3%	Quest Diagnostics, Inc.	1.2%
Apache Corp.	3.9%	Transocean Ltd.	~
Baxter International, Inc.	1.6%	Wells Fargo & Co.	1.8%
Exxon Mobil Corp.	1.9%	XTO Energy, Inc.	~
JPMorgan Chase & Co.	2.9%		

Mentioned securities not held in Diamond Hill Large Cap Fund: Airgas, Inc.

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Select Fund



Portfolio Management



Bill Dierker, CFA
Manager



Chuck Bath, CFA
Assistant Manager



Chris Welch, CFA
Assistant Manager

The Fund declined 11.10% (Class A, without sales charge) in the second quarter, compared with an 11.32% decline in the Russell 3000 Index.

During the quarter, no sectors provided positive contribution to return with our holdings in the health care, financials, and energy sectors providing the largest negative contribution to return.

In the health care sector, our positions in Medtronic, Inc. and Baxter International, Inc. were the largest negative contributors to return. Medtronic declined during the quarter due to concerns about their 2011 earnings guidance, currency headwinds, and what appears to be a weaker economic environment. We believe the company has a strong new product pipeline and continue to think that the stock is undervalued. Baxter declined during the quarter after materially revising their earnings guidance downward due to a market share loss in their plasma business and a government recall of their Colleague infusion pumps. We feel that the stock market has adequately discounted shares of Baxter to reflect these issues.

In the financial sector, financial guaranty insurance company, Assured Guaranty Ltd., provided the largest negative contribution to performance. Assured Guaranty reported weaker than anticipated earnings in May, reflecting the addition of reserves to cover insured residential mortgage backed securities (RMBS) underwritten between 2005 and 2008. While disappointed by the lower than expected first quarter earnings, we do not believe the first quarter results necessarily

imply diminished normalized earnings. We expect reserving for RMBS will continue to be uneven. In addition to the weaker than expected earnings, elevated concerns about the growing level of default risk in the municipal debt markets has created substantial headline risk which may constrain valuation levels in the near-term.

In the energy sector, oil and gas exploration company, Anadarko Petroleum Corp., provided the largest negative contribution to return during the quarter due to its 25% non-operating interest in the oil well at the Deepwater Horizon site. The oil drilling rig that exploded and sank in April 2010, resulted in the largest offshore oil spill in United States history. Anadarko Petroleum shares have discounted a substantial liability resulting from the Deepwater Horizon accident in addition to the uncertainty regarding future deepwater development. Our position in oil and gas exploration company, Cimarex Energy Co., and oil and gas exploration and equipment provider Exterran Holdings, Inc. provided positive returns.

During the quarter, we initiated positions in Air Products & Chemicals Inc., 3M Co., and Arch Capital Group Ltd. Air Products was added during the quarter as shares became depressed due to concerns surrounding its potential acquisition of gas distributor Airgas, Inc. 3M was added as the market gave us an opportunity to buy this high quality, well run, very profitable company at a reasonably attractive price. The high research and development content of 3M's products, as well as its conservative management, strong cash flow generation, and clean balance sheet make it an attractive addition to our portfolios. Finally, we initiated a position in property and casualty insurer, Arch Capital, which has been willing to shrink its top-line significantly in the face of declining prices, choosing to let excess capital build and to return capital to shareholders through share repurchases below book value. We believe this is a sign of good capital allocation in a competitive and cyclical industry. Arch Capital has a very conservative balance sheet, with no legacy reserves from previous soft markets, and an incentive compensation system geared towards long-term

Performance Update

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

	Second Quarter	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	-11.10%	16.67%	-6.56%	—	-0.29%	1.27%
Class C Shares	-11.33%	15.61%	-7.28%	—	-1.00%	2.02%
Class I Shares	-10.99%	16.97%	-6.19%	—	0.09%	0.91%
BENCHMARK						
Russell 3000 Index	-11.32%	15.72%	-9.47%	—	-1.84%	—
PERFORMANCE AT POP <i>includes sales charges</i>						
Class A Shares	-15.52%	10.77%	-8.15%	—	-1.42%	1.27%
Class C Shares	-12.21%	14.61%	-7.28%	—	-1.00%	2.02%



Select Fund (cont'd)



profitability rather than near-term growth. We believe Arch Capital is managing the current environment effectively and will be able to capitalize whenever pricing improves.

Coming into the quarter, we were concerned about investor expectations for the economy and earnings estimates. Based upon the stocks that were performing well in the first quarter and the initial weeks of the second quarter, investors were expecting a robust improvement in

the domestic economy. However, in late April, investors started to discount these assumptions, and the market corrected by over 15%. This has restored attractive values across many sectors. We continue to focus on individual companies' long-term fundamentals. The recent correction has resulted in companies with more attractive margins of safety versus recent periods.

We did not eliminate any positions during the quarter.

Mentioned Securities and Respective Weights as of June 30, 2010

3M Co.	2.1%	Baxter International, Inc.	2.5%
Air Products & Chemicals, Inc.	2.4%	Cimarex Energy Co.	2.4%
Anadarko Petroleum Corp.	2.1%	Exterran Holdings, Inc.	1.7%
Arch Capital Group Ltd.	1.5%	Medtronic, Inc.	2.9%
Assured Guaranty Ltd.	2.0%		

Views and opinions regarding the investment prospects of our portfolio holdings and funds are "forward looking statements" which may or may not be accurate over the long term. While we believe we have a reasonable basis for our opinion, actual results may differ materially from those we anticipate. Information provided in this report should not be considered a recommendation to purchase or sell any particular security. We cannot assure future results. You should not place undue reliance on forward-looking statements, which speak only as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise.

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The Russell 3000 is a widely recognized unmanaged 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.

The portfolio holdings are subject to change without notice. Performance is not guaranteed. Performance returns assume reinvestment of all distributions. Returns for the periods less than one year are not

annualized. The total return figures for the Funds do not reflect the applicable sales charge for each class. The investment return and net asset value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original purchase price. 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 fees applicable to Class C shares, which includes a 1.00% 12b-1 fee. In such instances, and without such waiver of fees, the total returns would have been lower.

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. Past performance is no guarantee of future results.

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.

Long-Short Fund

Portfolio Management



Chuck Bath, CFA
Co-Manager



Ric Dillon, CFA
Co-Manager



Chris Bingaman, CFA
Assistant Manager

The Fund declined 8.56% (Class A, without sales charge) in the second quarter, compared with an 11.44% decline in the long-only Russell 1000 Index. In the long portion of the portfolio, no sectors provided positive contribution to return, while our positions in the energy, health care, and financial sectors provided the largest negative contribution to return.

In the energy sector, oil and gas exploration company, Anadarko Petroleum Corp., was impacted by the uncertainty regarding the future of Gulf of Mexico exploration. Our position in Anadarko Petroleum provided the largest negative contribution to return during the quarter due to its 25% non-operating interest in the oil well at the Deepwater Horizon site. The oil drilling rig that exploded and sank in April 2010, resulted in the largest offshore oil spill in United States history. Anadarko Petroleum shares have discounted a substantial liability resulting from the Deepwater Horizon accident in addition to the uncertainty regarding future deepwater development. Our position in oil and gas exploration company, Cimarex Energy Co. provided positive returns. Cimarex's management again increased production guidance due to better than expected results in the core areas of its businesses. The shares also may have benefited from the relative attractiveness of onshore exploration and production assets versus offshore assets.

In the health care sector, our positions in Medtronic, Inc. and Baxter International, Inc. were the largest negative contributors to return. Medtronic depreciated during the quarter due to concerns about their 2011 earnings guidance, currency headwinds, and what appears to be a weak economic environment. We believe the company has a strong new product pipeline and continue to think that the stock is undervalued. Baxter depreciated during the quarter after materially

revising their earnings guidance downward due to a market share loss in their plasma business and a government recall of their Colleague infusion pumps. We feel that the stock market has adequately discounted shares of Baxter to reflect these issues.

In the financial sector, Wells Fargo & Co. and financial guaranty insurance company, Assured Guaranty Ltd. provided the largest negative contribution to performance. Wells Fargo depreciated during the quarter due to concerns over European sovereign risks and pending regulatory reform. Assured Guaranty reported weaker than anticipated earnings in May, reflecting the addition of reserves to cover insured residential mortgage backed securities (RMBS) underwritten between 2005 and 2008. While disappointed by the lower than expected first quarter earnings, we do not believe the first quarter results necessarily imply diminished normalized earnings. We expect reserving for RMBS will continue to be uneven. In addition to the weaker than expected earnings, elevated concerns about the growing level of default risk in the municipal debt markets has created substantial headline risk which may constrain valuation levels in the near-term.

In the short portfolio, all sectors except telecommunication services and information technology provided positive contribution to return. Specifically, our consumer discretionary short positions in for-profit education company, Career Education Corp, and cruise line operator, Royal Caribbean Cruises Ltd., were the largest contributors to performance. Other notable contributors to performance included chemical company, Dow Chemical Co., and drug wholesaler, Omnicare, Inc. Our short positions in the telecommunication services sector provided the largest negative contribution to return within the short portfolio. In the information technology sector, Salesforce.com, Inc. continued favorable revenue growth trends, and excitement about a new collaboration software product drove the stock up, despite profit margin pressures. Similarly, Akamai Technologies, Inc., reported good earnings and better than expected margins.

During the quarter, we initiated long positions in Air Products & Chemicals, Inc.; 3M Co.; Exxon Mobil Corp; and Quest Diagnostics, Inc. Air Products was added during the quarter as shares became depressed due to concerns surrounding its potential acquisition of

Performance Update

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

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



Long-Short Fund (cont'd)



gas distributor Airgas, Inc. 3M was added as the market gave us an opportunity to buy this high quality, well run, very profitable company at a reasonably attractive price. We eliminated our position in XTO Energy, Inc. and used the proceeds to initiate a position in its acquirer, Exxon Mobil.

Finally, we eliminated our long position in Transocean Ltd. Following the Deepwater Horizon accident, we believed that the long-term risks

to Transocean's business and potential liabilities could be material, which changed our assumptions and lowered our estimate of intrinsic value.

There were no new short positions added this quarter; however, numerous short positions were covered as their prices reached our estimate of intrinsic value.

Mentioned Securities and Respective Weights as of June 30, 2010

3M Co.	2.1%	Career Education Corp.	(1.8)%	Quest Diagnostics, Inc.	1.3%
Air Products & Chemicals, Inc.	1.9%	Cimarex Energy Co.	1.2%	Royal Caribbean Cruises Ltd.	(1.3)%
Akamai Technologies, Inc.	(1.4)%	Dow Chemical Co.	(1.7)%	Salesforce.com, Inc.	(1.5)%
Anadarko Petroleum Corp.	2.4%	Exxon Mobil Corp.	2.0%	Transocean Ltd.	~
Assured Guaranty Ltd.	1.2%	Medtronic, Inc.	2.9%	Wells Fargo & Co.	2.0%
Baxter International, Inc.	1.3%	Omnicare, Inc.	(1.6)%	XTO Energy, Inc.	~

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

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 Bank of America Merrill Lynch Treasury Bill 0-3 Month Index, which tracks the performance of US dollar-denominated 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.

The portfolio holdings are subject to change without notice. Performance is not guaranteed. Performance returns assume reinvestment of all distributions. Returns for the periods less than one year are not annualized. The total return figures for the Funds do not reflect the applicable sales charge for each class. The investment return and net asset value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original purchase price. 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. In such instances, and without such waiver of fees, the total returns would have been lower.

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. Past performance is no guarantee of future results.

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¹Includes 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.



Financial Long-Short Fund



Portfolio Management



Chris Bingaman, CFA
Manager



Austin Hawley, CFA
Assistant Manager



John Loesch, CFA
Assistant Manager

The Fund declined 10.52% (Class A, without sales charge) in the second quarter, compared with a 12.65% decline in the S&P 1500 SuperComposite Financials Index.

The second quarter was a difficult period for the financial sector as concerns over the European debt crises as well as financial regulatory reform weighed heavily on the equity markets. The financial sector in general and the banking industry in particular, were under steady pressure after peaking in April. First quarter results were generally better than expected but not enough to offset myriad macro concerns as the sector underperformed the broader indices. On a positive note, most areas of the financial sector continue to mend as underlying results once again demonstrated improving balance sheet strength and liquidity.

During the quarter, long positions in Horace Mann Educators Corp., First of Long Island Corp., and Assurant, Inc. were the largest positive contributors. Horace Mann continues to make progress in raising prices on its homeowners' product and is successfully implementing its new distribution strategy, which has led to improved growth prospects. Assurant reported better than expected first quarter earnings aided by a larger than anticipated stock buyback. Assurant's health insurance segment returned to profitability faster than anticipated, its specialty property insurance segment continued to report excellent results, and its management reiterated that it will likely use its large and growing pool of excess capital to buy back more shares at attractive discounts to both book value and our estimate of intrinsic value.

Bottom performers in the long portfolio included Assured Guaranty Ltd., Wells Fargo & Co., and JPMorgan Chase & Co. Assured Guaranty reported weaker than anticipated earnings in May, reflecting the addition of reserves to cover insured residential mortgage backed securities (RMBS) underwritten between 2005 and 2008. While disappointed by the lower than expected first quarter earnings, we do not believe the first quarter results necessarily imply diminished normalized earnings. We expect reserving for RMBS will continue to be uneven. In addition to the weaker than expected earnings, elevated concerns about the growing level of default risk in the municipal debt markets has created substantial headline risk which may constrain valuation levels in the near-term. Additionally, JPMorgan Chase & Co. and Wells Fargo & Co. suffered from concerns over European sovereign risks and pending regulatory reform in the United States causing the positions to depreciate during the quarter.

In the short portfolio, many of these same concerns aided our positions in KBW, Inc. and Prosperity Bancshares, Inc., whose shares depreciated during the quarter. There were no material detractors from performance in the short portfolio.

During the quarter, we initiated meaningful long positions in XL Capital Ltd. and Popular, Inc. We have owned XL Capital in the past and have been closely monitoring the company. As the earnings steadily improved and the company made meaningful progress in lowering risk in its investment portfolio, the recent decline in its stock price allowed us to re-establish a long position at an attractive discount to our estimate of intrinsic value. Popular, Inc., a bank in Puerto Rico, was added during the quarter as its price decline provided an attractive discount to our estimate of intrinsic value.

We eliminated long positions in City National Corp. and Comerica, Inc. during the first few weeks of April as they appreciated to our estimate of intrinsic value after both companies reported improving credit quality during the first quarter. In addition to the eliminations of Comerica and City National, we divested a bond holding in First Tennessee Bank, as well as a trust preferred position in Regions

Performance Update

Period & Average Annual Total Returns as of June 30, 2010	Second Quarter	One Year	Three Years	Five Years	Ten Years	Total Expense Ratio
PERFORMANCE AT NAV <i>without sales charges</i>						
Class A Shares	-10.52%	25.57%	-17.07%	-7.21%	7.31%	1.76% ¹
Class C Shares	-10.65%	24.65%	-17.74%	-7.94%	6.57%	2.51% ¹
Class I Shares	-10.40%	26.11%	-16.72%	-6.92%	7.48%	1.40% ¹
BENCHMARK						
S&P 1500 SuperComposite Financials Index	-12.65%	18.57%	-23.81%	-10.74%	-2.13%	—
PERFORMANCE AT POP <i>includes sales charges</i>						
Class A Shares	-14.99%	19.27%	-18.47%	-8.15%	6.76%	1.76%
Class C Shares	-11.54%	23.65%	-17.74%	-7.94%	6.57%	2.51%



Financial Long-Short Fund (cont'd)



Financing Trust III. Both securities were trading very close to par value.

In the short portfolio, no meaningful short positions were added during the quarter. However, the weakness in the financial sector allowed us to cover our position in Prosperity Bancshares. In addition

to the weakness in the financial sector, Hancock Holding Co. suffered from concerns over the oil spill in the Gulf of Mexico and its impact on the economy in its gulf coast markets, which allowed us to cover the position as it reached our estimate of intrinsic value.

Mentioned Securities and Respective Weights as of June 30, 2010

Assurant, Inc.	3.8%	First Tennessee Bank	~	Popular, Inc.	1.6%
Assured Guaranty Ltd.	3.4%	Hancock Holding Co.	~	Prosperity Bancshares, Inc.	~
City National Corp.	~	Horace Mann Educators Corp.	1.4%	Regions Financing Trust III	~
Comerica, Inc.	~	JPMorgan Chase & Co.	6.5%	Wells Fargo & Co.	6.1%
First of Long Island Corp.	1.5%	KBW, Inc.	(0.4)%	XL Capital Ltd.	2.2%

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

The S&P 1500 SuperComposite Financials Index is a market capitalization-weighted index which is comprised of companies that represent the Financial Services Sector weighting within the S&P 500 SuperComposite. The S&P 1500 SuperComposite is a broad-based market capitalization-weighted index of 1500 U.S. companies that is comprised of the S&P 400, S&P 500 and S&P 600 Indexes. 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.

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annualized. The total return figures for the Fund do not reflect the applicable sales charge for each class. The investment return and net asset value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original purchase price. 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. In such instances, and without such waiver of fees, the total returns would have been lower.

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¹Includes 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 1.57% for Class A, 2.32% for Class C, and 1.21% for Class I.



Strategic Income Fund



Portfolio Management



Bill Zox, CFA
Manager



Chris Bingaman, CFA
Assistant Manager



Bill Dierker, CFA
Assistant Manager

The Fund generated a 1.24% total return (Class A, without sales charge) during the second quarter compared to a 3.52% total return for the Bank of America Merrill Lynch U.S. Corporate, Government and Mortgage Index. For the year-to-date period, the Fund generated a 6.94% total return compared to 5.30% for the Index. For the trailing five-year period, the Fund generated a total return of 4.72% per year compared to 5.62% per year for the Index and negative 0.44% per year for U.S. stocks, as measured by the Russell 3000 Index.

At the end of April, the 14-month rally in risk assets was interrupted as concerns grew over the sovereign debt crisis in Europe and a potential slowdown in China. The 10-year Treasury yield declined 90 basis points during the quarter from 3.83% to 2.93%, while the two-year Treasury yield declined 41 basis points from 1.02% to 0.61%. The option-adjusted spread of the Bank of America Merrill Lynch U.S. Corporates, BBB Rated Index increased from 205 basis points to 261 basis points. This spread was under 150 basis points from the fourth quarter of 2003 until the third quarter of 2007. The option-adjusted spread of the Bank of America Merrill Lynch, U.S. High Yield Master II Index increased from 584 basis points to 705 basis points. This spread was under 500 basis points from late-2003 until the fourth quarter of 2007.

Deleveraging continued to be the key theme during the second quarter, which we expect will be the case for many years to come. After fourteen months of rising asset prices, increasing liquidity, and declining volatility, the lessons of the crisis began to fade. However, when asset prices took a meaningful step backwards, financial institutions reduced risk and consumers retrenched. We expect that these periods of heightened volatility and reduced liquidity will occur more frequently until consumer and government balance sheets are well on the path to repair.

Coming into the quarter, we were considering a plan to begin to reduce the Fund's approximate 50% weighting in financials. We felt good about the credit quality of our financial bonds, but their yields were low after the full recovery from the historic lows of 2008. By swapping some of the financials for select high yield bonds, we believed we could increase yield, improve liquidity, and reduce duration (i.e., sensitivity to rising interest rates) at the expense of an acceptable reduction in the overall credit quality of the portfolio.

When liquidity was disrupted in early May, we accelerated the plan aggressively. By the end of the quarter, the financial weighting was below 25% and the cash position increased from 7.3% to 12.5%. Our objective with the elevated cash position is to be in a position to buy bonds at particularly attractive prices when traditional providers of liquidity withdraw from the market.

Performance Update

Period & Average Annual Total Returns as of June 30, 2010	Second Quarter	One Year	Three Years	Five Years	Since Inception (9/30/02)	Total Expense Ratio
PERFORMANCE AT NAV <i>without sales charges</i>						
Class A Shares	1.24%	23.33%	3.67%	4.72%	7.53%	1.05%
Class C Shares	1.06%	22.31%	2.90%	3.93%	6.80%	1.80%
Class I Shares	1.35%	23.84%	4.08%	5.14%	7.82%	0.69%
BENCHMARK						
BofA ML US Corporate, Government, & Mortgage Index	3.52%	9.08%	7.71%	5.62%	5.27%	—
PERFORMANCE AT POP <i>includes sales charges</i>						
Class A Shares	-2.27%	19.01%	2.44%	3.98%	7.04%	1.05%
Class C Shares	0.06%	21.31%	2.90%	3.93%	6.80%	1.80%



Strategic Income Fund *(cont'd)*



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The Bank of American Merrill Lynch US Corporate, Government, & Mortgage Index includes a mixture of government bonds, corporate bonds and mortgage pass through securities of investment grade quality, having a maturity greater than or equal to one year. The Bank of America Merrill Lynch US Corporate, Government, & Mortgage Index does not take into account the deduction of expenses associated with a mutual fund, such as investment management and accounting fees. The Russell 3000 is a widely recognized unmanaged market-capitalization weighted index measuring the performance of the 3,000 largest U.S. companies based on total market capitalization. The Bank of America Merrill Lynch US Corporate BBB Rated Index tracks the performance of US dollar denominated investment grade debt publicly issued in the US domestic market by US and non-US corporations including all securities rated BBB1 through BBB3 with qualifying securities having at least one year remaining term to final maturity, a fixed coupon schedule and a minimum amount outstanding of \$250 million. The Bank of America Merrill Lynch U.S. High Yield Master II Index tracks the performance of below investment grade, but not in default, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market, and includes issues with a credit rating of BBB or below, as rated by Moody's and S&P. One cannot invest directly in an index. Unlike mutual funds, these indices do not incur expenses. If expenses were deducted, the actual returns of these indices would be lower.

The portfolio holdings are subject to change without notice. Performance is not guaranteed. Performance returns assume reinvestment of all distributions. Returns for the periods less than one year are not annualized. The total return figures for the Fund do not reflect the applicable sales charge for each class. The investment return and net asset value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original purchase price. 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. In such instances, and without such waiver of fees, the total returns would have been lower.

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. Past performance is no guarantee of future results.

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.

Performance Update

CLASSIFICATIONS

Ticker Symbol	CUSIP Number	Overall Morningstar Rating™ Class A with Load/ Class A Load-Waived # funds in category	Period & Average Annual Total Returns as of June 30, 2010								FEES & EXPENSES						Morningstar Lipper
			Second Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years or Life of Fund [†]	Annualized Standard Deviation [‡]	Maximum Front-End Sales Charge	Contingent Deferred Sales Charge	Management Fee	Distribution Fee (12b-1)	Other Expenses	Total Expense Ratio		

SMALL CAP ¹ (Inception Date 12/29/00)																	
Class A	DHSCX	25264S304	★★★★ / ★★★★★	-6.63%	0.42%	23.70%	-4.54%	1.72%	10.08%	19.20%	5.00%	None	0.80%	0.25%	0.33%	1.38%	Small-Cap Value
Class C	DHSMX	25264K103	321 funds Weighted average of 3- and 5-year risk-adjusted returns.	-6.81%	0.05%	22.82%	-5.25%	0.97%	9.25%	19.18%	None	1.00%	0.80%	1.00%	0.33%	2.13%	Small-Cap Core
Class I	DHSIX	25264S858		-6.55%	0.61%	24.21%	-4.17%	2.14%	10.32%	19.22%	None	None	0.80%	None	0.22%	1.02%	Small-Cap Core
Benchmark	Russell 2000 Index			-9.92%	-1.95%	21.48%	-8.60%	0.37%	3.82%	21.97%							

SMALL-MID CAP ¹ (Inception Date 12/30/05)																	
Class A	DHMAX	25264S817	★★★★ / ★★★★★	-6.88%	-0.68%	26.56%	-3.08%	—	1.41%	22.31%	5.00%	None	0.75%	0.25%	0.33%	1.33%	Mid-Cap Value
Class C	DHMCX	25264S791	345 funds Based on 3 year risk-adjusted returns.	-6.95%	-1.00%	25.63%	-3.78%	—	0.70%	22.31%	None	1.00%	0.75%	1.00%	0.33%	2.08%	Mid-Cap Core
Class I	DHMIX	25264S783		-6.78%	-0.49%	27.00%	-2.70%	—	1.80%	22.32%	None	None	0.75%	None	0.22%	0.97%	Mid-Cap Core
Benchmark	Russell 2500 Index			-9.98%	-1.69%	24.03%	-7.98%	—	-0.37%	21.94%							

LARGE CAP (Inception Date 6/29/01)																	
Class A	DHLAX	25264S502	★★★★ / ★★★★★	-12.59%	-8.74%	14.46%	-7.85%	1.12%	3.88%	16.72%	5.00%	None	0.60%	0.25%	0.31%	1.16%	Large-Cap Value
Class C	DHLCX	25264S601	1,135 funds Weighted average of 3- and 5-year risk-adjusted returns.	-12.75%	-9.10%	13.66%	-8.56%	0.36%	3.06%	16.72%	None	1.00%	0.60%	1.00%	0.31%	1.91%	Large-Cap Core
Class I	DHLRX	25264S841		-12.48%	-8.57%	14.91%	-7.50%	1.51%	4.12%	16.73%	None	None	0.60%	None	0.20%	0.80%	Large-Cap Core
Benchmark	Russell 1000 Index			-11.44%	-6.40%	15.24%	-9.54%	-0.56%	0.43%	17.18%							

SELECT (Inception Date 12/30/05)																	
Class A	DHTAX	25264S775	★★★★ / ★★★★★	-11.10%	-7.65%	16.67%	-6.56%	—	-0.29%	17.67%	5.00%	None	0.70%	0.25%	0.32%	1.27%	Large-Cap Value
Class C	DHTCX	25264S767	1,135 funds Based on 3 year risk-adjusted returns.	-11.33%	-8.05%	15.61%	-7.28%	—	-1.00%	17.65%	None	1.00%	0.70%	1.00%	0.32%	2.02%	Multi-Cap Core
Class I	DHLTX	25264S759		-10.99%	-7.54%	16.97%	-6.19%	—	0.09%	17.64%	None	None	0.70%	None	0.21%	0.91%	Multi-Cap Core
Benchmark	Russell 3000 Index			-11.32%	-6.05%	15.72%	-9.47%	—	-1.84%	18.19%							

LONG-SHORT ² (Inception Date 6/30/00)																	
Class A	DIAMX	25264S403	★★★ / ★★★★★	-8.56%	-9.56%	3.65%	-5.58%	2.13%	5.23%	12.12%	5.00%	None	0.90%	0.25%	0.69%	1.84%	Long-Short
Class C	DHFCX	25264E107	123 funds Weighted average of 3-, 5-, and 10-year risk-adjusted returns.	-8.74%	-9.91%	2.87%	-6.31%	1.36%	4.42%	12.12%	None	1.00%	0.90%	1.00%	0.69%	2.59%	Long-Short
Class I	DHLSX	25264S833		-8.43%	-9.38%	4.13%	-5.21%	2.54%	5.46%	12.13%	None	None	0.90%	None	0.58%	1.48%	Long-Short
Benchmarks	Russell 1000 Index			-11.44%	-6.40%	15.24%	-9.54%	-0.56%	-1.22%	17.18%							
	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%	8.61%							

FINANCIAL LONG-SHORT ² (Inception Date 8/1/97)																	
Class A	BANCX	25264S106	★★★★ / ★★★★★	-10.52%	1.15%	25.57%	-17.07%	-7.21%	7.31%	26.53%	5.00%	None	1.00%	0.25%	0.51%	1.76%	Financial Services
Class C	BSGCX	25264S205	107 funds Weighted average of 3-, 5-, and 10-year risk-adjusted returns.	-10.65%	0.80%	24.65%	-17.74%	-7.94%	6.57%	26.55%	None	1.00%	1.00%	1.00%	0.51%	2.51%	Financial Services
Class I	DHFSX	25264S825		-10.40%	1.35%	26.11%	-16.72%	-6.92%	7.48%	26.54%	None	None	1.00%	None	0.40%	1.40%	Financial Services
Benchmark	S&P 1500 SuperComposite Financials Index			-12.65%	-3.03%	18.57%	-23.81%	-10.74%	-2.13%	28.27%							

STRATEGIC INCOME ³ (Inception Date 9/30/02)																	
Class A	DSIAX	25264S882	★★ / ★★★★★	1.24%	6.95%	23.33%	3.67%	4.72%	7.53%	9.09%	3.50%	None	0.50%	0.25%	0.30%	1.05%	Multi-sector Bond
Class C	DSICX	25264S874	193 funds Weighted average of 3- and 5-year risk-adjusted returns.	1.06%	6.46%	22.31%	2.90%	3.93%	6.80%	9.08%	None	1.00%	0.50%	1.00%	0.30%	1.80%	Multi-sector Bond
Class I	DHSTX	25264S866		1.35%	7.16%	23.84%	4.08%	5.14%	7.82%	9.08%	None	None	0.50%	None	0.19%	0.69%	Multi-sector Bond
Benchmark	BofA ML US Corporate, Government & Mortgage Index			3.52%	5.30%	9.08%	7.71%	5.62%	5.27%	3.87%							

[†] For Funds with a performance record ten (10) years or greater, the performance number represents "Ten Years"; otherwise, for Funds with a performance record less than ten (10) years, the performance number represents "Life of Fund." Refer to performance disclosure information on page 19



Performance is not guaranteed. Performance returns assume reinvestment of all distributions. Average annual total returns illustrate the annual compounded returns that would have produced the cumulative total return if the Fund's performance had remained constant throughout the period indicated. Returns for the periods less than one year are not annualized. The total return figures for the Funds do not reflect the applicable sales charge for each class. 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. The investment return and net asset value will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than the original purchase price. 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. No sales charge is assessed on Class I shares. Minimum initial investment for Class I shares is \$50,000.

Morningstar calculates a Morningstar Rating™ for each fund with at least a 3-year history. The rating is based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars; the next 22.5% receive 4 stars; the next 35% receive 3 stars; the next 22.5% receive 2 stars; the bottom 10% receive 1 star. The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) Morningstar Ratings. The Morningstar Rating is for the A share class only; other classes may have different performance characteristics. These ratings may change monthly. © Morningstar 2010, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

Small Cap Fund The Overall Morningstar Rating™

is based on 321 small value funds as of 6/30/10. The Fund's Class A with Load / Class A Load-Waived ratings were 4 / 4 stars among 321 and 4 / 4 stars among 251 domestic small value funds for the 3- and 5-year periods ended 6/30/10, respectively.

Small-Mid Cap Fund The Overall Morningstar Rating™ is based on 345 mid value funds as of 6/30/10. The Fund's Class A with Load / Class A Load-Waived ratings were 4 / 5 stars among 345 domestic mid-cap value funds for the 3 year period ended 6/30/10.

Large Cap Fund The Overall Morningstar Rating™ is based on 1,135 large value funds as of 6/30/10. The Fund's Class A with Load / Class A Load-Waived ratings were 4 / 4 stars among 1,135 and 4 / 4 stars among 952 domestic large value funds for the 3- and 5-year periods ended 6/30/10, respectively.

Select Fund The Overall Morningstar Rating™ is based on 1,135 large value funds as of 6/30/10. The Fund's Class A with Load / Class A Load-Waived ratings were 4 / 5 stars among 1,135 for the 3 year period ended 6/30/10.

Long-Short Fund The Overall Morningstar Rating™ is based on 123 long-short funds as of 6/30/10. The Fund's Class A with Load / Class A Load-Waived ratings were 2 / 2 stars among 123, 3 / 3 stars among 67, and 3 / 3 stars among 23 long-short funds for the 3-, 5-, and 10-year periods ended 6/30/10, respectively.

Financial Long-Short Fund The Overall Morningstar Rating™ is based on 107 specialty-financial funds as of 6/30/10. The Fund's Class A with Load / Class A Load-Waived ratings were 3 / 3 stars among 107, 3 / 3 stars among 101, and 4 / 4 stars among 68 specialty-financial funds for the 3-, 5-, and 10-year periods ended 6/30/10, respectively.

Strategic Income Fund The Overall Morningstar Rating™ is based on 193 multi-sector bond funds as of 6/30/10. The Fund's Class A with Load / Class A Load-Waived ratings were 2 / 2 stars among 193 and 2 / 3 stars among 152 multi-sector bond funds for the 3- and 5-year periods ended 6/30/10, respectively.

¹There are special risks associated with small capitalization issues such as market illiquidity and greater market volatility than large capitalization issues.

²The Long-Short Fund and the Financial Long-Short Fund use short selling which incurs significant additional risk. Theoretically, stocks sold short have

the risk of unlimited losses. The Total Expense Ratio includes 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 and for the Financial Long-Short Fund would have been 1.57% for Class A, 2.32% for Class C, and 1.21% for Class I.

³The value of fixed-income securities varies inversely with interest rates; that is, as interest rates rise, the market value of fixed-income securities will decline.

⁴Ratings for Class A Load-Waived shares should only be considered by investors who are not subject to a front-end sales charge.

⁵Standard deviation measures the variability of Fund and benchmark returns relative to their respective average monthly returns for the current trailing 5-year period, except Small-Mid Cap Fund and Select Fund where standard deviation is calculated since the inception of each Fund. Returns used for the calculation of standard deviation do not reflect sales charges.

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.

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.

Investment Adviser

Diamond Hill Capital Management, Inc.

Distributor

BHIL Distributors, Inc. (Member FINRA),
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