

April 10, 2003

Dear Shareholders:

Last year was the most challenging for our industry since 1974. Diamond Hill made considerable progress, and yet the difficult environment was the primary factor for our disappointing financial results. In 2002, we incurred a net loss of \$2.5 million.

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

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

Last year we had success with both efforts, which builds the business value of Diamond Hill.

Nearly all of our client portfolios beat their respective benchmarks, however in most cases that meant having less negative returns than those benchmarks. This relative (as opposed to absolute) return analysis is important over a short period, like one year, but it is imperative that our clients realize positive results over time, since one "can't spend relative dollars at the grocery store."

Our efforts to gain clients had moderate success given the environment, and we ended the year with approximately \$110 million in assets under management. As I write this, the level is above \$130 million. While we expect a financial loss in 2003, our confidence in the ultimate success is based on what has been accomplished to date, and our expectation for better financial markets than those in the past three years.

The Diamond Hill investment team was bolstered by two very significant additions last year. In May, Kent Rinker joined the firm as Managing Director – Fixed Income. Kent has 30 years of investment experience, and already he has contributed significantly to both the management of fixed income portfolios, as well as helping to grow our client base. He is the former partner of our board chairman David Meuse. I have known Kent since 1977, and his knowledge and wisdom are most valuable.

In September Chuck Bath joined us as Managing Director – Equities. Chuck had a great 20-year career at Nationwide, managing their flagship mutual fund and gaining a national reputation for his investment performance and his disciplined "no-nonsense" approach. I have known Chuck since 1982, and his investment acumen and personal integrity are at the top of the charts. These two additions strengthen a solid team, and I believe that our senior leadership now compares favorably with the best firms in our industry nationally.

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,



Ric Dillon
President and Chief Executive Officer