



MANAGING FOR THE LONG-TERM

By: Ric Dillon, CFA

June 16, 2010

Managing for the Long-Term

Managing for the long-term is a central tenet of everything we do at Diamond Hill. Externally, we frequently emphasize our long-term focus as it relates to our investment philosophy; however it applies equally to the way we manage our organization internally. In this letter, I will highlight a few key aspects of our long-term approach and how we believe it best positions our portfolios and our organization for the future.

We recently passed our 10-year anniversary as an asset management firm. In our first decade, we delivered satisfying results to our clients, built a strong internal team both on the investment and business sides of the firm, and established financial viability and profitability. The task before us now is to leverage these accomplishments to further enhance the value we are able to provide our clients and our shareholders over the next decade and beyond. The varied strengths that Rick Snowdon and Chris Welch bring to the recently created roles of Director of Research and Co-Chief Investment Officer (Co-CIO) will help us to accomplish this goal.

Investment Management

In the area of investment results, we focus on rolling five-year results and have long counseled our clients to do the same. Shorter time periods lack statistical significance, while longer evaluation periods are unacceptable to many clients. The primary determinant of our portfolio managers' incentive compensation is rolling five year results; we have no incentive compensation related to investment results for shorter periods.

Recently, we looked at investment results relative to the benchmark for two of our diversified equity strategies with the longest track records. We viewed the results over rolling five-year time frames, as well as over quarterly periods. A graphical presentation of this study is presented in Exhibit A at the end of this letter. These graphs show that each strategy underperformed its benchmark in numerous quarters in the past decade. In fact, on a quarterly basis, the Large Cap strategy trailed its benchmark 43% of the time, while the Small Cap strategy trailed 32% of quarters. In some of these quarters, the strategies trailed by significant amounts. However, as of March 31, 2010, both strategies outperformed their benchmarks over all rolling five-year periods and since inception. We must be different than the market to outperform it, and being different means accepting that there will be periods when our results trail the market, in some cases by sizable margins. We will continue to focus on generating strong results over the next five-year period, so that both our existing and new clients will benefit from whatever success we achieve.

Business Management

While the majority of our time is spent researching and analyzing other companies, we must also manage our own business effectively. In part, this involves developing an organizational structure that best positions us to deliver good client results as well as grow the firm's intrinsic value for our shareholders. We began as a portfolio manager-centric investment team, and while our portfolio managers continue to have great flexibility and are the ultimate decision makers, we have developed an outstanding team of analysts who have contributed ever greater input into our research process and new idea generation.

In the early years of the organization, we had few employees and little need for anything other than the most basic organizational chart. As we approach 60 employees and our client base has grown significantly, our organizational structure must evolve in preparation for the next five years and beyond. This evolution benefits us in multiple ways. First, we are able to get more people involved in the deliberation of key organizational issues, thus establishing depth within our organization. Additionally, we are able to take advantage of the many talents that our associates bring to the organization by giving them expanded roles and promoting talent from within. Finally, by carefully defining the roles and responsibilities of each position, we can ensure that our investment team is able to maintain its primary focus where it has always been – finding good investment opportunities and achieving favorable results over rolling five-year periods.

Over the past couple of years, we have made some internal changes that I am confident will make us a better organization. In the spring of 2009, we created the Planning Group, consisting of seven associates representing all internal areas (two portfolio managers, two analysts, and one each from client service, business development and operations).

The Planning Group collaborates and recommends action on various initiatives and the overall direction of the firm, providing additional depth and expertise without adding formal management layers.

Additionally, in December 2009, we named Rick Snowdon as Director of Research. Rick has the CFA designation, a Bachelors degree from Brown University, and an M.B.A. from Northwestern. He joined Diamond Hill in April 2007. The Director of Research role is a bit different at Diamond Hill than at many other firms. In this role, Rick coordinates efforts related to building the research team, including additions to staffing and data resources. He does not direct the individual research efforts of our analysts. While Rick serves as Director of Research and is a member of the Planning Group, his primary role continues to be as our Networking Equipment and Semiconductor analyst.

Effective June 30, 2010, Chris Welch will assume an additional role as Co-CIO of Diamond Hill. Chris will share this role with me, and I will also continue in my role as co-portfolio manager of our Long-Short strategies and as CEO of Diamond Hill. Chris has the CFA designation and a Bachelors degree from Yale University. He joined Diamond Hill in 2005. Prior to that, Chris worked with Chuck Bath for seven years, as well as with other Diamond Hill portfolio managers during a portion of that time. While Chris is also a member of the Planning Group, his primary focus will continue to be on his role as portfolio manager for the Diamond Hill Small-Mid Cap strategy.

The CIO role at Diamond Hill is also different than at many other investment organizations. In our roles as Co-CIO, Chris and I will be focused primarily on the external communication of Diamond Hill's investment philosophy and process, including direction for client-related investment team efforts and communications. We will not set investment policies or direct our portfolio managers regarding how to manage their respective strategies. As always, the portfolio managers are ultimately responsible for decision making regarding their respective investment strategy, asset allocation, portfolio construction, and security selection. The investment team communicates and collaborates on a regular basis but decisions are not made by committee.

I believe these changes properly position Diamond Hill for continued success. I expect significant contributions from these individuals in their leadership-oriented roles, while continuing to ensure that each of our investment personnel is able to focus their time on investment research and portfolio management. In looking for investment opportunities, one of the major factors we consider when evaluating company management teams is their allocation of capital resources. I believe with the internal changes discussed above, we are allocating our human capital in the best possible way to benefit our clients. We thank you for your confidence in us, and we look forward to continuing to serve you in the future.



R.H. (Ric) Dillon, CFA
Chief Executive Officer
Diamond Hill Capital Management, Inc.

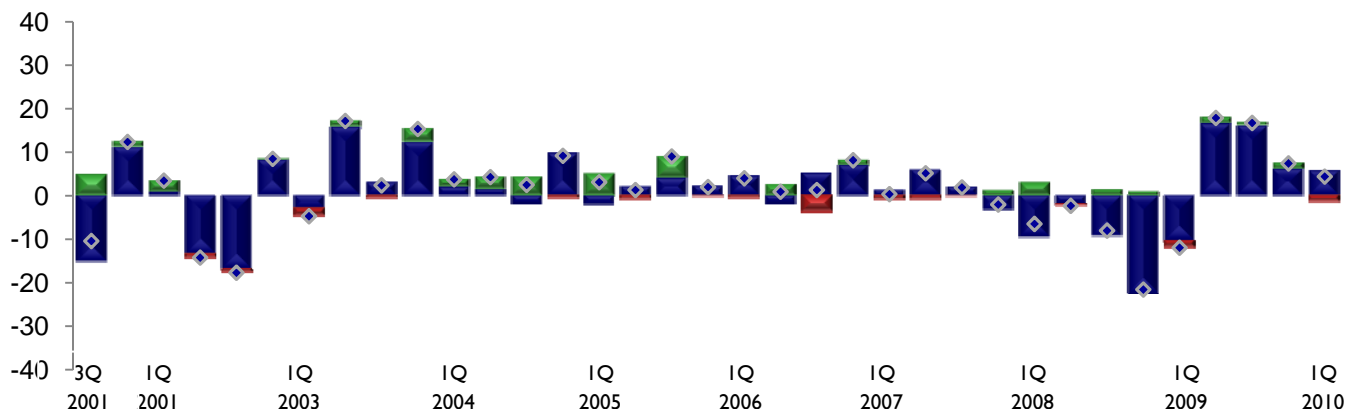
The views expressed are those of the portfolio manager as of June 16, 2010, are subject to change, and may differ from the views of other portfolio managers of the firm as a whole. These opinions are not intended to be a forecast of future events, a guarantee of future results, or investment advice. All data referenced are from sources deemed to be reliable but cannot be guaranteed.

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 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 888-226-5595 or www.diamond-hill.com. Read the prospectus carefully before you invest.

Exhibit A – Rolling Five-Year Performance

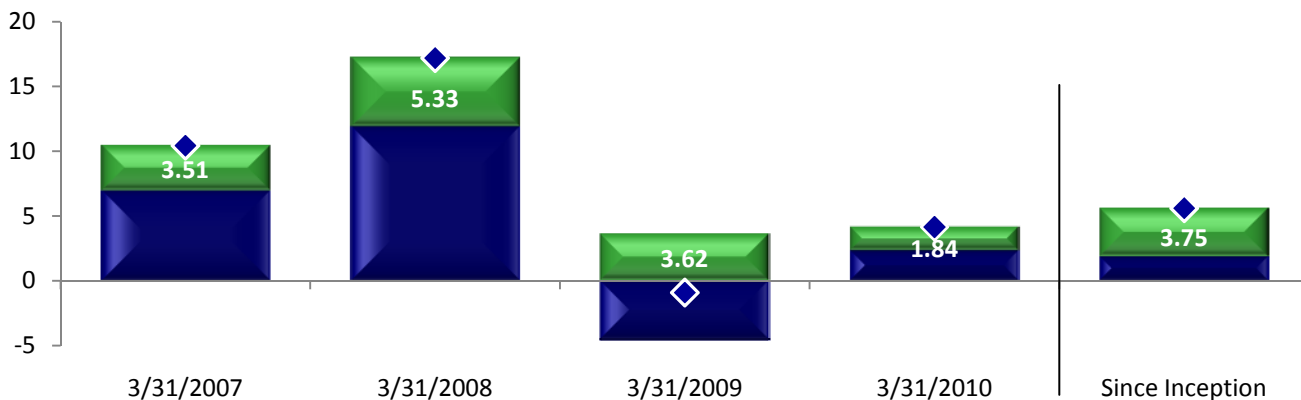
Diamond Hill Large Cap Fund – Class A



Quarterly Returns since Inception

Total Quarters of Performance:	35
Quarters of Outperformance:	20
Quarters of Underperformance:	15

- Outperformance vs. Russell 1000 Index
- Underperformance vs. Russell 1000 Index
- ◆ Diamond Hill Large Cap Fund (Class A)
- Russell 1000 Index



**Rolling 5-Year and Since Inception Returns
(Average Annual Total Returns)**

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 Funds' 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.

Diamond Hill Large Cap Fund
Period & Average Annual Total Returns as of March 31, 2010

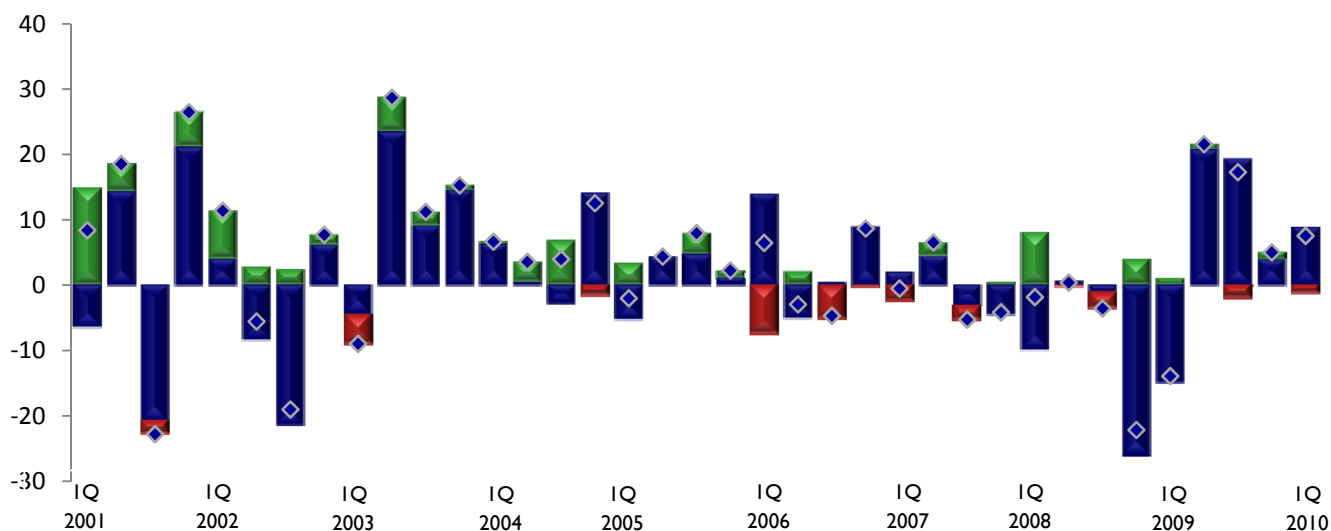
	First Quarter	One Year	Three Years	Five Years	Since Inception (6/29/01)	Expense Ratio
Performance at NAV <i>without sales charges</i>						
<i>Class A Shares</i>	4.41%	54.38%	-1.99%	4.15%	5.60%	1.16%
<i>Class C Shares</i>	4.17%	53.24%	-2.74%	3.36%	4.77%	1.91%
<i>Class I Shares</i>	4.47%	54.86%	-1.62%	4.56%	5.84%	0.80%
Benchmark						
<i>Russell 1000 Index</i>	5.70%	51.60%	-3.98%	2.31%	1.85%	
Performance at POP <i>includes sales charges</i>						
<i>Class A Shares</i>	-0.84%	46.59%	-3.64%	3.08%	4.98%	
<i>Class C Shares</i>	3.17%	52.24%	-2.74%	3.36%	4.77%	

Historical performance for Class C shares and Class I shares prior to their inception is based on the performance of Class A shares. Class C and Class I performance has been adjusted to reflect differences in sales charges and expenses between classes.

The Large Cap Fund invest in equity securities (stocks) that are more volatile and carry more risk than other forms of investments, including investments in high-grade fixed income securities. The net asset value per share of this Fund will fluctuate as the value of the securities in the portfolio changes.

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. 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.

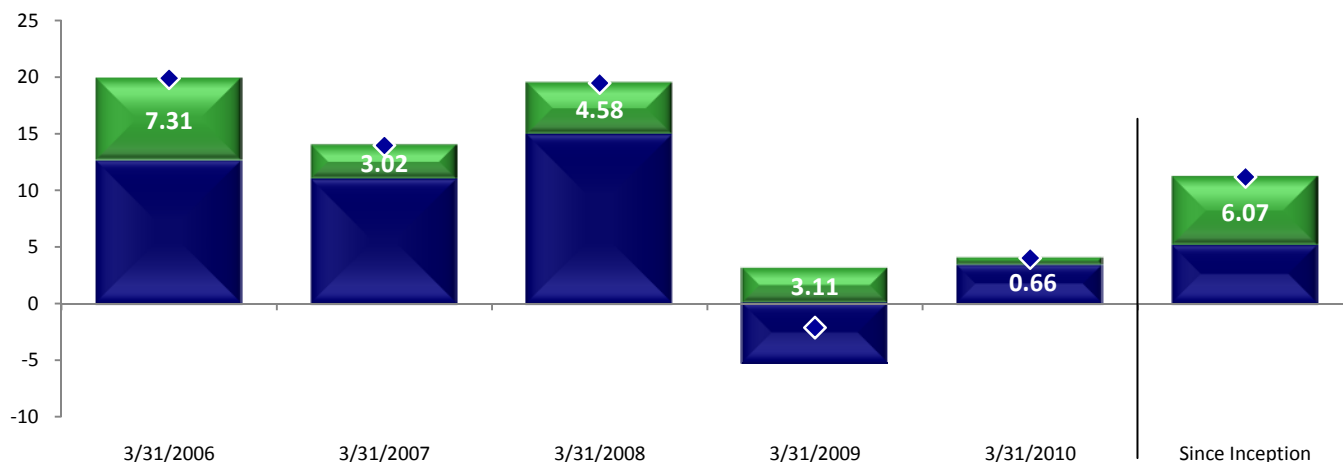
Diamond Hill Small Cap Fund – Class A



Quarterly Returns since Inception

Total Quarters of Performance:	37
Quarters of Outperformance:	25
Quarters of Underperformance:	12

- Outperformance vs. Russell 2000 Index
- Diamond Hill Small Cap Fund (Class A)
- Underperformance vs. Russell 2000 Index
- Russell 1000 Index



**Rolling 5-Year and Since Inception Returns
(Average Annual Total Returns)**

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 Funds' 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.

Diamond Hill Small Cap Fund
Period & Average Annual Total Returns as of March 31, 2010

	First Quarter	One Year	Three Years	Five Years	Since Inception (6/29/01)	Expense Ratio
Performance at NAV <i>without sales charges</i>						
<i>Class A Shares</i>	7.56%	61.07%	-0.25%	4.02%	11.18%	1.38%
<i>Class C Shares</i>	7.36%	59.88%	-0.98%	3.24%	10.35%	2.13%
<i>Class I Shares</i>	7.66%	61.72%	0.15%	4.43%	11.42%	1.02%
Benchmark						
<i>Russell 2000 Index</i>	8.85%	62.76%	-3.99%	3.36%	5.11%	
Performance at POP <i>includes sales charges</i>						
<i>Class A Shares</i>	2.18%	53.00%	-1.94%	2.96%	10.56%	
<i>Class C Shares</i>	6.36%	58.88%	-0.98%	3.24%	10.35%	

Historical performance for Class C shares and Class I shares prior to their inception is based on the performance of Class A shares. Class C and Class I performance has been adjusted to reflect differences in sales charges and expenses between classes.

The Small Cap Fund invests in small capitalization stocks; there are special risks associated with small capitalization issues such as market illiquidity and greater market volatility than large capitalization issues.

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