

April 12, 2004

Dear Fellow Shareholder,

Last year was a most welcome respite from the difficult market environment of the preceding three years. The Diamond Hill Investment Group, Inc. (the "Company") benefited greatly from the markets' strong upswing, resulting in an important leap forward for the Company. By virtually every measurement we had an excellent year:

- Client portfolios enjoyed excellent returns, on both an absolute and relative basis,
- Sales efforts resulted in \$107 million in new assets under management ("AUM"),
- Operating losses narrowed considerably, with a net loss of \$1 million.

The third point is the proverbial "bottom line". Since we embarked on our path of building an outstanding investment management firm, we have absorbed considerable losses, as can be seen in the decline in the tangible book value per share. In effect, we have invested the Company's tangible financial resources in an intangible asset, that being our business of investment management.

The value of this business is what Benjamin Graham referred to as a company's intrinsic value. Warren Buffett has popularized this concept, and refers to his company's intrinsic value (in general terms) with every shareholder letter.

Our goals continue to be to:

- Provide excellent investment results for our clients, and
- Grow the intrinsic value per share of the Company.

As of March 31, 2004, AUM stood at \$300 million, up from \$250 million at December 31, 2003. Two important guideposts for AUM are the levels necessary for:

- Breakeven, with AUM in the \$400-600 million range, and
- Scale, with AUM in the \$2-4 billion range.

We are striving to achieve our first breakeven quarter in the next 6-18 months, while scale will most likely take several years to reach. The fact that the investment results for our clients have been excellent gives us confidence in the eventuality of achieving scale, yet the timing is difficult to predict. [The timing is very important in calculating the intrinsic value per share due to the time value of money.]

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,



R.H. Dillon  
President and Chief Executive Officer