

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 GUIDELINES

- 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 10-40% of net assets.

EXPOSURE GUIDELINES

- Target gross market exposure (long % + short %) = Up to 140%
- Target net market exposure (long % - short %) = Between 40%-75%

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

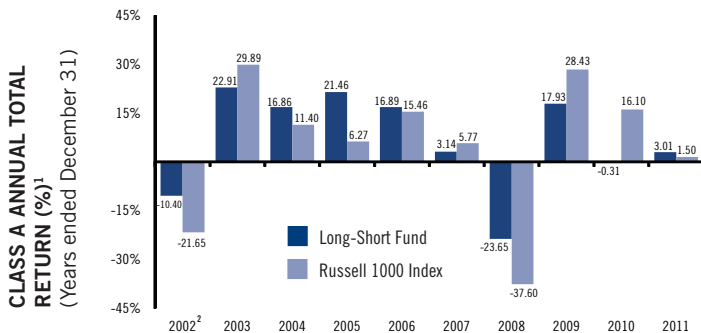
Performance Update

Period & Average Annual Total Returns as of December 31, 2011	Fourth Quarter	One Year	Three Year	Five Year	Ten Year	Total Expense Ratio
PERFORMANCE AT NAV <i>without sales charges</i>						
Class A Shares	10.12%	3.01%	6.59%	-0.94%	5.71%	1.77% ¹
Class Y Shares	10.12%	3.01%	6.59%	-0.94%	5.71%	1.34% ¹
BENCHMARK						
Russell 1000 Index	11.84%	1.50%	14.81%	-0.02%	3.34%	—
50% Russell 1000 Index / 50% BofA ML US T-Bill 0-3 Mo. Index	5.91%	1.09%	7.71%	1.15%	2.94%	—
PERFORMANCE AT POP <i>includes sales charges</i>						
Class A Shares	4.62%	-2.16%	4.78%	-1.95%	5.17%	1.77% ¹

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 most recent 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	Fourth Quarter Contribution ³	Position as of December 31
Occidental Petroleum Corp.	1.2%	3.9%-Long
Anadarko Petroleum Corp.	1.0%	3.6%-Long
EOG Resources, Inc.	0.8%	2.5%-Long
Nokia Corp. (ADR)	0.3%	(0.6%)-Short
Akamai Technologies, Inc.	0.0%	(0.0%)-Short
Salesforce.com, Inc.	0.0%	(0.0%)-Short

Worst Performers

Security Name	Fourth Quarter Contribution ³	Position as of December 31
Baxter International, Inc.	-0.2%	1.4%-Long
KLA-Tencor Corp.	0.0%	0.0%-Long
Walt Disney Co.	0.0%	0.9%-Long
Apollo Group, Inc. (CI A)	-0.5%	(2.2%)-Short
Life Time Fitness, Inc.	-0.4%	(1.9%)-Short
Boeing Co.	-0.3%	(1.8%)-Short

New Positions

Security Name	Position as of December 31
Walt Disney Co.	0.9% - Long
Panera Bread Co. (CI A)	(0.6%) - Short
Nokia Corp. (ADR)	(0.6%) - Short
Campbell Soup Co.	(0.5%) - Short
Advent Software, Inc.	(0.3%) - Short
ITT Educational Services, Inc.	(0.2%) - Short

Eliminated Positions

Security Name
KLA-Tencor Corp. - Long
Pharmaceutical Product Development, Inc. - Long
Akamai Technologies, Inc. - Short
Salesforce.com, Inc. - Short

Top Five Long Holdings

Security	Sector	% of Portfolio
Occidental Petroleum Corp.	Energy	3.9%
Anadarko Petroleum Corp.	Energy	3.6%
United Technologies Corp.	Industrials	2.9%
Pfizer, Inc.	Health Care	2.8%
International Business Machines Corp.	Information Technology	2.7%

Top Five Short Holdings

Security	Sector	% of Portfolio
Apollo Group, Inc. (CI A)	Consumer Discretionary	(2.2%)
Life Time Fitness, Inc.	Consumer Discretionary	(1.9%)
Boeing Co.	Industrials	(1.8%)
Kraft Foods, Inc.	Consumer Staples	(1.6%)
Macy's, Inc.	Consumer Discretionary	(1.5%)

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

Total Net Assets	\$1.8B
Median Market Capitalization—Long/(Short)	\$38.0B/(\$7.0B)
Portfolio Turnover Rate (12 months trailing)	41%*
Number of Long/(Short) Equity Securities in Portfolio	47/(19)
Long/(Short) Securities (% of Net Assets)	89.4%/(16.8%)
Gross Exposure (Long + Short)	106.2%
Net Exposure (Long - Short)	72.6%
% of Net Assets in Cash & Equivalents	10.6%

* 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 (%)	12.96
Beta (%)	0.61†
Sharpe Ratio	-0.11
Alpha (%)	-1.75
R-squared (%)	83.25
Upside / Downside Capture Ratio (%)	53 / 57†

† Relative to the Russell 1000 Index.

Sector Allocation* *(Overweight in bold)*

	Health Care	Energy	Financials	Industrials	Consumer Staples	Information Technology	Consumer Discretionary	Materials	Other	Telecom	Utilities	Cash & Equiv.
Long Portfolio	18.3%	17.5%	15.3%	11.0%	10.9%	7.7%	5.6%	3.2%	—	—	—	10.6%
Russell 1000 Index	11.7%	11.8%	14.2%	10.9%	9.4%	18.2%	12.8%	4.0%	—	3.1%	4.0%	—
Short Portfolio	(0.2%)	—	—	(1.8%)	(4.1%)	(0.8%)	(8.9%)	—	(1.1%)	—	—	—

* Sector allocations may not total 100% due to rounding.

Fund Identification & Expenses

	Ticker Symbol	CUSIP	Maximum Front-End Sales Charge	Contingent Deferred Sales Charge	Management Fee	Distribution Fee (12b-1)	Other Expenses	Total Expense Ratio	Fund Inception: 6/30/2000
A Shares	DIAMX	25264S403	5.00%	None	0.90%	0.25%	0.62%	1.77% ⁴	Minimum Initial Investment: Class A: \$2,500 Class Y: \$500,000
Y Shares	DIAYX	25264S650	None	None	0.90%	None	0.44%	1.34% ⁴	Distributions: Annual Lipper Classification: Long-Short Equity Morningstar Classification: Long-Short Equity

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.

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 1.44% for Class A and 1.01% for Class Y.

Performance is not guaranteed. Performance returns assume reinvestment of all distributions. Returns for the periods less than one year are not annualized. Class Y shares include performance based on Class A shares, which was achieved prior to the creation of Class Y shares. 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. 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. The maximum sales charge for A shares is 5.00%; Y shares have no sales charge. Fund holdings and sector allocations are subject to change without notice.

An investor should consider the Fund's investment objectives, risks, and charges and expenses carefully before investing or sending any money. This and other important information about the Fund(s) can be found in the Fund's(s) prospectus or summary prospectus which can be obtained at www.diamond-hill.com or by calling 888-226-5595. Please read the prospectus or summary prospectus carefully before investing. The Diamond Hill Funds are distributed by BHIL Distributors, Inc. (Member FINRA), an affiliated company. 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. 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.