DIAMOND HILL investments

DIAMOND HILL INVESTMENT GROUP, INC.

2011 ANNUAL REPORT

NOTICE OF 2012 ANNUAL MEETING

AND PROXY STATEMENT

DIAMOND HILL INVESTMENT GROUP, INC.
ANNUAL LETTER TO SHAREHOLDERS

March 14, 2012

Dear Fellow Shareholders:

As Diamond Hill enters its second decade (eleventh year), I am pleased to report that we continue to meet our primary corporate objective to fulfill our fiduciary duty to our clients. Our various strategies have produced competitive results since their respective inception dates, which is necessary for us to achieve success as a firm.

Because passive investment alternatives are available at a fraction of the cost of active management strategies such as ours, Diamond Hill's corporate existence primarily depends upon our strategy returns exceeding those of passive alternatives. Last year, we set forth our investment fee philosophy in the white paper "Active Management Fees & Alignment of Interests." Our goal was to illustrate the ways in which we work to meet our mission to serve our clients through a disciplined intrinsic value approach to investing, while maintaining our long-term perspective and aligning our interests with those of our clients. To ensure that we properly align our interests with those of our clients, our management fees are derived in part from our investment management goals. We first deduce goals for each of our strategies, and from these goals, we then determine our fee schedules. Clients are best served by a fee that is low enough to allow us to achieve meaningful outperformance relative to a passive alternative; yet at the same time, a fee that is high enough to allow us to build and maintain an investment team capable of achieving such results. Likewise, clients are best served by goals that are not only high enough to inspire outstanding performance, but also realistic enough to allow us to pay and retain top investment talent. In addition to creating appropriate quantitative incentive structures, we also recognize that the proper alignment of interests cannot be achieved unless we are diligent about only hiring individuals with high integrity and a fiduciary mindset.

Investment Research

Investment research is the heart of our firm, which explains the development of a best in class research team. I believe that we have one of the highest ratios of research analysts to assets under management in the industry, and I know that the quality and character of the individuals on the research team is second to none.

At the beginning of 2012, we converted the existing Diamond Hill Research Partners, LP into a mutual fund named Diamond Hill Research Opportunities Fund. The Research Opportunities Fund is a team managed strategy in which each research analyst is allocated a portion of capital (sleeve) to be invested in the industries he or she covers. Since its inception on March 31, 2009, this strategy has had excellent investment results. The strategy was initiated because we believe that we can add value relative to a passive benchmark over time by allowing our research analysts to apply their deep industry-specific expertise within a very flexible mandate. As important is the role it serves for our overall investment effort. The Research Opportunities Fund provides a vehicle for research analysts to demonstrate conviction in their best ideas through the investment of capital and communicate their level of conviction in portfolio recommendations to the portfolio managers. The strategy also serves as a measurement tool for compensation purposes and is beneficial for developing, retaining and attracting analysts to Diamond Hill. The Research Opportunities Fund is purposely structured as an all cap, long-short product so that our research efforts will continue to support all of our strategies.

Succession Planning

In last year's letter, I discussed our five-year plan for management transition to the next generation. The process of succession planning is among the most important efforts underway at Diamond Hill. My own plan is to continue to serve as CEO through the end of 2015 and as an investment team member and portfolio manager for our Long-Short strategy beyond 2015. Because of this plan, it is increasingly important that my duties be shared among the many talented individuals at Diamond Hill in order to complete the development of the next generation and achieve organizational sustainability. As prospective clients assess the sustainability of our firm, I am happy to report that not only has this process been smooth and healthy, but also in many ways it has revealed the quality and depth of the leadership among our second generation.

Creating Shareholder Value

Over the past eleven years, we have grown the intrinsic value of our business for our owners. Last year, we returned essentially all of our net profits to shareholders in the form of a special dividend, and during the past four years, we have returned $38 per share, over $100 million, in cash to our owners. This type of cash payout rate is rare in corporate America, as is the fact that every Diamond Hill employee is a shareholder. This is one of many examples where we strive to establish policies and practices that are optimal for aligning interest and creating value, rather than simply mimicking the norm. I believe that this distinguishes Diamond Hill in many important ways and helps to explain our past success, and it is my strong conviction that we continue this practice.

Sincerely,

R.H. Dillon

R. H. Dillon
President and Chief Executive Officer

Diamond Hill Investment Group, Inc.
325 John H. McConnell Boulevard, Suite 200
Columbus, Ohio 43215

March 14, 2012

Dear Shareholders:

We cordially invite you to attend the 2012 Annual Meeting of Shareholders of Diamond Hill Investment Group, Inc. to be held at 325 John H. McConnell Blvd., Columbus, Ohio 43215, on Wednesday April 25, 2012, at 2:00 p.m. Eastern Daylight Saving Time.

The attached Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at the meeting. During the meeting, we will also report on our operations and our directors and officers will be present to respond to any appropriate questions you may have. **On behalf of the Board of Directors, we urge you to sign, date and return the enclosed proxy card as soon as possible, even if you currently plan to attend the Annual Meeting**. This will not prevent you from voting in person but will ensure that your vote is counted if you are unable to attend the meeting. Your vote is important, regardless of the number of shares you own.

Sincerely,

Ric

R. H. Dillon
President and CEO

Diamond Hill Investment Group, Inc.

325 John H. McConnell Boulevard, Suite 200,
Columbus, Ohio 43215

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD ON APRIL 25, 2012

Notice is hereby given that the 2012 Annual Meeting of Shareholders (the "Annual Meeting") of Diamond Hill Investment Group, Inc. (the "Company"), will be held at 325 John H. McConnell Blvd., Columbus, Ohio 43215, on Wednesday, April 25, 2012, at 2:00 p.m. Eastern Daylight Saving Time to consider and act upon the following matters:

1) To elect six directors to serve on the Company's Board of Directors until the Company's 2013 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;

2) To consider and vote upon a proposal to ratify the appointment of Plante & Moran PLLC as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012;

3) To consider and vote upon a non-binding, advisory resolution to approve the compensation of the Company's named executive officers; and

4) To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

Action may be taken on the foregoing proposals at the Annual Meeting or at any adjournment of the Annual Meeting. The Board of Directors has fixed the close of business on March 1, 2012, as the record date for determination of the shareholders entitled to vote at the Annual Meeting and any adjournments thereof. You are requested to complete, sign and date the enclosed form of proxy, which is solicited by the Company's Board of Directors, and to mail it promptly in the enclosed envelope. Alternatively, you may vote by phone by using the control number identified on your proxy or electronically over the Internet in accordance with the instructions on the enclosed proxy. Returning the enclosed proxy card, or transmitting voting instructions electronically through the Internet or by telephone, does not affect your right to vote in person at the Annual Meeting. If you attend the Annual Meeting, you may revoke your proxy and vote in person if your shares are registered in your name.

THE PROMPT RETURN OF YOUR PROXY WILL SAVE THE COMPANY THE EXPENSE OF MAKING FURTHER REQUESTS FOR PROXIES IN ORDER TO OBTAIN A QUORUM. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE. ALTERNATIVELY, REFER TO THE INSTRUCTIONS ON THE PROXY CARD TO TRANSMIT YOUR VOTING INSTRUCTIONS VIA THE INTERNET OR BY TELEPHONE.

By order of the Board of Directors

James F. Laird
Secretary

Columbus, Ohio
March 14, 2012

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 25, 2012:
The Proxy Statement and the Company's 2011 Annual Report to Shareholders are available without charge at the following location:
http://www.diamond-hill.com/pdf/imr/proxy-annual-report-final-print.pdf

Diamond Hill Investment Group, Inc.

325 John H. McConnell Boulevard, Suite 200
Columbus, Ohio 43215

PROXY STATEMENT FOR THE ANNUAL MEETING OF SHAREHOLDERS OF DIAMOND HILL INVESTMENT GROUP, INC. TO BE HELD ON APRIL 25, 2012

This Proxy Statement is being furnished to the shareholders of Diamond Hill Investment Group, Inc., an Ohio corporation (the "Company," "we," "us" or "our"), in connection with the solicitation of proxies by the Board of Directors (the "Board") for use at the Company's 2012 Annual Meeting of Shareholders (the "Annual Meeting") to be held on April 25, 2012, and any adjournment thereof. A copy of the Notice of Annual Meeting accompanies this Proxy Statement. This Proxy Statement and the enclosed proxy are first being mailed to shareholders on or about March 14, 2012. Only shareholders of record at the close of business on March 1, 2012, the record date for the Annual Meeting, are entitled to notice of, and to vote at, the Annual Meeting.

The purposes of this Annual Meeting are:

1) To elect six directors to serve on the Board until the Company's 2013 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;

2) To consider and vote upon a proposal to ratify the appointment of Plante & Moran PLLC ("Plante & Moran") as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012;

3) To consider and vote upon a non-binding, advisory resolution to approve the compensation of the Company's named executive officers; and

4) To transact such other business that may properly come before the Annual Meeting or any adjournment thereof.

Those common shares represented by (i) properly signed proxy cards received by the Company prior to the Annual Meeting or (ii) properly authenticated voting instructions recorded electronically over the Internet or by telephone prior to 11:59 p.m. Eastern Daylight Saving Time on April 24, 2012 and, in each case, that are not revoked will be voted at the Annual Meeting as directed by the shareholders**. If a shareholder submits a valid proxy and does not specify how the common shares should be voted, they will be voted as recommended by your Board.** The proxy holders will use their best judgment regarding any other matters that may properly come before the Annual Meeting.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON APRIL 25, 2012:
The Proxy Statement and the Company's 2011 Annual Report to Shareholders are available without charge at the following location:
http://www.diamond-hill.com/pdf/imr/proxy-annual-report-final-print.pdf

TABLE OF CONTENTS

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

Q: When and where will the Annual Meeting take place?

A: The Annual Meeting will be held at 325 John H. McConnell Blvd., Columbus, Ohio 43215, on Wednesday April 25, 2012, at 2:00 p.m. Eastern Daylight Saving Time. You may also listen live to the Annual Meeting via audio conference by calling 888-424-8151 [use confirmation code 9190483# when prompted] and you can view presentation materials in the "News and Updates" section of our website, http://www.diamond-hill.com.

Q: What may I vote on?

A: At the Annual Meeting, you will be asked to consider and vote upon: (i) the election of six directors to serve on the Board until the Company's 2013 Annual Meeting of Shareholders and until their successors have been duly elected and qualified; (ii) a proposal to ratify the appointment of Plante & Moran as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012; and (iii) a non-binding, advisory resolution to approve the compensation of the Company's named executive officers.

Q: What do I need to do now?

A: After carefully reading this Proxy Statement, indicate on the enclosed proxy card how you want your shares to be voted and sign and mail the proxy promptly in the enclosed envelope. Alternatively, you may vote by phone by using the control number identified on your proxy, or vote over the Internet in accordance with the instructions on your proxy. The deadline for transmitting voting instructions over the Internet or telephonically is 11:59 p.m. Eastern Daylight Saving Time on April 24, 2012. If you vote by phone or over the Internet you do not need to return a proxy card. You should be aware that if you vote over the Internet or by phone, you may incur costs associated with electronic access, such as usage charges from Internet service providers and telephone companies.

Q: What does it mean if I get more than one proxy card?

A: If your shares are registered in more than one account, you will receive more than one proxy card. If you intend to vote by mail, sign, date and return all proxy cards to ensure that all your shares are voted. If you are a record holder and intend to vote by telephone or over the Internet, you must do so for each individual proxy card you receive.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?

A: Many shareholders are beneficial owners, meaning they hold their shares in "street name" through a broker, bank or other nominee. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Shareholder of Record. For shares registered directly in your name with the Company's transfer agent, you are considered the shareholder of record and we are sending this Proxy Statement and related materials directly to you. As a shareholder of record, you have the right to vote in person at the Annual Meeting or you may grant your proxy directly to the Board's designees by completing, signing and returning the enclosed proxy card, or transmitting your voting instructions over the Internet or by phone.

Beneficial Owner. For shares held in "street name," you are considered the beneficial owner and this Proxy Statement and related materials are being forwarded to you by your broker, bank or other nominee, who is the shareholder of record. As the beneficial owner, you have the right to direct your broker or other nominee on how to vote your shares. Your broker or nominee will provide you with information on the procedures you must follow to instruct them how to vote your shares or how to revoke previously given voting instructions.

Q: If my shares are held in "street name" by my broker, will my broker vote my shares for me?

A: Your broker will vote your shares in the manner you instruct and you should follow the voting instructions provided to you by your broker. However, if you do not provide voting instructions to your broker, it may vote your shares in its discretion on certain "routine" matters. The ratification of the appointment of

Plante & Moran as our independent registered public accounting firm for the 2012 fiscal year is considered routine, and if you do not submit voting instructions, your broker may choose, in its discretion, to vote or not vote your shares on the ratification. None of the other matters to be voted on at the Annual Meeting are routine, and your broker may not vote your shares on those matters without your instructions.

Q: May I revoke my proxy or change my vote after I have mailed a proxy card or voted electronically over the Internet or by telephone?

A: Yes. You can change your vote at any time before your proxy is voted at the Annual Meeting. If you are the record holder of the shares, you can do this in three ways:

- send a written statement to James F. Laird, our Secretary, stating that you would like to revoke your proxy, which must be received prior to the Annual Meeting;
- send a newly signed and later-dated proxy card, which must be received prior to the Annual Meeting, or submit later-dated electronic voting instructions over the Internet or by telephone no later than 11:59 p.m. Eastern Daylight Savings Time on April 24, 2012; or
- attend the Annual Meeting and revoke your proxy in person prior to the start of voting at the Annual Meeting or vote in person at the Annual Meeting **(attending the Annual Meeting will not, by itself, revoke your proxy or a prior Internet or telephonic vote)**.

If you are a beneficial owner, you may change your vote by submitting new voting instructions to your broker or nominee, and you should review the instructions provided by your broker or nominee to determine the procedures you must follow.

Q: Can I vote my shares in person at the Annual Meeting?

A: You may vote shares held of record in person at the Annual Meeting. If you choose to attend, please bring the enclosed proxy card and a form of identification. If you are a beneficial owner and you wish to attend the Annual Meeting and vote in person, you will need a signed proxy from your broker or other nominee giving you the right to vote your shares at the Annual Meeting and a form of identification.

Q: How will my shares be voted if I submit a proxy without voting instructions?

A: If you submit a proxy and do not indicate how you want your shares voted, your proxy will be voted on the matters presented as recommended by your Board. The Board's recommendations are set forth in this Proxy Statement.

Q: Who can answer my questions about how I can submit or revoke my proxy or vote by phone or via the Internet?

A: If you are a record shareholder and have more questions about how to submit your proxy, please call James F. Laird, the Company's Secretary, at (614) 255-3353. If you are a beneficial owner, you should contact your broker or other nominee to determine the procedures your must follow.

THE ANNUAL MEETING

The Annual Meeting will be held at 325 John H. McConnell Blvd., Columbus, Ohio 43215, on Wednesday, April 25, 2012, at 2:00 p.m. Eastern Daylight Saving Time. The purposes of the Annual Meeting are to consider and vote upon (i) the election of six directors to serve on the Board until the Company's 2013 Annual Meeting of Shareholders and until their successors have been duly elected and qualified; (ii) a proposal to ratify the appointment of Plante & Moran as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2012; and (iii) a non-binding, advisory resolution to approve the compensation of the Company's named executive officers. We are currently not aware of any other matters that will come before the Annual Meeting.

PROCEDURAL MATTERS

Record Date

Only our shareholders of record at the close of business on March 1, 2012, the record date, will be entitled to vote at the Annual Meeting. As of the record date, there were 3,084,982 of common shares outstanding and entitled to vote at the Annual Meeting.

Proxy

Your shares will be voted at the Annual Meeting as you direct on your signed proxy card or in your telephonic or Internet voting instructions. If you submit a proxy without voting instructions, it will be voted as recommended by your Board. These recommendations are set forth in this Proxy Statement. The duly appointed proxy holders will vote in their discretion on any other matters that may properly come before the Annual Meeting.

Voting

Each outstanding share may cast one vote on each separate matter of business properly brought before the Annual Meeting. If you hold shares in street name, the Board encourages you to instruct your broker or other nominee as to how to vote your shares.

A shareholder voting in the election of directors may cumulate such shareholder's votes and give one candidate a number of votes equal to (i) the number of directors to be elected (six), multiplied by (ii) the number of shares held by the shareholder, or may distribute such shareholder's total votes among as many candidates as the shareholder may select. However, no shareholder will be entitled to cumulate votes unless the candidate's name has been placed in nomination prior to voting and a shareholder has given us notice at least 48 hours prior to the Annual Meeting of the intention to cumulate votes. The proxies the Board is soliciting include the discretionary authority to cumulate votes. If cumulative voting occurs at the Annual Meeting, the proxies intend to vote the shares represented by proxy in a manner to elect as many of the seven director nominees as possible. Cumulative voting only applies to the election of directors.

Director elections. The affirmative vote of the holders of a plurality of the shares represented at the Annual Meeting, in person or by proxy, and entitled to vote is required for the election of directors, and the six nominees receiving the most votes will be elected.

Ratification of selection of independent registered public accounting firm. The affirmative vote of a majority of the shares represented at the Annual Meeting, in person or by proxy, and entitled to vote on the proposal is required to ratify the selection of Plante & Moran as the Company's independent registered public accounting firm for fiscal 2012.

Advisory approval of named executive officer compensation. The affirmative vote of a majority of the shares represented at the Annual Meeting, in person or by proxy, and entitled to vote on the proposal is required for shareholder advisory approval of the compensation of the Company's named executive officers.

Effect of broker non-votes and abstentions. Under the applicable regulations of the Securities and Exchange Commission (the "SEC") and the rules of exchanges and other self-regulatory organizations of which the brokers are members, brokers who hold common shares in street name may sign and submit proxies and may vote our common shares on certain "routine" matters. The ratification of Plante & Moran is considered routine. Brokers may not vote street name shares on the election of directors or approval of the compensation of our named executive officers without specific instruction from the customer who owns the shares. Proxies that are signed and submitted by brokers that have not been voted on certain matters are referred to as "broker non-votes."

Neither broker non-votes nor abstentions will have any effect on the election of directors. Abstentions will have the same effect as a vote against the ratification of the appointment of Plante & Moran and the advisory approval of named executive officer compensation; although, broker non-votes will have no effect on those proposals.

Quorum

We can conduct business at the Annual Meeting only if a quorum, consisting of at least the holders of a majority of our outstanding shares entitled to vote, is present, either in person or by proxy. Abstentions and broker non-votes will be counted toward establishing a quorum. If a quorum is not present at the time the Annual Meeting is convened, a majority of the shares represented in person or by proxy may adjourn the Annual Meeting to a later date and time, without notice other than announcement at the Annual Meeting. At any such adjournment of the Annual Meeting at which a quorum is present, any business may be transacted which might have been transacted at the Annual Meeting as originally called.

Solicitation; Expenses

We will pay all expenses of the Board's solicitation of the proxies for the Annual Meeting, including the cost of preparing, assembling and mailing the Notice, form of proxy and Proxy Statement, postage for return envelopes, the handling and expenses for tabulation of proxies received, and charges of brokerage houses and other institutions, nominees or fiduciaries for forwarding such documents to beneficial owners. We will not pay any electronic access charges associated with Internet or telephonic voting incurred by a shareholder. We may solicit proxies in person or by telephone, facsimile or e-mail. Our officers, directors and employees may also assist with solicitation and will receive no additional compensation for their services.

No person is authorized to give any information or to make any representation not contained in this Proxy Statement, and you should not rely on any such information or representation. This Proxy Statement does not constitute the solicitation of a proxy in any jurisdiction from any person to whom it is unlawful to make such proxy solicitation in such jurisdiction. The delivery of this Proxy Statement shall not, under any circumstances, imply that there has not been any change in the information set forth herein since the date of this Proxy Statement.

Requests for Proxy Statement and Annual Report on Form 10-K; Internet Availability

Our Annual Report on Form 10-K for the year ended December 31, 2011, including audited consolidated financial statements, accompanies this Proxy Statement but is not a part of the proxy solicitation material. We are delivering a single copy of this Proxy Statement and the Form 10-K to multiple shareholders sharing an address unless we have received instructions from one or more of the shareholders to the contrary. We will promptly deliver a separate copy of the Proxy Statement and/or Form 10-K, at no charge, upon receipt of a written or oral request by a record shareholder at a shared address to which a single copy of the documents was delivered. Written or oral requests for a separate copy of the documents, or to provide instructions for delivery of documents in the future, may be directed to James F. Laird, Secretary of the Company, at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215 or by phone at (614) 255-3333.

Additionally, this Proxy Statement and our Annual Report on Form 10-K are available on the internet free of charge at: http://www.diamond-hill.com/pdf/imr.proxy-annual-report-final-print.pdf.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth beneficial ownership of our common shares as of the record date, March 1, 2012, by (a) all persons known by us to own beneficially five percent or more of the Company's outstanding shares, (b) each director and director nominee, (c) our Chief Executive Officer and Chief Financial Officer (each, a "named executive officer"), and (d) all of our executive officers and directors as a group. Although not required, we have also decided to voluntarily disclose all common shares beneficially owned by all other employees of the Company, excluding the executive officers. Unless otherwise indicated, the named persons exercise sole voting and dispositive power over the shares listed. None of the named persons have any outstanding options.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Lawrence E. Baumgartner	2,564	*
R. H. Dillon	300,574(2)	9.7%
James F. Laird	76,328(2)	2.5%
David P. Lauer	7,785	*
Peter J. Moran	13,175	*
Donald B. Shackelford	13,505	*
Frances A. Skinner	6,935	*
Directors, nominees, and executive officers as a group (7 persons)	420,866	13.6%
All other employees of the Company (71 persons)(3)	550,878(4)	17.9%
5% Beneficial Owners		
BlackRock, Inc.(5) 40 East 52nd Street New York, NY 10022	182,002	5.9%
JPMorgan Chase & Co.(6) 270 Park Avenue New York, NY 10017	181,200	5.9%

(1) Beneficial ownership of less than one percent is represented by an asterisk (*). The percent of class is based upon (a) the number of shares beneficially owned by the named person, divided by (b) the total number of shares which are issued and outstanding as of March 1, 2012 (3,084,982 shares).

(2) Includes 2,187 shares for Mr. Dillon and 2,796 shares for Mr. Laird, which are held in the Company's 401(k) plan, over which the Trustees of the 401(k) Plan possess the voting power and which are subject to restrictions on the power to dispose of these shares.

(3) Includes all employees of Diamond Hill Investment Group, Inc. and its subsidiaries as of March 1, 2012, excluding executive officers. Each employee has sole voting power. Certain shares are subject to restrictions on the power to dispose of the shares. The employees do not constitute a Group as defined by Rule 13d-1 of the Exchange Act.

(4) Includes 69,738 shares held in the Company's 401(k) plan, over which the Trustees of the 401(k) Plan possess the voting power and which are subject to restrictions on the power to dispose of these shares.

(5) Based on information contained in a Schedule 13G/A filed with the SEC on February 13, 2012, by BlackRock, Inc. In this Schedule 13G/A, BlackRock, Inc. reported sole voting power and sole dispositive power over 182,002 shares on behalf of the following subsidiaries: BlackRock Institutional Trust Company, N.A., BlackRock Fund Advisors, BlackRock Asset Management Canada Limited, BlackRock Advisors, LLC, and BlackRock Investment Management, LLC.

(6) Based on information contained in a Schedule 13G filed with the Securities and Exchange Commission ("SEC") on January 17, 2012, by JPMorgan Chase & Co. In this Schedule 13G, JPMorgan Chase & Co. reported sole voting power over 168,600 and sole dispositive power over 181,200 shares on behalf of its subsidiary J.P. Morgan Investment Management, Inc.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires executive officers and directors, and persons who beneficially own more than ten percent of the Company's shares, to file with the Securities and Exchange Commission ("SEC") initial reports of ownership on Form 3 and reports of changes in ownership on Form 4 and Form 5. Executive officers, directors and persons who beneficially own more than ten percent of the Company's securities are required by SEC regulations to furnish to the Company copies of all Section 16(a) reports they file with the SEC. Based solely upon a review of the Forms 3, 4 and 5 furnished to the Company by these persons and statements made by these persons that no other Section 16(a) reports were required to be filed by them, there were, to the Company's knowledge, no late or unfiled reports during the year ended December 31, 2011.

PROPOSAL 1 — ELECTION OF DIRECTORS

The Board guides the strategic direction of the Company and oversees its management. All of the Company's directors are elected annually. Pursuant to the recommendation of the Nominating and Governance Committee, the Board has nominated the six nominees listed below, all of whom are incumbents. All have been nominated by the Board to hold office until the next annual meeting of shareholders and until their respective successors are elected and qualified.

Lawrence E. Baumgartner, who has served as a director of the Company since 2008 and is a member of the Audit Committee and Nominating and Governance Committee, has decided not to stand for reelection. The Board would like to thank Mr. Baumgartner for his dedicated service to the Company. In light of Mr. Baumgartner's decision not to seek reelection, the Board reduced the number of directors of the Company from seven to six, and thus there are six nominees for election to the Board at the Annual Meeting. The reduction in the number of directors does not affect Mr. Baumgartner, who will continue to serve on the Board until his term expires at the Annual Meeting.

If any nominee becomes unable or unwilling to serve between the date of this proxy statement and the Meeting, proxies will be voted **FOR** the election of a replacement recommended by the Nominating and Governance Committee and approved by the Board.

Director Independence

The Board has determined that, with the exception of Mr. Dillon and Mr. Laird, all of our current directors are independent under the rules and independence standards of The NASDAQ Stock Market ("NASDAQ"), as well as applicable SEC requirements. There are no family relationships among our directors and executive officers.

The Nominees

The Board has determined that all of our director nominees are qualified to serve as directors of the Company. In addition to the specific business experience listed below, each of our director nominees has the tangible and intangible skills and attributes which we believe are required to be an effective director of the Company, including experience at senior levels in areas of expertise helpful to the company, a willingness and commitment to assume the responsibilities required of a director of the Company, and the character and integrity we expect of our directors. The specific qualifications of each individual nominee are set forth under his or her name below.

R. H. Dillon, CFA, age 55, has been a director of the Company since 2001, and the President and CEO of the Company since 2000. Prior to joining the firm in 2000, Mr. Dillon had been employed as a portfolio manager by Loomis, Sayles & Company since 1997. Mr. Dillon has over 30 years of experience in the investment management industry.

Mr. Dillon received his BS and MA from The Ohio State University and his MBA from University of Dayton. Mr. Dillon also holds the Chartered Financial Analyst designation.

The Board believes that Mr. Dillon's qualifications to serve on the Board include his 11 years of experience as CEO and Portfolio Manager of the Company, his in depth knowledge and involvement in the Company's operations and his more than 30 years of experience as an investment professional.

James F. Laird, CPA, age 55, has been a director of the Company since 2011, and the Chief Financial Officer of the Company and President of Diamond Hill Funds since 2001. Prior to joining the firm in 2001, Mr. Laird was employed as a Senior Vice President for Villanova Capital since 1999 and Vice President and General Manager for Nationwide Advisory Services, Inc. from 1995 to 1999. Mr. Laird has over 25 years of experience in the investment management industry.

Mr. Laird also serves on the board of Ohio Dominican University and is chairman of its Audit Committee.

Mr. Laird received his BS in Accounting from The Ohio State University, is a Certified Public Accountant, and holds the Series 7, 24, 26, 27 and 63 securities licenses with the Financial Industry Regulation Authority.

The Board believes that Mr. Laird's qualifications to serve on the Board include his 10 years of experience as CFO of the Company, his in depth knowledge and involvement in the Company's operations and his more than 25 years of experience in the financial, operational, administrative, and distribution aspects of the investment management industry.

David P. Lauer, CPA, age 69, has been an independent director of the Company since 2002, and is the chairman of the Audit Committee. Mr. Lauer retired from Bank One, Columbus in 2001, where he served as President and Chief Operating Officer from 1997 to 2001. Mr. Lauer is also a retired partner of Deloitte & Touche LLP, an international accounting and consulting firm, where he was Managing Partner of the Columbus Ohio office from 1989 to 1997. Mr. Lauer has over 40 years of experience in accounting and financial matters.

Mr. Lauer is a director of Huntington Bancshares, a multi-state diversified financial holding company, and serves as chairman of the Audit Committee and member of the Capital Planning Committee. He is also a director of R.G. Barry Corporation, a retail developer and marketer of accessory footwear, and serves as the chairman of its Nominating and Governance Committee and a member of its Audit and Compensation Committees. Mr. Lauer also serves on the board of W. W. Williams Company, Evans Corporation, and On-Line Computer Library Center, Inc, all of which are private or non-for-profit organizations. Mr. Lauer also served as a director of Wendy's International from 2000 to 2008 and Tim Horton's Inc. from 2006 to 2007.

Mr. Lauer has an undergraduate degree from Capital University and a masters in accountancy from Ohio University. Mr. Lauer is also a Certified Public Accountant.

The Board believes that Mr. Lauer's qualifications to serve on the Board include his substantial experience in accounting and financial matters, including his significant experience as a Certified Public Accountant, his prior role as President and Chief Operating Officer of Bank One-Columbus, and his experience as a director of other public companies.

Peter J. Moran, age 51, has been an independent director of the Company since 2011, and serves on the Compensation Committee and Nominating and Governance Committee. Mr. Moran has been a managing partner with DundeeWealth US, LP, an institutional investment management firm since 2008. Prior to joining DundeeWealth US, LP, he was a founder and managing partner with BHR Fund Advisors, LP from 2006 until its acquisition by DundeeWealth in 2008. From 2005 to 2006 he was President of Constellation Funds Group, LP. Prior to Constellation, he was employed at Turner Investment Partners as Managing Director of mutual fund, investment-only defined contribution and sub-advisory distribution. He has held several senior positions with leading investment management firms including J.P. Morgan Investment Management, Montgomery Asset Management and PIMCO/Pacific Life. Mr. Moran has over 25 years of experience in the investment management industry.

Mr. Moran received his BA in Economics from University of Richmond. Mr. Moran also holds the Chartered Financial Consultant and Chartered Life Underwriter designations and is a member of the Executive Committee of the Mutual Fund Education Alliance.

The Board believes that Mr. Moran's qualifications to serve on the Board include his significant experience in the global investment management industry, including specific experience in the sales and distribution of investment management products.

Donald B. Shackelford, age 79, has been an independent director and board chairman of the Company since 2005, and serves on the Compensation Committee and the Nominating and Governance Committee. Mr. Shackelford retired from Fifth Third Bank, Central Ohio (successor to State Savings Bank) in 2008, where he served as Chairman from 1998 to 2008. Prior to joining Fifth Third Bank, Mr. Shackelford served as Chairman and CEO of State Savings Bank for 25 years, until its acquisition by Fifth Third Bank in 1998.

Mr. Shackelford served as a director of The Progressive Corporation, a national property and casualty insurance company from 1976 to 2010. Mr. Shackelford also serves on the board of Heads & Threads International, LLC, and Lowell Group, both of which are private or non-for-profit organizations. Mr. Shackelford also served as a director of Limited Brands, Inc. from 1976 to 2005.

Mr. Shackelford received his BA from Denison University and his MBA from Harvard Business School.

The Board believes that Mr. Shackelford's qualifications to serve on the Board include his substantial experience in banking and financial services and his experience as a director of another public company.

Frances A. Skinner, CFA, CPA, age 47, has been an independent director of the Company since 2010, is the chair of the Compensation Committee, and serves on the Audit Committee. Ms. Skinner has been a partner with AUM Partners, LLC, a management consulting firm specializing in the investment management industry, since 2009. Prior to joining AUM Partners, she was a principal with Focus Consulting Group, Inc. from 2003 to 2009. Ms. Skinner also spent 16 years at Allstate Investments, LLC, where she worked on developing compensation and incentive programs for investment professionals. Ms. Skinner has over 25 years of experience in the areas of investment management, finance and consulting. She is a co-author of the book *High Performing Investment Teams* (Wiley, 2006).

Ms. Skinner received her BA from St. Xavier University and her MBA from the University of Illinois — Chicago. Ms. Skinner also holds the Chartered Financial Analyst designation and is a Certified Public Accountant.

The Board believes that Ms. Skinner's qualifications to serve on the Board include her significant experience in the global investment management industry and experience in developing and consulting on matters of leadership, teamwork, performance evaluation, and compensation practices.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE REELECTION OF R. H. DILLON, JAMES F. LAIRD, DAVID P. LAUER, PETER J. MORAN, DONALD B. SHACKELFORD, AND FRANCES A. SKINNER AS DIRECTORS OF THE COMPANY.

THE BOARD OF DIRECTORS AND COMMITTEES

The Board held a total of five meetings during the year ended December 31, 2011. Each director attended 100% of the combined total number of meetings of the Board and Board committees of which he or she was a member. Consistent with the Company's Corporate Governance Guidelines, the independent directors met in executive session at all five of the Board meetings in 2011. Our Corporate Governance Guidelines provide that all directors are expected to attend each annual meeting of shareholders. All of our then incumbent directors attended our 2011 Annual Meeting of Shareholders.

Corporate Governance

The Board has three standing committees: the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee. The Board has adopted a written charter for each Committee. Current copies of each committee charter and our Corporate Governance Guidelines are available at our Web site, www.diamond-hill.com, by clicking the "Investor & Media Relations" tab followed by the "Corporate Governance" tab.

Pursuant to rules promulgated under the Sarbanes-Oxley Act, the Board has adopted a Code of Ethics for Principal Executive and Senior Financial Officers. This code is intended to deter wrongdoing and promote honest and ethical conduct, full, timely and accurate reporting, compliance with laws, and accountability for adherence to the code, including internal reporting of code violations.

The Company also has a Code of Business Conduct and Ethics that is applicable to all of our employees and directors, a copy of which is filed as an exhibit to our Annual Report on Form 10-K filed with the SEC on March 13, 2009. It is the Company's policy to require all employees to participate annually in continuing education and training relating to the Code of Business Conduct and Ethics.

The Company also has established a policy prohibiting its officers, directors, and employees from purchasing or selling shares of the Company while in possession of material, nonpublic information, or otherwise using such information for their personal benefit or in any manner that would violate applicable laws and regulations. In addition, the policy also prohibits all employees and directors from purchasing or selling any derivative arrangement related to securities of the Company or engaging in any speculative, short selling, or hedging activities related to securities of the Company that may have a similar economic effect.

Audit Committee

Mr. Lauer, Mr. Baumgartner and Ms. Skinner serve on the Audit Committee, which met four times during 2011. The Board has determined that each committee member meets the independence and financial literacy rules and standards of the SEC and NASDAQ. The Board also has concluded that Mr. Lauer, the Chairman of the Audit Committee, and Ms. Skinner meet the criteria for an audit committee financial expert as established by the SEC.

The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to (1) the retention of our independent registered public accounting firm, including appointing and overseeing the terms of its engagement and its performance, qualifications and independence, and (2) the integrity of our financial statements, other financial information provided to shareholders, and our internal control structure. The Audit Committee also reviews all related person transactions for potential conflicts of interest on an ongoing basis and all such transactions must be approved by the Audit Committee. Additional information on the approval of related person transactions is available under the heading "Certain Relationships and Related Person Transactions" below. The report of the Audit Committee appears below the heading "REPORT OF THE AUDIT COMMITTEE."

Compensation Committee

Mr. Moran, Mr. Shackelford and Ms. Skinner serve on the Compensation Committee, which met three times during 2011. Ms. Skinner serves as the Chair of the Compensation Committee. The Board of Directors has determined that each of these members meets the independence criteria of the SEC and NASDAQ. No member of the Compensation Committee is or has been an officer or employee of the Company or has had any relationship requiring disclosure by us under Item 404 of SEC Regulation S-K. In addition, no member of the Compensation Committee or Board is employed by a company whose board of directors includes a member of our management.

The primary purpose of the Compensation Committee is to review and approve the Company's executive compensation policies, evaluate the performance of our executive officers in light of corporate goals and objectives approved by the Compensation Committee, approve the annual salary, bonus, stock grants and other benefits, direct and indirect, of our executive officers and other senior employees, make recommendations to the full Board with respect to incentive-compensation plans and equity-based plans and determine director and committee member/chair compensation for non-employee directors. The Compensation Committee also administers our equity and other incentive plans. A description of the Company's processes and procedures for the consideration and determination of executive officer compensation are discussed under the heading "Compensation Discussion and Analysis" below.

Nominating and Governance Committee

Messrs. Baumgartner, Moran and Shackelford serve on the Nominating and Governance Committee, which met four times during 2011. Mr. Baumgartner serves as the chairman. The Board has determined that all committee members meet the independence criteria of NASDAQ.

The primary purpose of the Nominating and Governance Committee is to maintain and cultivate the effectiveness of the Board and oversee the Company's governance policies. Among the committee's responsibilities are Board and committee composition, director qualifications, orientation and education, and Board evaluations. Members identify, evaluate, and nominate Board candidates; review compliance with director stock ownership guidelines; and oversee procedures regarding shareholder nominations and other communications to the Board.

In addition, they are responsible for monitoring compliance with and recommending any changes to the company's Corporate Governance Guidelines. Additional information regarding the committee's activities appears under the heading "Corporate Governance."

Compensation of Directors

The Compensation Committee is responsible for periodically reviewing and recommending to the Board the compensation of independent directors. The following table sets forth information regarding the compensation earned by, or paid to, directors who served on our Board in 2010. Mr. Dillon and Mr. Laird, who are executive officers of the Company, do not receive separate directors' fees for their service and have been omitted from this table.

2011 Director Compensation(1)

Name	Fees Earned or Paid in Cash	Stock Awards(2)	Total
Lawrence E. Baumgartner	$20,750	$40,000	$60,750
David P. Lauer	$17,000	$40,000	$57,000
Peter J. Moran(3)	$10,000	$30,000	$40,000
Donald B. Shackelford	$23,750	$40,000	$63,750
Frances A. Skinner	$18,750	$40,000	$58,750
David R. Meuse(4)	$ 9,000	$15,000	$24,000
Diane D. Reynolds(4)	$ 6,000	$15,000	$21,000

(1) Includes only those columns relating to compensation awarded to, earned by, or paid to non-employee directors for their services in 2011. All other columns have been omitted.

(2) Represents the full grant-date fair value computed by multiplying the total shares granted by the closing price of the shares on the grant date. All shares were fully vested on the grant date, and therefore, this amount also reflects the expense incurred and recognized in the Company's financial statements. On February 24, 2011, each director other than Mr. Moran, received a grant of 540 shares for service as a non-employee director, which had a value of $40,000 based on the market price of the shares on that date. These shares were granted under the 2005 Employee and Director Equity Incentive Plan. Following his election as a director at the 2011 Annual Meeting, Mr. Moran received a grant of 375 shares for service as a non-employee director, which had a value of $30,000 based on the market price of the shares on that date. These shares were granted under the 2011 Equity and Cash Incentive Plan. For information on the expensing of these awards, please see note 5 to the consolidated financial statements contained in the Company's Form 10-K for the year ended December 31, 2011.

(3) Mr. Moran was elected to the Board at the Annual Meeting on April 26, 2011. His compensation represents service after his election to the Board.

(4) David R. Meuse and Diane D. Reynolds did not stand for re-election at the Annual Shareholder meeting on April 26, 2011. Their compensation represents service in 2011 prior to the 2011 Annual Meeting.

Fees and Other Compensation

For 2011, non-employee directors receive the following:

- an annual retainer of $40,000, paid in Company shares;
- an annual retainer of $10,000 for the chairman of the Board
- an annual retainer of $5,000 for the chairs of each Committee;
- a fee of $2,000 for each board meeting attended; and
- a fee of $1,000 for each committee meeting attended.

Ownership and Retention Guidelines

Each non-employee director is required to hold for his or her entire term of service on the Board 100% of the shares of our common stock granted to them as compensation. They may not sell any of the shares granted to them until they conclude their service as a director.

CORPORATE GOVERNANCE

The Nominating and Governance Committee has general oversight responsibility for assessment and recruitment of new director candidates, as well as evaluation of director and board performance and oversight of governance matters for the Company. The Committee adopted Corporate Governance Guidelines on February 25, 2010, which are available at our website, www.diamond-hill.com, by clicking the "Investor & Media Relations" tab followed by the "Corporate Governance" tab.

Board Leadership and Composition

We believe separating the roles of Chairman and CEO provides for a strong governance and oversight structure. These roles have been separate since 2000. The Chairman approves Board agendas and schedules, chairs all executive sessions of the independent directors, acts as liaison between the independent directors and management, oversees the information distributed in advance of Board meetings, is available to the Secretary to discuss and, as necessary, respond to shareholder communications to the Board, and calls meetings of the independent directors.

Currently, five of our seven directors are independent under NASDAQ standards. If the proposed directors are elected, four of our six directors will be independent. In addition, the Nominating and Governance Committee, the Audit Committee, and the Compensation Committee are all comprised entirely of independent directors. Overall, the Company believes that our Board structure is designed to foster critical oversight, good governance practices, and the interests of the Company and its shareholders.

Among other things, the Corporate Governance Guidelines address term limits of each director. Although we have a 10 year service limit for directors, the Guidelines authorize the Board to make exceptions to this limitation and permit directors to serve for an additional year. Using its discretion, the Board chose to allow Mr. Lauer to stand for re-election for one additional year of service.

Board's Role in Risk Oversight

The Board's role in the Company's risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including client investment performance, operational, financial, legal, regulatory, and strategic risks. The Audit Committee is responsible for overseeing risks relating to the Company's accounting matters, financial reporting and legal and regulatory compliance. To satisfy these oversight responsibilities, the Audit Committee meets regularly with management and Plante & Moran. The Compensation Committee is responsible for overseeing risks relating to employment policies and the Company's compensation and benefits programs. To satisfy these oversight responsibilities, the Compensation Committee meets regularly with management to understand the implications of compensation decisions, particularly the risks that the Company's compensation policies pose to its finances and its relationship with employees.

Planning Group

During 2009, we formed the Planning Group, which is comprised of seven associates representing all functional areas of the organization. These individuals are not executive officers of the Company. The Planning Group was formed to address important Company issues and provide counsel to the CEO and CFO. The Planning Group collaborates and recommends action on various company initiatives and the overall direction of the firm, although ultimate decision making authority remains with our CEO and CFO. The Planning Group is comprised of the following individuals: Chris Bingaman — portfolio management, Chris Welch — portfolio management, Bill Zox — portfolio management, Rick Snowdon — investment research, Laurie Riebel — client management, James Bishop — business development, and Gary Young — business management. The Planning Group also plays a role in the Company's overall succession planning efforts. The Company believes that the Planning Group in conjunction with the CEO and CFO is an appropriate and effective organizational structure for Diamond Hill.

Director Orientation and Continuing Education and Development

When a new independent director joins the Board, the Company provides a formal orientation program for the purpose of providing the new director with an understanding of the operations and the financial condition of the Company. In addition, each director is expected to maintain the necessary level of expertise to perform his or her responsibilities as a director. To assist the directors in maintaining such level of expertise, we may, from time to time, offer continuing education programs in addition to briefings during Board meetings relating to the competitive and industry environment and the Company's goals and strategies.

Director Qualifications and the Nominations Process

The Nominating and Governance Committee believes that the nominees presented in this proxy statement would constitute a Board with an appropriate level and diversity of experience, education, skills, and independence. The Nominating and Governance Committee routinely considers the current composition of the Board, and whether changes should be made or additional directors should be added to the Board.

The Nominating and Governance Committee supervises the nomination process for directors. It considers the performance, independence, diversity, and other characteristics of our incumbent directors, including their willingness to serve, and any change in their employment or other circumstances in considering their renomination each year. The Nominating and Governance Committee also considers diversity of background and experience as well as gender and other forms of diversity. We do not, however, have any formal policy regarding diversity in identifying nominees for a directorship, but rather we consider it among the various factors relevant to any particular nominee and the overall needs of the Board. In the event that a vacancy exists or it decides to increase the size of the Board, the Nominating and Corporate Governance Committee identifies, interviews and examines, and make recommendations to the Board regarding, appropriate candidates.

The Nominating and Governance Committee identifies potential candidates principally through suggestions from the Company's directors and senior management. The committee may also seek candidates through informal discussions with third parties. We have not historically retained search firms to help identify director candidates, and did not do so in identifying this year's nominees.

In evaluating potential candidates, the Nominating and Governance Committee considers, among other factors, independence from management, experience, expertise, commitment, diversity, number of other public company board and related committee seats held, potential conflicts of interest, and the composition of the Board at the time of the assessment. All candidates for nomination must:

- demonstrate strong character and integrity;
- have sufficient time to carry out their duties;
- have experience at senior levels in areas of expertise helpful to the Company and consistent with the objective of having a diverse and well-rounded Board; and
- have the willingness and commitment to assume the responsibilities required of a director of the Company.

In addition, candidates expected to serve on the Audit Committee must meet independence and financial literacy qualifications imposed by NASDAQ and by the SEC and other applicable law. Candidates expected to serve on the Nominating and Governance Committee or the Compensation Committee must meet independence qualifications set out by NASDAQ, and members of the Compensation Committee must also meet additional independence tests under SEC rules. The evaluation process of potential candidates also includes personal interviews, and discussions with appropriate references. Once the Nominating and Governance Committee has selected a candidate, it recommends the candidate to the full Board for election if a vacancy occurs or is created by an increase in the size of the Board during the course of the year, or for nomination if the director is to be first elected by shareholders. All directors serve for one-year terms and must stand for re-election annually.

The Board does not currently have any specific policies regarding the consideration of director candidates recommended by shareholders and will consider shareholder recommendations for directors using the process and criteria set forth above. Further, the Nominating and Governance Committee may, in its discretion, adopt policies in the future regarding the consideration of director candidates recommended by shareholders. Shareholder recommendations for Board candidates must be directed in writing to the Company at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215, Attention: Secretary, and must include the candidate's name, home and business contact information, detailed biographical data and qualifications, information regarding any relationships between the candidate and us within the last three years, and evidence of the recommending person's ownership of our common shares.

Certain Relationships and Related Person Transactions

The Board recognizes that related person transactions present a heightened risk of conflicts of interest. We currently have no related person transactions reportable pursuant to Item 404(a) of SEC Regulation S-K, and has not had any such transactions in the recent past. As such, we do not believe it is necessary to have a written policy specifically dealing with related person transactions. The Audit Committee will review any potential related person transactions as they arise and are reported to the Board or the Audit Committee, regardless of whether the transactions are reportable pursuant to Item 404. No such transactions arose or were reviewed by the Audit Committee in 2011. For any related person transaction to be consummated or to continue, the Audit Committee must approve or ratify the transaction.

EXECUTIVE OFFICERS AND COMPENSATION INFORMATION

R. H. Dillon and James F. Laird are the Company's only named executive officers. Their experience is described above under the heading "PROPOSAL 1 — ELECTION OF DIRECTORS." The Company has no executive officers other than our named executive officers. Each named executive officer devotes his full time and effort to the affairs of the Company.

Compensation Discussion and Analysis

Background

We are in the investment management industry. Human capital is the most important resource of companies in our industry. Attracting and retaining employees can be more difficult in our industry than in others because of how heavily our industry depends on the contributions of talented individuals. We have been able to attract and retain high-quality employees due to:

- our investment-centric culture,
- employee ownership in our business,
- our central Ohio location, and
- the nationally-competitive compensation we offer to our employees.

Compensation, which is a critical element in a business dependent on talented employees, has a particularly significant impact on profitability in industries like ours that are not capital intensive. This requires a balancing of the economics between increasing our operating profit margin and rewarding the employees who generate our profits and produce investment results for our clients. The balancing effort is particularly challenging for us because we were essentially a start-up in May 2000, but yet had the unusual legacy of being a publicly owned company, in contrast to the industry norm of partnership-like structures for investment management firms of similar size. As of February 28, 2012, employees and directors owned approximately 31% of the Company. In contrast, many competitor firms are owned entirely by their employees. Despite our unique ownership structure given our industry, we believe that industry norms are helpful benchmarks for evaluating the balancing effort.

At our 2011 Annual Meeting of Shareholders, we asked our shareholders to vote upon an advisory resolution to approve the compensation of our executive officers. The compensation of our executive officers was approved by 94% of the votes cast on the matter. The Compensation Committee of the Board (the "Committee") believes that the results of the advisory vote on executive compensation are supportive of our previous compensation practices and of its overall judgment related to the compensation practices of the Company and considered that endorsement in establishing the compensation awarded to our executive officers for 2011.

Compensation Program Objectives

We seek to attract and retain people with integrity, intelligence and energy. All employees are paid a competitive base salary, provided with competitive benefits and participate in an annual cash and equity incentive compensation program. The amount of individual incentive awards is based on an assessment of individual performance, while the amount of the overall available incentive pool is based on (i) overall firm investment and operating results, (ii) market compensation data and (iii) the profitability of the firm compared to other investment management firms.

In addition to annual incentive compensation, upon commencing employment with the Company most employees were awarded equity grants as an incentive to their continued employment. Generally these awards vest over five years to promote employee retention and long-term employee ownership. The Company also seeks to increase the equity ownership in the Company of all employees because it believes such ownership encourages all employees to act and think like owners. While compensation amounts differ depending upon position, responsibilities, performance and competitive data, the Company seeks to reward all employees with similar compensation components based on these same objectives.

Rewards Based on Performance

Our primary business objective is to meet our fiduciary duty to clients. Specifically, the focus is on long-term, five-year investment returns, with goals defined as rolling five-year periods in which client returns are sufficiently above relevant passive benchmarks, rank in the top quartile of similar investment strategies and exceed a sufficient absolute return for the risk associated with the asset class. As it relates to our investment professionals, the compensation program is designed to reward performance that supports these objectives. For those employees who are not a part of our investment team, the compensation program varies but is based on rewarding individual performance that helps us meet our fiduciary duty to clients. Our second objective is to fulfill our fiduciary duty to shareholders by managing the firm and its assets to increase shareholder value over time.

Compensation Setting Process

Role of the Compensation Committee

The Committee has overall responsibility for evaluating and approving the structure, operation and effectiveness of the Company's compensation plans, policies and programs for all employees. The Committee consists of Peter J. Moran, Donald B. Shackelford, and Frances A. Skinner. Ms. Skinner serves as Chair. Each member of the Committee is an "outside director" for purposes of Section 162(m) of the Internal Revenue Code and a "non-employee director" for purposes of Section 16(b) of the Securities Exchange Act of 1934. The Committee is specifically charged to:

- review and approve the corporate goals and objectives relevant to the compensation of the CEO, to evaluate the CEO's performance in light of these goals and objectives, and, based on this evaluation, make recommendations to the Board for the independent directors to approve the CEO's compensation level (including any long-term incentive or other compensation under any incentive-based or equity-based compensation plan);
- review management's recommendations and make recommendations to the Board with respect to director and other non-CEO executive officer compensation; provided, however, that the Committee has full decision-making authority with respect to compensation intended to be performance-based compensation within the meaning of Section 162(m) of the Internal Revenue Code;

- retain compensation consultants as it deems necessary to assist in its evaluation of director, CEO or other senior executive compensation programs or arrangements. The Committee also has the authority to obtain advice and assistance from internal or external legal, accounting or other advisors;
- review management's recommendations and make recommendations to the Board with respect to incentive-based compensation and equity-based compensation plans and programs that are subject to Board approval, and that may be applicable to all or any portion of the employees of the Company and/or its subsidiaries; and
- exercise all power and authority of the Board in the administration of equity-based incentive compensation plans.

The Committee considers the sum of all pay elements when reviewing annual compensation recommendations for the named executive officers. Although the framework for compensation decision-making is tied to the Company's overall financial performance and the creation of long-term shareholder value, the Committee retains discretion to make recommendations to the Board for the independent directors to approve individual compensation based on other performance factors such as demonstrated management and leadership capabilities and the achievement of certain investment results for client accounts and other strategic operating results.

Role of Management

The Company's CEO evaluates the CFO as part of the annual review process and makes recommendations to the Committee regarding all elements of executive compensation paid to him. Changes in executive compensation proposed by the CEO are based on the CFO's performance, the compensation of individuals with comparable responsibilities in competing or similar organizations, and the profitability of the Company. At the Committee's request, the CEO and CFO attend Committee meetings to provide general employee compensation and other information to the Committee, including information regarding the design, implementation and administration of the Company's compensation plans. The Committee also meets in executive sessions without the presence of any executive officer whose compensation the Committee is scheduled to discuss.

Use of Compensation Consultants and Surveys in Determining Executive Compensation

The Committee's written charter gives it the authority to retain an independent outside executive compensation consulting firm to assist in evaluating policies and practices regarding executive compensation and provide objective advice regarding the competitive landscape. However, historically the Committee has not engaged compensation consultants and did not do so in 2011.

Each year the Committee obtains and summarizes an asset management industry pay analysis prepared by McLagan Partners, a compensation specialist focusing on the asset management industry. The companies in the McLagan Partners' analysis include over 100 public and private asset management companies with which the Company competes. This analysis provides the Committee with a general overview of compensation trends in the asset management industry. The Committee does not define a specific peer group, but rather takes a broad view of the analysis. The Committee does not set any compensation elements or levels based on targeting a certain percentile from the survey, but rather sets compensation that it believes to be both competitive and based on the executive's value to the Company. The survey is just one of many factors that the Committee considers when determining executive compensation. Management and the Committee believe this broad view of the analysis is appropriate because the Company competes with both public and private asset management firms regardless of their size and scope of operations.

Elements of Compensation

Base Salary

Base salaries for the named executive officers are intended to provide a fixed level of cash compensation that is appropriate given the executive's role in the organization. Generally, base salaries are determined by (i) scope of responsibility and complexity of position, (ii) performance history, (iii) tenure of service, (iv) internal equity within the Company's salary structure, and (v) relative salaries of persons holding similar positions at companies within the investment management industry. Base salaries are designed to compensate knowledge and experience. In December 2010, the Committee made the determination not to increase the base salaries of the named executive officers for fiscal year 2011. Consistent with the Company's desire to have the majority of total compensation paid to named executive officers at risk in the form of incentive compensation, only four and 20.5 percent of the total compensation of our CEO and CFO, respectively, in fiscal 2011 (as shown in the Summary Compensation table) was paid in the form of base salaries.

Annual Cash Bonuses

In March 2011, the Company entered into an amendment and restatement of its employment agreement with R. H. Dillon, the Company's President and CEO. The Company agreed to amend and restate Mr. Dillon's employment agreement to reflect the mutual desire of the Company and Mr. Dillon that he remain CEO for the next five years. The amended and restated agreement entitles Mr. Dillon to, among other things, an annual cash bonus equal to at least 5% of the Company's operating income, subject to an annual cap of $640,000. Mr. Dillon earned a $640,000 cash bonus for 2011 because 5% of the Company's operating income for 2011 exceeded $640,000. The Committee believes this formula to determine a cash bonus is appropriate because it ties the amount of the bonus to operating income, but also caps the award at an amount that Mr. Dillon and the Committee believes is appropriate given broad market compensation data and the additional value of the separate restricted stock award to Mr. Dillon in 2011 (which is described in the following section).

The Committee awarded a discretionary cash bonus to Mr. Laird, the Company's CFO, to reward him for his strong performance and overall contributions to the Company in fiscal 2011. The Committee believes that structuring Mr. Laird's annual cash bonus as a discretionary cash bonus provides the Committee with the flexibility to consider all aspects of Mr. Laird's performance and contributions to the Company and properly compensate him for the relative value he provided to the Company in fiscal 2011. In determining the amount of the cash bonus, the Committee considered the Company's overall operating results, contributions by Mr. Laird that may not be reflected in the operating results, and broad market compensation data.

Restricted Stock Award

In May 2011, the Company awarded 100,000 shares of performance-based restricted stock to Mr. Dillon pursuant to the Company's 2011 Equity and Cash Incentive Plan. All of the shares will vest on January 1, 2016 if the Company's cumulative operating profit (defined as the Company's total revenue during the period beginning on January 1, 2011 and ending on December 31, 2015, excluding any investment income and gains and the revenue of the Company's subsidiaries Beacon Hill Fund Services, Inc. and BHIL Distributors, Inc. (collectively, "Beacon Hill"), less the Company's total operating expenses during such period, excluding Beacon Hill expenses, any investment losses and all taxes) equals or exceeds $75,000,000. The results of Beacon Hill are excluded from the cumulative operating profit because it is a separate subsidiary of the Company and is not yet material to the overall financial results of the Company. If the Company's cumulative operating profit during such period is less than $75,000,000, a number of shares of restricted stock equal to 100,000 multiplied by a fraction, the numerator of which will be the Company's actual cumulative operating profit during such performance period and the denominator of which will be $75,000,000, will vest on January 1, 2016. Any shares of restricted stock that remain unvested will be forfeited on such date. All shares of restricted stock that vest on January 1, 2016 will remain subject to restrictions on sale or transfer following the vesting date. The restrictions on sale or transfer will lapse with respect to 20% of the vested shares of restricted stock on each anniversary of the vesting date. If Mr. Dillon dies or is disabled prior to December 31, 2015, a number of shares of restricted stock equal to 100,000 multiplied by a fraction, the numerator of which will be the number of whole months of service elapsed between January 1, 2011 and the date of death or disability and the denominator of which will be 60, will vest and become immediately transferable without restriction. If Mr. Dillon's employment is terminated prior to January 1, 2016 without Cause or for Good Reason (each as defined in Mr. Dillon's amended and restated employment agreement), a number of shares of restricted stock equal to 100,000 multiplied by the lesser of (i) a fraction, the numerator of which will be the Company's actual cumulative operating profit during the period beginning on January 1, 2011 and ending on the date of termination of employment and the denominator of which will be $75,000,000, and (ii) a fraction, the numerator of which will be the number of whole months of service elapsed between January 1, 2011 and the date of termination of employment and the denominator of which will be 60, will vest and become immediately transferable without restriction. In the event of a Change in Control (as defined in Mr. Dillon's amended and restated employment agreement), all 100,000 shares of restricted stock will immediately vest and become transferable without restriction.

This restricted stock award is intended to comprise all of Mr. Dillon's equity-based compensation for the 2011 fiscal year through the 2015 fiscal year and no additional equity awards to Mr. Dillon during that period are contemplated. The Committee believes this compensation structure will strongly align the long-term interests of Mr. Dillon with those of the Company and its shareholders and better advances the objectives of our compensation program than the annual compensation structure used in prior years.

Stock Award

The Committee awarded a discretionary stock award to Mr. Laird to reward him for his strong performance and overall contributions to the Company in fiscal 2011. The Committee believes that a discretionary stock bonus to Mr. Laird provides the Committee with the flexibility to consider all aspects of Mr. Laird's performance and contributions to the Company and properly compensate him for the relative value he provided to the Company in fiscal 2011. In addition, this stock award, while immediately vested, is restricted from sale or transfer for five years, which the Committee believes strongly aligns the long-terms interests of Mr. Laird with those of the Company and its shareholders. In determining the amount of the stock award, the Committee considered the Company's overall operating results, contributions by Mr. Laird that may not be reflected in the operating results, and broad market compensation data.

Retirement Plan Benefits

The Company provides retirement benefits through the Diamond Hill Investment Group 401k Plan. The named executive officers are entitled to participate in this plan on the same terms and conditions as all other employees. The plan does not involve any guaranteed minimum or above-market returns, as plan returns depend on actual investment results.

Other Benefits and Perquisites

The Company does not provide supplemental retirement plan benefits or non-qualified compensation plans to the named executive officers. As a general rule, the Company does not provide any perquisites or other personal benefits to its named executive officers that are not offered on an equal basis to all employees. The Company's named executive officers are entitled to participate in benefit programs that entitle them to medical, dental, and short-term and long-term disability insurance coverage that are available to all employees.

Post Employment Payments

Only the CEO has an employment contract which provides for payments upon termination of employment. More information on the employment agreement with our CEO and termination payments thereunder is set forth under the heading "Employment Agreements and Change in Control Benefits."

Stock Ownership Guidelines

In February 2010, the Board adopted stock ownership guidelines for our Named Executive Officers to further align their interests with those of shareholders. This policy provides that our named executive officers are expected to reach levels of ownership (determined as a stated multiple of base salary) within five years after the adoption of the guidelines or, if later, within five years from the date when the executive assumed his or her position. The below table provides the target ownership level and actual shares owned as of December 31, 2011. Both of the named executive officers hold shares well in excess of the amounts required under the guidelines.

Name	Title	Target Ownership Level	Target Number of Shares(a)	Number of Shares Owned	Ownership Guideline Met
R. H. Dillon	President and CEO	5x Salary	24,331	300,574	Yes
James F. Laird	Chief Financial Officer	3x Salary	8,110	76,328	Yes

(a) Based on a per share price of $73.98, which was the closing price of our common shares on December 31, 2011, and the respective base salaries of our named executive officers as of that date.

Risks Related to Compensation Policies and Practices

As part of its oversight of the Company's executive and non-executive compensation programs, the Compensation Committee considers how current compensation programs, including the incentives created by compensation awards, affect the Company's risk profile. In addition, the Company reviews its compensation policies, particularly the incentives that they create, to determine whether they encourage an appropriate level of risk-taking and do not present a significant risk to the Company. The Compensation Committee also considered the following risk mitigating factors:

- current compensation programs reward portfolio managers and research analysts on trailing five year investment performance in client accounts;
- a majority of incentive compensation is in the form of equity-based awards;
- sale restriction periods for equity-based compensation awards encourage executives and other employees to focus on the long-term performance of the Company;
- the Committee's discretionary authority to adjust annual incentive awards, which helps mitigate business risks associated with such awards;
- the Company's internal control over financial reporting and other financial, operational and compliance policies and practices currently in place; and
- base salaries consistent with executives' responsibilities so that they are not motivated to take excessive risks to achieve a reasonable level of financial security.

Based on this review, the Company has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

Summary Compensation Table for 2011

The following table sets forth the total compensation paid to or earned by our named executive officers in the years indicated. Additional information on the elements of compensation included in the table below is available under the "Compensation Discussion and Analysis" section.

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards	Non-Equity Incentive Plan Compensation (4)	All Other Compensation (5)	Total
R. H. Dillon	2011	$360,000	$640,000	$7,997,000(2)	—	$34,200	$9,031,200
President and CEO	2010	$360,000	—	$2,050,000(3)	$350,000	$34,200	$2,794,200
	2009	$360,000	—	$1,500,000(3)	$500,000	$34,200	$2,394,200
James F. Laird	2011	$200,000	$250,000	$ 500,000(3)	—	$26,400	$ 976,400
Secretary, Treasurer and	2010	$200,000		$ 550,000(3	$150,000	$26,400	$ 926,400
Chief Financial Officer	2009	$200,000		$ 395,000(3)	$170,000	$26,400	$ 791,400

(1) Mr. Dillon was granted a bonus award in accordance with the terms of his employment contract. Mr. Laird was granted a discretionary bonus award from a Company bonus pool, which was not based upon any pre-established performance goals. See the "Compensation Discussion and Analysis" section above for a further description of Mr. Dillon and Mr. Laird's cash bonus awards for fiscal 2011.

(2) Represents the full grant date fair value computed by multiplying the total number of shares of restricted stock granted by the closing price of our common shares on the grant date. This award represents 100,000 shares of restricted stock awarded to Mr. Dillon on May 2, 2011 as part of a long-term performance-based incentive program under the 2011 Equity and Cash Incentive Plan. This award represents the stock portion of Mr. Dillon's incentive compensation for the years 2011 through 2015. These shares will vest on January 1,

2016 subject to the achievement of performance goals established by the Compensation Committee and described above in the "Compensation Discussion & Analysis" section. The value shown is based on what we currently believe to represent the probable outcome of the applicable performance goals. Any shares that vest on January 1, 2016 will be subject to further restrictions from transfer or sale in accordance with the following schedule:

Percentage of Vested Shares Available for Transfer or Sale				
January 1, 2017	**January 1, 2018**	**January 1, 2019**	**January 1, 2020**	**January 1, 2021**
20%	40%	60%	80%	100%

(3) Represents the full grant date fair value computed by multiplying the total number of shares granted by the closing price of the shares on the grant date. These shares were awarded to Messrs. Dillon and Laird as partial payment for amounts earned under our 2011, 2010 and 2009 annual incentive plans. All shares were fully vested on the grant date but were restricted from sale for a period of time. The below table shows the details of the specific number of shares granted for each annual incentive plan year:

Name	Incentive Plan Year	Shares Granted	Grant Date	Sale Restriction Period
R. H. Dillon	2010	4,054	February 24, 2011	One Year
	2010	23,645	February 24, 2011	Five Years
	2009	21,502	February 17, 2010	One Year
	2009	2,801	February 17, 2010	Five Years
James F. Laird	2011	6,493	February 22, 2012	Five Years
	2010	4,054	February 24, 2011	One Year
	2010	3,378	February 24, 2011	Five Years
	2009	4,999	February 17, 2010	One Year
	2009	1,401	February 17, 2010	Five Years

The stock awards made to the named executive officers for 2010 and 2009 were made pursuant to our annual incentive plan for those years under the Company's 2005 Employee and Director Equity Incentive Plan (the "2005 Plan"), which is an equity compensation plan that was approved by the Company's shareholders at its 2005 annual meeting. The stock awards made pursuant to the 2005 Plan were based upon the achievement of a specific performance target for the Company. The performance target was determined at the beginning of each performance period, taking into the consideration the performance target from the prior year, forecasted revenue, and the requirements of Section 162(m) of the Internal Revenue Code. The stock award made to Mr. Laird for 2011 was a discretionary award and shares were issued under the Company's 2011 Cash and Equity Incentive Plan.

(4) Represents cash awards paid to Messrs. Dillon and Laird as partial payment for amounts earned under our 2010 and 2009 annual incentive plans. These awards were made pursuant to our 2006 Performance-Based Compensation Plan (the "2006 Plan"), a shareholder-approved incentive compensation plan designed to satisfy the requirements of Section 162(m) of the Internal Revenue Code. These awards were based upon the achievement of a specific performance target for the Company. The performance target was determined at the beginning of each performance period, taking into the consideration the performance target from the prior year, forecasted revenue, and the requirements of Section 162(m) of the Internal Revenue Code.

(5) The following types of compensation are included in the all other compensation column:

Name	Year	Contributions to Company 401k Plan (a)	Contributions to Health Savings Account (a)	Total
R. H. Dillon	2011	$29,400	$4,800	$34,200
	2010	$29,400	$4,800	$34,200
	2009	$29,400	$4,800	$34,200
James F. Laird	2011	$24,000	$2,400	$26,400
	2010	$24,000	$2,400	$26,400
	2008	$24,000	$2,400	$26,400

(a) Company contributions to the Company 401k Plan and employee Health Savings Accounts are offered to all employees of the Company and its affiliates.

Grants of Plan Based Awards for 2011. The following table sets forth information regarding annual incentive plan awards to each of the named executive officers for the year ended December 31, 2011.

			Estimated Possible Payouts Under Non-Equity Incentive Plan Awards			Estimated Possible Payouts Under Equity Incentive Plan Awards(2)						
Name	Grant Date(1)	Compensation Committee Action Date(1)	Threshold	Target	Maximum	Threshold #	Target #	Maximum #	All Other Stock Awards: Number Of Shares Of Stock Or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise Or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards $
R.H. Dillon	5/2/11	3/22/11	—	—	—	—	100,000	— —		—	—	7,997,000

(1) The Compensation Committee Action Date represents the date on which the Committee authorized the equity-based award. This approval was subject to shareholders approval of the 2011 Cash and Equity Incentive Plan and an effective registration of the shares authorized thereunder. The grant date represents the date on which both the 2011 Cash and Equity Incentive Plan was approved and the shares authorized thereunder were properly registered.

(2) The amount in this column represents shares of restricted stock awarded pursuant to the 2011 Equity and Cash Incentive, which award is described in detail above under the heading "Compensation Discussion and Analysis."

Outstanding Equity Awards at December 31, 2011. The following table summarizes all outstanding equity awards held by our named executive officers as of December 31, 2011. Mr. Laird had no outstanding equity awards at December 31, 2011.

	Stock Awards	
Name	Equity Incentive Plan Awards: Number of Unearned Shares That have Not Vested(1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested(2)
R. H. Dillon	100,000	$7,398,000

(1) The amount in this column represents shares of restricted stock awarded pursuant to the 2011 Plan, which award is described in detail above under the heading "Compensation Discussion and Analysis." These shares will vest on January 1, 2016, subject to the achievement of performance goals established by the Compensation Committee and Mr. Dillon's continued employment by the Company on that date.

(2) Amount reflects the value of the shares of restricted stock shown multiplied by $73.98, the closing market price of the Company's common shares as of December 31, 2011.

Option Exercises and Stock Vested for 2011. Neither Mr. Dillon nor Mr. Laird exercised any options during 2011. The table below sets forth information regarding the vesting during 2011 of stock awards made to Mr. Dillon and Mr. Laird.

	Stock Awards(1)	
Name	Number of Shares Acquired on Vesting	Value Realized on Vesting(2)
R.H. Dillon	27,699	$2,050,000
James F. Laird	7,431	$ 550,000

(1) Reflects stock awards under the 2005 Plan to Messrs. Dillon and Laird as partial payment for amounts earned under the 2010 annual incentive plan. Although the amounts were earned for performance in 2010, the shares were not actually awarded until 2011. These awards were immediately vested on the date of grant, although they were restricted from sale for a period of one year or five years. For more information on these awards see the "Summary Compensation Table" and the "Summary Compensation Table" above.

(2) The value realized is the number of shares vested, multiplied by the closing price of the shares on the grant date because they were immediately vested.

Pension Plans and Non-Qualified Deferred Compensation.

The Company does not maintain any pension plans or non-qualified deferred compensation programs for executives or employees.

Employment Agreements and Change In Control Benefits.

The Company currently has an employment agreement with Mr. Dillon. A description of the agreement is set forth below. The Company is not a party to any employment agreement with any other employees and is not obligated to provide change in control benefits to any employee other than Mr. Dillon.

Employment Agreement with Mr. Dillon. In March 2011, the Company entered into an amended and restated employment agreement with Mr. Dillon, the Company's President and CEO. The agreement has a current expiration date of January 1, 2016. The agreement provides for an annual salary of $360,000, which may be increased (but not reduced) by the Board annually, plus an annual cash bonus of at least 5% of the Company's operating income, with a maximum annual cash bonus of $640,000 and a minimum annual cash bonus of $0. Mr. Dillon also received a restricted stock award of 100,000 shares that vests on January 1, 2016 if performance criteria established by the Compensation Committee are satisfied and Mr. Dillon remains employed by the Company on that date. The performance criteria and vesting provisions of Mr. Dillon's restricted stock award are discussed more thoroughly in the "Compensation Discussion and Analysis" section above. Mr. Dillon's employment agreement also entitles him to receive health insurance and six weeks paid vacation annually and participate in other benefit programs offered to employees. The agreement also restricts Mr. Dillon from competing with the Company during the term of the agreement and for one year following termination of his employment and provides that he will at all times maintain the confidentiality of Company information.

If the Company terminates Mr. Dillon's employment without Cause (as defined in the amended and restated employment agreement), he would be entitled to the following payments, which are quantified to reflect the amounts he would have received had his employment been terminated at December 31, 2011:

1. his accrued but unpaid base salary and vacation and unreimbursed business expenses as of the date of termination ($0 at December 31, 2011);

2. payments, if any, under other benefit plans and programs in effect at the time (the Company currently has no benefit plans that would result in payments upon termination);

3. a single lump sum payment equal to six months base salary at his annual salary rate in effect at the date of termination ($180,000 at December 31, 2011);

4. beginning in the seventh month after the date of termination, six monthly payments of his monthly base salary ($180,000 at December 31, 2011);

5. any portion of the restricted stock award of 100,000 shares as provided in the award agreement those shares were granted under (20,000 shares at December 31, 2011);

6. a lump sum payment equal to the amount, if any, he received as an annual cash bonus for the preceding year ($0 at December 31. 2011);

7. his accrued but unpaid annual cash bonus from the year prior to the date of termination ($0 at December 31, 2011); and

8. a pro rata portion of the annual cash bonus ($640,000 at December 31, 2011).

Mr. Dillon may terminate his employment for "Good Reason," (as defined in the amended and restated employment agreement) which generally includes reduction of his annual base salary or annual cash bonus, permanent or consistent assignment to him of duties inconsistent with his position and authority, no longer having him report directly to the Board or a breach by the Company of his employment agreement. If he terminates his employment for good reason, Mr. Dillon is entitled to all of the payments to which he would be entitled in the event he is terminated without Cause, except for the payment set forth in number 7 above.

If Mr. Dillon's employment terminates due to his death or disability, upon the expiration of the employment agreement in accordance with its terms or the Company terminates Mr. Dillon for "Cause," he will be entitled to receive the payments set forth in numbers 1 and 2 above. In the event of his death or disability, he will also receive the payments described in number 5 and number 8 above and in the event of disability, he will also receive the payments described in number 7 above. Under the employment agreement, "Cause" generally includes material violations of the Company's employment policies, conviction of crime involving moral turpitude, violations of securities or investment adviser laws, causing the Company to violate a law which may result in penalties exceeding $250,000, materially breaching the employment agreement or fraud, willful misconduct or gross negligence in carrying out his duties.

In the event of a Change in Control (as defined in Mr. Dillon's amended and restated employment agreement), all 100,000 shares of restricted stock would immediately vest and become transferable without restriction in accordance with the terms of the award agreement applicable to the restricted stock award. Additionally, if within 24 months after the occurrence of a change in control Mr. Dillon's employment is terminated by the Company for any reason other than death, disability or for Cause, or Mr. Dillon terminates his employment for "Good Reason," he will be entitled to the following payments from us or our successor, in addition to the applicable payments set forth in numbers 1 through 8 above:

- a single lump sum payment equal to his annual base salary and annual cash bonus payable to him for the most recently completed fiscal year ($1,000,000 at December 31, 2011); and
- a single lump sum payment equal to 12 months of premium payments for coverage for Mr. Dillon and his family under our group health plan ($4,513 at December 31, 2011).

If any payments to Mr. Dillon in connection with a change in control would constitute excess parachute payments under applicable tax laws, Mr. Dillon will receive gross-up payments in an amount that covers any taxes, interest, penalties, additional taxes or costs incurred and leaves Mr. Dillon with the amount he would have retained if the payments he received upon the change of the control had not constituted excess parachute payments.

REPORT OF THE COMPENSATION COMMITTEE

The Board's Compensation Committee has submitted the following report for inclusion in this Proxy Statement:

We have reviewed and discussed the Compensation Discussion and Analysis contained in this Proxy Statement with management. Based on such review and discussion, we recommended that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

Submitted by the Compensation Committee of the Board of Directors:

Frances A. Skinner, Chair
Donald B. Shackelford
Peter J. Moran

PROPOSAL 2:
RATIFICATION OF THE APPOINTMENT OF PLANTE & MORAN PLLC AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012

The Audit Committee has again retained Plante & Moran as the Company's independent registered public accounting firm for the 2012 fiscal year, and is asking that our shareholders ratify this appointment. Plante & Moran has served as our independent registered public accounting firm since November 2005.

Representatives of Plante & Moran are expected to be present at the Annual Meeting to respond to appropriate questions from shareholders and to make such statements as they may desire.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF PLANTE & MORAN AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2012.

If Proposal 2 is not approved, the Audit Committee will reconsider the appointment of Plante & Moran as our independent registered public accounting firm for 2012.

Disclosure of Fees Charged by the Independent Registered Public Accounting Firm

The following table summarizes the fees billed by Plante & Moran for services rendered to the Company and its subsidiaries during 2010 and 2011.

	Year Ended 12/31/2011	Year Ended 12/31/2010
Audit Fees(1)	$ 78,000	$ 75,750
Audit-Related Fees	—	—
Tax Fees(2)	$ 27,000	$ 26,850
All Other Fees(3)	—	$ 15,000
Total Plante & Moran Fees	$105,000	$117,600

(1) Audit fees include professional services rendered for the audit of annual financial statements, reviews of quarterly financial statements, issuance of consents, and assistance with review of other documents filed with the SEC.

(2) Tax fees include services related to tax compliance, tax advice and tax planning including the preparation of tax returns and assistance with tax audits.

(3) Other fees include services related to assisting management with calculating the Company's "earnings and profits" in order to determine the proper tax character of the special dividends paid.

Preapproval by Audit Committee

The Audit Committee pre-approves the audit and non-audit services provided by the independent registered public accounting firm to ensure that the provision of the services does not impair the firm's independence. All services disclosed above were pre-approved by the Audit Committee.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee is comprised of three independent directors operating under a written charter adopted by the Board. Annually, the Audit Committee engages the Company's independent registered public accounting firm. Plante & Moran served as the Company's independent registered public accounting firm for the year ended December 31, 2011.

Management is responsible for preparation of the Company's financial statements and for designing and maintaining the Company's systems of internal controls and financial reporting processes. The Company's independent registered public accounting firm is responsible for performing an audit of the Company's consolidated financial statements in accordance with standards of the Public Company Accounting Oversight Board and issuing reports on the Company's financial statements and the effectiveness of the Company's internal controls over financial reporting. The Audit Committee's responsibility is to provide independent, objective oversight of these processes.

Pursuant to this responsibility, the Audit Committee met with management and Plante & Moran throughout the year. The Audit Committee reviewed the audit plan and scope with Plante & Moran and discussed with them the matters required by Statement on Auditing Standards No. 114 (The Auditor's Communication with Those Charged with Governance), as may be amended from time to time. The Audit Committee also met with Plante & Moran without management present to discuss the results of their audit work, their evaluation of the Company's system of internal controls and the quality of the Company's financial reporting.

The Committee also discussed with Plante & Moran its independence from management and the Company, and received its written disclosures pursuant to applicable requirements of the PCAOB regarding the independent accountant's communication with the audit committee concerning independence.

Management has represented to the Audit Committee that the Company's consolidated financial statements for the year ended December 31, 2011, were prepared in accordance with United States generally accepted accounting principles, and the Audit Committee reviewed and discussed the audited consolidated financial statements with management and Plante & Moran. Based on the Audit Committee's discussions with management and Plante & Moran and review of Plante & Moran's report to the Audit Committee, the Audit Committee recommended to the Board of Directors (and the Board has approved) that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, filed with the SEC.

Submitted by the Audit Committee of the Board of Directors:

David P. Lauer, Chairman
Lawrence E. Baumgartner
Frances A. Skinner

PROPOSAL 3:
ADVISORY VOTE ON THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS

The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted in July 2010, requires that we provide our shareholders with the opportunity to vote to approve, on a non-binding, advisory basis, the compensation of our executive officers identified in the Summary Compensation Table of this Proxy Statement (the "named executive officers") as disclosed in this Proxy Statement in accordance with the SEC's rules.

As described in detail in the section entitled, "EXECUTIVE OFFICERS AND COMPENSATION INFORMATION", we believe that executive compensation should be linked with the Company's performance and significantly aligned with the interests of the Company's shareholders. In addition, our executive compensation program is designed to allow us to retain, and recognize the contributions of, employees who play a significant role in our current and future success. We urge you to read the Compensation Discussion and Analysis, the 2011 Summary Compensation Table and the other related tables and disclosure for a detailed description of the fiscal year 2011 compensation of our named executive officers.

The vote on this resolution is not intended to address any specific element of compensation; rather, the advisory vote relates to the overall compensation of our named executive officers. This vote is advisory and therefore not binding on the Company. However, the Board and the Compensation Committee will review the voting results and will take into account the outcome of the vote when determining future compensation for the Company's named executive officers.

Accordingly, we ask our shareholders to vote on the following resolution:

"RESOLVED, that the Company's shareholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2011 Summary Compensation Table and the other related tables and disclosure."

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE APPROVAL OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SEC.

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Given the Company's relatively small size, the relatively small number of record shareholders, and the Board's consistent practice of being open to receiving direct communications from shareholders, the Board believes that it is not necessary to implement, and we do not have, a formal process for shareholders to send communications to the Board. Our practice is to forward any communication addressed to the full Board to the Chairman, to a group of directors to a member of the group, or to an individual director, to that person.

SHAREHOLDER PROPOSALS FOR 2013 ANNUAL MEETING

Shareholders are entitled to submit proposals on matters appropriate for shareholder action consistent with SEC rules and our Code of Regulations. Should a shareholder wish to have a proposal appear in the Proxy Statement for next year's annual meeting, under applicable SEC rules, the proposal must be received by the Company's Secretary on or before November 14, 2012, and must otherwise comply with the requirements of Rule 14a-8 of the Exchange Act. If a shareholder intends to present a proposal at next year's annual meeting but does not intend to seek the inclusion of such proposal in our Proxy Statement, such proposal must be received by the Company prior to January 28, 2013, or management proxies will be entitled to use discretionary voting authority should such proposal be raised without any discussion of the matter in the Proxy Statement. The Company's address is 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215.

SHAREHOLDERS SHARING THE SAME ADDRESS

The SEC has implemented rules regarding the delivery of proxy materials (i.e., annual reports, proxy statements, proxy statements combined with a prospectus or any information statements provided to shareholders) to households. This method of delivery, often referred to as "householding," would generally permit the Company to send a single annual report and a single proxy statement to any household at which two or more different shareholders reside if the Company believes such shareholders share the same address, unless the shareholder(s) have opted out of the householding process. Each shareholder would continue to receive a separate notice of any meeting of shareholders and proxy card. The householding procedure reduces the volume of duplicate information you receive and reduces expenses. The Company has instituted householding. If (i) you wish to receive separate annual reports or proxy statements, either this year or in the future, or (ii) members of your household receive multiple copies of the annual report and proxy statement and you wish to request householding, you may contact the Company's transfer agent, Continental Stock Transfer & Trust Company at 17 Battery Place, New York, New York 10004, or write to Mr. James Laird at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215.

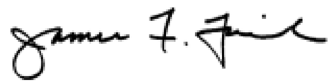
In addition, many brokerage firms and other holders of record have instituted householding. If your family has one or more "street name" accounts under which our shares are beneficially owned, you may have received householding information from your broker, financial institution or other nominee in the past. Please contact the holder of record directly if you have questions, require additional copies of this Proxy Statement or Annual Report on Form 10-K or wish to revoke your decision to household and thereby receive multiple copies. You should also contact the holder of record if you wish to institute householding. These options are available to you at any time.

OTHER BUSINESS

The Board knows of no other business to be acted upon at the Annual Meeting. However, if any other business properly comes before the Annual Meeting, it is the intention of the persons named in the enclosed Proxy to vote on such matters in accordance with their best judgment.

The prompt completion, execution, and delivery of your proxy card or your submission of voting instructions electronically over the Internet or by telephone will be appreciated. Whether or not you expect to attend the Annual Meeting, please complete and sign the Proxy and return it in the enclosed envelope, or vote your proxy electronically via the Internet or telephonically.

By Order of the Board of Directors



James F. Laird
Secretary

United States Securities and Exchange Commission
Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

Commission file number 000-24498

DIAMOND HILL INVESTMENT GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio	65-0190407
(State of incorporation)	(I.R.S. Employer Identification No.)
325 John H. McConnell Blvd., Suite 200, Columbus, Ohio 43215	614-255-3333
(Address of principal executive offices) (Zip Code)	(Registrant's telephone number)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common shares, no par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

Aggregate market value of the registrant's common shares (the only common equity of the registrant) held by non-affiliates of the registrant, based on the closing price of $81.29 on June 30, 2011 on the NASDAQ Global Select Market was $181,168,747. Calculation of holdings by non-affiliates is based upon the assumption, for these purposes only, that the registrant's executive officers and directors and persons holding five percent or more of the registrant's common shares are affiliates.

3,084,982 Common Shares outstanding as of March 7, 2012.

Documents incorporated by reference: Portions of the registrant's definitive proxy statement for the 2012 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, are incorporated by reference into Part III of this report.

Diamond Hill Investment Group, Inc.
Form 10-K
For the Fiscal Year Ended December 31, 2011
Index

PART I

Item 1. Business

Forward-Looking Statements

Throughout this Annual Report on Form 10-K, Diamond Hill Investment Group, Inc. (the "Company") may make forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, relating to such matters as anticipated operating results, prospects for achieving the critical threshold of assets under management, technological developments, economic trends (including interest rates and market volatility), expected transactions and acquisitions and similar matters. The words "believe," "expect," "anticipate," "estimate," "should," "hope," "seek," "plan," "intend" and similar expressions identify forward-looking statements that speak only as of the date thereof. While the Company believes that the assumptions underlying its forward-looking statements are reasonable, investors are cautioned that any of the assumptions could prove to be inaccurate and accordingly, the actual results and experiences of the Company could differ materially from the anticipated results or other expectations expressed by the Company in its forward-looking statements. Factors that could cause such actual results or experiences to differ from results discussed in the forward-looking statements include, but are not limited to: the adverse effect from a decline in the securities markets; a decline in the performance of the Company's products; changes in interest rates; a general or prolonged downturn in the economy; changes in government policy and regulation, including monetary policy; changes in the Company's ability to attract or retain key employees; unforeseen costs and other effects related to legal proceedings or investigations of governmental and self-regulatory organizations; and other risks identified from time-to-time in the Company's other public documents on file with the U. S. Securities and Exchange Commission ("SEC"), including those discussed below in Item 1A.

General

The Company, an Ohio corporation organized in April 1990, derives its consolidated revenue and net income from investment advisory and fund administration services provided by its subsidiaries Diamond Hill Capital Management, Inc. ("DHCM"), Beacon Hill Fund Services, Inc. ("BHFS"), and BHIL Distributors, Inc. ("BHIL"). BHFS and BHIL collectively operate as Beacon Hill. DHCM is a registered investment adviser under the Investment Advisers Act of 1940 providing investment advisory services to individuals and institutional investors through Diamond Hill Funds, separate accounts, and private investment funds (generally known as "hedge funds"). Beacon Hill was incorporated during the first quarter of 2008, and provides certain fund administration services and underwriting services to mutual fund companies, including Diamond Hill Funds.

The Company's primary objective is to fulfill its fiduciary duty to clients through a disciplined intrinsic value approach to investing. Its secondary objective is to achieve an adequate long-term return for shareholders.

The Company sponsors, markets, and provides investment advisory and related services to various U.S. and foreign clients including mutual funds, separate accounts, and private investment funds. The Company's principal source of revenue is investment advisory fee income earned pursuant to investment advisory contracts with its clients. This fee income is based primarily upon the net assets of the funds or separate accounts. The Company's investment advisory revenue depends largely on the total value and composition of assets under management ("AUM"). Accordingly, fluctuations in financial markets and in the composition of AUM impact our revenues and results of operations.

Investment Advisory Activities

DHCM executes its investment strategies through fundamental research and valuation disciplines. DHCM's analysts evaluate a company's prospects based upon its current business and financial position, future growth opportunities, and management capability and strategy. The intended result is an estimate of "intrinsic value." Intrinsic value is the present value of estimated future cash flows, discounted at a rate that reflects the required return for the investment given the estimated level of risk. In other words, it is the estimated price a minority shareholder should pay in order to achieve a satisfactory or "fair" return on the investment. The estimate of intrinsic value is then compared to the current market price to evaluate whether, in the opinion of DHCM, an attractive investment opportunity exists. A proprietary valuation model, which takes into account projected cash flows for five years including a "terminal value" (the expected stock price in five years), assists in many of these intrinsic value estimations. DHCM also applies an intrinsic value philosophy to the analysis of fixed income securities.

DHCM believes that although securities markets are competitive, pricing inefficiencies often exist allowing for attractive investment opportunities. Furthermore, DHCM believes that investing in securities whose market prices are significantly below DHCM's estimate of intrinsic value (or selling short securities whose market prices are above DHCM's estimate of intrinsic value) is a reliable method to achieve above average relative returns as well as mitigate risk.

Current portfolio strategies managed by DHCM include Small Cap, Small-Mid Cap, Large Cap, Select, Long-Short, Research Opportunities, Financial Long-Short, and Strategic Income. These strategies are available on a separately managed basis and/or through a mutual fund. The Long-Short strategy is also available through private investment funds that are offered to accredited and qualified investors in the United States and around the world. The Company believes its desire to grow AUM should never come before its fiduciary obligation to clients. Once the Company determines that the size of any of its strategies hinders its ability to either differentiate its product or add value for its clients, the Company will close those strategies to new clients, which may impact the Company's ability to grow AUM. The Small Cap strategy was closed to new investors as of December 31, 2005 and re-opened on September 1, 2007. The Long-Short strategy was closed to new investors as of June 30, 2008 and re-opened on December 31, 2008.

Marketing

DHCM primarily generates business through wholesaling to financial intermediaries, including independent registered investment advisors, brokers, financial planners, investment consultants and third party marketing firms. In addition, DHCM actively markets its separately managed accounts directly to institutional plan sponsors.

Assets Under Management

As of December 31, 2011, AUM totaled $8.7 billion, a 1% increase from December 31, 2010. The following tables show AUM by product and investment objective for the dates indicated and a roll-forward of the change in AUM for the years ended December 31, 2011, 2010, and 2009:

	Assets Under Management by Product As of December 31,		
(in millions)	**2011**	**2010**	**2009**
Mutual funds	$4,237	$4,198	$3,494
Sub-advised mutual funds	972	930	146
Separate accounts	3,294	3,284	2,423
Private investment funds	168	211	220
Total AUM	$8,671	$8,623	$6,283

	Assets Under Management by Investment Objective As of December 31,		
(in millions)	**2011**	**2010**	**2009**
Small Cap	$ 932	$ 948	$ 625
Small-Mid Cap	277	196	146
Large Cap	4,885	4,631	2,654
Select (All Cap)	321	422	400
Long-Short	2,082	2,251	2,300
Strategic Income	174	175	158
Total AUM	$8,671	$8,623	$6,283

(in millions)	Change in Assets Under Management For the Year Ended December 31, 2011	2010	2009
AUM at beginning of the year	$8,623	$6,283	$4,510
Net cash inflows (outflows)			
mutual funds	77	467	(109)
sub-advised mutual funds	21	714	6
separate accounts	(74)	532	734
private investment funds	(21)	(15)	(52)
	3	1,698	579
Net market appreciation and income	45	642	1,194
Increase during the year	48	2,340	1,773
AUM at end of the year	$8,671	$8,623	$6,283

Diamond Hill Funds

The Diamond Hill Funds (the "Funds") are used by over 12,600 financial representatives at over 1,300 financial intermediary firms. Below is a summary of the assets by distribution channel as of December 31, 2011, 2010, and 2009:

(in millions)	Diamond Hill Funds Assets by Distribution Channel As of December 31, 2011	2010	2009
Registered investment advisors	$1,049	$1,080	$1,272
Independent broker/dealers	665	815	757
Wirehouse broker/dealers	674	775	824
Banks	927	797	43
Defined contribution	737	493	211
Other	145	192	348
Total	$4,197	$4,152	$3,455

Sub-advised mutual funds

Since 2009, DHCM has increased its sub-advised mutual funds relationships by $826 million. Sub-advised mutual funds are registered investment companies, where DHCM manages an allocated portion of the fund and has limited distribution responsibilities.

Institutional Accounts

DHCM develops institutional relationships for separately managed accounts through consultant relationships and directly with plan sponsors.

Growth Prospects

DHCM's investment strategies have produced long-term investment returns that the Company views as strong and believes compare favorably to competitors. Investment returns have been a key driver in the success the Company has achieved in growing AUM.

As a result, the Company has continued to invest in marketing throughout 2011 in an effort to expand distribution. Such expenditures included:

- adding business development and support staff;
- attending and sponsoring key industry conferences; and
- adding systems infrastructure to support client service and portfolio administration.

The cost of these efforts was significant, but the Company believes the cost will be proportional to the increase in revenue during future years. There can be no assurance that the Company's marketing efforts will prove successful; however, given the strong investment results of the Funds and institutional composites, the Company believes the additional resources devoted to marketing are warranted.

Also recognizing that the Company's primary responsibility is to clients, the Company will continue to invest in its investment team and close investment strategies to new investors when appropriate. Over the last three years, the Company substantially increased its equity investment team by growing the team from 25 at the end of 2008 to 30 at the end of 2011. Most of the additional investment team staff had been on the research team, which now totals 19.

The Company believes that one of the most important characteristics exhibited by the best investment firms is excellent investment returns for their clients over a long period of time. The Company is pleased that, during its history as an investment advisory firm, it has delivered what it believes are strong investment returns for its clients. However, the Company is mindful that if it fails to deliver acceptable investment returns in the future, its financial condition, results of operations and business growth will likely be negatively impacted. There are certain additional business risks that may prevent the Company from achieving the above growth prospects. These risks are detailed in Item 1A.

Fund Administration Activities

DHCM and Beacon Hill provide fund administration services to Diamond Hill Funds and other third party mutual fund companies. Fund administration services are broadly defined as portfolio and regulatory compliance, treasury and financial oversight, underwriting, and general oversight of other back-office services providers such as the custodian, fund accountant, and transfer agent. During the past several years, there has been continuing consolidation in the mutual fund servicing industry, whereby large financial services firms have purchased independent mutual fund service providers. Some of these larger financial services firms have made the decision not to offer statutory underwriting services to mutual funds, due to regulatory and other business conflicts. This consolidation, along with a growing desire for transparent and independent oversight of mutual fund financial reporting and compliance program activities, has provided opportunities in the marketplace for the Company to grow its fund administration services. During 2008, Beacon Hill completed the build out of its infrastructure and began operations. During 2009, 2010, and 2011, Beacon Hill continued to focus on growing its client base.

Competition

Competition in the area of investment management services and mutual funds is intense, and the Company's competitors include investment management firms, broker-dealers, banks and insurance companies, some of whom offer various investment alternatives. Many competitors are better known than the Company, offer a broader range of investment products and have more offices, employees and business development representatives. The Company competes primarily on the basis of investment philosophy, performance and client service.

Corporate Investment Portfolio

The Company expects to hold investment positions in Diamond Hill Funds and its private investment funds.

Regulation

DHCM is registered with the SEC under the Investment Advisers Act of 1940 (the "Advisers Act") and operates in a highly regulated environment. The Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary duties, recordkeeping requirements, operational requirements and disclosure obligations. All Diamond Hill Funds are registered with the SEC under the Investment Company Act of 1940 and are required to make notice filings with all states where they are offered for sale. Virtually all aspects of the Company's investment management business are subject to various federal and state laws and regulations. BHIL is registered with the SEC as a broker/dealer and is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA").

Generally, these laws and regulations are intended to benefit shareholders of the funds and separately managed account clients and grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict the Company from carrying on its investment management and mutual fund underwriting business in the event that it fails to comply with such laws and regulations. In such event, possible sanctions which may be imposed include the suspension of individual employees, limitations on engaging in various activities for specified periods of time, the revocation of broker-dealer or investment adviser registration, and other censures or fines. The Company continuously monitors legislative, tax, regulatory, accounting and compliance developments that could impact its business.

Contractual Relationships with the Diamond Hill Funds

The Company is very dependent on its contractual relationships with the Funds. In the event the Company's advisory or administration agreements with the Funds are terminated, not renewed, or amended to reduce fees, the Company would be materially and adversely affected. Generally, these agreements are terminable by either party upon 60 days written notice without penalty. The agreements are subject to annual approval by either (i) the board of trustees of the Funds or (ii) a vote of the majority of the outstanding voting securities of each Fund. The agreements automatically terminate in the event of their assignment by either the Company or the Fund. The Company generated approximately 61%, 66% and 69% of its 2011, 2010 and 2009 revenues, respectively, from its advisory and administrative contracts with the Funds, including 26%, 11%, and 10% from the advisory contracts with the Diamond Hill Long-Short Fund, Large Cap Fund, and Small Cap Fund, respectively, during 2011. The loss of the Long-Short Fund, Large Cap Fund, or Small Cap Fund contracts would have a material adverse effect on the Company. The Company considers its relationship with the Funds and their board of trustees to be good, and it has no reason to believe that these advisory or administration contracts will not be renewed in the future; however, there is no assurance that the Funds will choose to continue their relationships with the Company.

Employees

As of December 31, 2011, the Company and its subsidiaries employed 73 full-time equivalent employees. As of December 31, 2010, the comparable number was 74. The Company believes that its relationship with its employees is good and does not anticipate any material change in the number of employees.

SEC Filings

The Company maintains an Internet website at www.diamond-hill.com. Annual reports on Form 10-K, quarterly reports on Form 10-Q, XBRL instance documents, current reports on Form 8-K and amendments to those reports, filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available free of charge, on or through the Company's website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. The contents of the Company's website are not incorporated into, or otherwise made a part of, this Annual Report on Form 10-K.

ITEM 1A. Risk Factors

The Company's future results of operations, financial condition, liquidity, and the market price of the Company's common shares are subject to various risks, including those mentioned below and those that are discussed from time-to-time in the Company's other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information contained in this report, before making an investment decision regarding the Company's common shares. There may be additional risks of which the Company is currently unaware, or which it currently considers immaterial. The occurrence of any of these risks could have a material adverse effect on the Company's financial condition, results of operations, liquidity, and value of its common shares. Also see "Forward Looking Statements" within Item 1 of Part I of this Form 10-K.

Poor investment results of the Company's products could affect its ability to attract new clients or reduce the amount of assets under management, potentially negatively impacting revenue and net income.

If the Company fails to deliver acceptable investment results for its clients, both in the short and long term, it will likely experience diminished investor interest and potentially a diminished level of AUM.

The Company's success depends on its key personnel, and its financial performance could be negatively affected by the loss of their services.

The Company's success depends on highly skilled personnel, including portfolio managers, research analysts, and management, many of whom have specialized expertise and extensive experience in the investment management industry. Financial services professionals are in high demand, and the Company faces significant competition for qualified employees. With the exception of the Chief Executive Officer, key employees do not have employment contracts and generally can terminate their employment at any time. The Company cannot assure that it will be able to retain or replace key personnel. In order to retain or replace its key personnel, the Company may be required to increase compensation, which would decrease net income. The loss of key personnel could damage the Company's reputation and make it more difficult to retain and attract new employees and clients. A loss of client assets resulting from the departure of key personnel would decrease the Company's revenues and net income, possibly materially.

The Company's AUM, which impacts revenue, is subject to significant fluctuations.

Substantially all revenue for the Company is calculated as a percentage of AUM or is based on the general performance of the equity securities market. A decline in securities prices (such as that experienced during the last half of 2008 and first quarter of 2009) or in the sale of investment products, or an increase in fund redemptions, generally would reduce fee income. Financial market declines would generally negatively impact the level of the Company's AUM and consequently its revenue and net income. A recession or other economic or political events, both in the United States as well as globally, could also adversely impact the Company's revenue, if such events led to a decreased demand for products, a higher redemption rate, or a decline in securities prices.

The investment results and/or the growth in the Company's AUM may be constrained if appropriate investment opportunities are not available or if the Company closes certain of its portfolios.

The Company's ability to deliver strong investment results depends in large part on its ability to identify appropriate investment opportunities in which to invest client assets. If the Company is unable to identify sufficient investment opportunities for existing and new client assets on a timely basis, its investment results could be adversely affected. The risk that appropriate investment opportunities may be unavailable is influenced by a number of factors, including general market conditions, and is likely to increase if the Company's AUM increases rapidly. In addition, if the Company determines that sufficient investment opportunities are not available for a portfolio strategy, or the Company believes that in order to continue to produce attractive returns from a portfolio, the Company will consider closing the portfolio to new investors. If the Company misjudges the point at which it would be optimal to close a portfolio, the investment results of the portfolio could be negatively impacted.

The Company is subject to substantial competition in all aspects of its business.

The Company's investment products compete against a number of investment products and services from:

- asset management firms;
- mutual fund companies;
- commercial banks and thrift institutions;
- insurance companies;
- hedge funds; and
- brokerage and investment banking firms.

Many of these financial institutions have substantially greater resources than the Company and may offer a broader range of products or operate in more markets. Some of these institutions operate in a different regulatory environment, which may give them certain competitive advantages in the investment products and portfolio structures that they offer. The Company competes with other providers of investment advisory services primarily based upon its investment philosophy, performance and client service. Some institutions have proprietary products and distribution channels that make it more difficult for the Company to compete with them. If current or potential customers decide to use one of the Company's competitors, the Company could face a significant decline in market share, AUM, revenues, and net income. If the Company is required to lower its fees in order to remain competitive, its net income could be significantly reduced because some of its expenses are fixed, especially over shorter periods of time, and other expenses may not decrease in proportion to the decrease in revenues.

The Company depends on third-party distribution sources to market its portfolios and access its client base.

The Company's ability to attract additional assets to manage is dependent on the Company's access to third-party intermediaries. The Company gains access to mutual fund investors and some retail and institutional clients through third parties, including mutual fund platforms and financial intermediaries. The Company compensates intermediaries for access to investors and for various services provided. These distribution sources and client bases may not continue to be accessible to the Company for reasonable terms, or at all. Limiting or the total absence of such access could have an adverse effect on the Company's results of operations. The recent economic downturn and consolidation in the broker-dealer industry may lead to reduced distribution access and increases in fees the Company is required to pay to intermediaries. If such increased fees should be required, refusal to pay them could restrict the Company's access to those client bases while paying them could adversely affect the Company's profitability.

A significant portion of the Company's revenues are based on contracts with the Diamond Hill Funds that are subject to termination without cause and on short notice.

The Company is very dependent on its contractual relationships with the Funds. In the event the Company's advisory or administration agreements with the Funds are terminated, not renewed, or amended to reduce fees, the Company would be materially and adversely affected. Generally, these agreements are terminable by either party upon 60 days written notice without penalty. The agreements are subject to annual approval by either (i) the board of trustees of the Funds or (ii) a vote of the majority of the outstanding voting securities of each Fund. The agreements automatically terminate in the event of their assignment by either the Company or the Fund. The Company generated approximately 61%, 66% and 69% of its 2011, 2010 and 2009 revenues, respectively, from its advisory and administrative contracts with the Funds, including 26%, 11%, and 10% from the advisory contracts with the Diamond Hill Long-Short Fund, Large Cap Fund, and Small Cap Fund, respectively, during 2011. The loss of the Long-Short Fund, Large Cap Fund, or Small Cap Fund contracts would have a material adverse effect on the Company. The Company considers its relationship with the Funds and their board of trustees to be good, and it has no reason to believe that these advisory or administration contracts will not be renewed in the future; however, there is no assurance that the Funds will choose to continue their relationships with the Company.

Operational risks may disrupt the Company’s business, result in losses or limit the Company’s growth.

The Company is dependent on the capacity and reliability of the communications, information and technology systems supporting its operations, whether developed, owned and operated by the Company or by third parties. Operational risks such as trading or operational errors or interruption of our financial, accounting, trading, compliance and other data processing systems could result in a disruption of the Company’s business, liability to clients, regulatory intervention or reputational damage, and thus adversely affect the Company’s business.

The Company’s business is subject to substantial governmental regulation.

The Company’s business is subject to a variety of federal securities laws including the Investment Advisers Act of 1940, the Investment Company Act of 1940, the Securities Exchange Act of 1934, the Sarbanes-Oxley Act of 2002, and the U.S. Patriot Act of 2001. In addition, the Company is subject to significant regulation and oversight by the SEC and FINRA. Changes in legal, regulatory, accounting, tax and compliance requirements could have a significant effect on the Company’s operations and results, including but not limited to increased expenses and reduced investor interest in certain funds and other investment products offered by the Company. The Company continually monitors legislative, tax, regulatory, accounting, and compliance developments that could impact its business.

The Company will continue to seek to understand, evaluate and when possible, manage and control these and other business risks.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

The Company leases approximately 25,500 square feet of office space at two locations in Columbus, Ohio.

The Company does not own any real estate or interests in real estate.

ITEM 3. Legal Proceedings

From time to time, the Company is party to ordinary routine litigation that is incidental to its business. The Company believes these claims will not have a material adverse effect on its financial condition, liquidity or results of operations.

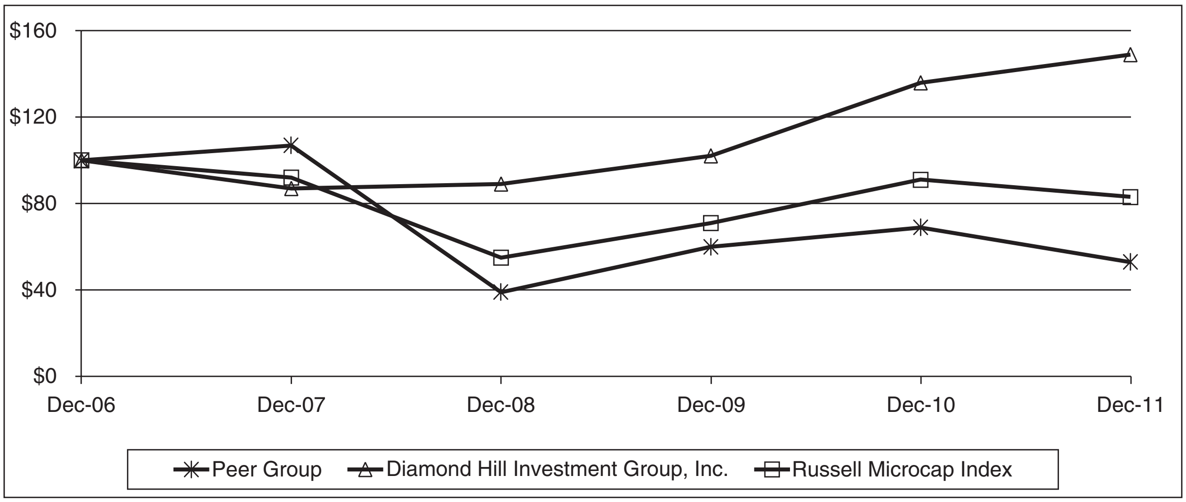
ITEM 4. Mine Safety Disclosures

Done.

PART II

ITEM 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

The following performance graph compares the total shareholder return of an investment in the Company's common shares to that of the Russell Microcap® Index, and to a peer group index of publicly traded asset management firms for the five-year period ending on December 31, 2011. The graph assumes that the value of the investment in the Company's common shares and each index was $100 on December 31, 2006. Total return includes reinvestment of all dividends. The Russell Microcap® Index makes up less than 3% of the U.S. equity market and is a market-value-weighted index of the smallest 1,000 securities in the small-cap Russell 2000® Index plus the next 1,000 smallest securities. Peer Group returns are weighted by the market capitalization of each firm at the beginning of the measurement period. The historical information set forth below is not necessarily indicative of future performance. Diamond Hill does not make or endorse any predictions as to future stock performance.



	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010	12/31/2011
Diamond Hill Investment Group, Inc.	100	87	89	102	136	149
Russell Microcap® Index	100	92	55	71	91	83
Peer Group*	100	107	39	60	69	53

* The following companies are included in the Peer Group: Westwood Holdings Group, Inc.; Epoch Holding Corp.; Eaton Vance Corp.; Waddell & Reed Financial, Inc.; Federated Investors, Inc.; GAMCO Investors, Inc.; Affiliated Managers Group, Inc.; Legg Mason, Inc.; U.S. Global Investors, Inc.; Alliance Bernstein Holding L.P.; Janus Capital Group, Inc.; SEI Investments, Co.; Cohen & Steers, Inc.; and Calamos Asset Management, Inc.

The Company's common shares trade on the NASDAQ Global Select Market under the symbol DHIL. The following table sets forth the high and low sales prices during each quarter of 2011 and 2010:

	2011			2010		
	High Price	Low Price	Dividend Per Share	High Price	Low Price	Dividend Per Share
Quarter ended:						
March 31	$80.00	$67.16	$ —	$74.84	$54.58	$ —
June 30	$82.90	$77.00	$ —	$82.49	$55.88	$ —
September 30	$84.96	$65.10	$ —	$74.95	$50.52	$ —
December 31	$81.52	$60.32	$5.00	$86.15	$68.86	$13.00

Due to the relatively low volume of traded shares, quoted prices cannot be considered indicative of any viable market for such shares. During the years ended December 31, 2011 and 2010, approximately 2,429,600 and 2,025,600, respectively, of the Company's common shares were traded. The dividends indicated above were special dividends. The Company has not paid regular quarterly dividends in the past, and has no present intention of paying regular dividends in the future. The approximate number of registered holders of record of the Company's common shares at December 31, 2011 was 238.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The Company purchased 15,462 of its common shares during the third quarter of 2011. There were no other purchases of the Company's common shares during the year ended December 31, 2011. The following table sets forth information regarding the Company's repurchase program of its common shares during the fourth quarter of fiscal year 2011:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Cumulative Number of Shares Purchased as part of a Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet Be Purchased Under the Plans or Programs(1)
October 1, 2011 through October 31, 2011	—	—	31,567	318,433
November 1, 2011 through November 30, 2011	—	—	31,567	318,433
December 1, 2011 through December 31, 2011	—	—	31,567	318,433

(1) —The Company's current share repurchase program was announced on August 9, 2007. The board of directors authorized management to repurchase up to 350,000 shares of its common stock in the open market and in private transactions in accordance with applicable securities laws. The Company's stock repurchase program is not subject to an expiration date.

ITEM 6. Selected Financial Data

The following selected financial data should be read in conjunction with the Company's Consolidated Financial Statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in this Annual Report on Form 10-K.

	For the Years Ended December 31,				
	2011	2010	2009	2008	2007
Income Statement Data (in thousands):					
Total revenues	$ 63,838	$ 56,704	$ 43,562	$ 47,019	$ 41,308
Compensation and related costs	32,875	30,991	24,114	26,120	20,007
Other expenses	7,902	7,240	7,336	7,170	7,223
Total expenses	40,777	38,231	31,450	33,290	27,230
Net operating income	23,061	18,473	12,112	13,729	14,078
Net income	14,353	12,402	11,374	3,276	9,932
Operating profit margin	36.1%	32.6%	27.8%	29.2%	34.1%
Per Share Information:					
Basic earnings	$ 4.86	$ 4.48	$ 4.40	$ 1.36	$ 4.61
Diluted earnings	4.86	4.48	4.40	1.36	4.39
Cash dividend declared	5.00	13.00	10.00	10.00	—
Weighted Average Shares Outstanding					
Basic	2,951,751	2,766,741	2,582,998	2,400,142	2,155,829
Diluted	2,951,751	2,767,895	2,587,751	2,408,476	2,264,234

	At December 31,				
	2011	2010	2009	2008	2007
Balance Sheet Data (in thousands):					
Total assets	$37,720	$28,566	$40,505	$44,540	$53,284
Long-term debt	—	—	—	—	—
Shareholders equity	18,050	7,498	22,981	30,246	39,308
Assets Under Management (in millions)	$ 8,671	$ 8,623	$ 6,283	$ 4,510	$ 4,403
Net Client Flows (in millions)	3	1,698	579	1,977	602

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

In this section, the Company discusses and analyzes the consolidated results of operations for the past three fiscal years and other factors that may affect future financial performance. This discussion should be read in conjunction with the Company's Consolidated Financial Statements, Notes to Consolidated Financial Statements, and Selected Financial Data contained in this Form 10-K.

The Company's revenue is derived primarily from investment advisory and administration fees. Investment advisory and administration fees paid to the Company are generally based on the value of the investment portfolios managed by the Company and fluctuate with changes in the total value of the AUM. Such fees are recognized in the period that the Company manages these assets. The Company's primary expense is employee compensation and benefits.

Revenues are highly dependent on both the value and composition of AUM. The following is a summary of the Company's AUM by product and a roll-forward of the change in AUM for the years ended December 31, 2011, 2010, and 2009:

	Assets Under Management by Product As of December 31,		
(in millions)	2011	2010	2009
Mutual funds	$4,237	$4,198	$3,494
Sub-advised funds	972	930	146
Separate accounts	3,294	3,284	2,423
Private investment funds	168	211	220
Total AUM	$8,671	$8,623	$6,283

	For the Year Ended December 31,		
(in millions)	2011	2010	2009
AUM at beginning of the year	$8,623	$6,283	$4,510
Net cash inflows (outflows)			
mutual funds	77	467	(109)
sub-advised mutual funds	21	714	6
separate accounts	(74)	532	734
private investment funds	(21)	(15)	(52)
	3	1,698	579
Net market appreciation and income	45	642	1,194
Increase during the year	48	2,340	1,773
AUM at end of the year	$8,671	$8,623	$6,283

Consolidated Results of Operations

The following is a discussion of the consolidated results of operations of the Company and a detailed discussion of the Company's revenues and expenses.

(in thousands, except per share data)	2011	2010	% Change	2010	2009	% Change
Net operating income	$23,061	$18,473	25%	$18,473	$12,112	53%
Net operating income after tax(a)	$14,394	$11,643	24%	$11,643	$ 7,867	48%
Net income	$14,353	$12,402	16%	$12,402	$11,374	9%
Net operating income after tax per share(a)						
Basic	$ 4.88	$ 4.21	16%	$ 4.21	$ 3.05	38%
Diluted	$ 4.88	$ 4.21	16%	$ 4.21	$ 3.04	38%
Net income per share						
Basic	$ 4.86	$ 4.48	8%	$ 4.48	$ 4.40	2%
Diluted	$ 4.86	$ 4.48	8%	$ 4.48	$ 4.40	2%
Operating profit margin	36.1%	32.6%	NM	32.6%	27.8%	NM

(a) — Net operating income after tax, which is a non-GAAP performance measure, is reconciled to net operating income in "Use of Supplemental Data as Non-GAAP Performance Measure" on page 19 of this report.

Year Ended December 31, 2011 compared with Year Ended December 31, 2010

The Company posted net income of $14.3 million ($4.86 per diluted share) for the year ended December 31, 2011, compared with net income of $12.4 million ($4.48 per diluted share) for the year ended December 31, 2010. While net income increased $1.9 million, revenue for the period increased $7.1 million offset by a $2.6 million increase in operating expenses, a $1.2 million decrease in net investment return, and a $1.3 million increase in the income tax provision from 2010 to 2011. Operating profit margin increased to 36.1% for 2011 from 32.6% for 2010. The Company expects that its operating margin will fluctuate from year to year based on various factors including revenues; investment results; employee performance; staffing levels; development of investment strategies, products, or channels; and industry comparisons.

Year Ended December 31, 2010 compared with Year Ended December 31, 2009

The Company posted net income of $12.4 million ($4.48 per diluted share) for the year ended December 31, 2010, compared with net income of $11.4 million ($4.40 per diluted share) for the year ended December 31, 2009. Net income increased $1.0 million due to a $6.4 million increase in operating income driven by a 37% increase in AUM from 2009 to 2010, offset by a $4.2 million decrease in the investment return of the Company's corporate investment portfolio from 2009 to 2010. Operating profit margin increased to 32.6% for 2010 from 27.8% for 2009. The Company expects that its operating margin will fluctuate from year to year based on various factors including revenues; investment results; employee performance; staffing levels; development of investment strategies, products, or channels; and industry comparisons.

Revenue

(in thousands)	2011	2010	% Change	2010	2009	% Change
Investment advisory	$56,016	$49,249	14%	$49,249	$37,472	31%
Mutual fund administration, net	7,822	7,455	5%	7,455	6,090	22%
Total	63,838	56,704	13%	56,704	43,562	30%

Revenue for the Year Ended December 31, 2011 compared with Year Ended December 31, 2010

As a percent of total 2011 revenues, investment advisory fees accounted for 88% and mutual fund administration fees made up the remaining 12%. This compared to 87% and 13%, respectively, for 2010.

Investment Advisory Fees. Investment advisory fees increased by $6.8 million, or 14%. Investment advisory fees are calculated as a percentage of average net AUM at various levels depending on the investment product. The Company's average advisory fee rate for 2011 was 0.63% compared to 0.70% in 2010. The decrease in the average advisory fee rate is due to a continued change in the overall composition of AUM first seen during 2008, where long-short strategies, which pay a higher advisory fee rate, made up 24% of total AUM as of fourth quarter 2011 compared to 35% of total AUM as of first quarter 2010 while long only strategies, which pay a lower advisory fee rate, made up 60% of total AUM as of fourth quarter 2011 compared to 50% of total AUM as of first quarter 2010. Further contributing to the decrease in the average advisory rate is the large cap fee reduction where the Company voluntarily lowered the investment advisory fee it charges on the Diamond Hill Large Cap Fund and certain large cap separate accounts by 0.05% effective October 1, 2011. The large cap strategy fees were reduced to better align the Company's investment advisory fees with its investment management goals. Despite the 0.07% decrease in the average advisory fee rate during 2011 compared to 2010, the fee rate was being charged on a greater asset base as the average AUM increased 26% during the year compared to 2010 resulting in an increase in the overall fees earned during 2011. The Company anticipates the average advisory fee rate to continue to decrease throughout 2012 based upon the full year impact of the large cap strategy fee reduction.

Mutual Fund Administration Fees. Mutual fund administration fees increased $367 thousand, or 5%, during 2011. Mutual fund administration fees include administration fees received from Diamond Hill Funds, which are calculated as a percentage of average mutual fund AUM, and all Beacon Hill fee revenue. The increase in the mutual fund administration fee is due to a 11% increase in average mutual fund AUM from $3.8 billion for the year ended December 31, 2010 to $4.2 billion for the year ended December 31, 2011 offset by a decrease in the overall blended net administration fee rate from 0.17% for the year ended December 31, 2010 to 0.15% for the year ended December 31, 2011.

Revenue for the Year Ended December 31, 2010 compared with Year Ended December 31, 2009

As a percent of total 2010 revenues, investment advisory fees accounted for 87% and mutual fund administration fees made up the remaining 13%. This compared to 86% and 14%, respectively, for 2009.

Investment Advisory Fees. Investment advisory fees increased by $11.8 million, or 31%, due to a 43% increase in average AUM from 2009 to 2010. Investment advisory fees are calculated as a percentage of average net AUM at various levels depending on the investment product. The Company's average advisory fee rate for 2010 was 0.70% compared to 0.76% in 2009. The decrease in the average advisory fee rate is due to a continued change in the overall composition of AUM first seen during 2008, where long-short strategies, which pay a higher advisory fee rate, made up 26% of total AUM in 2010 compared to 36% of total AUM in 2009 while long only strategies, which pay a lower advisory fee rate, made up 54% of total AUM in 2010 compared to 42% of total AUM in 2009. Despite the 0.06% decrease in the average advisory fee rate during 2010 compared to 2009, the fee rate was being charged on a greater asset base as the average AUM increased 43% during the year compared to 2009 resulting in an increase in the overall fees earned during 2010.

Mutual Fund Administration Fees. Mutual fund administration fees increased $1.4 million, or 22%, during 2010. Fund administration revenue on the Company's sponsored Diamond Hill Funds increased $1.1 million from 2009 to 2010, due in part to a 28% increase in average mutual fund AUM, which was partially offset by a reduction in the average administration net fee rate from 0.18% in 2009 to 0.17% in 2010. Further contributing to the increase in revenue was a $199 thousand increase in Beacon Hill's revenue from 2009 to 2010.

Expenses

(in thousands)	2011	2010	% Change	2010	2009	% Change
Compensation and related costs	$32,875	$30,991	6%	$30,991	$24,114	29%
General and administrative	4,425	3,409	30%	3,409	3,133	9%
Sales and marketing	1,145	854	34%	854	751	14%
Third party distribution	828	1,036	-20%	1,036	1,112	-7%
Mutual fund administration	1,504	1,941	-23%	1,941	2,340	-17%
Total	40,777	38,231	7%	38,231	31,450	22%

Expenses for the Year Ended December 31, 2011 compared with Year Ended December 31, 2010

Compensation and Related Costs. Employee compensation and benefits increased by $1.9 million, or 6%, primarily due to an increase of $1.7 million in incentive compensation during 2011 consistent with fluctuations in AUM during the year and the associated increase in operating income. In addition, salaries and related benefits increased $180 thousand due to increases in the costs of benefits along with fluctuations in staffing levels during the year.

General and Administrative. General and administrative expenses increased by $1.0 million, or 30%, from 2010 to 2011. This increase is primarily due to additional research expenses to support the Company's investment team, the implementation of new systems and other information technology expenses, increased product development expenses, and expansion of the Company's office space.

Sales and Marketing. Sales and marketing expenses increased by $291 thousand, or 34%, from 2010 to 2011. This increase was primarily due to a continued increased presence at industry conferences and an overall increase in travel and other expenses related to business development and retention efforts during the year.

Third Party Distribution. Third party distribution expense represents payments made to intermediaries related to sales of the Company's investment products. This expense directly correlated with investments in the Company's private investment funds. The period over period increase or decrease directly corresponds to the increase or decrease in investment advisory fees earned by the Company related to those products.

Mutual Fund Administration. Mutual fund administration expenses decreased by $437 thousand, or 23%, from 2010 to 2011. The majority of mutual fund administration fees are variable based upon the amount of mutual fund AUM. Despite an overall increase in average mutual fund AUM by 11% from 2010 to 2011, the decrease in mutual fund administration expense was primarily due to third party service provider fee reduction effective during fourth quarter 2010 and a further fee reduction during fourth quarter 2011.

Expenses for the Year Ended December 31, 2010 compared with Year Ended December 31, 2009

Compensation and Related Costs. Employee compensation and benefits increased by $6.9 million, or 29%, primarily due to an increase of $3.8 million in incentive compensation during 2010 consistent with an increase in AUM and the associated increase in operating income. Further contributors to the overall increase in compensation expense were restricted stock expense, which increased by $718 thousand due to an overall increase in the total amount of long-term equity awards outstanding in 2010 compared to 2009, and base salaries and related benefits, which increased $1.3 million due to a 15% increase in employee headcount from 2009 to 2010.

General and Administrative. General and administrative expenses increased by $276 thousand, or 9%, from 2009 to 2010. This increase was primarily due to additional research expenses to support the Company's investment team, the full year impact of the expansion of the Company's office space and the implementation of a new trading system, which were partially offset by a decrease in legal costs and a phase-out of the Ohio franchise tax expense.

Sales and Marketing. Sales and marketing expenses increased by $103 thousand, or 14%, from 2009 to 2010. This increase was primarily due to an increased presence at industry conferences and an increase in travel and other expenses related to business development and retention efforts during the year.

Third Party Distribution. Third party distribution expense represents payments made to third party intermediaries directly related to sales made by those parties of the Company's investment products. This expense directly correlates with level of sales and AUM in these investment products. The period over period increase or decrease directly corresponds to the increase or decrease in investment advisory fees earned by the Company.

Mutual Fund Administration. Mutual fund administration expenses decreased by $399 thousand, or 17%, from 2009 to 2010. The majority of mutual fund administration fees are variable based upon the amount of mutual fund AUM. Despite an overall increase in average mutual fund AUM by 28% from 2009 to 2010, the decrease in mutual fund administration expense was primarily due to a third party service provider fee reduction related to bringing certain administration activities in-house.

Beacon Hill Fund Services

Beacon Hill has been staffed with 11 full-time equivalent employees as of December 31, 2011 and 13 full-time equivalent employees as of December 31, 2010, and provides compliance, treasurer, and other fund administration services to mutual fund clients and their investment advisers. In addition, through its registered broker/dealer, Beacon Hill also serves as the underwriter for a number of mutual funds. The following is a summary of Beacon Hill's results for the year ended December 31, 2011 compared to 2010 and 2009, excluding 12b-1 / service fees and commission revenue and expenses, which net to zero:

(in thousands)	For the Year Ended December 31, 2011	2010	2009
Revenue[1]	$1,789	$1,588	$1,024
Expenses	2,259	2,128	1,661
Net loss	$ (470)	$ (540)	$ (637)

1 Beacon Hill's 2011, 2010, and 2009 revenue includes $517 thousand, $512 thousand, and $146 thousand, respectively, of inter-company revenue earned from services provided to DHCM. These amounts have been eliminated from the Consolidated Statements of Income.

Liquidity and Capital Resources

The Company's entire investment portfolio is in readily marketable securities, which provide for cash liquidity, if needed. Investments in mutual funds are valued at their quoted current net asset value. Investments in private investment funds are valued independently based on readily available market quotations. Inflation is expected to have no material impact on the Company's performance.

As of December 31, 2011, the Company had working capital of approximately $14.0 million compared to $4.9 million at December 31, 2010. Working capital includes cash, securities owned and accounts receivable, net of all liabilities. On December 1, 2011, the Company's board of directors declared a $5 per share dividend payable on December 19, 2011 to shareholders of record on December 12, 2011. The payment of the special cash dividend reduced the Company's working capital balance. The Company has no debt, and believes its available working capital is sufficient to cover current expenses. The Company does not expect any material capital expenditures during 2012.

The Company has paid out special dividends totaling $38 per share from 2008 through 2011. These special dividends in total reduced shareholders' equity by $102 million over the past four years. The 2011 special dividend reduced shareholders' equity by $14.9 million. It was a qualified dividend for tax purposes and was recorded as a reduction of retained earnings, which contributed to the accumulated deficit of $20.4 million as of

December 31, 2011. The Company's accumulated deficit is not expected to impact its future ability to operate given its continuing profitability and strong cash and financial position. The 2010 special dividend reduced shareholders' equity by $36.3 million and was recorded through retained earnings generating an accumulated deficit of $19.8 million as of December 31, 2010. The 2009 special dividend reduced shareholders' equity by $26.2 million and was recorded through retained earnings. A portion of the 2010 and 2009 dividend was a return of capital for tax purposes and the Company elected to record each dividend as a reduction of retained earnings. The 2008 special dividend reduced shareholders' equity by $24.4 million and was recorded through common stock as 100% of this dividend represented a return of capital to shareholders.

Operating activities during 2011 provided cash flows of $21.8 million, including net income of $14.3 million, compared to cash flows of $25.1 million in 2010, including net income of $12.4 million. Net cash provided by investing activities totaled $2.9 million, compared to net cash provided in investing activities of $4.6 million in 2010. Capital spending for property and equipment increased to $253 thousand in 2011, an increase of $191 thousand from 2010, and proceeds from the sales of investments decreased to $4.1 million in 2011, a decrease of $1.9 million from 2010. Net cash used in financing activities was $15.2 million in 2011, compared to net cash used by financing activities of $35.5 million in 2010. Cash used in financing activities in 2011 consists of $14.9 million special dividend payment and $1.0 million in common stock repurchases, offset by proceeds from common stock issuances compared to a $36.3 million special dividend payment in 2010 being offset by proceeds from common stock issuances. There were no common stock repurchases during 2010.

Operating activities during 2010 provided cash flows of $25.1 million, up $8.1 million from 2009, including an increase in net income of $1.0 million, an increase in the change in non-cash stock based compensation expense of $718 thousand, an increase in the change in accounts receivable of $6.3 million, an increase in the change in investment gain/loss of $4.2 million, and an increase in the change in accrued liabilities of $1.1 million, offset by a decrease in the change in deferred taxes of $1.8 million, and a decrease in the change in other assets and liabilities of $3.4 million. Net cash provided in investing activities totaled $4.6 million, compared to net cash provided in investing activities of $4.2 million in 2009. Capital spending for property and equipment decreased to $63 thousand in 2010, a decrease of $542 thousand from 2009, and proceeds from the sales of investments decreased to $6.1 million in 2010, a decrease of $7.9 million from 2009. Net cash used by financing activities was $35.5 million in 2010, compared to net cash used by financing activities of $25.5 million in 2009. Cash used by financing activities in 2010 consists of $36.3 million special dividend payment offset by proceeds from common stock issuances.

Selected Quarterly Information

Unaudited quarterly results of operations for the years ended December 31, 2011 and 2010 is summarized below:

	At or For the Quarter Ended							
	2011				2010			
(in thousands, except per share data)	**12/31**	**09/30**	**06/30**	**03/31**	**12/31**	**09/30**	**06/30**	**03/31**
Assets under management (in millions)	$ 8,671	$ 7,719	$ 9,186	$ 9,250	$ 8,623	$ 7,080	$ 6,482	$ 6,876
Total revenue	15,190	15,370	16,828	16,450	15,516	14,043	13,754	13,391
Total operating expenses	8,873	9,926	10,977	11,001	9,272	9,844	9,652	9,462
Operating income	6,317	5,444	5,851	5,449	6,244	4,199	4,102	3,929
Investment return	781	(1,309)	90	371	974	1,170	(1,184)	245
Net income	$ 4,453	$ 2,539	$ 3,729	$ 3,632	$ 4,464	$ 3,438	$ 1,830	$ 2,670
Diluted EPS	$ 1.49	$ 0.84	$ 1.26	$ 1.28	$ 1.60	$ 1.24	$ 0.66	$ 0.98
Diluted shares outstanding	2,994	3,006	2,967	2,838	2,794	2,779	2,774	2,721

Contractual Obligations

The following table presents a summary of the Company's future obligations under the terms of an operating lease and other contractual purchase obligations at December 31, 2011. Other purchase obligations include contractual amounts that will be due for the purchase of services to be used in the Company's operations such as mutual fund sub-administration and portfolio accounting software. These obligations may be cancelable at earlier times than those indicated and, under certain conditions, may involve termination fees. Because these obligations are of a normal recurring nature, the Company expects that it will fund them from future cash flows from operations. The information presented does not include operating expenses or capital expenditures that will be committed in the normal course of operations in 2012 and future years:

		Payments Due by Period			
(in thousands)	**Total**	**2012**	**2013-2014**	**2015-2016**	**Later**
Operating lease obligations	$1,889	$ 440	$ 814	$635	$—
Purchase obligations	4,545	2,142	2,387	16	—
Total	$6,434	$2,582	$3,201	$651	$—

Use of Supplemental Data as Non-GAAP Performance Measure

Net Operating Income After Tax

As supplemental information, we are providing performance measures that are based on methodologies other than generally accepted accounting principles ("non-GAAP") for "Net Operating Income After Tax" that management uses as benchmarks in evaluating and comparing the period-to-period operating performance of the Company and its subsidiaries.

The Company defines "net operating income after tax" as the Company's net operating income less income tax provision excluding investment return and the tax impact related to the investment return. The Company believes that "net operating income after tax" provides a good representation of the Company's operating performance, as it excludes the impact of investment return on financial results. The amount of the investment portfolio and market fluctuations on the investments can change significantly from one period to another, which can distort the underlying earnings potential of a company. We also believe "net operating income after tax" is an important metric in estimating the value of an asset management business. This non-GAAP measure is provided in addition to net income and net operating income and is not a substitute for net income or net operating income and may not be comparable to non-GAAP performance measures of other companies.

	Year Ended December 31,		
(in thousands, except per share data)	**2011**	**2010**	**2009**
Net operating income, GAAP basis	$23,061	$18,473	$12,112
Non-GAAP adjustments:			
Tax provision excluding impact of investment return	8,667	6,830	4,245
Net operating income after tax, non-GAAP basis	$14,394	$11,643	$ 7,867
Net operating income after tax per basic share, non-GAAP basis	$ 4.88	$ 4.21	$ 3.05
Net operating income after tax per diluted share, non-GAAP basis	$ 4.88	$ 4.21	$ 3.04
Basic weighted average shares outstanding, GAAP basis	2,952	2,767	2,583
Diluted weighted average shares outstanding, GAAP basis	2,952	2,768	2,588

The tax provision excluding impact of investment return is calculated by applying the tax rate calculated from the income statement to net operating income.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements. It does not have any obligation under a guarantee contract, or a retained or contingent interest in assets or similar arrangement that serves as credit, liquidity or market risk support for such assets, or any other obligation, including a contingent obligation, under a contract that would be accounted for as a derivative instrument or arising out of a variable interest.

Critical Accounting Policies and Estimates

Provisions for Income Taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in the Company's financial statements or tax returns.

Revenue Recognition on Incentive-Based Advisory Contracts. The Company has certain investment advisory contracts in which a portion of the fees are based on investment performance achieved in the respective client portfolio in excess of a specified hurdle rate. For management fees based on a formula, there are two methods by which incentive revenue may be recorded. Under "Method 1," incentive fees are recorded at the end of the contract year. Under "Method 2," incentive fees are recorded periodically and calculated as the amount that would be due under the formula at any point in time as if the contract was terminated at that date. Management has chosen the more conservative Method 1, in which performance fees are recorded at the end of the contract period provided for by the contract terms.

Revenue Recognition when Acting as an Agent vs. Principal. The Funds have selected and contractually engaged certain vendors to fulfill various services to benefit the Funds' shareholders or to satisfy regulatory requirements of the Funds. These services include, among others, required fund shareholder mailings, registration fees, legal and audit fees. DHCM, in fulfilling a portion of its role under the administration agreement with the Funds, acts as agent to pay these obligations of the Funds. Each vendor is independently responsible for fulfillment of the services it has been engaged to provide and negotiates fees and terms with the management and board of trustees of the Funds. The fee that the Funds pay to DHCM is reviewed annually by the Funds' board of trustees and specifically takes into account the contractual expenses that DHCM pays on behalf of the Funds. As a result, DHCM is not involved in the delivery or pricing of these services and bears no risk related to these services. Revenue has been recorded net of these Fund expenses, as it is the appropriate accounting treatment for this agency relationship.

Beacon Hill has underwriting agreements with certain clients, including registered mutual funds. Part of Beacon Hill's role as underwriter is to act as an agent on behalf of its mutual fund clients to receive 12b-1/service fees and commission revenue and facilitate the payment of those fees and commissions to third parties who provide services to the funds and their shareholders. The amount of 12b-1/service fees and commissions are determined by each mutual fund client and Beacon Hill bears no financial risk related to these services. As a result, 12b-1/service fees and commission revenue has been recorded net of the expense payments to third parties, as it is the appropriate accounting treatment for this agency relationship.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

The Company's revenues and net income are based primarily on the value of AUM. Accordingly, declines in financial market values directly and negatively impact the Company's investment advisory revenues and net income.

The Company invests in Diamond Hill Funds and its private investment funds, which are market risk sensitive financial instruments. These investments have inherent market risk in the form of equity price risk; that is, the potential future loss of value that would result from a decline in their fair value. The bond fund is also subject to market risk which may arise from changes in equity prices, credit ratings and interest rates. Market prices fluctuate and the amount realized upon subsequent sale may differ significantly from the reported market value.

The table below summarizes the Company's market risks as of December 31, 2011, and shows the effects of a hypothetical 10% increase and decrease in equity and bond investments.

	Fair Value as of December 31, 2011	Fair Value Assuming a Hypothetical 10% Increase	Fair Value Assuming a Hypothetical 10% Decrease
Equity investments	$8,011,205	$8,812,326	$7,210,085
Bond investments	197,284	217,012	177,556
Total	$8,208,489	$9,029,338	$7,387,641

ITEM 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

The Shareholders and Board of Directors of
Diamond Hill Investment Group, Inc.:

We have audited the accompanying consolidated balance sheet of Diamond Hill Investment Group, Inc. and its subsidiaries as of December 31, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2011. We also have audited the Company's internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying financial statements. Our responsibility is to express an opinion on these financial statements and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Diamond Hill Investment Group, Inc. and its subsidiaries as of December 31, 2011 and 2010, and the consolidated results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Diamond Hill Investment Group, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ Plante & Moran, PLLC
Columbus, Ohio
March 7, 2012

Diamond Hill Investment Group, Inc.
Consolidated Balance Sheets

	December 31, 2011	December 31, 2010
ASSETS		
Cash and cash equivalents	$ 15,242,768	$ 5,775,526
Investment portfolio	8,208,489	11,527,060
Accounts receivable	10,295,723	8,695,103
Prepaid expenses	920,460	787,033
Furniture and equipment, net of depreciation, and other assets	829,781	907,670
Income tax receivable	139,696	—
Deferred taxes	2,083,402	873,474
Total assets	$ 37,720,319	$ 28,565,866
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 2,895,504	$ 3,432,868
Accrued incentive compensation	16,774,457	16,779,461
Income tax payable	—	855,285
Total liabilities	19,669,961	21,067,614
Commitments and contingencies	—	—
Shareholders' Equity		
Common stock, no par value 7,000,000 shares authorized; 2,995,814 issued and outstanding at December 31, 2011; 2,795,683 issued and outstanding at December 31, 2010	49,995,622	34,423,011
Preferred stock, undesignated, 1,000,000 shares authorized and unissued	—	—
Deferred compensation	(11,539,632)	(7,137,729)
Retained earnings/(Accumulated deficit)	(20,405,632)	(19,787,030)
Total shareholders' equity	18,050,358	7,498,252
Total liabilities and shareholders' equity	$ 37,720,319	$ 28,565,866
Book value per share	$ 6.03	$ 2.68

The accompanying notes are an integral part of these consolidated financial statements.

Diamond Hill Investment Group, Inc.
Consolidated Statements of Income

	Year Ended December 31,		
	2011	2010	2009
REVENUES:			
Investment advisory	$56,016,708	$49,248,586	$37,472,407
Mutual fund administration, net	7,821,766	7,455,537	6,089,979
Total revenue	63,838,474	56,704,123	43,562,386
OPERATING EXPENSES:			
Compensation and related costs	32,874,606	30,990,572	24,113,631
General and administrative	4,425,031	3,408,981	3,133,359
Sales and marketing	1,145,229	853,851	751,040
Third party distribution	828,490	1,036,231	1,112,460
Mutual fund administration	1,504,005	1,941,160	2,339,544
Total operating expenses	40,777,361	38,230,795	31,450,034
NET OPERATING INCOME	23,061,113	18,473,328	12,112,352
Investment return	(66,664)	1,205,194	5,398,636
INCOME BEFORE TAXES	22,994,449	19,678,522	17,510,988
Income tax provision	(8,641,481)	(7,276,081)	(6,137,045)
NET INCOME	$14,352,968	$12,402,441	$11,373,943
Earnings per share			
Basic	$ 4.86	$ 4.48	$ 4.40
Diluted	$ 4.86	$ 4.48	$ 4.40
Weighted average shares outstanding			
Basic	2,951,751	2,766,741	2,582,998
Diluted	2,951,751	2,767,895	2,587,751

The accompanying notes are an integral part of these consolidated financial statements.

Diamond Hill Investment Group, Inc.
Consolidated Statements of Shareholders' Equity

	Shares Outstanding	Common Stock	Deferred Compensation	Retained Earnings (Accumulated Deficit)	Total
Balance at January 1, 2009	2,447,299	$16,233,501	$ (4,908,215)	$ 18,920,601	$ 30,245,887
Issuance of restricted stock grants	78,092	4,836,595	(4,836,595)	—	—
Amortization of restricted stock grants	—	—	1,674,113	—	1,674,113
Issuance of stock grants	135,313	5,032,290	—	—	5,032,290
Issuance of common stock related to 401k plan match	15,610	758,459	—	—	758,459
Tax benefit from equity transactions	—	134,741	—	—	134,741
Payment of taxes withheld related to vested restricted stock grants	(2,737)	(140,602)	—	—	(140,602)
Exercise of options/warrants for common stock	4,000	67,500	—	—	67,500
Dividend Paid of $10.00 per share	—	—	—	(26,165,624)	(26,165,624)
Net income	—	—	—	11,373,943	11,373,943
Balance at December 31, 2009	2,677,577	$26,922,484	$ (8,070,697)	$ 4,128,920	$ 22,980,707
Issuance of restricted stock grants	20,753	1,458,898	(1,458,898)	—	—
Amortization of restricted stock grants	—	—	2,391,866	—	2,391,866
Issuance of stock grants	83,611	5,182,983	—	—	5,182,983
Issuance of common stock related to 401k plan match	13,631	897,842	—	—	897,842
Tax benefit from equity transactions	—	84,375	—	—	84,375
Payment of taxes withheld related to vested restricted stock grants	(1,889)	(146,071)	—	—	(146,071)
Exercise of options/warrants for common stock	2,000	22,500	—	—	22,500
Cash Dividend Paid of $13.00 per share	—	—	—	(36,318,391)	(36,318,391)
Net income	—	—	—	12,402,441	12,402,441
Balance at December 31, 2010	2,795,683	$34,423,011	$ (7,137,729)	$(19,787,030)	$ 7,498,252
Issuance of restricted stock grants	109,333	8,686,586	(8,686,586)	—	—
Amortization of restricted stock grants	—	—	3,742,909	—	3,742,909
Issuance of stock grants	103,899	7,691,800	—	—	7,691,800
Issuance of common stock related to 401k plan match	12,754	960,888	—	—	960,888
Tax benefit from equity transactions	—	7,007	—	—	7,007
Payment of taxes withheld related to vested restricted stock grants	(2,025)	(158,988)	—	—	(158,988)
Forfeiture of restricted stock grants	(8,368)	(541,774)	541,774	—	—
Repurchase of common stock	(15,462)	(1,072,908)	—	—	(1,072,908)
Cash Dividend Paid of $5.00 per share	—	—	—	(14,971,570)	(14,971,570)
Net income	—	—	—	14,352,968	14,352,968
Balance at December 31, 2011	2,995,814	$49,995,622	$(11,539,632)	$(20,405,632)	$ 18,050,358

The accompanying notes are an integral part of these consolidated financial statements.

Diamond Hill Investment Group, Inc.
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2011	**2010**	**2009**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 14,352,968	$ 12,402,441	$ 11,373,943
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation on furniture and equipment	330,971	326,529	268,572
Stock-based compensation	3,972,725	2,571,702	1,854,187
(Increase) decrease in accounts receivable	(1,600,620)	1,448,901	(4,804,446)
Change in deferred income taxes	(1,221,328)	(382,227)	1,438,658
Investment gain/loss, net	111,078	167,495	(4,055,840)
Increase in accrued liabilities	6,919,616	8,449,814	7,323,481
Other changes in assets and liabilities	(1,110,001)	148,913	3,599,790
Net cash provided by operating activities	21,755,409	25,133,568	16,998,345
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of furniture and equipment	(253,082)	(62,529)	(604,928)
Cost of investments purchased and other portfolio activity	(925,507)	(1,314,588)	(9,149,453)
Proceeds from sale of investments	4,133,000	6,050,000	13,960,937
Net cash provided by investing activities	2,954,411	4,672,883	4,206,556
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payment for repurchase of common shares	(1,072,908)	—	—
Payment of taxes withheld on employee stock transactions	(158,988)	(146,071)	(140,602)
Proceeds from common stock issuance	960,888	920,343	825,959
Payment of dividends	(14,971,570)	(36,318,391)	(26,165,624)
Net cash used in financing activities	(15,242,578)	(35,544,119)	(25,480,267)
CASH AND CASH EQUIVALENTS			
Net change during the year	9,467,242	(5,737,668)	(4,275,366)
At beginning of year	5,775,526	11,513,194	15,788,560
At end of year	$ 15,242,768	$ 5,775,526	$ 11,513,194
Supplemental cash flow information:			
Interest paid	$ —	$ —	$ —
Income taxes paid	10,849,000	7,444,300	2,625,900
Supplemental disclosure of non-cash transactions:			
Common stock issued as incentive compensation	7,461,984	5,003,146	4,852,216

The accompanying notes are an integral part of these consolidated financial statements.

Diamond Hill Investment Group, Inc.
Notes to Consolidated Financial Statements

Note 1 Business and Organization

Diamond Hill Investment Group, Inc. (the "Company") derives its consolidated revenues and net income primarily from investment advisory and fund administration services. The Company has four operating subsidiaries.

Diamond Hill Capital Management, Inc. ("DHCM"), an Ohio corporation, is a wholly owned subsidiary of the Company and a registered investment adviser. DHCM is the investment adviser to the Diamond Hill Funds (the "Funds"), a series of open-end mutual funds, private investment funds ("Private Funds"), and also offers advisory services to institutional and individual investors.

Diamond Hill GP (Cayman) Ltd. ("DHGP") was incorporated in the Cayman Islands as an exempted company on May 18, 2006 for the purpose of acting as the general partner of a Cayman Islands exempted limited partnership. This limited partnership acts as a master fund for Diamond Hill Offshore Ltd., a Cayman Islands exempted company; and Diamond Hill Investment Partners II, L.P., an Ohio limited partnership. DHGP has no operating activity.

Beacon Hill Fund Services, Inc. ("BHFS"), an Ohio corporation, is a wholly owned subsidiary of the Company incorporated on January 29, 2008. BHFS provides certain compliance, treasury, and fund administration services to mutual fund companies. BHIL Distributors, Inc. ("BHIL"), an Ohio corporation, is a wholly owned subsidiary of BHFS incorporated on February 19, 2008. BHIL provides underwriting and distribution services to mutual fund companies. BHFS and BHIL collectively operate as Beacon Hill.

Note 2 Significant Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses for the periods. Actual results could differ from those estimates. Certain prior year amounts and disclosures have been reclassified to conform to the current year financial presentation. Book value per share is computed by dividing total shareholders' equity by the number of shares issued and outstanding at the end of the measurement period. The following is a summary of the Company's significant accounting policies:

Principles of Consolidation

The accompanying consolidated financial statements include the operations of the Company and its subsidiaries. All material inter-company transactions and balances have been eliminated in consolidation.

Segment Information

Management has determined that the Company operates in one business segment, namely providing investment management and administration services to mutual funds, separate accounts, and private investment funds. Therefore, no disclosures relating to operating segments are required in annual or interim financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market funds.

Accounts Receivable

Accounts receivable are recorded when they are due and are presented in the balance sheet, net of any allowance for doubtful accounts. Accounts receivable are written off when they are determined to be uncollectible. Any allowance for doubtful accounts is estimated based on the Company's historical losses, existing conditions in the industry, and the financial stability of those individuals or entities that owe the receivable. No allowance for doubtful accounts was deemed necessary at December 31, 2011 or 2010.

Valuation of Investment Portfolio

Investments held by the Company are valued based upon the definition of Level 1 inputs and Level 2 inputs. Level 1 inputs are defined as fair values which use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Level 2 inputs are defined as quoted prices in markets that are not considered to be active for identical assets or liabilities, quoted prices in active markets for similar assets or liabilities, and inputs other than quoted prices that are directly observable or indirectly through corroboration with observable market data. The following table summarizes the Company's investments valued based upon Level 1 and Level 2 inputs as of December 31, 2011 and 2010:

	As of December 31,	
	2011	2010
Level 1 Inputs	$1,230,560	$ 1,265,998
Level 2 Inputs	6,977,929	10,261,062

Level 1 investments are all registered investment companies (mutual funds). Level 2 investments are all limited partnerships. There have been no transfers in or out of the levels.

The changes in market values on the investments are recorded in the Consolidated Statements of Income as investment returns.

Limited Partnership Interests

DHCM is the managing member of Diamond Hill General Partner, LLC, the General Partner of Diamond Hill Investment Partners, LP ("DHIP"), Diamond Hill Investment Partners II, LP ("DHIP II"), Diamond Hill Research Partners, LP ("DHRP"), and Diamond Hill Research Partners — International, LP ("DHRPI"), collectively (the "Partnerships"), each a limited partnership whose underlying assets consist of marketable securities.

DHCM, in its role as managing member of the General Partner, has the power to direct the Partnerships' economic activities and the right to receive investment advisory and performance incentive fees that are significant to the Partnerships. The Partnerships are subject to investment company accounting and, as a result, they have not been consolidated in presenting the accompanying financial statements. DHCM's investments in these partnerships are reported as a component of the Company's investment portfolio, valued at DHCM's proportionate interest in the net asset value of the marketable securities held by the Partnerships. Gains and losses attributable to changes in the value of DHCM's interests in the Partnerships are included in the Company's reported investment return.

The Company's exposure to loss as a result of its involvement with the Partnerships is limited to the amount of its investments. DHCM is not obligated to provide financial or other support to the Partnerships, other than its investments to date and its contractually provided investment advisory responsibilities, and has not provided such support. The Company has not provided liquidity arrangements, guarantees or other commitments to support the Partnerships' operations, and the Partnerships' creditors and interest holders have no recourse to the general credit of the Company.

Several board members, officers and employees of the Company invest in DHIP, DHIP II, and DHRP through Diamond Hill General Partner, LLC. These individuals receive no remuneration as a result of their personal investment in the Partnerships. The capital of Diamond Hill General Partner, LLC is not subject to a management fee or an incentive fee.

Furniture and Equipment

Furniture and equipment, consisting of computer equipment, furniture, and fixtures, are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method over estimated lives of three to seven years.

Revenue Recognition — General

The Company earns substantially all of its revenue from investment advisory and fund administration services. Mutual fund investment advisory and administration fees, generally calculated as a percentage of assets under management, are recorded as revenue as services are performed. Managed account and private investment fund clients provide for monthly or quarterly management fees, in addition to quarterly or annual performance fees.

Revenue Recognition — Performance Incentive Revenue

The Company's private investment funds and certain managed accounts provide for performance incentive fees. For management fees based on a formula, there are two methods by which incentive revenue may be recorded. Under "Method 1," incentive fees are recorded at the end of the contract period; under "Method 2," the incentive fees are recorded periodically and calculated as the amount that would be due under the formula at any point in time as if the contract was terminated at that date. Management has chosen Method 1, in which incentive fees are recorded at the end of the contract period for the specific client in which the incentive fee applies. The table below shows assets under management ("AUM") subject to performance incentive fees and the performance incentive fees as calculated under each of the above methods:

	As Of December 31,		
	2011	2010	2009
AUM — Contractual Period Ends Quarterly	$ 89,070,421	$108,671,900	$108,974,458
AUM — Contractual Period Ends Annually	81,362,029	175,231,841	196,469,025
Total AUM Subject to Performance Incentive	$170,432,450	$283,903,741	$305,443,483

	For The Year Ending December 31,		
	2011	2010	2009
Performance Incentive Fees — Method 1	$2,597	$217,588	$1,050,895
Performance Incentive Fees — Method 2	2,597	217,588	1,262,922

Revenue Recognition — Mutual Fund Administration

DHCM has an administrative and transfer agency services agreement with the Funds, under which DHCM performs certain services for each fund. These services include mutual fund administration, transfer agency and other related functions. For performing these services, each fund compensates DHCM a fee, which is calculated using the following annual rates times the average daily net assets of each respective series and share class:

	Prior to February 28, 2011	After February 28, 2011
Class A and Class C	0.30%	0.26%
Class I	0.19%	0.24%

The Funds have selected and contractually engaged certain vendors to fulfill various services to benefit the Funds' shareholders or to satisfy regulatory requirements of the Funds. These services include, among others, required fund shareholder mailings, federal and state registrations, legal and audit. DHCM, in fulfilling a portion of its role under the administration agreement with the Funds, acts as agent to pay these obligations of the Funds. Each vendor is independently responsible for fulfillment of the services it has been engaged to provide and negotiates fees and terms with the management and board of trustees of the Funds. The fee that the Funds pay to DHCM is reviewed annually by the Funds' board of trustees and specifically takes into account the contractual expenses that DHCM pays on behalf of the Funds. As a result, DHCM is not involved in the delivery or pricing of these services and bears no risk related to these services. Revenue has been recorded net of these Fund related expenses, as it is the appropriate accounting treatment for this agency relationship. In addition, DHCM finances the upfront commissions which are paid by the Fund's principal underwriter to brokers who sell Class C shares of the Funds. As financer, DHCM advances to the underwriter the commission amount to be paid to the selling broker at the time of sale. These advances are capitalized and amortized over 12 months to correspond with the repayments DHCM receives from the principal underwriter to recoup this commission advancement.

Beacon Hill has underwriting and administrative service agreements with certain clients, including registered mutual funds. The fee arrangements vary from client to client based upon services provided and are recorded as revenue under Mutual Fund Administration on the Consolidated Statements of Income. Part of Beacon Hill's role as underwriter is to act as an agent on behalf of its mutual fund clients to receive 12b-1/service fees and commission revenue and facilitate the payment of those fees and commissions to third parties who provide services to the funds and their shareholders. The amount of 12b-1/service fees and commissions are determined by each mutual fund client and Beacon Hill bears no financial risk related to these services. As a result, 12b-1/service fees and commission revenue have been recorded net of the expense payments to third parties as it is the appropriate accounting treatment for this agency relationship.

Mutual fund administration gross and net revenue are summarized below:

	Year Ended December 31,		
	2011	**2010**	**2009**
Mutual fund administration:			
Administration revenue, gross	$11,617,140	$10,940,041	$ 9,257,464
12b-1/service fees and commission revenue received from fund clients	7,058,471	8,122,268	5,260,383
12b-1/service fees and commission expense payments to third parties	(7,058,471)	(8,122,268)	(5,260,383)
Fund related expense	(3,830,977)	(3,554,156)	(3,141,229)
Revenue, net of fund related expenses	7,786,163	7,385,885	6,116,235
DHCM C-Share financing:			
Broker commission advance repayments	352,740	619,490	763,383
Broker commission amortization	(317,137)	(549,838)	(789,639)
Financing activity, net	35,603	69,652	(26,256)
Mutual fund administration revenue, net	$ 7,821,766	$ 7,455,537	$ 6,089,979

Third Party Distribution Expense

Third party distribution expenses are earned by various third party financial services firms based on sales and/or assets of the Company's investment products generated by the respective firms. Expenses recognized represent actual payments made to the third party firms and are recorded in the period earned based on the terms of the various contracts.

Income Taxes

The Company accounts for income taxes through an asset and liability approach. A net deferred tax asset or liability is determined based on the tax effects of the various temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

The Company has analyzed its tax positions taken on federal income tax returns for all open tax years (tax years ended December 31, 2008 through 2011) to determine any uncertainty in income taxes and has recognized no adjustment in the net asset or liability.

Earnings Per Share

Basic earnings per share ("EPS") excludes dilution and is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution of EPS that could occur if options and warrants were exercised. At December 31, 2011, there were no options or warrants outstanding.

Note 3 Investment Portfolio

As of December 31, 2011, the Company held investments worth $8.2 million and an estimated cost basis of $5.3 million. The following table summarizes the market value of these investments for the last two fiscal years:

	As of December 31,	
	2011	2010
Diamond Hill Small Cap Fund	$ 189,042	$ 211,301
Diamond Hill Small-Mid Cap Fund	203,571	217,915
Diamond Hill Large Cap Fund	213,110	210,413
Diamond Hill Select Fund	214,833	221,491
Diamond Hill Long-Short Fund	212,720	206,312
Diamond Hill Strategic Income Fund	197,284	198,566
Diamond Hill Investment Partners, L.P.	156,122	1,177,098
Diamond Hill Investment Partners II, L.P.	131,203	1,155,022
Diamond Hill Research Partners, L.P.	5,770,874	7,928,942
Diamond Hill Research Partners — International, L.P.	919,730	—
Total Investment Portfolio	$8,208,489	$11,527,060

DHCM is the managing member of the Diamond Hill General Partner LLC, which is the General Partner of the Partnerships. The underlying assets of the Partnerships are cash and marketable equity securities. Summary financial information, including the Company's carrying value and income from the Partnerships is as follows:

	As of December 31,		
	2011	2010	2009
Total partnership assets	$130,880,368	$173,007,238	$188,716,374
Total partnership liabilities	21,570,822	32,855,190	40,583,059
Net partnership assets	109,309,546	140,152,048	148,133,315
DHCM's portion of net assets	6,977,929	10,261,062	12,321,797
	For the Year Ended December 31,		
	2011	2010	2009
Net partnership income (loss)	(11,007,617)	4,486,719	35,193,357
DHCM's portion of net income (loss)	(75,082)	939,265	4,634,391

DHCM's income from the Partnerships includes its pro-rata capital allocation and its share of an incentive allocation, if any, from the limited partners.

Note 4 Capital Stock

Common Shares

The Company has only one outstanding class of securities, Common Shares.

Authorization of Preferred Shares

The Company's Articles of Incorporation authorize the issuance of 1,000,000 shares of "blank check" preferred shares with such designations, rights and preferences, as may be determined from time to time by the Company's Board of Directors. The Board of Directors is authorized, without shareholder approval, to issue preferred stock with dividend, liquidation, conversion, voting, or other rights, which could adversely affect the voting or other rights of the holders of the Common Shares. There were no shares of preferred stock issued or outstanding at December 31, 2011 or December 31, 2010.

Note 5 Stock-Based Compensation

Equity Incentive Plans

2011 Equity and Cash Incentive Plan

At the Company's annual shareholder meeting on April 26, 2011, shareholders approved the 2011 Equity and Cash Incentive Plan ("2011 Plan"). The 2011 Plan is intended to facilitate the Company's ability to attract and retain staff, provide additional incentive to employees, directors and consultants, and promote the success of the Company's business. The 2011 Plan authorizes the issuance of 600,000 Common Shares of the Company in various forms of equity awards. As of December 31, 2011, there were 493,125 Common Shares available for issuance under the 2011 Plan. The 2011 Plan provides that the Board of Directors, or a committee appointed by the Board, may grant awards and otherwise administer the 2011 Plan. Restricted stock grants issued under the 2011 Plan, which vest over time, are recorded as deferred compensation in the equity section of the balance sheet on the grant date and then recognized as compensation expense based on the grant date price over the vesting period of the respective grant.

2005 Employee and Director Equity Incentive Plan

At the Company's annual shareholder meeting on May 12, 2005, shareholders approved the 2005 Employee and Director Equity Incentive Plan ("2005 Plan"). With the approval of the 2011 Plan, there are no longer any Common Shares available for future issuance under the 2005 Plan. Outstanding grants under the 2005 Plan are unaffected and remain issued and outstanding. Restricted stock grants issued under the 2005 Plan, which vest over time, are recorded as deferred compensation in the equity section of the balance sheet on the grant date and then recognized as compensation expense based on the grant date price over the vesting period of the respective grant.

Restricted Stock Grant Transactions

The following table represents a roll-forward of outstanding restricted stock grants issued pursuant to the 2011 and 2005 Plans and related activity during the year ended December 31, 2011:

	Shares	Weighted-Average Grant Date Price per Share
Outstanding restricted stock grants as of December 31, 2010	164,832	$69.72
Granted to Employees	109,333	79.45
Grants Vested	(5,176)	78.85
Grants Forfeited	(8,368)	64.74
Outstanding restricted stock grants as of December 31, 2011	260,621	$73.78

Total deferred compensation related to unvested restricted stock grants was $11,539,632 as of December 31, 2011. Expense recognition of deferred compensation over the remaining vesting periods is as follows:

2012	2013	2014	2015	2016	Total
$ 3,683,502	$3,086,139	$2,782,304	$1,908,382	$79,305	$11,539,632

401(k) Plan

The Company sponsors a 401(k) plan in which all employees participate. Employees may contribute a portion of their compensation subject to certain limits based on federal tax laws. The Company makes matching contributions of Common Shares of the Company with a value equal to 200 percent of the first six percent of an employee's compensation contributed to the plan. Employees become fully vested in the matching contributions after six plan years of employment. The following table summarizes the Company's expenses attributable to the plan during the years ended December 31, 2011, 2010, and 2009:

For the year ended December 31,		
2011	**2010**	**2009**
$960,888	$897,843	$758,459

Stock Options and Warrants

The Company recognizes all share-based payments to employees and directors, including grants of stock options, as expense in the income statement based on their fair values. The amount of compensation is measured at the fair value of the options when granted, and this cost is expensed over the required service period, which is normally the vesting period of the options. There were no stock options outstanding during the periods presented in these financial statements. There were no warrants outstanding as of December 31, 2011 and 2010.

Warrant transactions during the periods presented in these financial statements are summarized below:

	Warrants	
	Shares	**Weighted Average Exercise Price**
Oustanding December 31, 2008	10,000	$13.00
Exercisable December 31, 2008	10,000	$13.00
Granted	—	—
Expired / Forfeited	—	
Exercised	4,000	16.88
Oustanding December 31, 2009	6,000	$10.42
Exercisable December 31, 2009	6,000	$10.42
Granted	—	—
Expired / Forfeited	4,000	10.00
Exercised	2,000	11.25
Oustanding December 31, 2010	—	$ —
Exercisable December 31, 2010	—	$ —

Note 6 Operating Leases

The Company leases approximately 25,500 square feet of office space at two locations. The following table summarizes the total lease and operating expenses for the years ended December 31, 2011, 2010, and 2009:

For the year ended December 31,		
2011	**2010**	**2009**
$620,360	$573,218	$501,209

The approximate future minimum lease payments under the operating leases are as follows:

2012	2013	2014	2015	2016
$440,000	$417,000	$397,000	$401,000	$234,000

In addition to the above rent, the Company is also responsible for normal operating expenses of the properties. Such operating expenses were approximately $9.60 per square foot in 2011, on a combined basis, and are expected to be approximately $9.69 per square foot in 2012.

Note 7 Income Taxes

The Company files a consolidated Federal income tax return. It is the policy of the Company to allocate the consolidated tax provision to subsidiaries as if each subsidiary's tax liability or benefit were determined on a separate company basis. As part of the consolidated group, subsidiaries transfer to the Company their current Federal tax liability or assets.

	As of December 31,		
	2011	2010	2009
Current city income tax provision	$ 658,106	$ 514,076	$ 266,711
Current state income tax provision	271,776	147,642	44,000
Current federal income tax provision	8,921,527	6,966,872	4,358,283
Deferred federal income tax provision (benefit)	(1,209,928)	(352,509)	1,468,051
Provision for income taxes	$ 8,641,481	$7,276,081	$6,137,045

A reconciliation of income tax expense at the statutory federal rate to the Company's income tax expense is as follows:

	2011	2010	2009
Income tax computed at statutory rate	$8,048,057	$6,887,483	$5,990,509
City and state income taxes, net of federal benefit	604,423	430,117	204,417
Other	(10,999)	(41,519)	(57,881)
Income tax expense	$8,641,481	$7,276,081	$6,137,045

Deferred tax assets and liabilities consist of the following at December 31, 2011 and 2010:

	2011	2010
Stock-based compensation	$2,629,271	$ 1,462,094
Unrealized (gains) losses	(441,092)	(1,205,681)
Capital loss carry forward	—	677,770
Other assets and liabilities	(104,777)	(60,709)
Net deferred tax assets	$2,083,402	$ 873,474

Note 8 Earnings Per Share

The following table sets forth the computation for basic and diluted earnings per share ("EPS"):

	Year Ended December 31,		
	2011	2010	2009
Basic and Diluted net income	$14,352,968	$12,402,441	$11,373,943
Weighted average number of outstanding shares			
Basic	2,951,751	2,766,741	2,582,998
Diluted	2,951,751	2,767,895	2,587,751
Earnings per share			
Basic	$ 4.86	$ 4.48	$ 4.40
Diluted	$ 4.86	$ 4.48	$ 4.40

Note 9 Regulatory Requirements

BHIL, a wholly owned subsidiary of the Company and principal underwriter for mutual funds, is subject to the U.S. Securities and Exchange Commission ("SEC") uniform net capital rule, which requires the maintenance of minimum net capital. BHIL's net capital exceeded its minimum net capital requirement at December 31, 2011 and 2010. The net capital balances, minimum net capital requirements, and ratio of aggregate indebtedness to net capital for BHIL are summarized below as of December 31, 2011 and 2010:

	Year Ended December 31,	
	2011	**2010**
Net Capital	$360,167	$ 86,107
Minimum Net Capital Requirement	38,139	50,440
Ratio of Aggregate Indebtedness to Net Capital	1.59 to 1	8.79 to 1

Note 10 Commitments and Contingencies

The Company indemnifies its directors and certain of its officers and employees for certain liabilities that might arise from their performance of their duties to the Company. Additionally, in the normal course of business, the Company enters into agreements that contain a variety of representations and warranties and which provide general indemnifications. Certain agreements do not contain any limits on the Company's liability and would involve future claims that may be made against the Company that have not yet occurred. Therefore, it is not possible to estimate the Company's potential liability under these indemnities. Further, the Company maintains insurance policies that may provide coverage against certain claims under these indemnities.

ITEM 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosures

None.

ITEM 9A. Controls and Procedures

Management, including the Chief Executive Officer and the Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) of the Exchange Act of 1934) as of the end of the period covered by this report (the "Evaluation Date"). Based on such evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective to ensure that the information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that the information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in the Company's internal control over financial reporting during the year ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

Management of Diamond Hill Investment Group, Inc. (the "Company") is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) of the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of its consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of the Chief Executive Officer and the Chief Financial Officer, management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011 based on criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2011.

The Company's independent registered public accounting firm, Plante & Moran, PLLC, has audited the Company's 2011 and 2010 consolidated financial statements included in this Annual Report on Form 10-K and the Company's internal control over financial reporting as of December 31, 2011, and has issued its Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements, which is included in this Annual Report on Form 10-K.

ITEM 9B. Other Information

None.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

Information required by this Item 10 is incorporated herein by reference from the Company's definitive proxy statement for its 2012 annual meeting of shareholders to be filed with the SEC pursuant to Regulation 14A of the Exchange Act (the "2012 Proxy Statement"), under the captions: "Proposal 1 — Election of Directors", "Executive Officers and Compensation Information", "Corporate Governance", and "Section 16(a) Beneficial Ownership Reporting Compliance".

ITEM 11. Executive Compensation

Information required by this Item 11 is incorporated herein by reference from the Company's 2012 Proxy Statement under the captions: "Executive Officers and Compensation Information" and "Corporate Governance".

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth certain information concerning our equity compensation plans at December 31, 2011:

Equity Compensation Plan Information

Plan category	(a) Number of securities to be issued upon the exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column(a))
Equity compensation plans approved by security holders	—	$—	493,125[1]

1 This amount relates to common shares that may be issued under our 2011 Equity and Cash Incentive Plan.

The other information required by this Item 12 is incorporated herein by reference from the Company's 2012 Proxy Statement under the captions: "Security Ownership of Certain Beneficial Owners and Management" and "Executive Officers and Compensation Information".

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

Information required by this Item 13 is incorporated herein by reference from the Company's 2012 Proxy Statement under the caption: "Corporate Governance".

ITEM 14. Principal Accounting Fees and Services

Information required by this Item 14 is incorporated herein by reference from the Company's 2012 Proxy Statement under the caption: "Independent Registered Public Accounting Firm".

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

(a) (1) Financial Statements: See "Part II. Item 8, Financial Statements and Supplementary Data".

(2) Financial Statement Schedules: All financial statement schedules for which provision is made in the applicable accounting regulations of the SEC are omitted because they are not required or the required information is included in the accompanying financial statements or notes thereto.

(3) Exhibits:

3.1	Amended and Restated Articles of Incorporation of the Company. (Incorporated by reference from Exhibit 3(i) to the Current Report on Form 8-K filed with the SEC on May 7, 2002; File No. 000-24498.)
3.2	Regulations of the Company. (Incorporated by reference from Exhibit 3(ii) to the Current Report on Form 8-K filed with the SEC on May 7, 2002; File No. 000-24498.)
10.1	Amended and Restated Investment Management Agreement between Diamond Hill Capital Management, Inc. and the Diamond Hill Funds dated as of November 17, 2011. (Incorporated by reference from Exhibit d to Post-Effective Amendment Nos. 36 and 37 to Registration Statement on Form N1-A (File Nos. 333-22075 and 811-08061) filed by Diamond Hill Funds on February 29, 2012)
10.2	Amended and Restated Administrative and Transfer Agency Services Agreement dated as of May 31, 2002, as amended November 17, 2011, between Diamond Hill Capital Management, Inc. and the Diamond Hill Funds. (Incorporated by reference from Exhibit h(i) to Post-Effective Amendment Nos. 36 and 37 to Registration Statement on Form N1-A (File Nos. 333-22075 and 811-08061) filed by Diamond Hill Funds on February 29, 2012)
10.3*	2011 Equity and Cash Incentive Plan and Form of Restricted Stock Award Agreement referenced therein. (Incorporated by reference from Exhibit 10.2 and 10.3 to Form 8-K filed with the SEC on April 29, 2011; File No. 000-24498.)
10.4*	Amended and Restated Employment Agreement between the Company and Roderick H. Dillon, Jr. dated March 22, 2011. (Incorporated by reference from Exhibit 10.1 to Form 8-K filed with the SEC on March 24, 2011; File No. 000-24498.)
10.5*	Amended and Restated 2005 Employee and Director Equity Incentive Plan. (Incorporated by reference from Exhibit 10.6 to Form 10-K filed with the SEC on March 14, 2008; File No. 000-24498.)
10.6*	2005 Employee and Director Equity Incentive Plan First Amendment dated November 2, 2010 and Form of Restricted Stock Agreement reference therein. (Incorporated by reference from Exhibit 10.4 to Form 10-K filed with the SEC on February 25, 2011; File No. 000-24498.)
14.1	Amended Code of Business Conduct and Ethics. (Incorporated by reference from Exhibit 14.1 to Form 10-K filed with the SEC on March 13, 2009; File No. 000-24498.)
21.1	Subsidiaries of the Company. (Filed herewith)
23.1	Consent of Independent Registered Public Accounting Firm, Plante & Moran, PLLC. (Filed herewith)
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a). (Filed herewith)
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a). (Filed herewith)
32.1	Section 1350 Certifications. (Furnished herewith)
101.ins	XBRL Instance Document.
101.xsd	XBRL Taxonomy Extension Schema Document.
101.cal	XBRL Taxonomy Extension Calculation Linkbase Document.
101.def	XBRL Taxonomy Extension Definition Linkbase Document.
101.lab	XBRL Taxonomy Extension Label Linkbase Document.
101.pre	XBRL Taxonomy Extension Presentation Linkbase Document.

* Denotes management contract or compensatory plan or arrangement.

(b) Exhibits: Reference is made to Item 15(a)(3) above.

(c) Financial Statement Schedules: None required.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized:

DIAMOND HILL INVESTMENT GROUP, INC.
By: /S/ R. H. Dillon
R. H. Dillon, President, Chief Executive Officer and a Director

March 9, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ R. H. Dillon R. H. Dillon	President, Chief Executive Officer, and a Director	March 9, 2012
/S/ James F. Laird James F. Laird	Chief Financial Officer, Treasurer, Secretary, and a Director	March 9, 2012
/S/ Gary R. Young Gary R. Young	Controller	March 9, 2012
/S/ Lawrence E. Baumgartner Lawrence E. Baumgartner	Director	March 9, 2012
/S/ David P. Lauer David P. Lauer	Director	March 9, 2012
/S/ Peter J. Moran III Peter J. Moran III	Director	March 9, 2012
/S/ Donald B. Shackelford Donald B. Shackelford	Director	March 9, 2012
/S/ Frances A. Skinner Frances A. Skinner	Director	March 9, 2012

Investor Information

Corporate Headquarters
Diamond Hill Investment Group, Inc.
325 John H. McConnell Blvd., Suite 200
Columbus, OH 43215
614-255-3341
info@diamond-hill.com
www.diamond-hill.com

Stock Listing
Diamond Hill Investment Group, Inc. is listed on the NASDAQ Global Select Market
Ticker Symbol: **DHIL**

Shareholder Information
The Transfer Agent for Diamond Hill is Continental Stock Transfer & Trust Company. Shareholders who wish to transfer their stock or change the name in which the shares are registered should contact:

Continental Stock Transfer & Trust Co.
17 Battery Place
New York, NY 10004
212.509.4000

Legal Counsel
Vorys, Sater, Seymour and Pease LLP
Columbus, OH

Independent Registered Public Accountants
Plante & Moran, PLLC
Columbus, OH

Form 10-K and Other Financial Reports

The Company's Annual Report on Form 10-K, as filed with the U.S. Securities and Exchange Commission, which includes the complete financial statements of the company, has been included with the proxy materials mailed to each shareholder.

Additional copies are available without charge by contacting the Company at:

325 John H. McConnell Blvd., Suite 200
Columbus, OH 43215
614.255.3333
info@diamond-hill.com

Diamond Hill
investments

DIAMOND HILL
investments

WWW.diamond-hill.com

Diamond Hill Investment Group, Inc.
325 John H. McConnell Blvd., Suite 200
Columbus, OH 43215
614.255.3333