



March 26, 2002

Dear Shareholders:

We have made good progress with positioning Diamond Hill to focus on the investment advisory business. However, in the process of restructuring and changing our primary focus from retail brokerage, we have incurred a total loss in net worth during 2001 of \$1.5 million. This loss was expected, and we consider it a required investment for the building of a high quality investment management firm.

As an investment management firm, we have two efforts on-going simultaneously:

- 1) delivering excellent results for our existing clients, and
- 2) gaining more clients, and assets for Diamond Hill to manage.

As we have success with both efforts, we are building the business value of Diamond Hill. Last year was very successful on the first effort, but the second has been more challenging. We continue to develop relationships with financial planners and brokers who are distributors of our products and services, while exploring new relationships and modes of distribution. While we expect a financial loss in 2002 (albeit smaller than last year), our confidence in the ultimate success of these many efforts is best illustrated by our continued repurchase of our common stock.

The team of associates continues to take shape, with two very significant additions to Diamond Hill last year. Last April, Chris Bingaman, CFA, joined our team of analysts with specific responsibility for the financial sector of all client portfolios. Chris has degrees from Hillsdale College and Notre Dame University, plus many years of experience as a commercial banker and investment analyst.

In July, Jim Laird, CPA, joined us as the President of Diamond Hill Securities, our NASD broker-dealer subsidiary, and was given the additional responsibility of CFO at yearend. Jim spent 14 years leading the mutual fund operations of a very large investment organization, and also worked for several years in public accounting. Jim graduated from The Ohio State University, and currently serves as Treasurer of the Board of its WOSU television affiliate.

We are very excited about our future for several reasons. First and foremost, our investment philosophy distinguishes us from the vast majority of investment firms, which we believe will continue to serve us well. Secondly, the associates of Diamond Hill are among the best I have ever had the pleasure with which to work, and in most businesses people are the critical factor. Finally, we have a very strong financial position, which allows us the flexibility to build the organization for the long-term benefit of our clients, associates, and ultimately for you, the owners of the business.

I would like to thank my colleagues, the Board of Directors, and especially you for your support, and for entrusting your capital with us. You can be confident that we will continue to work to justify that trust.

Sincerely,

A handwritten signature in black ink, appearing to read "R.H. Dillon".

R.H. Dillon
President and Chief Executive Officer