DIAMOND HILL | INVESTMENT GROUP

Diamond Hill Investment Group, Inc.

2018 Annual Report

Notice of 2019 Annual Meeting

And Proxy Statement

DIAMOND HILL INVESTMENT GROUP, INC.
ANNUAL LETTER TO SHAREHOLDERS

March 14, 2019

Dear Fellow Shareholders:

As active managers, we continue to face industry challenges including the ongoing shift toward passive investment management. Despite this trend, we believe in the critical role that active portfolio management plays in our capital markets-based economy, and we remain committed to valuing businesses and allocating capital to those that represent attractive investment opportunities. Our value proposition for clients is managing relatively concentrated, high conviction portfolios constructed independent of benchmark weights. We believe that Diamond Hill strategies will outperform their respective passive benchmarks over a full market cycle, supported by a shared commitment to our intrinsic value-based investment philosophy, long-term perspective, disciplined approach, and alignment with our clients' interests.

Clearly, fee pressure within the active management industry is likely to persist as long as the majority of active managers continue to underperform passive alternatives. We believe 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. The fee should also reflect a fair split of economics between the client and the investment manager. We periodically review our fees relative to our excess return goals, and we are committed to always maintaining proper alignment of interests with those of our clients.

Despite these challenges, we remain confident that we will add value over passive alternatives, net of fees, over long periods, and as of December 31, 2018, the since-inception net returns for most of our strategies exceeded their respective benchmark returns.

Financial Results: Shareholder Value

Diamond Hill Investment Group generated revenue of $145.6 million in 2018 compared with $145.2 million in 2017 and $81.4 million in 2013 (referencing our typical five-year time horizon). Assets under management finished the year at $19.1 billion, down 14% from 2017, reflecting the decline in U.S. equity markets in 2018 as well as net outflows from our strategies. Assets under management were up 57% from 2013.

We generated net operating income of $71.3 million in 2018, an increase of 6% over 2017, and our operating margin rose in 2018 to 49% compared to 46% in 2017. Net operating income adjusted for gains/losses on deferred compensation plan investments was $69.1 million in 2018 compared to $69.4 million in 2017[1]. By far our largest expense is the compensation of our associates. Included in this line item is a significant amount of variable incentive compensation, which can fluctuate from year to year. A variety of factors influence incentive compensation including the investment results generated for our clients, individual employee contributions, and overall Company performance.

[1] Net operating income, as adjusted, is a non-GAAP performance measure. See Use of Supplemental Data as Non-GAAP Performance Measures included in Item 7 in our Annual Report on Form 10-K.

Notably, we have increased shareholder value as measured by growth in tangible book value, dividends paid, and change in stock price. Over the past five years, Diamond Hill's tangible book value per share increased $42.09 per share and we paid $30 per share in special dividends. The dividends paid plus the increase in tangible book value per share equals $72.09 per share, which represents one measure of change in shareholder value. While tangible book value is a component of intrinsic value, the percentage of intrinsic value it represents varies considerably between companies.

This analysis is comparable to another popular measure, total shareholder return (TSR), which considers both cash returned to shareholders and change in stock price. For Diamond Hill, this equates to approximately 8.16% annualized over the past five years. A premise of our investment philosophy is that market price and intrinsic value often differ, sometimes substantially. Thus, we believe the most relevant measure of value creation, in addition to cash returned to shareholders, is the change in Diamond Hill's intrinsic value.

Capital Allocation

As active, intrinsic value investment managers, we evaluate managements' capital allocation decisions as a central part of our investment discipline in evaluating investment opportunities. We prefer to invest in companies that have proven to be good stewards of capital for shareholders, and we hold ourselves to the same standards. The Board of Directors, with input from management, carefully reviews future capital needs and the appropriate use of any excess capital on an annual basis and is focused on the optimal long-term use of capital.

Historically, we have used excess capital to seed new strategies or invest in existing strategies to help them achieve critical mass. We have also paid special dividends to our shareholders, with 2018's $8.00 per share dividend marking the eleventh consecutive year with a special dividend. Last year, I wrote that a share repurchase program may be considered in the future, given the general increase in trading volume in our stock combined with our growing capital and liquidity position. In September 2018, the Board of Directors approved a share repurchase program authorizing the purchase of up to $50 million of Diamond Hill stock. As of February 28, 2019, we have repurchased approximately 84,000 shares at an aggregate price of $13.0 million. Importantly, we will only engage in share repurchases if we believe the current market price is below our estimate of the Company's intrinsic value.

Succession Planning

Diamond Hill has continued to evolve since its founding in 2000, with our first five years squarely focused on becoming a financially viable company and the next five years focused on profitability. Once we established both viability and profitability, our focus shifted to long-term sustainability. Creating sustainability helps us to fulfill our fiduciary duty to clients while also providing a key component for continued growth. Succession planning is crucial to sustainability and one of the most important ongoing responsibilities of our management team and Board of Directors. As I wrote in my 2016 letter to shareholders, "We are always mindful that continuing to develop the next generation of leadership is a perpetual and most critical task."

Our first CEO succession was formalized when I was named President in 2014 and Chief Executive in 2016. Due to our continued growth in clients, investment strategies and associates, it has become increasingly clear to me and to the Board of Directors that the firm requires a CEO that can focus entirely on the various execution demands of our evolving organization. As many know, I have communicated over time that I believe my most important role at the firm is as a portfolio manager on our Long-Short strategy. My desire and my intention is to eventually return to this role full time. With these needs and preferences in mind, along with a continued long-term focus on managing our business, we have formed a sub-committee consisting of independent Board members and key associates to oversee CEO succession planning. We have also engaged a leading global executive search firm to assist the sub-committee in evaluating potential future CEO candidates. The sub-committee will consider both internal and external candidates and will focus on identifying an individual that is a strong cultural fit. Most importantly, this means a primary focus on candidates that share our core client-centric approach as well as our intrinsic value investment philosophy. Our primary objective is finding the right person and the right fit, and we have not placed a deadline on this process. However, we are diligently proceeding, and this step of succession planning is likely to be completed during 2019.

Outlook

Ric Dillon will retire as Chairman of the Board at the conclusion of his current term which ends in conjunction with our Annual Meeting of Shareholders on May 1, 2019. I want to thank him for his leadership, first as Diamond Hill's CEO and then as Board Chairman. I am grateful for his vision and mentorship through the years. Ric gave us an outstanding legacy on which to build. Jim Laird will succeed Ric as Chairman of the Board. As many of you know, Jim was Diamond Hill's Chief Financial Officer and President of Diamond Hill Funds from 2001 to 2014 and has served as a Director since 2011. We are fortunate to have his experience and perspective.

We remain focused on serving existing clients while developing investment strategies which may be utilized by new ones. Our fixed income efforts continue to gain traction with our newest strategies - Core Bond and Short Duration Total Return - approaching their critical three-year anniversaries this summer. We launched our first non-domestic strategy in January 2018, the Diamond Hill Global Fund, and we anticipate launching the Diamond Hill International Fund later this year.

Although Diamond Hill continues to evolve as an organization, our core values are unchanged. We are a financially strong, well-positioned firm operating in a competitive industry, and I believe our greatest competitive advantage is our associates. Our ability to deliver excellent investment results, partner with clients that are clearly aligned with our investment philosophy and time horizon, and operate in an efficient manner is crucial to our success. The competitive nature of our industry also requires us to be flexible and adaptable. I am confident that we have an outstanding team of highly skilled individuals in place to help us plan for the future, achieve our long-term goals, and create value for all stakeholders.

Sincerely,

Chris Bingaman
Chief Executive Officer

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

March 14, 2019

Dear Shareholders:

We cordially invite you to attend the 2019 Annual Meeting of Shareholders of Diamond Hill Investment Group, Inc. to be held at The Eye Center of Columbus, 262 Neil Ave., Columbus, Ohio 43215, on Wednesday, May 1, 2019, at 10:00 a.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 Annual Meeting. Your vote is important, regardless of the number of shares you own.

Sincerely,

Chris M. Bingaman

Christopher M. Bingaman
Chief Executive Officer

DIAMOND HILL INVESTMENT GROUP

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 MAY 1, 2019

Notice is hereby given that the 2019 Annual Meeting of Shareholders (the "Annual Meeting") of Diamond Hill Investment Group, Inc. (the "Company"), will be held at The Eye Center of Columbus, 262 Neil Ave., Columbus, Ohio 43215, on Wednesday, May 1, 2019, at 10:00 a.m. Eastern Daylight Saving Time to consider and act upon the following matters:

1) the election of seven directors to serve on the Company's Board of Directors until the Company's 2020 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;
2) the ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2019;
3) a non-binding, advisory resolution to approve the compensation of the Company's named executive officers; and
4) 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 4, 2019, as the record date for determining the shareholders entitled to vote at the Annual Meeting and any adjournments thereof. Please complete, sign and date the enclosed proxy card, which is solicited by the Company's Board of Directors, and mail it promptly in the enclosed envelope. Alternatively, you may vote by phone or electronically over the Internet in accordance with the instructions on the enclosed proxy card. Returning the enclosed proxy card, or voting 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.

PROMPTLY RETURNING 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,

Gary R. Young, Secretary

Columbus, Ohio
March 14, 2019

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 1, 2019:
The Proxy Statement and the Company's 2018 Annual Report on Form 10-K are available without charge at the following location:
https://www.diamond-hill.com/proxy

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 MAY 1, 2019

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 our Board of Directors (the "Board") for use at our 2019 Annual Meeting of Shareholders (the "Annual Meeting") to be held at 10:00 a.m., Eastern Daylight Saving Time, on May 1, 2019, 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, 2019. Only our shareholders of record at the close of business on March 4, 2019, 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 seven directors to serve on our Board until our 2020 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 KPMG LLP ("KPMG") as our independent registered public accounting firm for the fiscal year ending December 31, 2019;

3) to consider and vote upon a non-binding, advisory resolution to approve the compensation of our 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 us prior to the Annual Meeting or (ii) properly authenticated voting instructions recorded electronically over the Internet or by telephone prior to 7:00 p.m., Eastern Daylight Saving Time on April 30, 2019 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 the Board.** The proxy holders will use their best judgment regarding any other matters that may properly come before the Annual Meeting.

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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 The Eye Center of Columbus, 262 Neil Ave., Columbus, Ohio 43215, on Wednesday, May 1, 2019, at 10:00 a.m., Eastern Daylight Saving Time.

Q: What may I vote on?

A: At the Annual Meeting, you will be asked to consider and vote upon:

- the election of seven directors to serve on the Board until our 2020 Annual Meeting of Shareholders;
- the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2019; and
- a non-binding, advisory resolution to approve the compensation of our 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 card promptly in the enclosed envelope. Alternatively, you may vote by phone or over the Internet in accordance with the instructions on your proxy card. The deadline for transmitting voting instructions over the Internet or telephonically is 7:00 p.m. Eastern Daylight Saving Time on Tuesday, April 30, 2019. 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, please 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 of our shares, 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 our 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 voting 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 your broker has provided to you. 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 KPMG as our independent registered public accounting firm for the 2019 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 Gary R. Young, 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 7:00 p.m., Eastern Daylight Saving Time on April 30, 2019; or

- attend the Annual Meeting and either 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 telephone vote)**.

If you are a beneficial owner, you may change your vote by submitting new voting instructions to your broker or nominee. 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. To obtain directions to attend the Annual Meeting and vote in person, please call Gary Young, Secretary, at (614) 255-3333 or visit the Company's website, https://www.diamond-hill.com/contact/.

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 proposals as recommended by the 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 holder and have more questions about how to submit your proxy, please call Gary Young, the Company's Secretary, at (614) 255-3333. If you are a beneficial owner, you should contact your broker or other nominee to determine the procedures you must follow.

PROCEDURAL MATTERS

Record Date

Only our shareholders of record at the close of business on March 4, 2019, the record date, will be entitled to vote at the Annual Meeting. As of the record date, there were 3,506,417 of our common shares outstanding and entitled to be voted 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 card without voting instructions, it will be voted as recommended by the Board. The Board's 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

A shareholder may cast one vote for each outstanding share held by the shareholder on each separate matter of business properly brought before the Annual Meeting. If you hold shares in street name, we encourage you to instruct your broker or other nominee as to how to vote your shares.

Director elections. Votes that shareholders cast "FOR" a director-nominee must exceed the votes that shareholders cast "AGAINST" a director-nominee for the individual to be elected. Please also see the discussion of our "Majority Voting" provisions within Proposal 1.

Ratification of selection of KPMG. The affirmative vote of the holders of a majority of the shares cast on the proposal is required to ratify the selection of KPMG as the Company's independent registered public accounting firm for fiscal year 2019.

Advisory approval of named executive officer compensation. The affirmative vote of the holders of a majority of the shares cast on the proposal is required for non-binding 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 the exchanges and other self-regulatory organizations of which the brokers are members, brokers who hold common shares in street name for beneficial owners may sign and submit proxies and may vote our common shares on certain "routine" matters. The ratification of KPMG is considered routine. Under applicable stock exchange rules, brokers are not permitted to vote without instruction in the election of directors. In addition, SEC regulations prohibit brokers from voting without customer instruction on the approval of named executive officer compensation. 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, the ratification of the appointment of KPMG or the advisory approval of named executive officer compensation.

Quorum

Business can be conducted 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, but will receive no additional compensation for doing so.

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, 2018 (the "Form 10-K"), 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 these shareholders to the contrary. However, each shareholder will continue to receive a separate proxy card. 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 Gary R. Young, 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 Form 10-K are available on the internet free of charge at: https://www.diamond-hill.com/proxy.

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 4, 2019, by (a) all persons known by us to beneficially own five percent or more of the Company's outstanding shares, (b) each director of the Company, (c) our named executive officers, and (d) all of our executive officers, directors, and director nominees as a group. Although not required, we have also voluntarily disclosed all common shares beneficially owned by all other employees of the Company, excluding our executive officers. Unless otherwise indicated, the named persons exercise sole voting and dispositive power over the shares listed. None of the named persons hold any outstanding options to acquire our common shares, and none of the named persons have pledged any common shares of the Company as security.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Class[1]
Christopher M. Bingaman	47,396	(2)	1.4%
R. H. Dillon	80,565	(2)	2.3%
Randolph J. Fortener	9,600		*
James F. Laird	33,000		*
Thomas E. Line	19,681	(2)	*
Paula R. Meyer	8,000		*
Paul A. Reeder III	8,000		*
Bradley C. Shoup	7,200		*
Nicole R. St. Pierre	8,000		*
Lisa M. Wesolek	23,911	(3)	*
Directors, nominees, and executive officers as a group (9 persons)	221,442		6.3%
All other employees of the Company (123 persons)	508,819	(4)	14.5%
5% Beneficial Owners			
BlackRock, Inc.[5]	262,194		7.5%
Wells Fargo & Company [6]	193,194		5.5%

(1) Beneficial ownership of less than one percent is represented by an asterisk (*). The percent of class is based upon the number of shares beneficially owned by the named person divided by 3,506,417, which was the total number of shares that were issued and outstanding as of March 4, 2019.

(2) Includes 3,404 shares, 3,624 shares, and 759 shares for Mr. Bingaman, Mr. Dillon, and Mr. Line, respectively, that are held in the Diamond Hill Investment Group 401(k) Plan and Trust (the "401(k) Plan"), over which the Trustee of the 401(k) Plan possesses the voting power.

(3) Ms. Wesolek stepped down from her position as Chief Operating Officer effective April 30, 2018 and retired from employment with the Company effective December 31, 2018.

(4) Includes all employees of Diamond Hill Investment Group, Inc. and its subsidiaries as of March 4, 2019, excluding executive officers. Each employee has sole voting power over the shares of such employee reflected in the table, except for the 58,377 shares that are held in the 401(k) Plan, over which the Trustee of the 401(k) Plan possess 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.

(5) Based on information contained in Schedule 13G/A filed with the SEC on February 4, 2019, by BlackRock, Inc. to report beneficial ownership by its subsidiaries (BlackRock Advisors, LLC, BlackRock Investment Management (UK) Limited, BlackRock Asset Management Canada Limited, BlackRock (Netherlands) B.V., BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, N.A., BlackRock Financial Management, Inc., BlackRock Asset Management Schweiz AG, and BlackRock Investment Management, LLC) of shares as of December 31, 2018. This Schedule 13G/A reported that BlackRock, Inc., through its subsidiaries, had sole voting power over 255,083 shares and sole dispositive power over 262,194 shares. The address for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(6) Based on information contained in Schedule 13G/A filed with the SEC on January 22, 2019, by Wells Fargo & Company ("Wells") to report beneficial ownership by its subsidiaries (Wells Fargo Clearing Services, LLC, Wells Fargo Advisors Financial Network, LLC, Wells Fargo Funds Management, LLC, Wells Capital Management Inc., and Wells Fargo Bank, N.A.) of shares as of December 31, 2018. This Schedule 13G/A reported that Wells, through its subsidiaries, had sole voting

power and dispositive power over 3,049 shares, shared voting power over 106,329 shares, and shared dispositive power over 190,145 shares. The address for Wells is 420 Montgomery Street, San Francisco, CA 94163.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our executive officers and directors, and any persons who beneficially own more than ten percent of the Company's shares (the "Reporting Persons"), to file with the SEC initial reports of beneficial ownership on Form 3 and reports of changes in beneficial ownership on Form 4 and Form 5 by specified deadlines. Reporting Persons 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 and statements made by Reporting Persons that no other Section 16(a) reports were required to be filed by them, we believe that the Reporting Persons complied with all filing requirements applicable to them with respect to transactions during the fiscal year ended December 31, 2018 and through the date of this Proxy.

PROPOSAL 1 — ELECTION OF DIRECTORS

The Board guides the strategic direction of the Company and oversees its management. All of our directors are elected annually. As of the date of this Proxy Statement, there were eight members of the Board. Frances A. Skinner, who served as a director of the Company from 2010 until the 2018 Annual Meeting of Shareholders held on May 2, 2018 (the "2018 Annual Meeting") was not nominated for another term as a director of the Company due to employment with the Company which began on April 2, 2018. Following the 2018 Annual Meeting, the Board consisted of five members until February 20, 2019, when the Board, upon recommendation of the Nominating and Governance Committee, approved an increase in the number of directors from five to eight and appointed each of Christopher M. Bingaman, Paula R. Meyer and Nicole R. St. Pierre as a director the Company.

On February 16, 2019, R. H. Dillon, a director and chairman of the Board, notified the Company that he will be retiring from the Board at the conclusion of his current term which ends in conjunction with the Annual Meeting. In connection with his retirement, he requested that the Board not nominate him for re-election at the Annual Meeting.

Pursuant to the recommendation of the Nominating and Governance Committee, the Board has nominated the seven nominees listed below for election, all of whom are incumbents, to hold office until the next annual meeting of shareholders and until their respective successors are elected and qualified. If any nominee becomes unable or unwilling to serve between the date of this Proxy Statement and the Annual Meeting, proxies will be voted **FOR** the election of a replacement recommended by the Nominating and Governance Committee and approved by the Board.

Majority Voting

In an uncontested election, a nominee will not be elected unless he or she receives more "FOR" votes than "AGAINST" votes. In addition, pursuant to the Board's Corporate Governance Guidelines, any director who fails to obtain the required vote in an uncontested election will be expected to promptly submit his or her resignation to the Board. The Board will then decide, after considering the Nominating and Governance Committee's recommendation, whether to accept or decline the resignation, or decline the resignation with conditions. The Board will make any such decision within 90 days following the date of the Annual Meeting of Shareholders at which such uncontested election occurred. Plurality voting will apply to any contested elections.

Director Independence

The Board has determined that each of Randy J. Fortener, James F. Laird, Paula R. Meyer, Paul A. Reeder, Bradley C Shoup and Nicole R. St. Pierre qualifies as independent under the rules and independence standards of The NASDAQ Stock Market ("NASDAQ"), as well as applicable SEC requirements. The Board has determined that Mr. Dillon, Mr. Bingaman are not independent. 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 that 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, and the character and integrity we expect of our directors. The specific qualifications of each individual nominee are set forth under such nominee's name below.

Christopher M. Bingaman, CFA, age 53, was appointed as a director of the Company on February 20, 2019. He has served as President and Chief Executive Officer ("CEO") of the Company since 2014 and 2016, respectively. Mr. Bingaman has also served as a Portfolio Manager with the Company since 2001 and has more than 20 years of experience in the investment management industry.

Mr. Bingaman received his Bachelor of Arts in Finance from Hillsdale College and an MBA from the University of Notre Dame. Mr. Bingaman also holds the Chartered Financial Analyst designation.

Mr. Bingaman's qualifications to serve on the Board include his experience as CEO and a Portfolio Manager of the Company, his in depth knowledge and involvement in our operations and his more than 20 years of experience as an investment professional.

Randolph J. Fortener, age 65, has been a director of the Company since 2013, is the Chair of the Audit Committee, currently serves on the Nominating and Governance Committee and the Compensation Committee, and has been determined by the Board to be an audit committee financial expert, as defined by the SEC. Since 2014, Mr. Fortener has been the CEO of Cozzins Road Capital, a private investment firm. As CEO of Cozzins Road Capital, Mr. Fortener directs all investment and acquisition activity for the company. Previously, Mr. Fortener worked at the Crane Group, a private holding and management company, based in Columbus, Ohio, from 1990 to 2014 and served as the president of Crane Investment Company from 2007 to 2014. Prior to joining the Crane Group, Mr. Fortener was a partner at Deloitte & Touche LLP, a big four accounting firm, providing services to investment banking firms. Mr. Fortener also specialized in estate and tax planning for privately held businesses while with Deloitte. Mr. Fortener has over 40 years of business experience, with an emphasis on corporate acquisitions and investments.

Mr. Fortener received a Bachelor of Science in accounting from The University of Findlay and his MBA in finance from the University of Dayton and is a Certified Public Accountant (inactive).

Mr. Fortener’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 and his experience on other corporate boards.

James F. Laird, CPA, age 62, has been a director of the Company since 2011, is the Chair of the Compensation Committee, currently serves on the Audit Committee and the Nominating and Governance Committee, and has been determined by the Board to be an audit committee financial expert, as defined by the SEC. Mr. Laird also serves as the Lead Independent Director. Mr. Laird served as CFO and Treasurer of the Company from 2001 until his retirement from the Company on December 31, 2014 and served as Secretary of the Company from 2001 to 2017. He also served as President of Diamond Hill Funds from 2001 to 2014. Mr. Laird has over 30 years of experience in the investment management industry.

Mr. Laird received his Bachelor of Science in Accounting from The Ohio State University, is a Certified Public Accountant, and previously held the Series 7, 24, 26, 27 and 63 securities licenses with the Financial Industry Regulatory Authority.

Mr. Laird’s qualifications to serve on the Board include his 13 years of experience as CFO of the Company, his in-depth knowledge and involvement in our operations and his more than 30 years of experience in the financial, operational, administrative, and distribution aspects of the investment management industry.

Paula R. Meyer, age 64, was appointed as a director of the Company on February 20, 2019 and currently serves on the Audit Committee, Nominating and Governance Committee, and the Compensation Committee. Ms. Meyer has worked in variety of roles within the investment management industry most recently serving as President of RiverSource Funds, the proprietary fund complex of Ameriprise Financial, Inc. from 1998 to 2006. She currently serves as a director for Mutual of Omaha and First Command Financial Services. She also served as a director of the Federal Home Loan Bank of Des Moines from 2007 to 2016 and on the Investment Company Institute's Board of Governors from 2000 to 2006.

Ms. Meyer received her Bachelor of Arts from Luther College and an MBA from the University of Pennsylvania, Wharton School of Business.

Ms. Meyer's qualifications to serve on the Board include her over 25 years of leadership experience in the financial services and mutual fund industries as well as her significant governance experience as a board member on numerous for-profit and non-profit companies.

Paul A. Reeder, III, age 57, has been a director of the Company since 2015 and currently serves on the Audit Committee, Nominating and Governance Committee, and Compensation Committee, and has been determined by the Board to be an audit committee financial expert, as defined by the SEC. Mr. Reeder has been the President of PAR Capital Management, a private investment management firm, since 1990.

Mr. Reeder received his Bachelor of Arts from Oberlin College and his Master's degree from the Sloan School of Management at MIT.

Mr. Reeder's qualifications to serve on the Board include his substantial experience of over 30 years in the investment management industry as an analyst, portfolio manager, and a principal executive of a private investment partnership.

Bradley C. Shoup, age 60, has been a director of the Company since 2012, is the chair of the Nominating and Governance Committee, currently serves on the Audit Committee and Compensation Committee, and has been determined by the Board to be an audit committee financial expert, as defined by the SEC. Mr. Shoup has been Chief Financial Officer of NeuVida Resources LLC since 2017. He was a Partner at Falcon Fund Management Ltd. from 2013 to 2016. From 2011 to 2013, Mr. Shoup was Managing Director of Cox Partners, Inc. From 2007 to 2011, Mr. Shoup was Chief Investment Officer of Armstrong Equity Partners LP.

Mr. Shoup received his Bachelor of Science in Civil Engineering with Distinction from the University of Kansas and his Master's degree from the Sloan School of Management at MIT.

Mr. Shoup's qualifications to serve on the Board include his over 30 years of experience in corporate finance and the investment management industry.

Nicole R. St. Pierre, age 46, was appointed as a director of the Company on February 20, 2019 and currently serves on the Audit Committee, Nominating and Governance Committee, and the Compensation Committee. Ms. St. Pierre served in a variety of roles within the Asset Management group at J.P. Morgan from 1994 to 2018, most recently as Managing Director; Head of Client Services and Business Platform & Americas Regional Lead.

Ms. St. Pierre received her Bachelor of Science in Marketing from Rutgers University and an MBA from Fordham University.

Ms. St. Pierre's qualifications to serve on the Board include her over 20 years of experience in the investment management industry.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF CHRISTOPHER M. BINGAMAN, RANDY J. FORTENER, JAMES F. LAIRD, PAULA R. MEYER, PAUL A. REEDER, III, BRADLEY C. SHOUP, AND NICOLE R. ST. PIERRE AS DIRECTORS OF THE COMPANY.

THE BOARD OF DIRECTORS AND COMMITTEES

The Board held a total of four meetings during the year ended December 31, 2018. Each then incumbent director attended all of the meetings of the Board and its committees of which he or she was a member. Consistent with our Corporate Governance Guidelines, the directors met in executive session at each regularly scheduled Board meeting in 2018. 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 2018 Annual Meeting.

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 on our website, ir.diamond-hill.com, under the heading "Corporate Governance" on the right hand side of the site.

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.

We also have a Code of Business Conduct and Ethics that is applicable to all of our employees and directors. It is our policy to require all employees to participate annually in continuing education and training relating to the Code of Business Conduct and Code of Ethics.

Personal Trading and Hedging Policy

We also have established a policy prohibiting our 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. 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. Fortener (Chair), Mr. Laird, Ms. Meyer (effective February 20, 2019), Mr. Reeder, Mr. Shoup, and Ms. St. Pierre (effective February 20, 2019) serve on the Audit Committee, which met four times during 2018. The Board has determined that each of these committee members meets the independence and financial literacy rules and standards of the SEC and NASDAQ. The Board also has concluded that each of Mr. Fortener, Mr. Laird, Mr. Reeder, and Mr. Shoup also meets the criteria to be an audit committee financial expert as defined by the SEC.

The primary purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities with respect to 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 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 "AUDIT COMMITTEE REPORT."

Compensation Committee

Mr. Fortener, Mr. Laird (Chair), Ms. Meyer (effective February 20, 2019), Mr. Reeder, Mr. Shoup, and Ms. St. Pierre (effective February 20, 2019) serve on the Compensation Committee, which met three times during 2018. The Board has determined that each of these committee members meets the independence criteria of the SEC and NASDAQ.

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 salaries, bonuses, stock grants and other benefits, direct and indirect, of our executive officers, 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. The Compensation Committee has delegated to management the ability to make stock grants to our non-executive employees within specific parameters to align the interests of our shareholders and our employees and to promote employee retention, and long-term employee ownership. 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

Mr. Fortener, Mr. Laird, Ms. Meyer (effective February 20, 2019), Mr. Reeder, Mr. Shoup (Chair), and Ms. St. Pierre (effective February 20, 2019) serve on the Nominating and Governance Committee, which met twice during 2018. The Board has determined that each of these committee members meets 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 Nominating and Governance Committee's responsibilities are Board and committee composition, director qualifications, director orientation and education, and Board evaluations. The Nominating and Governance Committee identifies, evaluates, and nominates Board candidates; reviews compliance with director stock ownership guidelines; and oversees procedures regarding shareholder nominations and other shareholder communications to the Board. The Nominating and Governance Committee is also responsible for monitoring compliance with and recommending any changes to the Company's Corporate Governance Guidelines. Additional information regarding the committee's activities can be found under the heading "Corporate Governance."

Board Committee Membership

The following table summarizes the membership of the Board and each of its committees, and the number of times each met during 2018.

Director [(1)]	Audit	Compensation	Nominating and Governance
R. H. Dillon	—	—	—
Randolph J. Fortener	Chair	Member	Member
James F. Laird	Member	Chair	Member
Paul A. Reeder, III	Member	Member	Member
Bradley C. Shoup	Member	Member	Chair
Number of Meetings in 2018	4	3	2

(1) Christopher M. Bingaman, Paula R. Meyer and Nicole R. St. Pierre are not included in the above table because their respective appointments to the Board were not effective until February 20, 2019. Following their appointments to the Board, each of Paula R. Meyer and Nicole R. St. Pierre was appointed to the Audit Committee, Nominating and Governance Committee, and Compensation Committee. From January 1, 2018 until until the expiration of her term as a director of the Company at the 2018 Annual Meeting, Frances A. Skinner did not serve on any committees of the Board.

Compensation of Directors

The Compensation Committee is responsible for periodically reviewing and recommending to the Board the compensation of our non-employee directors. At the discretion of the Board, directors are eligible to receive stock-based awards under the Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan (the "2014 Plan"). The Compensation Committee has determined that the use of long-term cliff vesting restricted stock awards as the sole form of compensation for our non-employee directors is the most appropriate way to further align the interests of our directors with the long-term interests of our shareholders. These one-time restricted stock awards are intended to compensate the directors for a long period of time and are intended to fully compensate directors for the entirety of their service as directors and as members of committees of the Board. Restricted stock awards are granted upon appointment to the Board and at the discretion of the Board upon recommendation by the Compensation Committee and are subject to such terms and conditions as may be established by the Compensation Committee Consistent with terms of the 2014 Plan. After the restricted stock awards vest upon terms and conditions established by the Compensation Committee, to further align the interests of our directors and shareholders, our Corporate Governance Guidelines prohibit the shares from being sold while the director remains on the Board, except that shares may be sold within the year the awards vest in an amount necessary to pay taxes due as a result of the vesting. The following table sets forth information regarding the compensation earned by, or paid to, directors who served on our Board in 2018.

2018 Director Compensation[(1)]

Name [(2)]	Fees Earned or Paid in Cash	Stock Awards [(3)]	All Other Compensation	Total
R. H. Dillon [(4)]	$ 125,000	$ —	$ 20,850	$ 145,850
Randolph J. Fortener [(5)]	$ —	$ 694,800	$ —	$ 694,800
James F. Laird	$ —	$ —	$ —	$ —
Paul A. Reeder, III	$ —	$ —	$ —	$ —
Bradley C. Shoup	$ —	$ —	$ —	$ —
Frances A. Skinner [(6)]	$ —	$ —	$ —	$ —

(1) Omits those columns where no compensation was awarded or earned.

(2) Christopher M. Bingaman, Paula R. Meyer and Nicole R. St. Pierre are not included in this table as their respective appointments as directors of the Company were not effective until February 20, 2019.

(3) Represents the full grant date fair value of the stock awards computed by multiplying the total shares granted by the closing price of the shares on the grant date.

(4) Mr. Dillon is Chair of the Board of Directors and was a non-executive employee of the Company from January 1 2018 through June 30, 2018. Mr. Dillon was not paid any fees for his service as a director of the Company, and the amounts shown in this table relates solely to the compensation paid to Mr. Dillon in his role as an employee of the Company. Mr. Dillon's cash compensation reflected in the table represents the portion of his $250,000 base salary that Mr. Dillon earned prior to his retirement. During 2018, he also received $18,750 in 401(k) Plan contributions and $2,100 in health savings account contributions. Such amounts are reflected in the "All Other Compensation" column of the table.

(5) This amount reported represents Mr. Fortener's restricted stock award, which was granted by the Board under the 2014 Plan on May 2, 2018 and is intended to represent his sole compensation as a director of the Company for the period of May 2, 2018 through his scheduled retirement on April 30, 2023.

(6) Ms. Skinner became a full-time employee of the Company on April 2, 2018. In connection with her employment, Ms. Skinner did not stand for re-election as a director. As a result, she concluded her term as a director on May 2, 2018 in conjunction with the 2018 Annual Meeting.

Outstanding Stock Grants to Directors

The below table shows the amount of unvested restricted stock awards outstanding to directors as of December 31, 2018 and the service period covered by the grant. All of these awards vest in full at the conclusion of the applicable service period.

Name	Shares Granted	Approximate Service Period	Service Period Covered	Grant-Date Fair Value	Grant Date	Vesting Date
Randolph J. Fortener	3,600	Five Years	5/2/18 – 4/30/23	$694,800	5/2/18	4/30/23
James F. Laird	8,000	Ten Years	4/30/15 – 4/30/25	$1,125,760	2/27/15	4/30/25
Paul A. Reeder, III	8,000	Ten Years	4/30/15 – 4/30/25	$1,457,600	4/30/15	4/30/25
Bradley C. Shoup	3,600	Five Years	5/1/17 – 4/30/22	$725,760	5/1/17	4/30/22

Ownership and Retention Guidelines

Our Corporate Governance Guidelines prohibit shares granted to our directors as compensation from being sold while the director remains on the Board, except for sales of shares in an amount necessary to pay taxes due upon vesting. Therefore, we expect each non-employee director to hold for his or her entire term of service on the Board all of the shares granted to the director as compensation.

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 our governance matters. The Nominating and Governance Committee has adopted Corporate Governance Guidelines and reviews them annually. The most current version of the Guidelines is available on our website, ir.diamond-hill.com, under "Corporate Governance" on the right hand side of the site.

Board Leadership and Composition

The Chairman approves Board agendas and schedules, chairs all executive sessions of the directors, acts as the liaison between the directors and management, is available to the Secretary to discuss and, as necessary, respond to shareholder communications to the Board, and calls meetings of the directors.

Mr. Laird serves as Lead Independent Director. The responsibilities of the Lead Independent Director include all of the duties of Chairman when the Chairman is not present. The Lead Independent Director also chairs all executive sessions of the independent directors.

Currently, six of our seven directors who have been nominated for re-election at the Annual Meeting, qualify as independent under NASDAQ standards. Mr. Dillon who has not been nominated for re-election is not independent. In addition, the Nominating and Governance Committee, the Audit Committee, and the Compensation Committee are all comprised entirely of independent directors. Overall, we believe 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 non-executive director. Although we have a 10 year service limit for non-employee directors, the Guidelines authorize the Board to make exceptions to this limitation and permit directors to serve for an additional year. The Corporate Governance Guidelines also permit the Chair to serve longer than 10 years if he or she has not served in that role for five consecutive years. The Board has not made such an exception to the term limits for non-executive directors during the last five years.

Board's Role in Risk Oversight

The Board's role in our risk oversight process includes receiving regular reports from members of senior management on areas of material risk to the Company, including client investment results, operational, financial, legal, regulatory and strategic risks. The Audit Committee is responsible for overseeing risks relating to our accounting matters, financial reporting and legal and regulatory compliance. To satisfy these oversight responsibilities, the Audit Committee meets regularly with management and the Company's independent registered public accounting firm. The Compensation Committee is responsible for overseeing risks relating to employment policies and our 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 our compensation policies pose to our finances and our relationship with employees.

Director Orientation and Continuing Education and Development

When a new non-executive director joins the Board, the Company provides a formal orientation program to provide the new director with an understanding of our operations and financial condition. 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 in which the Company operates 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 currently constitute, and would continue to 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.

The Nominating and Governance Committee supervises the nomination process for directors. It considers the performance, independence, background, experience, gender and other forms of diversity, as well as other characteristics of our incumbent directors, including their willingness to serve, and any change in their employment or other circumstances in considering their nomination each year. We do not 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 the Company decides to increase the size of the Board, the Nominating and Governance Committee will identify, interview, examine, and make recommendations to the Board regarding appropriate candidates.

The Nominating and Governance Committee identifies potential candidates principally through suggestions from our 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 or our recently appointed directors.

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. Additionally, all potential nominees 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 various Board committees must meet applicable independence and financial literacy qualifications required by NASDAQ, the SEC, and other applicable laws and regulations. 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 our shareholders. All of our directors serve for one-year terms and must stand for reelection annually.

The Nominating and Governance Committee does not currently have any specific policies regarding the consideration of director candidates recommended by shareholders due to a historical absence of shareholder recommendations. In the event of such a recommendation, the Nominating and Governance Committee would consider the recommendation using the process and criteria set forth above. In the future, the Nominating and Governance Committee may in its discretion adopt policies 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 the Company 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. The Company has no written policy with respect to related party transactions, because in the last 10 years we have only had one related party transaction to consider. 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. For any related person transaction to be consummated or to continue, the Audit Committee must approve or ratify the transaction.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee during 2018 were Mr. Fortener, Mr. Laird, Mr. Reeder, and Mr. Shoup. No director who served on the Compensation Committee during 2018 currently is, or during 2018 was, an officer, employee or former officer of the Company, and none of them has or had any relationship during 2018 requiring disclosure by us under Item 404 of SEC Regulation S-K. During 2018, none of our executive officers served as a member of the board of directors or compensation committee of any other company that has an executive officer serving as a member of our Board or Compensation Committee.

Executive Officers and Compensation Information

During 2018, Christopher M. Bingaman, Thomas E. Line, and Lisa M. Wesolek were the Company's only executive officers. Ms. Wesolek stepped down from her position as Chief Operating Officer ("COO") effective April 30, 2018 and retired from employment with the Company effective December 31, 2018. Mr. Bingaman's and Mr. Line's business experience and qualifications are described below. Each executive officer devotes his or her full time and effort to the affairs of the Company.

Christopher M. Bingaman, age 53, has served as the CEO of the Company since 2016, has been the President of the Company since 2014 and also has been a Portfolio Manager since he joined the Company in 2001. From 1997 to March 2001, Mr. Bingaman was a Senior Equity Analyst for Nationwide Insurance. In 1997, Mr. Bingaman was an Equity Analyst for Dillon Capital Management. From 1990 to 1997, Mr. Bingaman held various positions at Fifth Third Bank, First Chicago NBD and NBD Bank. Mr. Bingaman has over 20 years of experience in the investment management industry.

Mr. Bingaman received his Bachelor of Arts in Finance from Hillsdale College (cum laude) and his Master of Business Administration from the University of Notre Dame. Mr. Bingaman holds the Chartered Financial Analyst designation.

Thomas E. Line, age 51, has served as the CFO and Treasurer of the Company since 2015 and as the Chief Executive Officer of the Diamond Hill Funds since he joined the Company in 2014. Previously, Mr. Line served as an Independent Trustee and Chair for Diamond Hill Funds from 2005 to 2014. From 2012 to 2014, Mr. Line was Chief Operating Officer for Lancaster Pollard & Company. Mr. Line was Managing Director and Chief Financial Officer for Red Capital Group from 2005 to 2012 and was Vice President and Treasurer from 2004 to 2005. From 2002 to 2004, Mr. Line was President of Focused Financial Consulting, Inc. From 1998 to 2002, Mr. Line was Chief Operating Officer for Meeder Financial, Inc. From 1996 to 1998, Mr. Line was Vice President and Treasurer for BISYS Fund Services, Inc. Prior to 1996, Mr. Line spent seven years at KPMG in various roles. Mr. Line has over 25 years of experience in the investment management industry.

Mr. Line has a Bachelor of Science in Accounting from Wake Forest University and is a Certified Public Accountant (inactive).

Compensation Discussion and Analysis

In our Compensation Discussion and Analysis, we:

- describe our compensation program objectives and how compensation for our named executive officers is determined; and
- explain the tables and disclosures that follow.

This Compensation Discussion and Analysis presents compensation information for the following individuals (each, a "named executive officer"):

- Christopher M. Bingaman, who served as our CEO and President in 2018;
- Thomas E. Line, who served as our CFO and Treasurer in 2018; and
- Lisa M. Wesolek, who served as our COO until April 30, 2018.

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 and benefits 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. Achieving profitability in our industry while retaining high-quality talent requires a balancing of the economics between our operating profit margin and rewarding the employees who generate our profits and produce investment results for our clients. As of March 4, 2019, the record date for the Annual Meeting, our employees and directors owned approximately 20.8% of the Company. In contrast, many competitor firms are owned entirely by their employees and many publicly-traded asset managers are far less employee-owned. Despite our unique ownership structure given our industry, we believe that industry norms are helpful benchmarks for evaluating this balancing of economics.

At our 2018 Annual Meeting, our shareholders voted upon an advisory resolution to approve the compensation of our named executive officers, which was approved by 98% 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 support our previous compensation practices and the Committee's overall judgment related to our compensation practices. The Committee considered that endorsement in establishing the compensation of our executive officers for 2018.

Compensation Program Objectives

We seek to attract and retain people with integrity, intelligence and energy. All of our 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) investment results in client portfolios, (ii), overall firm operating results, (iii) general market compensation data, and (iv) our profitability compared to other investment management firms.

In addition to annual incentive compensation, upon commencing employment with the Company, all employees are generally granted equity awards as an incentive to their continued employment. Generally, these awards cliff vest after five years of employment to promote employee retention and long-term employee ownership. We also seek to increase employee ownership because we believe such ownership encourages employees to act and think like owners. While compensation amounts differ depending upon position, responsibilities, performance and competitive data, we seek to reward all employees with similar compensation components based on these objectives.

Rewards Based on Performance

Our primary business objective is to meet our fiduciary duty to clients. Specifically, our 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, their compensation program is designed to reward performance that supports these objectives. The compensation program varies for those employees who are not a part of our investment team, but is based on rewarding individual performance that helps us meet our fiduciary duty to clients. We seek to fulfill our fiduciary duty to shareholders by managing the firm and its assets to increase shareholder value over time. Over the past five years, our annualized total shareholder return was 8.2% compared to a 4.4% return for the Russell 2000 Index.

Compensation Setting Process

Role of the Compensation Committee. The Committee has the overall responsibility for evaluating and approving the structure, operation and effectiveness of our compensation plans, policies and programs for all employees. Each member of the Committee is a "non-employee director" for purposes of Section 16(b) of the Securities Exchange Act of 1934, and meets NASDAQ independence requirements. 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;
- retain compensation consultants as it deems necessary to assist in its evaluation of director, CEO or other senior executive compensation programs or arrangements;
- obtain advice and assistance as it deems necessary 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 the discretion 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 our annual review process and makes recommendations to the Committee regarding all elements of compensation paid to him. Changes in compensation proposed by the CEO are based on the individual'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, management attends Committee meetings to provide general employee compensation and other information to the Committee, including information regarding the design, implementation and administration of our 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 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. Historically, however, the Committee has not engaged compensation consultants, and did not do so in 2017 or 2018.

Each year the Committee obtains and summarizes an asset management industry pay analysis prepared by McLagan, a compensation specialist focusing on the asset management industry. The companies in the McLagan analysis include approximately 150 public and private asset management companies with which we compete. 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, including the types and amounts of compensation paid generally by the companies surveyed. 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 we compete with both public and private asset management firms regardless of their size and scope of operations.

Elements of Compensation

Base Salary. Base salaries for our 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 other companies within the investment management industry. Base salaries are designed to compensate knowledge and experience. Consistent with our desire to have the majority of total compensation paid to named executive officers at risk in the form of incentive compensation, a significant majority of total compensation of our executive officers was paid in the form of either cash bonuses and/or long-term equity grants.

Annual Cash Bonuses. The Committee awarded a discretionary cash bonus to Mr. Bingaman, to reward him for his strong performance and overall contributions to the Company in fiscal year 2018. The Committee believes a discretionary cash bonus provided the Committee with the flexibility to consider all aspects of Mr. Bingaman's performance and contributions to the Company as CEO, President and Portfolio Manager. In determining the amount of Mr. Bingaman's cash bonus, the Committee considered the Company's overall operating results for 2018, the investment results in client portfolios, client service, overall contributions to the investment team, and broad market compensation data.

The Committee awarded a discretionary cash bonus to Mr. Line to reward him for his strong performance and overall contributions to the Company in fiscal year 2018. The Committee believes that a discretionary cash bonus provided the Committee with the flexibility to consider all aspects of Mr. Line's performance and contributions to the Company which, for a CFO and Treasurer, may not be as directly tied to our operating income. In determining the amount of Mr. Line's cash bonus, the Committee considered the Company's overall operating results for 2018, contributions by Mr. Line that were not reflected in our operating results, and broad market compensation data.

2015 Restricted Stock Unit Award to Mr. Bingaman. In October 2015, the Committee awarded 13,000 shares of performance-based restricted stock units ("PRSUs") to Mr. Bingaman pursuant to the Company's 2014 Plan covering the performance period of January 1, 2016 through December 31, 2017. The grant called for 6,500 PRSUs to vest on each of January 1, 2017 and

January 1, 2018, respectively, if the Company's annual operating profit for each calendar year period (defined as the Company's total revenue during each calendar year period excluding any investment income and gains, less the Company's total operating expenses during such period and any investment losses and all taxes) exceeded \$40,000,000. If the Company's annual operating profit during in either calendar year period was less than \$40,000,000, a reduced number of PRSUs would vest on January 1st of 2017 or 2018, respectively, according to a schedule that scaled down from 6,500 PRSUs at \$40,000,000 in operating profit to zero PRSUs at or below \$0 in operating profit. Any PRSUs that did not vest would be forfeited. The performance conditions for both 2016 and 2017 were met. The first 6,500 PRSUs vested in full on January 1, 2017. The Company accelerated the vesting of the second 6,500 PRSUs from January 1, 2018 to December 26, 2017 in order to take a tax deduction for the compensation during 2017. All vested PRSUs settled in shares of the Company's common stock on a 1-for-1 basis and are subject to restrictions on sale or transfer for five years following the vesting date. This PRSU award comprised all of Mr. Bingaman's equity-based compensation for 2016 and 2017.

2018 Restricted Share Award to Mr. Bingaman. On February 21, 2018, the Committee awarded 12,000 restricted shares of the Company to Mr. Bingaman pursuant to the Company's 2014 Plan. The Committee believes this award strongly aligns the long-term interests of Mr. Bingaman with those of the Company and its shareholders. This long-term equity award is intended to represent a portion of Mr. Bingaman's total compensation for the five year period 2018 through 2022. Subject to Mr. Bingaman's continued employment with the Company, the restricted shares will vest on January 1, 2023.

2018 Annual Stock award to Mr. Bingaman. The Committee awarded a discretionary stock bonus of \$1,000,000 to Mr. Bingaman, to reward him for his strong performance and overall contributions to the Company in fiscal year 2018. Similar to the cash bonus awarded to Mr. Bingaman, the Committee believes a discretionary stock bonus provides the Committee with the flexibility to consider all aspects of Mr. Bingaman's performance and contributions to the Company as CEO, President and Portfolio Manager. In determining the amount of Mr. Bingaman's stock bonus, the Committee considered the Company's overall operating results for 2018, the investment results in client portfolios, client service, overall contributions to the investment team, and broad market compensation data. The shares awarded in this stock bonus are fully vested, but are restricted from sale until February 2024.

2014 Restricted Stock Unit Award to Mr. Line. In connection with his initial employment with the Company, in December 2014, the Committee awarded 15,000 restricted stock units ("RSUs") to Mr. Line pursuant to the Company's 2014 Plan as long-term incentive compensation. This award is subject to time-based vesting with 3,000 of these RSUs vesting on each April 1st from 2015 through 2019. The remaining 3,000 of the RSUs will vest on April 1, 2019. Each RSU that vests is settled in the Company's common shares on a 1-for-1 basis. Upon vesting, the resulting shares are subject to restrictions on sale or transfer for an additional five years from each respective vesting date. The Committee believes this compensation structure strongly aligns the long-term interests of Mr. Line with those of the Company and its shareholders. This RSU award is intended to comprise all of Mr. Line's equity-based compensation for 2014 through 2018.

Retirement Plan Benefits. We provide retirement benefits to our named executive officers through the 401(k) Plan. Each named executive officer is entitled to participate in the 401(k) Plan on the same terms and conditions as all other employees. The 401(k) Plan does not involve any guaranteed minimum or above-market returns, as plan returns depend on actual investment results.

Deferred Compensation Plans. We have two Deferred Compensation Plans: the Diamond Hill Fixed Term Deferred Compensation Plan (the "Fixed Term Plan") and the Diamond Hill Variable Term Deferred Compensation Plan (the "Variable Term Plan") (each individually, a "Plan", and collectively the "Deferred Compensation Plans"). Each named executive officer is eligible to participate in one of the Plans, along with certain other employees of the Company. The terms and conditions of the Plans are described in more detail under the heading "Pension Plans and Non-Qualified Deferred Compensation" below.

Other Benefits and Perquisites. We do not provide supplemental retirement plan benefits to our named executive officers. As a general rule, we do not provide any perquisites or other personal benefits to our named executive officers that are not offered on an equal basis to all other employees. Our named executive officers are entitled to participate in benefit programs that entitle them to the same medical, dental, and short-term and long-term disability insurance coverage that are available to all employees.

Post-Employment Payments. No named executive officer has an employment contract or severance arrangement, and we do not provide any post-employment payments to our named executive officers, other than pursuant to our 401(k) Plan and Deferred Compensation Plans.

Section 162(m) of the Internal Revenue Code

Prior to December 22, 2017, when the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law, Section 162(m) of the Internal Revenue Code generally disallowed a tax deduction to publicly held companies for compensation paid to certain "covered employees" in excess of $1 million per covered employee in any year, except to the extent that the compensation in excess of the limit qualified as performance-based.

Under the TCJA, the performance-based exception has been repealed and the $1 million deduction limit now applies to (1) anyone serving as the chief executive officer or the chief financial officer at any time during the taxable year, (2) the top three other highest compensated executive officers serving at the end of the taxable year, and (3) any individual who had been a covered employee for any taxable year of the Company that started after December 31, 2016. However, the new rules do not apply to remuneration provided pursuant to a written binding contract in effect on November 2, 2017 that is not modified in any material respect after that date. Because of ambiguities and uncertainties as to the application and interpretation of this transition relief, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) will avoid the deduction limit. We believe that the amount of compensation paid to our executive officers that can be deducted will decrease compared to prior years.

The Board of Directors has not adopted a formal policy regarding tax deductibility of compensation paid to our executive officers. While the Board and the Committee consider the potential tax deductibility of executive compensation under Section 162(m) of the Internal Revenue Code in establishing compensation for named executive officers, the Board and the Committee require the flexibility to consider additional factors in making compensation decisions in order to best fulfill the objectives of the Company's compensation program. Accordingly, the Committee may authorize, compensation that might not be deductible, and may modify compensation that was initially intended to be exempt from Section 162(m), if it determines that such compensation decisions are in the best interests of the Company and its shareholders.

Risks Related to Compensation Policies and Practices

As part of its oversight of our executive and non-executive compensation programs, the Committee considers how our current compensation programs, including the incentives created by compensation awards, affect the Company's risk profile. In addition, the Committee reviews our compensation policies, and 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 Committee also considered the following risk mitigating factors:

- our current compensation programs reward portfolio managers and research analysts on trailing five-year investment performance in client accounts;
- a significant portion of incentive compensation is in the form of long-term equity-based awards;
- the sale restriction periods on 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;
- the Company's internal controls over financial reporting and other financial, operational and compliance policies and practices; and
- the consistency of base salaries 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 Committee has concluded that our compensation policies and procedures are not reasonably likely to have a material adverse effect on the Company.

Compensation Recoupment and Restitution Policy

Upon the recommendation of the Committee, the Board has adopted a compensation recoupment and restitution policy that applies to all incentive compensation received by all employees, including our named executive officers. Under the policy, we may recover all or a portion of incentive compensation (or pay out additional incentive compensation) related to awards made after the adoption of the policy, in three general situations:

- if, due to error or malfeasance, the previously determined incentive pool, or an individual award, is either too large (or too small), then any overpayment made to an employee may, in the sole discretion of the Committee and the Board, be returned to the Company or an additional payment may be made to an employee;
- if an employee engages in fraud or misconduct that contributes to the need for a financial restatement, or violates any law or regulation or any policy or procedure of the Company, then we may, in the sole discretion of the Committee and the Board, recoup all or a portion of the employee's incentive compensation; and
- if the Committee determines that the Company's previously issued financial statements are restated as a result of error, omission, fraud or non-compliance with financial reporting requirements, then we may recoup, in the sole discretion of the Compensation Committee and the Board, all or a portion of the employee's incentive compensation.

The policy is intended to provide enhanced safeguards against certain types of employee misconduct and provide enhanced protection to, and alignment with, shareholders. These provisions are in addition to any policies or recovery rights that are provided under applicable laws, including the Sarbanes-Oxley Act of 2002 and the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Stock Ownership Guidelines

The Board adopted stock ownership guidelines for our named executive officers to further align their interests with those of our shareholders. The below table provides the target ownership level reflected in the guidelines and actual shares owned as of December 31, 2018. Each named executive officer currently holds 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 (b)	Ownership Guideline Met
Christopher M. Bingaman	CEO and President	5x Salary	10,037	43,905	Yes
Thomas E. Line	Chief Financial Officer	3x Salary	5,018	11,640	Yes

(a) Based on a per share price of $149.45 which was the closing price of our common shares on December 31, 2018, and the respective base salaries of our named executive officers as of that date.

(b) Includes any unvested restricted stock and restricted stock units, as well as shares held in the 401(k) Plan.

Summary Compensation Table

The following table sets forth the total compensation paid to or earned by our named executive officers for services rendered 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	All Other Compensation[4]	Total
Christopher M. Bingaman	2018	$ 300,000	$ 500,000	$ 3,552,280 [2]	$ 45,313	$ 4,397,593
Chief Executive Officer	2017	$ 300,000	$ 550,000	$ —	$ 38,700	$ 888,700
and President	2016	$ 300,000	$ 600,000	$ 2,360,860 [3]	$ 38,100	$ 3,298,960
Thomas E. Line	2018	$ 250,000	$ 225,000	$ —	$ 41,225	$ 516,225
Chief Financial Officer	2017	$ 200,000	$ 225,000	$ —	$ 29,600	$ 454,600
and Treasurer	2016	$ 200,000	$ 225,000	$ —	$ 29,600	$ 454,600
Lisa M. Wesolek	2018	$ 230,000	$ —	$ —	$ 1,552,492	$ 1,782,492
Chief Operating Officer	2017	$ 250,000	$ 500,000	$ —	$ 35,600	$ 785,600
	2016	$ 250,000	$ —	$ —	$ 35,600	$ 285,600

(1) The amount reported represents a discretionary cash bonus award. These awards were not based upon any pre-established performance goals.

(2) The amount reported includes the grant date fair value for Mr. Bingaman's discretionary stock bonus award of $1,000,000 which immediately vested upon grant. Shares acquired pursuant to this discretionary stock bonus are restricted from sale for five years following the grant date. The amount reported also includes the grant date fair value of $2,552,280 for Mr. Bingaman's discretionary grant of 12,000 restricted shares which were awarded to him in 2018. Subject to Mr. Bingaman's continued employment, these restricted shares will vest on January 1, 2023, subject to continued employment. Neither of these grants were based upon any pre-established performance goals.

(3) The amount reported represents the grant date fair value of 13,000 PRSUs awarded to Mr. Bingaman in 2015 for a performance period beginning on January 1, 2016. These PRSUs were granted to Mr. Bingaman under the 2014 Plan as part of a long-term performance-based incentive program and constitute the stock portion of Mr. Bingaman's incentive

compensation for the years 2016 and 2017. Of these 13,000 PRSUs, 6,500 vested on January 1, 2017 and the other 6,500 vested on December 26, 2017, in each instance subject to the achievement of performance goals established by the Compensation Committee and described above in the "Compensation Discussion and Analysis" section.

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

Name	Year	Contributions to 401k Plan[(a)]	Contributions to Health Savings Account[(a)]	Supplemental Payment[(b)]	Total
Christopher M. Bingaman	2018	$ 39,188	$ 6,125		$ 45,313
	2017	$ 32,400	$ 6,300		$ 38,700
	2016	$ 31,800	$ 6,300		$ 38,100
Thomas E. Line	2018	$ 35,625	$ 5,600		$ 41,225
	2017	$ 24,000	$ 5,600		$ 29,600
	2016	$ 24,000	$ 5,600		$ 29,600
Lisa M. Wesolek	2018	$ 35,625	$ 1,867	$ 1,515,000	$ 1,552,492
	2017	$ 30,000	$ 5,600		$ 35,600
	2016	$ 30,000	$ 5,600		$ 35,600

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

(b) Ms. Wesolek retired from the Company effective December 31, 2018. In connection with her retirement and in recognition of her service to the Company, Ms. Wesolek entered into an agreement with the Company, effective May 30, 2018 which provided for a supplemental payment of $1,515,000.

Pay Ratio Disclosure

The below table shows the ratio of the median annual total compensation of all Company employees (excluding the CEO) to the annual total compensation of the Company's CEO. In determining the median employee, a listing was prepared of all current employees as of December 31, 2018. To determine the median employee, we included 2018 base salary and incentive compensation (annualized for those employees that were not employed for the full year of 2018). Once the median employee was identified, for purposes of comparison to the CEO, we then calculated the compensation for that employee in the same manner as the Total Compensation shown for our CEO in the Summary Compensation Table.

Median Employee total annual compensation	$	256,300
Christopher M. Bingaman, CEO, total annual compensation	$	4,397,593 [(1)]
Ratio of CEO to Median Employee Compensation		17.2 : 1

(1) The compensation shown for the CEO includes $2,552,280 related to a five-year restricted stock award granted on February 21, 2018. Excluding this stock award, the CEO total compensation was $1,845,313.

Voluntary Supplemental Pay Ratio Disclosure - GAAP Accounting

The compensation numbers presented in the below table use the actual compensation expense recorded by the Company on its financial statements on Form 10-K ("GAAP Accounting"). Under GAAP Accounting, on the below table long-term restricted stock awards are amortized over the vesting period of the award, as opposed to the above table, which includes the entire grant date value in the year the award is granted. The below table shows the same median employee as the above table.

Median Employee total annual compensation [(1)]	$	296,180
Christopher M. Bingaman, CEO, total annual compensation [(1)]	$	2,355,769
Ratio of CEO to Median Employee Compensation		8.0 : 1

(1) The compensation shown above includes $39,880 and $510,456, respectively in GAAP Accounting compensation expense related to long-term restricted stock awards.

Grants of Plan Based Awards for 2018

The following table sets forth information regarding annual incentive plan awards granted to each of the named executive officers for the year ended December 31, 2018.

Name	Grant Date	Compensation Committee Action Date (1)	Estimated Possible Payouts Under Equity Incentive Plan Awards			Grant Date Fair Value of Stock and Options
			Threshold #	Target #	Maximum #	Awards $
Christopher M. Bingaman (2)	02/21/2018	02/21/2018	—	12,000	—	2,360,860
Thomas E. Line	—	—	—	—	—	—
Lisa M. Wesolek	—	—	—	—	—	—

(1) The Compensation Committee Action Date represents the date on which the Committee authorized the equity-based award.

(2) On February 21, 2018, the Compensation Committee granted an award of 12,000 restricted shares to Mr. Bingaman pursuant to the 2014 Plan. This award is intended to represent a portion of Mr. Bingaman's total compensation for the five year period 2018 through 2022. Subject to his continued employment the restricted shares will vest on January 1, 2023.

Outstanding Equity Awards at December 31, 2018

The following table summarizes all outstanding equity awards held by our named executive officers as of December 31, 2018.

Name	Stock Awards	
	Equity Incentive Plan Awards: Number of Unearned Shares That have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested(3)
Christopher M. Bingaman	12,000 (1)	$ 1,793,400
Thomas E. Line	3,000 (2)	$ 448,350
Lisa M. Wesolek	—	$ —

(1) These shares represent a grant of restricted shares to Mr. Bingaman pursuant to the 2014 Plan. Subject to Mr. Bingaman's continued employment with the Company, these restricted shares will vest on January 1, 2023.

(2) These shares represent the remaining portion of the 15,000 RSUs granted to Mr. Line in December 2014 pursuant to the 2014 Plan which will vest on April 1, 2019, subject to Mr. Line's continued employment with the Company. The RSU's are settled in the Company's common shares on a 1-for-1 basis.

(3) The amount in this column represents the value of the share grants shown multiplied by $149.45, the closing market price of our common shares as of December 31, 2018.

Option Exercises and Stock Vested for 2018

No options have been granted to the named executive officers pursuant to the 2014 Plan. The following table sets forth information with respect to stock awards held by our named executive officers that vested in 2018.

Name	Stock Awards	
	Number of Shares Acquired on Vesting	Value Realized on Vesting
Christopher M. Bingaman	—	$ —
Thomas E. Line	3,000 [(1)]	$ 619,680
Lisa M. Wesolek	—	$ —

(1) On April 1, 2018, these shares were acquired upon satisfaction of the service-based vesting requirements applicable to a portion of the 15,000 RSUs granted to Mr. Line in December 2014 pursuant to the 2014 Plan. Pursuant to the terms of the RSUs established by the Committee upon grant 3,000 of the RSUs vest on each April 1st from 2015 through 2019. The RSUs are settled in the Company's common shares on a 1-for-1 basis.

Pension Plans and Non-Qualified Deferred Compensation

We do not maintain any pension plans for named executive officers or other employees. We offer to our named executive officers and certain other employees the opportunity to participate in two Non-Qualified Deferred Compensation Plans: the Fixed Term Plan and the Variable Term Plan (the "Deferred Compensation Plans").

Deferrals of Incentive Compensation.

Pursuant to the Deferred Compensation Plans, participants may elect to defer up to 50% of the stock portion of their annual incentive compensation and up to 100% of the cash portion of their annual incentive compensation for a plan year (the calendar year). Generally, the participant must submit a deferral election by December 31 of the year before the services are to be performed. After the applicable deadline, a deferral election is irrevocable for that plan year except under circumstances set forth in the Deferred Compensation Plan.

None of the named executive officers contributed to the Deferred Compensation Plans, and none had a balance under such plans as of December 31, 2018.

Employment Agreements and Change in Control Benefits

None of our named executive officers is party to an employment agreement with the Company, and there are no agreements with such persons providing for change in control benefits or other post-employment compensation. Ms. Wesolek retired from the Company effective December 31, 2018. In connection with her departure she entered into an agreement that provided for certain payments, all of which have been made and are disclosed in the Summary Compensation Table and other related table in this Proxy Statement. There are no continuing obligations or payments remaining.

Compensation Committee Report

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 that review and discussion, we recommended to the Board 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, 2018.

Submitted by the Compensation Committee of the Board of Directors:

James F. Laird, Chair
Randolph J. Fortener
Paula R. Meyer
Paul A. Reeder
Bradley C. Shoup
Nicole R. St. Pierre

PROPOSAL 2 — RATIFICATION OF THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee is directly responsible for the appointment, compensation, retention, and oversight of the independent registered public accounting firm retained to audit the Company's consolidated financial statements. To carry out this responsibility, the Committee engages in an evaluation of the independent auditor's qualifications, performance, and independence. The Committee also periodically considers whether the independent registered public accounting firm should be rotated and the advisability and potential impact of selecting a different independent registered public accounting firm.

The Audit Committee has reappointed KPMG LLP ("KPMG") to serve as our independent registered public accounting firm for 2019. KPMG was first appointed to serve as our independent registered public accounting firm on October 24, 2012.

The Audit Committee and the Board of Directors believe that the continued retention of KPMG as our independent registered public accounting firm is in the best interests of the Company and our shareholders, and we are asking our shareholders to ratify the selection of KPMG as our independent registered public accounting firm for fiscal 2019, and may or may not make any changes to such appointment.

Representatives of KPMG are expected to be present at the Annual Meeting and will have the opportunity to make a statement, if they so desire, and respond to appropriate questions from shareholders.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF KPMG AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2019.

If Proposal 2 is not approved, the Audit Committee will reconsider the appointment of KPMG as our independent registered public accounting firm for 2019.

Disclosure of Fees Charged by the Independent Registered Public Accounting Firm

The following table summarizes the fees billed by KPMG for services rendered to the Company and its subsidiaries during 2018 and 2017.

	Year Ended 12/31/2018	Year Ended 12/31/2017
Audit Fees[(1)]	$ 205,600	$ 195,070
Audit-Related Fees	—	—
Tax Fees	91,806	44,405
All Other Fees	—	—
Total Fees	$ 297,406	$ 239,475

(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.

Preapproval by Audit Committee

The Audit Committee has adopted policies and procedures which set forth the manner in which the committee will review and approve all audit and non-audit services to be provided by the independent registered public accounting firm (the "Services") to ensure that the provision of the Services does not impair the firm's independence. The pre-approval policies and procedures are as follows:

- The Audit Committee has established a pre-approval fee cap of $25,000, under which any Services in excess of the $25,000 fee cap must be submitted to the Audit Committee for review and pre-approval, and any Services less than the $25,000 fee cap must be approved by the Chief Financial Officer and then reported to the Audit Committee at its next regularly scheduled meeting.
- Pre-approval actions taken during Audit Committee meetings are recorded in the minutes of the meetings.

Audit Committee Report

During 2018, the Audit Committee was comprised of four independent directors operating under a written charter adopted by the Board, the most current version of which is available on our website, ir.diamond-hill.com, under "Corporate Governance" on the right hand side of the site. Annually, the Audit Committee engages the Company's independent registered public accounting firm. KPMG served as the Company's independent registered public accounting firm for the fiscal year ended December 31, 2018.

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 ("PCAOB") 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 and held discussions with management and KPMG regarding the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2018. The Audit Committee reviewed the audit plan and scope with KPMG and discussed with KPMG the matters required by the PCAOB Auditing Standard 16, as amended, – *Communications with the Audit Committee*. The Audit Committee also met with KPMG 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 KPMG its independence from management and the Company, and received its written disclosures and the letter from KPMG required by applicable requirements of the PCAOB regarding the independent accountant's communications 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, 2018, were prepared in accordance with United States generally accepted accounting principles. Based on the Audit Committee's discussions with management and KPMG and its review of KPMG'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, 2018, filed with the SEC.

Submitted by the Audit Committee of the Board of Directors:

Randolph J. Fortener, Chair
James F. Laird
Paula R. Meyer
Paul A. Reeder, III
Bradley C. Shoup
Nicole R. St. Pierre

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

As described 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 Summary Compensation Table and the other related tables and disclosure for a detailed description of the fiscal year 2018 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 2019 Annual Meeting of Shareholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the Summary Compensation Table and the other related tables and disclosure."

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

ADDITIONAL INFORMATION

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Given the Company's relatively small size, our limited 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 2020 ANNUAL MEETING

Shareholders are entitled to submit proposals on matters appropriate for shareholder action consistent with SEC rules and our Code of Regulations (the "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 11, 2019, and must otherwise comply with the requirements of Rule 14a-8 of the Exchange Act. The Company will not be required to include in its proxy statement a shareholder proposal that is received after that date or that otherwise fails to meet the requirements for shareholder proposals established by applicable SEC rules.

Our Regulations govern the submission of director nominations and other business proposals that a shareholder wishes to have considered at an annual meeting of shareholders, but which are not included in our proxy statement for that meeting. Under our Regulations, director nominations or other business proposals to be addressed at our next annual meeting may be made by a shareholder entitled to vote who has delivered a notice to the Secretary of the Company not later than the close of business on December 11, 2019 and not earlier than November 11, 2019. To be eligible for consideration at an annual meeting of shareholders, a shareholder's proposal and notice thereof must otherwise comply with the procedures and requirements of our Regulations.

These advance notice provisions in our Regulations are in addition to, and separate from, the requirements that a shareholder must meet in order to have a proposal included in the proxy statement under the rules of the SEC. A proxy granted by a shareholder will give discretionary authority to the proxies to vote on any matters introduced pursuant to the above advance notice provisions in our Regulations, subject to applicable SEC rules. A copy of our Regulations may be obtained from the Secretary of the Company, Gary R. Young, at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215 or by phone at (614) 255-3333.

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," generally permits 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 are members of the same family, 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 by phone at (212) 509-4000, or write to Mr. Gary Young, Secretary, at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215, or by phone at (614) 255-3333.

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.

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

By Order of the Board of Directors

Gary R. Young
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, 2018

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	**43215**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (614) 255-3333
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 every Interactive Data File required to be submitted 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 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 $194.43 on June 30, 2018 on the NASDAQ Global Select Market was $648,693,724. Calculation of holdings by non-affiliates is based upon the assumption, for these purposes only, that the registrant's executive officers and directors are affiliates.

The number of shares outstanding of the issuer's common stock, as of February 20, 2019, is 3,500,730 shares.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement for the 2019 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 Annual Report on Form 10-K.

Diamond Hill Investment Group, Inc.
Form 10-K
For the Fiscal Year Ended December 31, 2018
Index

PART I

Item 1. Business

Forward-Looking Statements

Throughout this Annual Report on Form 10-K, Diamond Hill Investment Group, Inc. ("Diamond Hill") 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, including, but not limited to, statements regarding anticipated operating results, prospects and levels of assets under management, technological developments, economic trends (including interest rates and market volatility), expected transactions and similar matters. The words "believe," "expect," "anticipate," "target," "project," "estimate," "should," "hope," "seek," "plan," "intend," variations of such words and similar expressions identify such forward-looking statements, which speak only as of the date made. While we believe that the assumptions underlying our forward-looking statements are reasonable, investors are cautioned that any of the assumptions could prove to be inaccurate and, accordingly, our actual results and experiences could differ materially from the anticipated results or other expectations expressed in our 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 our products; changes in interest rates; changes in national and local economic and political conditions; the continuing economic uncertainty in various parts of the world; changes in government policy and regulation, including monetary policy; changes in our 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 other public documents on file with the U. S. Securities and Exchange Commission ("SEC"), including those discussed below in Item 1A. Throughout this Annual Report on Form 10-K, when we use the terms the "Company," "management," "we," "us," and "our," we mean Diamond Hill and its subsidiaries.

Overview

Diamond Hill, an Ohio corporation organized in April 1990, derives its consolidated revenue and net income from investment advisory and fund administration services provided by its wholly owned subsidiary, Diamond Hill Capital Management, Inc. ("DHCM"). DHCM is a registered investment adviser under the Investment Advisers Act of 1940. DHCM sponsors, distributes, and provides investment advisory and related services to clients through Diamond Hill Funds (the "Funds"), institutional accounts, an exchange traded fund, and private investment funds. In July of 2016, the Company sold two former wholly owned operating subsidiaries, Beacon Hill Fund Services, Inc. ("BHFS") and BHIL Distributors, Inc. ("BHIL" and collectively "Beacon Hill"). Until its sale, Beacon Hill provided fund administration and statutory underwriting services.

The Company's primary objective is to fulfill our fiduciary duty to our clients. Our secondary objective is to grow the intrinsic value of the Company in order to achieve an adequate long-term return for our shareholders.

Investment Advisory Activities

Clients

The Company provides investment advisory services to a broad range of clients, including corporations, mutual funds, retirement plans, public pension funds, endowments, foundations, financial institutions and high net worth individuals. We strive to expand our client base by attracting new clients and earning additional business from existing clients.

Investment Philosophy

We believe intrinsic value is independent of market price and that competitive long-term returns can be achieved by identifying meaningful differences between the two. We believe we can identify those market opportunities with a bottom-up, intrinsic value-focused approach to active investment management. As a result, our investment strategy is driven by individual security decisions rather than by a macro-economic focus.

Investment Process

DHCM's equity investment process begins with fundamental research focusing on estimating a company's intrinsic value independent of its current stock price. Bottom-up analysis, described in further detail below, is of primary importance in estimating the intrinsic value of an individual company. Our research analysts also evaluate each company within the context of sector and industry secular trends. A five-year discounted cash flow analysis is the primary methodology we use to determine whether there is a discrepancy between the current market price and DHCM's estimate of intrinsic value. The key factors in determining the intrinsic value through are normalized earnings and earnings growth rate, payout ratio and dividends, terminal earnings multiple, and required rate of return. We will invest when we believe that we can make informed judgments about, and estimates of, those cash flows and when our estimate of intrinsic value provides a margin of safety relative to the current market price. We assign the highest portfolio weights where we have the highest conviction. Within stated diversification constraints, we are willing to take outsized positions in our highest conviction ideas. Benchmark weights are not a consideration.

DHCM also applies an intrinsic value philosophy and process to the analysis of fixed income securities. For our Short Duration Total Return and Core Bond strategies, our investment process is driven by security selection, sector allocation, yield curve positioning, and duration management in concert with overall portfolio management. We seek to generate excess return through the selection of undervalued securities and spread sectors that offer incremental yield and total return in comparison to the index. The hallmark of our process is the selection of individual issues with an emphasis on identifying undervalued securities. Individual securities are selected following a risk/reward evaluation of interest rate and credit risk, and an examination of the complex and technical structure of the security. We only purchase those securities that we identify as undervalued and offer a strong total return profile relative to similar securities.

For our Corporate Credit and High Yield strategies, we leverage the industry analysis conducted by our research team to identify attractive corporate bonds. We seek to invest in bonds of companies with improving return on invested capital and stable or improving competitive positions. We work closely with our research team to understand the fundamental economic drivers of the business and to assess whether there is adequate financial strength and flexibility to meet ongoing commitments. Our research analysts consider debt instruments as part of their analysis. After the credit research is complete, our portfolio managers determine whether a security is attractive on a yield basis relative to asset and interest coverage and relative to other securities with comparable risk. We will only own the bonds of a company that we can analyze and value.

DHCM believes that many investors' short-term focus hinders their long-term results, which creates market inefficiencies and therefore opportunities. In addition, the size and complexity of the fixed income markets also creates inefficiencies. We believe that we can exploit these market anomalies/inefficiencies by possessing a long-term investment temperament and practicing a consistent and repeatable intrinsic value-focused approach to investing.

Investment Advisory Fees

The Company's principal source of revenue is investment advisory fee income earned from managing client accounts under investment advisory and sub-advisory agreements. The fees earned depend on the type of investment strategy, account size and servicing requirements. Revenues depend on the total value and composition of assets under management ("AUM"). Accordingly, net cash flows from clients, market fluctuations in client portfolios, and the composition of AUM impact our revenues and results of operations. We also have certain agreements which allow us to earn variable rate fees in the event that investment returns exceed targeted amounts during a measurement period.

Investment Strategies

The Company offers several traditional and alternative investment strategies, which are all based on the same intrinsic value philosophy. As of December 31, 2018, we offered the following representative investment strategies to our clients:

1. *Small Cap* - Pursues long-term capital appreciation by investing in a portfolio of primarily small capitalization U.S. equity securities.
2. *Small-Mid Cap* - Pursues long-term capital appreciation by investing in a portfolio of primarily small and medium capitalization U.S. equity securities.
3. *Mid Cap* - Pursues long-term capital appreciation by investing in a portfolio of primarily medium capitalization U.S. equity securities.
4. *Large Cap* - Pursues long-term capital appreciation by investing in a portfolio of primarily large capitalization U.S. equity securities.
5. *All Cap Select* - Pursues long-term capital appreciation by investing in a concentrated portfolio of primarily U.S. equity securities across a broad range of market capitalizations.
6. *Global* - Pursues long-term capital appreciation by investing in U.S. and foreign equity securities across a broad range of market capitalizations including up to 20% exposure to emerging markets.
7. *Long-Short* - Pursues long-term capital appreciation by investing long and selling short primarily U.S. equity securities across a broad range of market capitalizations.
8. *Research Opportunities* - Pursues long-term capital appreciation by investing long and selling short U.S. equity securities across a broad range of market capitalizations, as well as by investing up to 40% in international equity securities and up to 20% in fixed income securities.

9. *Financial Long-Short* **-** Pursues long-term capital appreciation by investing long and selling short primarily U.S. financial services equity securities across a broad range of market capitalizations.
10. *Valuation-Weighted 500* - Pursues long-term capital appreciation by investing in large capitalization U.S. equity securities that seek to track the price and total return of the Diamond Hill Valuation-Weighted 500 Index.
11. *Short Duration Total Return* - Pursues maximization of total return consistent with the preservation of capital by investing in high, medium, and low-grade fixed income securities.
12. *Core Bond* - Pursues maximization of total return consistent with the preservation of capital by investing in a diversified portfolio of intermediate and long-term fixed income securities.
13. *Corporate Credit* - Pursues high current income, preservation of capital, and total return over a five-year time horizon by investing primarily in corporate bonds across the credit spectrum.
14. *High Yield* - Pursues high current income with the opportunity for capital appreciation by investing primarily in below-investment grade corporate bonds.

Investment Results

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. We are pleased that during our history as an investment advisory firm, we have delivered what we believe are strong long-term investment returns for our clients. Investment returns have been a key driver in the long-term success we have achieved in growing AUM.

As of December 31, 2018, the since-inception returns for most of our strategies exceeded their respective benchmark returns. Our Mid Cap strategy reached its five-year track record at the end of 2018 and we launched the Diamond Hill Global Fund in January 2018. As always, we remain focused on five-year periods to evaluate our results.

The following is a summary of the investment returns for each of our Funds as of December 31, 2018, relative to its respective passive benchmark.

		As of December 31, 2018				
	Inception	1 Year	3 Year	5 Year	10 Year	Since Inception
Diamond Hill Small Cap Fund	**12/29/2000**	**(14.88)%**	**2.62%**	**1.81%**	**9.94%**	**9.39%**
Russell 2000 Index		(11.01)%	7.36%	4.41%	11.97%	7.29%
Diamond Hill Small-Mid Cap Fund	**12/30/2005**	**(12.56)%**	**3.93%**	**4.07%**	**12.88%**	**7.58%**
Russell 2500 Index		(10.00)%	7.32%	5.15%	13.15%	7.50%
Diamond Hill Mid Cap Fund	**12/31/2013**	**(10.31)%**	**5.51%**	**5.01%**	**NA**	**5.01%**
Russell Midcap Index		(9.06)%	7.04%	6.26%	NA	6.26%
Diamond Hill Large Cap Fund	**6/29/2001**	**(9.63)%**	**7.61%**	**6.47%**	**11.97%**	**7.81%**
Russell 1000 Index		(4.78)%	9.09%	8.21%	13.28%	6.50%
Diamond Hill All Cap Select Fund	**12/30/2005**	**(12.02)%**	**5.09%**	**5.06%**	**11.59%**	**7.07%**
Russell 3000 Index		(5.24)%	8.97%	7.91%	13.18%	7.72%
Diamond Hill Long-Short Fund	**6/30/2000**	**(7.04)%**	**2.89%**	**2.93%**	**6.59%**	**6.12%**
60% Russell 1000 Index / 40% ICE BofAML U.S. T-Bill 0-3 Mo Index		(1.92)%	5.93%	5.25%	8.17%	4.01%
Diamond Hill Research Opportunities Fund	**3/31/2009**	**(12.86)%**	**2.77%**	**2.02%**	**NA**	**10.46%**
75% Russell 3000 Index / 25% ICE BofAML U.S. T-Bill 0-3 Mo Index		(3.31)%	7.05%	6.16%	NA	11.25%
Diamond Hill Global Fund	**12/31/2013**	**(14.66)%**	**6.89%**	**3.47%**	**NA**	**3.46%**
Morningstart Global Markets Index		(9.82)%	6.53%	4.25%	**NA**	4.25%
Diamond Hill Financial Long-Short Fund	**8/1/1997**	**(17.60)%**	**3.17%**	**2.62%**	**9.73%**	**6.44%**
80% Russell 3000 Financials Index / 20% ICE BofAML U.S. T-Bill 0-3 Mo Index		(6.24)%	7.54%	6.84%	9.47%	5.05%
Diamond Hill Short Duration Total Return Fund	**7/5/2016**	**3.18 %**	**NA**	**NA**	**NA**	**3.52%**
Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index		1.60 %	NA	NA	NA	0.80%
Diamond Hill Core Bond Fund	**7/5/2016**	**1.59 %**	**NA**	**NA**	**NA**	**1.41%**
Bloomberg Barclays U.S. Aggregate Index		0.01 %	NA	NA	NA	0.09%
Diamond Hill Corporate Credit Fund	**9/30/2002**	**0.64 %**	**6.80%**	**4.83%**	**8.84%**	**6.86%**
ICE BofAML U.S. Corporate & High Yield Index		(2.21)%	4.04%	3.40%	7.01%	5.72%
Diamond Hill High Yield Fund	**12/4/2014**	**1.16 %**	**8.57%**	**NA**	**NA**	**6.40%**
ICE BofAML U.S. High Yield Index		(2.26)%	7.27%	NA	NA	3.93%

- Fund returns are Class I shares net of fees
- Index returns do not reflect any fees

Assets Under Management

The following tables show AUM by product and investment objective, as well as net client cash flows, for the past five years ended December 31, 2018:

	Assets Under Management As of December 31,				
(in millions)	2018	2017	2016	2015	2014
Proprietary funds	$ 13,440	$ 15,974	$ 13,618	$ 11,505	$ 9,863
Sub-advised funds	1,358	1,518	1,445	665	665
Institutional accounts	4,310	4,825	4,318	4,671	5,128
Total AUM	$ 19,108	$ 22,317	$ 19,381	$ 16,841	$ 15,656

(in millions)	Assets Under Management by Investment Strategy As of December 31, 2018	2017	2016	2015	2014
Small Cap	$ 1,048	$ 1,525	$ 1,843	$ 1,703	$ 1,575
Small-Mid Cap	2,770	3,528	3,329	2,070	1,279
Mid Cap	143	130	59	18	16
Large Cap	9,637	10,867	8,497	7,547	7,926
All Cap Select	432	444	402	544	430
Long-Short	3,767	4,980	4,613	4,597	4,179
Global/International	18	6	2	1	2
Short Duration Fixed Income	579	313	197	—	—
Core Fixed Income	55	44	40	—	—
Long Duration Fixed Income	52	—	—	—	—
Corporate Credit	757	668	549	351	249
High Yield	54	31	32	10	—
(Less: Investments in affiliated funds)[a]	(204)	(219)	(182)	—	—
Total AUM	$ 19,108	$ 22,317	$ 19,381	$ 16,841	$ 15,656

(a) Certain of the Funds own shares of the Diamond Hill Short Duration Total Return Fund. The Company reduces its total AUM by these investments held in this affiliated fund.

(in millions)	Change in Assets Under Management For the Year Ended December 31, 2018	2017	2016	2015	2014
AUM at beginning of the year	$ 22,317	$ 19,381	$ 16,841	$ 15,656	$ 12,186
Net cash inflows (outflows)					
proprietary funds	(978)	843	548	1,916	1,618
sub-advised funds	(25)	(164)	639	(6)	166
institutional accounts	(99)	(254)	(1,023)	(443)	478
	(1,102)	425	164	1,467	2,262
Net market appreciation/(depreciation) and income	(2,107)	2,511	2,376	(282)	1,208
Increase (decrease) during the year	(3,209)	2,936	2,540	1,185	3,470
AUM at end of the year	$ 19,108	$ 22,317	$ 19,381	$ 16,841	$ 15,656

Capacity

The Company's primary goal is to fulfill our fiduciary duty to clients. We understand that our ability to retain and grow assets as a firm has been, and will be, driven primarily by delivering attractive long-term investment results to our clients. When we have determined that the size of any of our strategies hinders our ability to add value over a passive alternative, we have closed those strategies to new clients and we will continue to do so, which will impact our ability to grow AUM. We have prioritized, and will continue to prioritize, investment results over asset accumulation. Currently, the Long-Short, Small Cap, and Small-Mid Cap strategies are closed to new investors.

We estimate capacity of $25 - 35 billion for our existing equity strategies ($17.6 billion as of December 31, 2018) and capacity of at least $40 billion for our existing fixed income strategies ($1.5 billion as of December 31, 2018). Determining our AUM capacity requires evaluating each of our investment strategies and estimating individual strategy capacity, given market capitalization and concentration constraints as well as investment objectives. Total firm capacity is not simply a sum of the individual strategies and is affected by overlap between strategies. With the development of new products or strategies, our firm level capacity could increase.

Distribution Channels

The Company's investment advisory services are distributed through multiple channels. Our institutional sales efforts include building relationships with institutional consultants and also establishing direct relationships with institutional clients. Our sales efforts for the Funds include wholesaling to third-party financial intermediaries, including independent registered investment advisers, brokers, financial planners, and wealth advisers, who utilize the Funds in investment programs they construct for their clients.

AUM by Channel

Below is a summary of our AUM by distribution channel for the five years ended December 31, 2018:

	AUM by Distribution Channel As of December 31,				
(in millions)	2018	2017	2016	2015	2014
Proprietary funds:					
Registered investment advisers	$ 3,243	$ 4,010	$ 3,508	$ 2,723	$ 2,363
Independent broker/dealers	2,900	3,581	2,922	2,329	1,862
Wirehouse broker/dealers	2,319	2,660	2,011	1,963	1,760
Banks	2,672	3,456	3,175	2,735	2,176
Defined contribution	1,904	1,840	1,535	1,218	1,232
Other	402	427	467	537	470
Total proprietary funds	13,440	15,974	13,618	11,505	9,863
Sub-advised funds	1,358	1,518	1,445	665	665
Institutional accounts:					
Institutional consultant	2,122	2,357	2,074	2,370	2,681
Financial intermediary	1,506	1,691	1,358	1,474	1,573
Direct	682	777	886	827	874
Total institutional accounts	4,310	4,825	4,318	4,671	5,128
Total AUM	$ 19,108	$ 22,317	$ 19,381	$ 16,841	$ 15,656

Growth Strategy

The Company's growth strategy will remain focused on achieving excellent investment results in all our strategies and providing the highest level of client service. We will continue to focus on the development of distribution channels to enable us to offer our various investment strategies to a broad array of clients. We seek to continue to grow our AUM through our proprietary funds, institutional accounts, and sub-advised funds. We have a targeted strategic business plan to further penetrate our existing distribution channels. Our business development efforts are focused on expanding the institutional consultant channel and plan sponsor network on the institutional side, as well as our intermediary network on the fund side.

Fund Administration Activities

The Company provides fund administration services to the Funds. Fund administration services are broadly defined in our administration agreements with the Funds as portfolio and regulatory compliance, treasury and financial oversight, oversight of back-office service providers such as the custodian, fund accountant, and transfer agent, and general business management and governance of the mutual fund complex. Prior to the sale of Beacon Hill, the Company also provided fund administration services to other third party mutual fund companies and investment advisers.

Competition

Competition in the area of investment management is intense, and our competitors include investment management firms, broker-dealers, banks and insurance companies, some of whom offer various investment alternatives, including passive index strategies. Many competitors are better known than the Company, offer a broader range of investment products and have more offices, employees and business development representatives. We compete primarily on the basis of philosophy, performance and client service.

Regulation

The Company and our business are subject to various federal, state and foreign laws and regulations. As a matter of public policy, regulatory bodies are charged with safeguarding the integrity of the securities and other financial markets and with protecting the interests of participants in those markets, including investment advisory clients and shareholders of investment funds. Under these laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict or prohibit an investment adviser from carrying on its business in the event the adviser fails to comply with such laws and regulations. Possible sanctions that may be imposed include civil and criminal liability, the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser, broker/dealer, and other registrations, censures and fines.

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 of the Funds are registered with the SEC under the Investment Company Act of 1940 and are required to make notice filings with all states where the Funds are offered for sale. Virtually all aspects of our investment advisory and fund administration business are subject to various federal and state laws and regulations.

DHCM is a "fiduciary" under the Employee Retirement Income Security Act of 1974 ("ERISA") with respect to benefit plan clients and, therefore, is subject to ERISA regulations. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries, prohibit certain transactions involving ERISA plan clients, and provide monetary penalties for violations of these prohibitions. The U.S. Department of Labor, which administers ERISA, has been increasingly active in proposing and adopting regulations affecting the asset management industry.

The Company's trading activities for client accounts are regulated under the Securities Exchange Act of 1934 (the "Exchange Act"), including laws governing trading on inside information, market manipulation and a broad number of trading requirements (e.g., volume limitations, reporting obligations) and market regulation policies in the United States.

The preceding descriptions of the regulatory and statutory provisions applicable to us are not complete and are qualified in their entirety by reference to their respective statutory or regulatory provisions. Failure to comply with these requirements could have a material adverse effect on our business.

Contractual Relationships with the Funds

The Company is highly dependent on our contractual relationships with the Funds. In the event any of our advisory or administration agreements with the Funds was terminated, not renewed, or amended to reduce fees, we would be materially and adversely affected. We generated approximately 79%, 80% and 74% of our 2018, 2017 and 2016 revenues, respectively, from our advisory and administrative contracts with the Funds. We consider our relationship with the Funds and their board of trustees to be good, and have 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. Please see Item 1A for risk factors regarding this relationship.

Employees

As of December 31, 2018, the Company employed 125 full-time equivalent employees. As of December 31, 2017, the number of full-time equivalent employees was 118. We believe that our relationship with our employees is good. Our employee count has grown year-over-year and we expect that general trend to continue.

SEC Filings

The Company maintains an Internet website at www.diamond-hill.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports that we file or furnish pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available free of charge, on or through our website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. These filings are also available on the Commission's web-site at http://www.sec.gov free of charge.

ITEM 1A. Risk Factors

Our future results of operations, financial condition, and liquidity, and the market price of our common shares are subject to various risks, including those mentioned below and those that are discussed from time-to-time in our other periodic filings with the SEC. Investors should carefully consider these risks, along with the other information contained in this Annual Report on Form 10-K, before making an investment decision regarding our common shares. There may be additional risks of which we are currently unaware, or which we currently consider immaterial. The occurrence of any of these risks could have a material adverse effect on our financial condition, results of operations, and liquidity, and the value of our common shares. Please see "Forward Looking Statements" within Item 1 of Part I of this Form 10-K. We assume no obligation to update any forward looking statements as a result of new information, future events or other factors.

<u>Poor investment results of our products could affect our ability to attract new clients or reduce the amount of assets under management, potentially negatively impacting revenue and net income.</u>

If we fail to deliver acceptable investment results for our clients, both in the short and long term, we will likely experience diminished investor interest and a decreased level of AUM. Adverse opinions of the funds we advise published by third parties, including rating agencies and industry analysts, could also decrease our AUM and our revenues.

Investment funds are assessed and rated by independent third parties, including rating agencies, industry analysts and publications. Investors can be influenced by such ratings. If any of the funds we advise receives an adverse report, it could negatively influence the amount of money invested into the fund and increase withdrawals from the fund reducing our AUM and our revenue.

<u>Our success depends on our key personnel, and our financial performance could be negatively affected by the loss of their services.</u>

Our 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 we face significant competition for qualified employees. Our employees do not have employment contracts and generally can terminate their employment at any time. We cannot assure that we will be able to retain or replace key personnel. In order to retain or replace our key personnel, we may be required to increase compensation, which would decrease net income. The loss of key personnel could damage our 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 may materially decrease our revenues and net income.

<u>Our AUM, which impacts revenue, is subject to significant fluctuations.</u>

A large majority of our revenue is calculated as a percentage of AUM or is related to the general performance of the equity securities market. A decline in securities prices or in the sale of investment products, or an increase in fund redemptions, generally would reduce revenue and net income. Financial market declines would generally negatively impact the level of our AUM and consequently our 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 our revenue, if such events led to a decreased demand for products, a higher redemption rate, or a decline in securities prices.

<u>Our investment results and/or the growth in our AUM may be constrained if appropriate investment opportunities are not available or if we close certain of our portfolios to new investors.</u>

Our ability to deliver strong investment results depends in large part on our ability to identify appropriate investment opportunities in which to invest client assets. If we are unable to identify sufficient investment opportunities for existing and new client assets on a timely basis, our 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 our AUM increases rapidly. In addition, if we determine that sufficient investment opportunities are not available for a portfolio strategy, or we believe that it is necessary in order to continue to produce attractive returns from a portfolio, we will consider closing the portfolio to new investors. As of December 31, 2018, we have closed three investment strategies to new investors. If we misjudge the point at which it would be optimal to close a portfolio, the investment results of the portfolio could be negatively impacted.

Our investment approach may underperform other investment approaches during certain market conditions.

Our investment strategies are best suited for investors with long-term investment horizons. Our investment strategies may not perform well during certain periods of time, including during periods when the market is more narrowly focused on growth-oriented stocks.

Additionally, since we apply the same intrinsic value investment process across all of our strategies, utilizing the same analyst team, and due to overlap in many of our investment strategies, we could have common positions and industry concentrations across many of our strategies at the same time. As such, factors leading one of our investment strategies to underperform may lead other strategies to underperform at the same time.

We are subject to substantial competition in all aspects of our business.

Our 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;
- exchange traded funds;
- hedge funds; and
- brokerage and investment banking firms.

Many of our competitors have substantially greater resources than we have and may operate in more markets or offer a broader range of products, including passively managed or "index" products. 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. We compete with other providers of investment services primarily based upon our philosophy, performance and client service. Some institutions have a broad array of products and distribution channels that make it more difficult for us to compete with them. If current or potential customers decide to use one of our competitors, we could face a significant decline in market share, AUM, revenues, and net income. If we are required to lower our fees in order to remain competitive, our net income could be significantly reduced because some of our expenses are fixed, especially over shorter periods of time, and our expenses may not decrease in proportion to the decrease in revenues. Additionally, over the past several years, investors have generally shown a preference for passive investment products, such as index and exchange traded funds, over actively managed strategies. If this trend continues, our AUM may be negatively impacted.

Market and competitive pressures in recent years have created a trend towards lower management fees in the asset management industry and there can be no assurance that we will be able to maintain our current fee structure. As a result, a shift in our AUM from higher to lower fee generating clients and strategies would result in a decrease in profitability even if our AUM increases or remains unchanged.

The loss of access to or increased fees required by third-party distribution sources to market our portfolios and access our client base could adversely affect our results of operations.

Our ability to attract additional AUM is dependent on our relationship with third-party financial intermediaries. We compensate some of these intermediaries for access to investors and for various marketing services provided. These distribution sources and client bases may not continue to be accessible to us for reasonable terms, or at all. If such access is restricted or eliminated, it could have an adverse effect on our results of operations. Fees paid to financial intermediaries for investor access and marketing services have generally increased in recent years. If such fee increases continue, refusal to pay them could restrict our access to those client bases while paying them could adversely affect our profitability.

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

The Company is very dependent on our contractual relationships with the Funds. If our advisory or administration agreements with the Funds were terminated, not renewed, or amended to reduce fees, we 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. We generated approximately 79%, 80%, and 74% of our 2018, 2017 and 2016 revenues, respectively, from our advisory and administrative contracts with the Funds, including 26%, 21%, and 12% from the advisory contracts with the Diamond Hill Long-Short Fund, the Diamond Hill Large Cap Fund, and the Diamond Hill Small-Mid Cap Fund, respectively, during 2018.

The loss of the Diamond Hill Long-Short Fund, the Diamond Hill Large Cap Fund, or the Diamond Hill Small-Mid Cap Fund contracts would have a material adverse effect on the Company. We consider our relationship with the Funds and their board of trustees to be good, and we have no reason to believe that these advisory or administration contracts will not be renewed in the future; however, there can be no assurance that the Funds will choose to continue their relationships with us.

<u>Our investment income and asset levels may be negatively impacted by fluctuations in our investment portfolio.</u>

We currently have a substantial portion of our assets invested in Company-sponsored investments. All of these investments are subject to market risk and our non-operating investment income could be adversely affected by adverse market performance. Fluctuations in investment income are expected to occur in the future.

<u>Changes in tax laws and unanticipated tax obligations could have an adverse impact on our financial condition, results of operations and cash flow.</u>

We are subject to federal, state and local income taxes in the United States. Tax authorities may disagree with certain positions we have taken or implement changes in tax policy, which may result in the assessment of additional taxes. We regularly assess the appropriateness of our tax positions and reporting. We cannot provide assurance, however, that we will accurately predict the outcomes of audits, and the actual outcomes of these audits could be unfavorable.

<u>Unauthorized disclosure of sensitive or confidential client or customer information, whether through a breach of our computer systems or otherwise, or other breaches in the security of our systems could severely harm our business.</u>

As part of our business, we collect, process and transmit sensitive and confidential information about our clients and employees, as well as proprietary information about our business. We have policies and procedures pursuant to which we take numerous security measures to prevent cyber-attacks of various kinds as well as fraudulent and inadvertent activity by persons who have been granted access to such confidential information. Nevertheless, our systems, like all technology systems, remain vulnerable to unauthorized access, which can result in theft or corruption of information. In addition, we share information with third parties upon whom we rely for various functions. The systems of such third parties also are vulnerable to cyber threats. Attacks can come from unrelated third parties through the internet, from access to hardware removed from our premises or those of third parties or from employees acting intentionally or inadvertently.

Cyber incidents can involve deliberate attacks designed to corrupt our information systems and make them unusable by us to operate our business; thefts of information used by the perpetrators for gain in numerous ways; or inadvertent releases of information by employees or third parties with whom we do business.

Cyber-attacks that corrupt our information systems and make them unusable by us could impair our ability to trade securities in our clients' accounts. Corruption of the systems of our third-party vendors could impact the Company to the same extent as corruption of our own systems. If information about our employees is intentionally stolen or inadvertently made public, that information could be used to commit identity theft, obtain credit in an employee's name or steal from an employee. If information about our business is obtained by unauthorized persons, whether through intentional attacks or inadvertent releases of information, it could be used to harm our competitive position.

Whether information is corrupted, stolen or inadvertently disclosed, and regardless of the nature of the information, whether it be proprietary information or personal information about clients or employees, the results could be multiple and materially harmful to us.

- Our reputation could be harmed, resulting in the loss of clients, vendors and employees or making payments or concessions to such persons to maintain our relationships with them.
- Our inability to operate our business fully, even if temporarily, and thus fulfill contracts with clients or vendors could result in terminations of contracts and loss of revenue.
- Harm suffered by clients or vendors whose contracts we have breached, or by clients, vendors or employees whose information is compromised, could result in costly litigation against us.
- Our need to focus attention on remediation of a cyber problem could take our attention away from the operation of our business, resulting in lost revenue.
- We could incur costs to repair systems made inoperable by a cyber-attack and to make changes to our systems to reduce future cyber threats. Those changes could include obtaining additional technologies as well as employing additional personnel and training employees.

- The interruption of our business or theft of proprietary information could harm our ability to compete.

All of the above potential results of a cyber incident could have a material adverse effect on the Company's business, financial condition and results of operations.

<u>Operational risks may disrupt our business, result in losses or limit our growth.</u>

We are dependent on the capacity and reliability of the communications, information and technology systems supporting our operations, whether developed, owned and operated by the Company or by third parties. Operational risks such as trading or operational errors, interruption of our financial, accounting, trading, compliance and other data processing systems, the loss of data contained in the systems, or compromised systems due to cyber-attack, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus adversely affect our business.

<u>Our business is subject to substantial governmental regulation, which can change frequently and may increase costs of compliance; reduce revenue; result in fines, penalties and lawsuits for noncompliance; and adversely affect our results of operations and financial condition.</u>

Our 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 and the Dodd-Frank Wall Street Reform and Consumer Protection Act. In addition, we are subject to significant regulation and oversight by the SEC. Changes in legal, regulatory, accounting, tax and compliance requirements could have a significant effect on our operations and results, including but not limited to increased expenses and reduced investor interest in certain funds and other investment products we offer. We continually monitor legislative, tax, regulatory, accounting, and compliance developments that could impact our business. We and our directors, officers and employees could be subject to lawsuits or regulatory proceedings for violations of such laws and regulations, which could result in the payment of fines or penalties and cause reputational harm to us. Such harm could negatively affect our financial condition and results of operations, as well as divert management's attention from operations.

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

<u>Trading in our common shares is limited, which may adversely affect the time and the price at which you can sell your shares of the Company.</u>

Although our common shares are listed on the NASDAQ Global Select Market, the shares are held by a relatively small number of shareholders, and trading in our common shares is not active. The spread between the bid and the asked prices is often wide. As a result, you may not be able to sell your shares on short notice, and the sale of a large number of shares at one time could temporarily depress the market price. In addition, certain shareholders, including certain directors and officers of the Company, own a significant number of shares. The sale of a large number of shares by any such individual could temporarily depress the market price of our shares.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

The Company leases office space at one location 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. There are currently no such matters pending that the Company believes could have a material adverse effect on its consolidated financial statements.

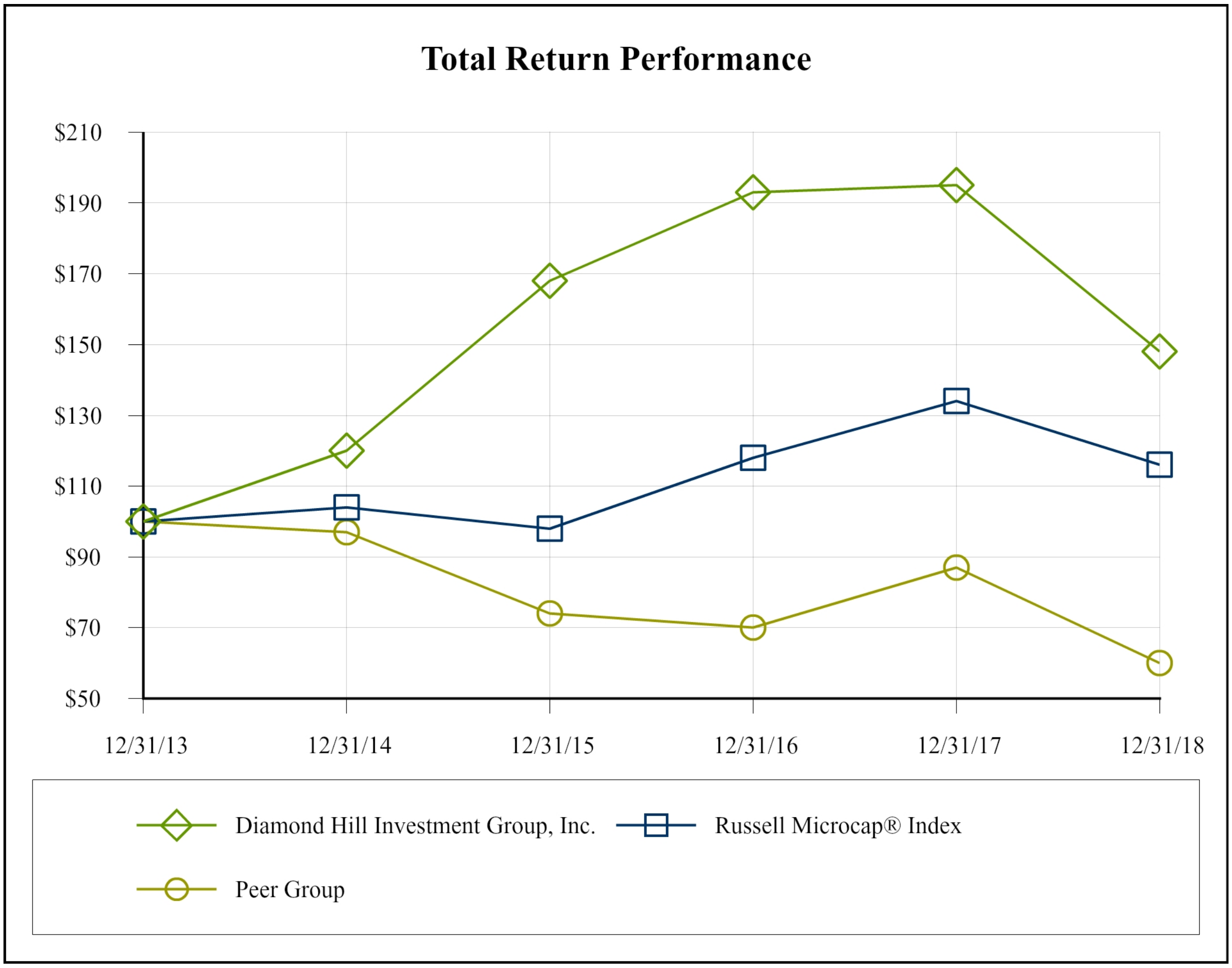
ITEM 4. Mine Safety Disclosures

Not applicable.

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 our 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 ended on December 31, 2018. The graph assumes that the value of the investment in our common shares and each index was $100 on December 31, 2013. 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. We do not make or endorse any predictions as to future stock performance.



	12/31/2013	12/31/2014	12/31/2015	12/31/2016	12/31/2017	12/31/2018	Cumulative 5 Year Total Return
Diamond Hill Investment Group, Inc.	$100	$120	$168	$193	$195	$148	48 %
Russell Microcap® Index	$100	$104	$98	$118	$134	$116	16 %
Peer Group*	$100	$97	$74	$70	$87	$60	(40)%

* The Peer Group is based upon all publicly traded asset managers with market cap of less than $5 billion excluding (i) firms whose primary business is hedge fund or private equity, and (ii) firms with multiple lines of business. The following companies are included in the Peer Group: Alliance Bernstein Holding L.P.; Artisan Partners Asset Management Inc.; Cohen & Steers, Inc.; Eaton Vance Corp.; Federated Investors, Inc.; GAMCO Investors, Inc.; Hennessy Advisors, Inc.; Legg Mason, Inc.; Manning & Napier, Inc.; Pzena Investment Management, Inc.; Teton Advisors, Inc.; U.S. Global Investors, Inc.; Virtus Investment Partners, Inc.; Waddell & Reed Financial, Inc.; Wisdomtree Investments, Inc.; and Westwood Holdings Group, 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 2018 and 2017:

	2018			2017		
	High Price	Low Price	Dividend Per Share	High Price	Low Price	Dividend Per Share
Quarter ended:						
March 31	$ 215.48	$ 198.91	$ —	$ 210.95	$ 183.60	$ —
June 30	$ 203.54	$ 189.30	$ —	$ 207.40	$ 188.34	$ —
September 30	$ 197.40	$ 162.70	$ —	$ 214.66	$ 188.71	$ —
December 31	$ 177.08	$ 141.10	$ 8.00	$ 217.83	$ 204.87	$ 7.00

Due to the relatively low trading volume of our shares, bid/ask spreads can be wide at times and, therefore, quoted prices may not be indicative of the price a shareholder may receive in an actual transaction. During the years ended December 31, 2018 and 2017, approximately 2,472,251 and 2,697,958, respectively, of our common shares were traded. The dividends indicated above were special dividends. We have not paid regular quarterly dividends in the past, and have no present intention of paying regular quarterly dividends in the future. The approximate number of record holders of our common shares at December 31, 2018 was 225, although we believe that the number of beneficial owners of our common shares is substantially greater.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth information regarding our repurchase program of our common shares and shares withheld for tax payments due upon vesting of employee restricted stock units and restricted stock awards which vested during the fourth quarter of fiscal year 2018:

Period	Total Number of Shares Purchased for Employee Tax Withholdings[(a)]	Total Number of Shares Purchased as part of Publicly Announced Program[(b)]	Average Price Paid Per Share Purchased Under the Program	Purchase Price of Shares Purchased Under the Program	Aggregate Purchase Price Yet To Be Purchased Under the Program
October 1, 2018 through October 31, 2018	1,954	22,744	$ 168.52	3,833,444	46,166,556
November 1, 2018 through November 30, 2018	—	—	$ —	—	46,166,556
December 1, 2018 through December 31, 2018	—	22,726	$ 149.39	3,395,805	42,770,751
Total	1,954	45,470		7,229,249	42,770,751

(a) The Company regularly withholds shares for tax payments due upon employee Restricted Stock vestings. During the quarter ended December 31, 2018, the Company purchased 1,954 shares for employee tax withholdings at an average price paid per share of $165.39.

(b) The Company's current share repurchase program was announced on September 25, 2018. The Board of Directors of the Company authorized management to repurchase up to $50,000,000 of the Company's common shares in the open market and in private transactions in accordance with applicable securities laws. The Company's share repurchase program will expire in September 2020. The Company's previous program, announced on August 9, 2007, was terminated effective with the adoption of the current program.

The Company has entered into a Rule 10b5-1 repurchase plan in connection with its current repurchase program. This plan is intended to qualify for the safe harbor under Rule 10b5-1 of the Securities Exchange Act of 1934. A Rule 10b5-1 plan allows a company to purchase its shares at times when it would not ordinarily be in the market due to its trading policies or the possession of material nonpublic information. Purchases may be made in the open market or through privately negotiated transactions. Purchases in the open market will be made in compliance with Rule 10b-18 under the Exchange Act. Because the repurchases under the 10b5-1 plan will be subject to specified parameters and certain price, timing and volume restraints specified in the plan, there is no guarantee as to the exact number of shares that will be repurchased, or that there will be any repurchases at all pursuant to the plan.

For the year ended December 31, 2018, the Company repurchased 45,470 of the Company's common shares. From January 1, 2019 through February 21, 2019, the Company repurchased an additional 24,990 common shares.

ITEM 6. Selected Financial Data

The following selected financial data should be read in conjunction with our 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,				
(in thousands, except per share data)	2018	2017	2016	2015	2014
Income Statement Data:					
Total revenues	$ 145,628	$ 145,202	$ 136,103	$ 124,426	$ 104,559
Compensation and related costs	53,854	54,856	52,265	47,951	43,892
Other expenses	20,518	23,345	20,769	17,755	13,207
Total expenses	74,372	78,201	73,034	65,706	57,099
Net operating income	71,256	67,001	63,069	58,720	47,460
Operating profit margin	49%	46%	46%	47%	45%
Investment income (loss), net	(6,273)	14,018	7,517	(737)	2,906
Income tax expense	(18,669)	(29,417)	(26,668)	(20,909)	(18,785)
Net income	46,314	51,602	46,594	37,074	31,581
Net income attributable to common shareholders	47,376	49,989	46,052	37,074	31,581
Per Share Information:					
Basic earnings	$ 13.49	$ 14.49	$ 13.52	$ 11.31	$ 9.88
Diluted earnings	13.48	14.48	13.49	11.03	9.67
Cash dividend declared	8.00	7.00	6.00	5.00	4.00
Weighted Average Shares Outstanding					
Basic	3,512	3,449	3,407	3,278	3,196
Diluted	3,515	3,452	3,413	3,360	3,266

	At December 31,				
	2018	2017	2016	2015	2014
Balance Sheet Data (in thousands):					
Total cash and corporate investments held directly by DHCM	$ 196,545	$ 171,339	$ 136,290	$ 109,966	$ 81,205
Total assets	325,728	250,388	199,718	145,187	107,708
Total liabilities	67,472	57,868	46,653	39,873	33,389
Redeemable noncontrolling interest	62,680	20,076	13,841	—	—
Shareholders equity	195,576	172,444	139,224	105,314	74,319
Book value per share	$ 55.89	$ 49.69	$ 40.81	$ 30.84	$ 22.40
Assets Under Management (in millions)	$ 19,108	$ 22,317	$ 19,381	$ 16,841	$ 15,656
Net Client Inflows (Outflows) (in millions)	(1,102)	425	164	1,467	2,262

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

In this Item 7, we discuss and analyze the Company's 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 our Consolidated Financial Statements, Notes to Consolidated Financial Statements, and Selected Financial Data contained in this Annual Report on Form 10-K.

Business Environment

The performance of the U.S. equity market, as well as the U.S. fixed income and international equity markets, may have a meaningful impact on our operations and financial position. After finishing 2017 with all major indices at all-time highs, U.S. equity markets declined in 2018. For the Russell 1000 Index, it was the first decline since 2008. The outperformance of growth over value was once again a major theme through the first three quarters of 2018, although value regained some ground in the fourth quarter. For 2018, the Russell 1000 Index was down nearly 5% while the Russell 1000 Value Index was down over 8%.

In the fixed income markets, the Federal Reserve raised the federal funds rate 25 basis points each quarter of 2018. For the first 10 months of 2018, long-term Treasury rates moved higher with the federal funds rate, although not to the same extent so the yield curve flattened. During the last two months of 2018, volatility spiked, long-term Treasury rates declined and credit spreads widened dramatically. To engineer a soft landing of the economy, the Federal Reserve tightened financial conditions. Shortly after the hike in federal funds rates on December 19, 2018, the Federal Reserve concluded that financial conditions were too tight with inflation contained and inflation expectations having declined markedly in the fourth quarter. In the last two weeks of 2018, expectations for further declines in federal funds rates declined in part based on the deliberate shift in Federal Reserve communications.

The general market-wide trend toward passive management persisted in 2018. We continue to believe that our strategies will outperform their respective passive benchmarks over a full market cycle, supported by a shared commitment to our intrinsic value-based investment philosophy, long-term perspective, disciplined approach, and alignment with our clients' interests. As of December 31, 2018, the since-inception returns for most of our strategies exceeded their respective benchmark returns.

Corporate tax reform through the enactment of the Tax Cuts and Jobs Act of 2017 (the "Tax Act") on December 22, 2017 benefited U.S. companies throughout 2018. Repatriation of cash held overseas increased during 2018, allowing companies to utilize such cash for share repurchases, acquisitions and investment. Lower tax rates also boosted earnings growth. However, this one-time benefit to earnings growth from tax reform will not repeat in 2019 and we believe that for many companies the after-tax impact on returns will largely decline over time. Our research team continues to evaluate the impact of tax reform from the Tax Act on a company-by-company basis and updates our estimates of intrinsic value accordingly.

The potential impact of macroeconomic factors is one of the many issues that we consider when assessing a potential investment. As always, bottom-up analysis is of primary importance in our estimate of the intrinsic value of an individual company, which includes both valuation and business fundamentals.

In 2018, global trade and tariffs took on new importance. During 2018, the U.S. government and China imposed tariffs impacting certain products imported from such countries. The size of these recently implemented tariffs is small relative to the total economy, but larger and wider tariffs could be applied in the future, and, for certain companies, the impact is already meaningful. We continually assess the influence of these tariffs and global economic conditions on a company-by-company basis. While we believe that the various parties will eventually come to an agreement on trade, the timing is quite uncertain.

Low inflation and low interest rates along with high corporate profit margins and steady economic growth have driven strong equity market returns since the 2008 recession. The high valuations that resulted made it challenging for us to find investment opportunities, but a broad range of businesses are becoming more attractive after the sell-off in equity markets during the fourth quarter of 2018. Discounts to intrinsic value have widened, and although we continue to be attracted to higher-quality businesses at this point in the economic cycle, we are incrementally spending more time analyzing cyclical businesses whose valuations seem to largely reflect a near-term recession. As always, we remain focused on assessing risk, which we define as the permanent loss of capital.

Despite the normalization in the Federal Reserve's monetary policy and concern that it could push the economy into a recession, most economic indicators continue to show strength and suggest healthy near-term growth. Following the sell-off in equity markets during the fourth quarter of 2018, price/earnings ("PE") multiples are near historical averages. We anticipate that decent economic growth and an average starting point for PE multiples will support equity markets over the next five years. However, returns could be held back if historically high corporate profit margins and below-average interest rates revert toward long-term averages. Together, these factors suggest to us that mid- to high- single digit annualized percentage gains are a reasonable expectation for equity market performance over the next five years.

We expect volatility in the fixed income markets to remain elevated for the foreseeable future, as is typical later in the economic cycle. As such, we believe strong fundamental analysis and a focus on long-term company and collateral performance are the keys to security selection in our fixed income strategies.

We believe we can achieve better-than-market returns over the next five years through active portfolio management, and our primary focus is always on achieving value-added results for our clients. Our intrinsic value investment philosophy is shared by all of our portfolio managers and research analysts, allowing us to apply our investment discipline consistently across all of our strategies.

Key Financial Performance Indicators

There are a variety of key performance indicators the Company monitors in order to evaluate our business results. The following table presents the results of certain key performance indicators over the past three fiscal years:

	For the Years Ended December 31,		
	2018	2017	2016
Ending AUM (in millions)	$ 19,108	$ 22,317	$ 19,381
Average AUM (in millions)	21,950	20,876	17,780
Net cash inflows (outflows) (in millions)	(1,102)	425	164
Total Revenue (in thousands)	145,628	145,202	136,103
Total Expenses (in thousands)	74,371	78,201	73,034
Average Advisory Fee Rate, excluding variable rate fees[(a)]	0.61%	0.64%	0.64%
Operating Profit Margin	49%	46%	46%
Operating Profit Margin, as adjusted[(b)]	47%	48%	48%

(a) Average advisory fee rates, including variable rate fees, were 0.62%, 0.64% and 0.68% for fiscal years 2018, 2017, and 2016, respectively.

(b) Operating profit margin, as adjusted, is a non-GAAP (as defined below) performance measure. See Use of Supplemental Data as Non-GAAP Performance Measure section within this Annual Report on Form 10-K.

Assets Under Management

Our 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 we manage and fluctuate with changes in the total value of the AUM. Substantially all of our AUM (92.3%) is valued based on readily available market quotations. AUM in our fixed income strategies (7.7%) is valued using evaluated prices from independent third-party providers. Fees are recognized in the period that the Company manages these assets.

Our revenues are highly dependent on both the value and composition of AUM. The following is a summary of our AUM by product, investment objective, and a roll-forward of the change in AUM for the years ended December 31, 2018, 2017, and 2016:

	Assets Under Management As of December 31,		
(in millions)	2018	2017	2016
Proprietary funds	$ 13,440	$ 15,974	$ 13,618
Sub-advised funds	1,358	1,518	1,445
Institutional accounts	4,310	4,825	4,318
Total AUM	$ 19,108	$ 22,317	$ 19,381

(in millions)	Assets Under Management by Investment Strategy As of December 31, 2018	2017	2016
Small Cap	$ 1,048	$ 1,525	$ 1,843
Small-Mid Cap	2,770	3,528	3,329
Mid Cap	143	130	59
Large Cap	9,637	10,867	8,497
All Cap Select	432	444	402
Long-Short	3,767	4,980	4,613
Global/International	18	6	2
Short Duration Fixed Income	579	313	197
Core Fixed Income	55	44	40
Long Duration Fixed Income	52	—	—
Corporate Credit	757	668	549
High Yield	54	31	32
(Less: Investments in affiliated funds) [a]	(204)	(219)	(182)
Total AUM	$ 19,108	$ 22,317	$ 19,381

(a) Certain of the Funds own shares of the Diamond Hill Short Duration Total Return Fund. The Company reduces its total AUM by these investments held in this affiliated fund.

(in millions)	Change in Assets Under Management For the Year Ended December 31, 2018	2017	2016
AUM at beginning of the year	$ 22,317	$ 19,381	$ 16,841
Net cash inflows (outflows)			
proprietary funds	(978)	843	548
sub-advised funds	(25)	(164)	639
institutional accounts	(99)	(254)	(1,023)
	(1,102)	425	164
Net market appreciation (depreciation) and income	(2,107)	2,511	2,376
Increase (decrease) during the year	(3,209)	2,936	2,540
AUM at end of the year	$ 19,108	$ 22,317	$ 19,381

Consolidated Results of Operations

The following is a discussion of our consolidated results of operations.

(in thousands, except per share amounts and percentages)	2018	2017	% Change	2017	2016	% Change
Total revenue	$ 145,628	$ 145,202	—%	$ 145,202	$ 136,103	7%
Net operating income	$ 71,256	$ 67,001	6%	$ 67,001	$ 63,069	6%
Net income attributable to common shareholders	$ 47,376	$ 49,989	(5)%	$ 49,989	$ 46,052	9%
Earnings per share attributable to common shareholders (Diluted)	$ 13.48	$ 14.48	(7)%	$ 14.48	$ 13.49	7%
Operating profit margin	49%	46%	NM	46%	46%	NM
Operating profit margin, as adjusted[a]	47%	48%	NM	48%	48%	NM

(a) Operating profit margin, as adjusted, is a non-GAAP (as defined below) performance measure. See Use of Supplemental Data as Non-GAAP Performance Measure section within this Annual Report on Form 10-K.

Year Ended December 31, 2018 compared with Year Ended December 31, 2017

The Company generated net income attributable to common shareholders of $47.4 million ($13.48 per diluted share) for the year ended December 31, 2018, compared with net income attributable to common shareholders of $50.0 million ($14.48 per diluted share) for the year ended December 31, 2017. Revenue increased $0.4 million period over period primarily due to an increase in average AUM partially offset by a reduction in the administration fee rates paid by the Funds. Operating expenses decreased by $3.8 million primarily related to a decrease in compensation and related costs and general and administrative expenses.

The Company recorded a non-operating loss of $6.3 million in 2018 due to market depreciation from our investments compared to non-operating income of $14.0 million in 2017 due to market appreciation and dividend income from our investments.

Income tax expense decreased $10.7 million from 2017 to 2018 due to the reduction of the effective tax rate from 36.3% to 28.7%. The reduction was primarily due to the impact of the Tax Act, which reduced our corporate income tax rate from 35% to 21% year over year. The effective tax rate of 28.7% differed from the federal statutory tax rate of 21% due primarily to additional income tax expense recorded for the state and local jurisdictions in which we do business.

Operating profit margin was 49% for 2018 and 46% for 2017. Operating profit margin, as adjusted, was 47% for 2018 and 48% for 2017. Operating profit margin, as adjusted, is a non-GAAP (as defined below) performance measure. See Use of Supplemental Data as Non-GAAP Performance Measure section within this Annual Report on Form 10-K. We expect that our operating margin will fluctuate, sometimes substantially, 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, 2017 compared with Year Ended December 31, 2016

The Company generated net income attributable to common shareholders of $50.0 million ($14.48 per diluted share) for the year ended December 31, 2017, compared with net income attributable to common shareholders of $46.1 million ($13.49 per diluted share) for the year ended December 31, 2016. Revenue increased $9.1 million period over period primarily due to a 17% increase in average AUM year over year, partially offset by $6.4 million in variable rate fees recognized on the early termination of a variable rate fee contract in 2016 compared to $0.2 million in 2017. Operating expenses year-over-year increased $5.2 million, primarily related to increases in compensation and related expenses and general and administrative expenses.

The Company recorded non-operating income of $14.0 million in 2017 due to market appreciation and dividend income from our investment portfolio compared to non-operating income of $10.2 million in 2016 due to $7.5 million in market appreciation and dividend income from our investment portfolio and a $2.7 million gain on the sale of Beacon Hill.

Income tax expense increased $2.7 million from 2016 to 2017 due to the overall increase in income before taxes. Due to the Tax Act, which reduced our corporate income tax rate from 35% to 21% year over year, the Company recorded tax expense of $3.6 million resulting from the re-measurement of the Company's net deferred tax assets as of December 31, 2017. This additional tax expense in 2017 was partially offset by $2.4 million of excess tax benefits on restricted stock units and restricted stock awards and $0.4 million of tax benefits on dividends paid on restricted stock awards.

Operating profit margin was 46% for both 2017 and 2016. Operating profit margin, as adjusted, was 48% for both 2017 and 2016. See Use of Supplemental Data as Non-GAAP Performance Measure section within this Annual Report on Form 10-K.

Revenue

(in thousands, except percentages)	2018	2017	% Change	2017	2016	% Change
Investment advisory	$ 135,318	$ 132,688	2%	$ 132,688	$ 121,645	9%
Mutual fund administration, net	10,310	12,514	(18)%	12,514	14,458	(13)%
Total	145,628	145,202	—%	145,202	136,103	7%

Revenue for the Year Ended December 31, 2018 compared with Year Ended December 31, 2017

As a percent of total annual revenues for 2018 and 2017, investment advisory fees accounted for 93% and 91%, respectively, and mutual fund administration fees made up the remaining 7% and 9%, respectively.

Investment Advisory Fees. Investment advisory fees increased by $2.6 million, or 2%, from the year ended December 31, 2017 to the year ended December 31, 2018. Investment advisory fees are calculated as a percentage of the market value of client accounts at contractual fee rates, which vary by investment product. The increase in investment advisory fees was driven by an increase of 5% in average AUM year-over-year and an increase in variable rate fees recognized from $0.2 million in 2017 to $1.4 million in 2018. This was partially offset by a reduction in the average advisory fee rate (excluding variable rate fees) from 0.64% in 2017 to 0.61% in 2018.

Mutual Fund Administration Fees. Mutual fund administration fees decreased $2.2 million, or 18%, from the year ended December 31, 2017 to the year ended December 31, 2018. Mutual fund administration fees are calculated as a percentage of average Funds' AUM. The decrease was due to reductions in the administration fee rates received from the Funds and an increase in shareholder servicing expenses and required shareholder mailings that DHCM pays on behalf of the Funds. This was partially offset by the 5% increase in average Funds' AUM in 2018. The table below summarizes the decreases in the administration fee rates during the periods indicated:

	Class A & C	Class I	Class Y
1/1/2017 - 5/31/2017	0.24%	0.19%	0.09%
6/1/2017 - 2/27/2018	0.23%	0.18%	0.08%
2/28/2018 - 12/31/2018	0.21%	0.17%	0.05%

Revenue for the Year Ended December 31, 2017 compared with Year Ended December 31, 2016

As a percent of total annual revenues for 2017 and 2016, investment advisory fees accounted for 91% and 89%, respectively, and mutual fund administration fees made up the remaining 9% and 11%, respectively.

Investment Advisory Fees. Investment advisory fees increased by $11.0 million, or 9%, from the year ended December 31, 2016 to the year ended December 31, 2017. Investment advisory fees are calculated as a percentage of the market value of client accounts at contractual fee rates, which vary by investment product. The increase in investment advisory fees was driven by an increase of 17% in average AUM year-over-year, partially offset by $6.4 million in variable rate fees recognized on the early termination of variable rate fee contracts in 2016 compared to $0.2 million in 2017. The average advisory fee rate (excluding variable rate fees) in both 2017 and 2016 was 0.64%.

Mutual Fund Administration Fees. Mutual fund administration fees decreased $1.9 million, or 13%, from the year ended December 31, 2016 to the year ended December 31, 2017. Mutual fund administration fees include administration fees received from the Funds, which are calculated as a percentage of average Funds' AUM. Mutual fund administration fees for the year ended December 31, 2016 included Beacon Hill administration fees of $2.5 million, which were absent in 2017. Absent Beacon Hill revenue, mutual fund administration fees related to the Funds increased $0.6 million period over period. This increase is primarily driven by a 20% increase in average Funds' AUM from the year ended December 31, 2016 to the year ended December 31, 2017, partially offset by a decrease of two basis points in the net administration fee rate from 0.10% for the year ended December 31, 2016 to 0.08% for the year ended December 31, 2017. The decrease in the net administration fee rate was due to the following fee reductions that occurred during the periods indicated:

	Class A & C	Class I	Class Y
1/1/2016 - 7/31/2016	0.24%	0.20%	0.10%
8/1/2016 - 12/31/2016	0.24%	0.19%	0.09%
1/1/2017 - 5/31/2017	0.24%	0.19%	0.09%
6/1/2017 - 12/31/2017	0.23%	0.18%	0.08%

Expenses

(in thousands, except percentages)	2018	2017	% Change	2017	2016	% Change
Compensation and related costs[(a)]	$ 53,854	$ 54,856	(2)%	$ 54,856	$ 52,265	5%
General and administrative	11,649	14,037	(17)%	14,037	12,622	11%
Sales and marketing	5,243	4,994	5%	4,994	4,263	17%
Mutual fund administration	3,626	4,313	(16)%	4,313	3,884	11%
Total	74,372	78,200	(5)%	78,200	73,034	7%

(a) Included in compensation and related costs is deferred compensation benefit of $2.1 million for the year ended December 31, 2018 and deferred compensation expense of $2.4 million and $1.8 million for the years ended December 31, 2017 and 2016, respectively. See Use of Supplemental Data as Non-GAAP Performance Measure section within this Annual Report on Form 10K for additional information.

Expenses for the Year Ended December 31, 2018 compared with Year Ended December 31, 2017

Compensation and Related Costs. Employee compensation and benefits decreased by $1.0 million, or 2%, from the year ended December 31, 2017 to the year ended December 31, 2018, due to a decrease of $4.5 million in deferred compensation expense and a decrease of $0.4 million in restricted stock expense. The decrease was partially offset by increases of $2.8 million in salary and related benefits and $1.1 million in incentive compensation. We had 120 average full-time equivalent employees for 2018, compared to 114 for 2017. Incentive compensation expense can fluctuate significantly period-over-period as we evaluate incentive compensation by reviewing investment performance, individual performance, Company performance and other factors.

General and Administrative. General and administrative expenses decreased by $2.4 million, or 17%, from the year ended December 31, 2017 to the year ended December 31, 2018. This decrease is primarily due to a decrease in charitable donations of $2.7 million and a decrease of $0.7 million of consulting expense due to bringing more business functions in-house. The decrease was partially offset by increases in investment research expenses of $0.5 million, depreciation expense of $0.3 million and information technology expense of $0.2 million.

Sales and Marketing. Sales and marketing expenses increased by $0.2 million, or 5%, from the year ended December 31, 2017 to the year ended December 31, 2018. This increase was primarily due to additional payments made to third party financial intermediaries related to the sale of our proprietary funds. For each of the years ended December 31, 2018 and 2017, approximately 65% of sales and marketing expense is related to revenue sharing payments made to third party financial intermediaries.

Mutual Fund Administration. Mutual fund administration expenses decreased by $0.7 million, or 16%, from the year ended December 31, 2017 to the year ended December 31, 2018. Mutual fund administration expenses consist of both variable and fixed expenses. The variable expenses are based on Fund AUM and the number of shareholder accounts. The decrease was primarily due to a reduction in outsourced administrative services for the Funds which was brought in-house during 2018.

Expenses for the Year Ended December 31, 2017 compared with Year Ended December 31, 2016

Compensation and Related Costs. Employee compensation and benefits increased by $2.6 million, or 5%, from the year ended December 31, 2016 to the year ended December 31, 2017, due to increases of $2.8 million in incentive compensation during fiscal year 2017, $0.5 million in deferred compensation expense and $0.3 million in restricted stock expense. These increases were offset by a decrease of $1.0 million in salaries and related benefits due to the sale of Beacon Hill in 2016. Incentive compensation expense can fluctuate significantly period over period as we evaluate incentive compensation by reviewing investment performance, individual performance, Company performance and other factors.

General and Administrative. General and administrative expenses increased by $1.4 million, or 11%, from the year ended December 31, 2016 to the year ended December 31, 2017. This increase is primarily due to an increase in information technology consulting expense of $0.7 million, primarily to enhance our enterprise data management and customer relationship management software, an increase in investment research expenses of $0.5 million, and an increase in depreciation expense of $0.2 million.

Sales and Marketing. Sales and marketing expenses increased by $0.7 million, or 17%, from the year ended December 31, 2016 to the year ended December 31, 2017. This increase was primarily due to additional payments made to third party financial intermediaries related to the sale of our proprietary funds. For the years ended December 31, 2017 and 2016, approximately 65% and 63%, respectively, of sales and marketing expense was related to revenue sharing payments made to third party financial intermediaries.

Mutual Fund Administration. Mutual fund administration expenses increased by $0.4 million, or 11%, from the year ended December 31, 2016 to the year ended December 31, 2017. Mutual fund administration expenses consist of both variable and fixed expenses. The variable expenses are based on Fund AUM and the number of shareholder accounts. The increase was primarily due to the 20% increase in average Funds' AUM from the year ended 2016 to the year ended 2017.

Liquidity and Capital Resources

<u>Sources of Liquidity</u>

Our current financial condition is highly liquid, with a significant amount of our assets comprised of cash and cash equivalents, investments, accounts receivable, direct investments in consolidated funds and other current assets. Our main source of liquidity is cash flows from operating activities, which are generated from investment advisory and mutual fund administration fees. Cash and cash equivalents, investments held directly by DHCM, accounts receivable, and other current assets represented

$216.5 million and $196.4 million of total assets as of December 31, 2018 and 2017, respectively. We believe these sources of liquidity, as well as our continuing cash flows from operating activities, will be sufficient to meet our current and future operating needs for the next 12 months.

Uses of Liquidity

In line with the Company's primary objective to fulfill our fiduciary duty to clients and secondary objective to achieve an adequate long-term return for shareholders, we anticipate our main uses of cash will be for operating expenses and seed capital to fund new and existing investment strategies.

Our Board of Directors and management regularly review various factors to determine whether we have capital in excess of that required for the business and the appropriate use of any excess capital. The factors considered include our investment opportunities, capital needed for investment strategies, risks, and future dividend and capital gain tax rates. On September 25, 2018, the Company announced that our Board of Directors authorized management to repurchase the Company's common shares having an aggregate purchase price up to $50.0 million. During 2018, the Company repurchased 45,470 common shares totaling $7.2 million under the program. The authority to repurchase shares will be exercised from time to time as market conditions warrant and is subject to regulatory considerations. Evaluating management's stewardship of capital for shareholders is a central part of our investment discipline that we practice for our clients. We hold ourselves to the same standard.

While 2018 was the eleventh consecutive year that the Company has paid a special dividend, there can be no assurance that we will pay a dividend in the future. We have paid out special dividends totaling $21.00 per share from 2016 through 2018. The 2018, 2017, and 2016 special dividends reduced shareholders' equity by $28.1 million, $24.3 million, and $20.5 million, respectively.

Working Capital

As of December 31, 2018, the Company had working capital of approximately $181.0 million, compared to $162.5 million at December 31, 2017. Working capital includes cash, accounts receivable, investments, direct investments in Consolidated Funds, and other current assets of DHCM, net of accounts payable and accrued expenses, accrued incentive compensation, deferred compensation and other current liabilities of DHCM.

The Company has no debt, and we believe our available working capital is sufficient to cover current expenses and presently anticipated capital expenditures.

Below is a summary of investments as of December 31, 2018 and 2017:

	As of December 31,	
	2018	2017
Corporate Investments:		
Diamond Hill Core Bond Fund	$ 37,197,134	$ 30,529,852
Diamond Hill High Yield Fund	25,931,879	14,200,885
Diamond Hill Mid Cap Fund	15,035,251	19,270,451
Diamond Hill Research Opportunities Fund	12,912,291	15,409,571
Diamond Hill Valuation-Weighted 500 ETF	11,497,699	12,096,719
Diamond Hill Global Fund	8,482,790	—
Diamond Hill Global Fund, L.P.	—	2,055,196
Diamond Hill International Equity Fund, L.P.	1,057,445	1,173,870
Total Corporate Investments	112,114,489	94,736,544
Deferred Compensation Plan Investments in the Funds	22,387,874	20,480,790
Total investments held by DHCM	134,502,363	115,217,334
Redeemable noncontrolling interest in Consolidated Funds	68,985,854	23,258,688
Total investments	$ 203,488,217	$ 138,476,022

Cash Flow Analysis

Cash Flows from Operating Activities

The Company's cash flows from operating activities are calculated by adjusting net income to reflect other significant operating sources and uses of cash, certain significant non-cash items such as share-based compensation, and timing differences in the cash settlement of operating assets and liabilities. We expect that cash flows provided by operating activities will continue to serve as our primary source of working capital in the near future.

For the year ended December 31, 2018, net cash provided by operating activities totaled $28.1 million. The changes in net cash provided by operating activities were primarily driven by net income of $46.3 million, the add back of share-based compensation of $8.9 million and depreciation of $1.2 million, and the effect of non-cash items and timing differences in the cash settlement of assets and liabilities of $23.9 million. These cash inflows were partially offset by the net change in securities held in the underlying investment portfolios of our Consolidated Funds of $52.2 million. Absent the operating cash flows of the Consolidated Funds, cash flow from operations would have been approximately $79.9 million (see "Supplemental Consolidated Cash Flow Statement" below). We expect that cash flows provided by operating activities will continue to serve as our primary source of working capital in the near future.

For the year ended December 31, 2017, net cash provided by operating activities totaled $60.9 million. The changes in net cash provided by operating activities were primarily driven by net income of $51.6 million and the add back of share-based compensation of $8.6 million and depreciation of $0.9 million, and the effect of non-cash items and timing differences in the cash settlement of assets and liabilities of $5.4 million. These cash inflows were partially offset by the net change in securities held in our Consolidated Funds underlying investment portfolios of $5.5 million. Absent the operating cash flows of the Consolidated Funds, cash flow from operations would have been approximately $64.3 million.

For the year ended December 31, 2016, net cash provided by operating activities totaled $20.1 million. The changes in net cash provided by operating activities were primarily driven by net income of $46.6 million, the add back of share-based compensation of $8.2 million and depreciation of $0.7 million, and the effect of noncash items and timing differences in the cash settlement of assets and liabilities of $6.2 million. These cash inflows were significantly offset by the net change in securities held in our Consolidated Funds underlying investment portfolios of $41.7 million. Absent the operating cash flows of the Consolidated Funds, cash flow from operations would have been approximately $60.7 million.

Cash Flows from Investing Activities

The Company's cash flows from investing activities consist primarily of capital expenditures and purchases and redemptions in our investment portfolio.

Cash flows used in investing activities totaled $4.3 million for the year ended December 31, 2018. The Company purchased corporate investments of $6.3 million and made $0.8 million of property and equipment purchases during the period. These cash outflows were partially offset by redemptions of corporate investments of $2.4 million and $0.5 million of proceeds from the scheduled collection of the promissory note received from the sale of Beacon Hill.

Cash flows used in investing activities totaled $18.6 million for the year ended December 31, 2017. The Company purchased corporate investments of $21.0 million and made $1.1 million of property and equipment purchases during the period. These cash outflows were partially offset by redemptions of corporate investments of $2.6 million and $1.0 million of proceeds from the scheduled collection of the promissory note received from the sale of Beacon Hill.

Cash flows used in investing activities totaled $5.7 million for the year ended December 31, 2016. The Company purchased corporate investments of $26.0 million and made $0.5 million of property and equipment purchases during the period. This cash outflow was partially offset by redemptions of corporate investments of $19.5 million and net proceeds received of $1.2 million from the sale of Beacon Hill.

Cash Flows from Financing Activities

The Company's cash flows from financing activities consist primarily of the payment of special dividends, the repurchase of its common shares, shares withheld related to employee tax withholding and distributions to, or contributions from, redeemable noncontrolling interest holders.

For the year ended December 31, 2018, net cash used by financing activities totaled $16.0 million, consisting of the payment of special dividends of $28.1 million, the repurchase of the Company's common shares of $7.2 million, and the value of shares withheld related to employee tax withholding of $1.9 million. These financing outflows were partially offset by net subscriptions received from redeemable noncontrolling interest holders of $21.2 million.

For the year ended December 31, 2017, net cash used by financing activities totaled $23.0 million, consisting of the payment of special dividends of $24.3 million and the value of shares withheld related to employee tax withholding of $5.0 million. These financing outflows were partially offset by net subscriptions received from redeemable noncontrolling interest holders of $6.3 million.

For the year ended December 31, 2016, net cash used by financing activities totaled $14.6 million, consisting of the payment of special dividends of $20.5 million and the value of shares withheld related to employee tax withholding of $10.0 million. These financing outflows were partially offset by net subscriptions received from redeemable noncontrolling interest holders of $9.6 million, excess income tax benefit from share-based compensation of $4.9 million, and income tax benefit from dividends paid on restricted stock of $1.4 million.

Supplemental Consolidated Cash Flow Statement

On January 1, 2016, the Company implemented the new consolidation accounting guidance that resulted in the consolidation of the Company's exchange traded fund ("ETF"), the Diamond Hill Core Bond Fund, the Diamond Hill High Yield Fund, and the Diamond Hill Global Fund (collectively the "Consolidated Funds") in which we have controlling interests. Our consolidated balance sheet now reflects the investments and other assets and liabilities of the Consolidated Funds, as well as redeemable noncontrolling interests for the portion of the Consolidated Funds that are held by third party investors. Although we can redeem our net interest in the Consolidated Funds at any time, we cannot directly access or sell the assets held by the Consolidated Funds to obtain cash for general operations. Additionally, the assets of the Consolidated Funds are not available to general creditors.

The following table summarizes the condensed cash flows for the year ended December 31, 2018, that are attributable to Diamond Hill Investment Group, Inc. and to the Consolidated Funds, and the related eliminations required in preparing the consolidated financial statements.

	Year Ended December 31, 2018			
	Cash flow attributable to Diamond Hill Investment Group, Inc.	Cash flow attributable to Consolidated Funds	Eliminations	As reported on the Consolidated Statement of Cash Flows
Cash flows from Operating Activities:				
Net Income	$ 47,375,829	$ (2,677,977)	$ 1,616,536	$ 46,314,388
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	1,159,380	—	—	1,159,380
Share-based compensation	8,896,610	—	—	8,896,610
Net (gains)/losses on investments	13,235,941	2,677,977	(1,616,536)	14,297,382
Net change in securities held by Consolidated Funds	—	(52,168,968)	—	(52,168,968)
Other changes in assets and liabilities	9,202,427	429,372	—	9,631,799
Net cash provided by (used in) operating activities	79,870,187	(51,739,596)	—	28,130,591
Net cash used in investing activities	(34,792,725)	—	30,531,828	(4,260,897)
Net cash provided by (used in) financing activities	(37,249,511)	51,739,596	(30,531,828)	(16,041,743)
Net change during the period	7,827,951	—	—	7,827,951
Cash and cash equivalents at beginning of year	76,602,108	—	—	76,602,108
Cash and cash equivalents at end of year	$ 84,430,059	$ —	$ —	$ 84,430,059

Selected Quarterly Information

Our unaudited quarterly results of operations for the years ended December 31, 2018 and 2017 are summarized below:

	At or For the Quarter Ended							
	2018				2017			
(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)	$ 19,108	$ 22,629	$ 21,827	$ 21,929	$ 22,317	$ 21,455	$ 20,924	$ 20,333
Total revenue	34,446	37,471	35,928	37,782	37,753	36,772	35,543	35,134
Total operating expenses	14,659	20,556	19,578	19,578	19,443	19,884	19,576	19,298
Operating income	19,787	16,915	16,350	18,204	18,310	16,888	15,967	15,836
Investment income, net	(13,488)	5,210	3,565	(1,559)	4,439	2,768	3,025	3,786
Income before taxes	$ 6,299	$ 22,125	$ 19,915	$ 16,645	$ 22,749	$ 19,656	$ 18,992	$ 19,622
Income tax expense	$ (4,223)	$ (5,727)	$ (5,017)	$ (3,702)	$ (10,398)	$ (6,498)	$ (6,025)	$ (6,496)
Net income	$ 2,076	$ 16,398	$ 14,898	$ 12,943	$ 12,351	$ 13,158	$ 12,967	$ 13,126
Net income attributable to common shareholders	$ 4,809	$ 15,208	$ 14,370	$ 12,989	$ 11,895	$ 12,699	$ 12,638	$ 12,757
Diluted EPS	$ 1.37	$ 4.31	$ 4.08	$ 3.72	$ 3.43	$ 3.67	$ 3.66	$ 3.71
Diluted weighted shares outstanding	3,514	3,532	3,520	3,492	3,471	3,461	3,449	3,435

Contractual Obligations

The following table presents a summary of the Company's future obligations under the terms of operating leases and lease commitments, other contractual purchase obligations, and deferred compensation obligations at December 31, 2018. Other purchase obligations include contractual amounts that will be due for the purchase of services to be used in our operations, such as mutual fund sub-administration and investment related research software. These obligations may be cancelable at earlier times than those indicated and, under certain conditions, may involve termination fees. Because these obligations are primarily of a normal recurring nature, we expect to fund them from future cash flows from operations. The deferred compensation obligations includes compensation that will be paid out in future years and which will be funded by the related deferred compensation investments currently held on our consolidated balance sheets (see Note 6 to the consolidated financial statements). The information presented does not include operating expenses or capital expenditures that will be committed in the normal course of operations in 2019 and future years:

		Payments Due by Period					
(in thousands)	Total	2019	2020	2021	2022	2023	Thereafter
Operating lease obligations	$ 3,853	$ 586	$ 615	$ 624	$ 624	$ 624	$ 780
Purchase obligations	5,170	3,807	1,340	21	2	—	—
Deferred compensation obligations	22,387	1,678	2,870	2,056	2,278	2,700	10,805
Total	$ 31,410	$ 6,071	$ 4,825	$ 2,701	$ 2,904	$ 3,324	$ 11,585

Use of Supplemental Data as Non-GAAP Performance Measures

As supplemental information, we are providing performance measures that are based on methodologies other than U.S. generally accepted accounting principles ("non-GAAP"). We believe the non-GAAP measures below are useful measures of our core business activities, are important metrics in estimating the value of an asset management business and may enable more appropriate comparison to our peers. These non-GAAP measures should not be a substitute for financial measures calculated in accordance with U.S. generally accepted accounting principles ("GAAP") and may be calculated differently by other companies. The following schedule reconciles GAAP measures to non-GAAP measures for the years ended December 31, 2018, 2017, and 2016, respectively.

(in thousands, except percentages and per share data)	Year Ended December 31, 2018	2017	2016
Total revenue	$ 145,628	$ 145,202	$ 136,103
Net operating income, GAAP basis	$ 71,256	$ 67,001	$ 63,069
Non-GAAP adjustments:			
Gains (losses) on deferred compensation plan investments, net[1]	(2,122)	2,382	1,837
Net operating income, as adjusted, non-GAAP basis[2]	69,134	69,383	64,906
Non-GAAP adjustments:			
Tax provision on net operating income, as adjusted, non-GAAP basis[3]	(19,862)	(25,192)	(23,626)
Net operating income, as adjusted, after tax, non-GAAP basis[4]	$ 49,272	$ 44,191	$ 41,280
Net operating income, as adjusted after tax per diluted share, non-GAAP basis[5]	$ 14.02	$ 12.80	$ 12.09
Diluted weighted average shares outstanding, GAAP basis	3,515	3,452	3,413
Operating profit margin, GAAP basis	49%	46%	46%
Operating profit margin, as adjusted, non-GAAP basis[6]	47%	48%	48%

(1) *Gains (losses) on deferred compensation plan investments, net:* The gain (loss) on deferred compensation plan investments, which increases (decreases) deferred compensation expense included in operating income, is removed from operating income in the calculation because it is offset by an equal amount in investment income (loss) below net operating income on the income statement, and thus has no impact on net income attributable to the Company.

(2) *Net operating income, as adjusted:* This non-GAAP measure was calculated as the Company's net operating income adjusted to exclude the impact on compensation expense of gains and losses on investments in the deferred compensation plan.

(3) *Tax provision on net operating income, as adjusted:* This non-GAAP measure represents the tax provision excluding the impact of investment related activity and the sale of subsidiary and is calculated by applying the tax rate from the actual tax provision to net operating income, as adjusted.

(4) *Net operating income, as adjusted, after tax:* This non-GAAP measure deducts from the net operating income, as adjusted, the tax provision on net operating income, as adjusted.

(5) *Net operating income, as adjusted after tax per diluted share:* This non-GAAP measure was calculated by dividing the net operating income, as adjusted after tax, by diluted weighted average shares outstanding.

(6) *Operating profit margin, as adjusted:* This non-GAAP measure was calculated by dividing the net operating income, as adjusted, by total revenue.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements. We do 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

Consolidation. We consolidate all subsidiaries and certain investments in which we have a controlling interest. We are generally deemed to have a controlling interest when we own the majority of the voting interest of an entity or are deemed to be the primary beneficiary of a variable interest entity ("VIE"). A VIE is an entity that lacks sufficient equity to finance its activities or its equity holders do not have defined power to direct the activities of the entity normally associated with an equity investment. Our analysis to determine whether an entity is a VIE or a voting rights entity ("VRE") involves judgment and considers several factors, including an entity's legal organization, equity structure, the rights of the investment holders, our ownership interest in the entity, and our contractual involvement with the entity. We continually review and reconsider our VIE or VRE conclusions upon the occurrence of certain events, such as changes to our ownership interest, or amendments to contract documents. Our VIEs are primarily sponsored investment entities and our variable interest consists of our equity ownership in these entities. The Company concluded we are not the primary beneficiary of any of these VIEs as of December 31, 2018 as we lack the power to control these entities.

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 our financial statements or tax returns.

Revenue Recognition on Performance-Based Advisory Contracts. We have 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. These fees are calculated based on client investment results over rolling five-year periods. The Company records variable rate fees at the end of the contract measurement period.

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 services, and legal and audit services. 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.

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 our investment advisory revenues and net income.

We invest in the Diamond Hill Funds (the "Funds") and our private investment funds, which are market risk sensitive financial instruments. These investments have inherent market risk in the form of price risk; that is, the potential future loss of value that would result from a decline in their fair value. Market prices fluctuate and the amount realized upon subsequent sale may differ significantly from the reported market value.

The table below summarizes our market risks as of December 31, 2018, and shows the effects of a hypothetical 10% increase and decrease in investments.

	Fair Value as of December 31, 2018	Fair Value Assuming a Hypothetical 10% Increase	Fair Value Assuming a Hypothetical 10% Decrease
Equity investments	85,124,719	$ 93,637,191	$ 76,612,247
Fixed Income investments	118,363,498	130,199,848	106,527,148
Total	$ 203,488,217	$ 223,837,039	$ 183,139,395

ITEM 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Diamond Hill Investment Group, Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, shareholders' equity and redeemable noncontrolling interest, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 21, 2019 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Columbus, Ohio
February 21, 2019

Report of Independent Registered Public Accounting Firm

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

Opinion on Internal Control Over Financial Reporting

We have audited Diamond Hill Investment Group, Inc.'s and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of the Company as of December 31, 2018 and 2017, the related consolidated statements of income, shareholders' equity and redeemable noncontrolling interest, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes (collectively, the consolidated financial statements), and our report dated February 21, 2019 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible 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 Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A of the Company's December 31, 2018 annual report on Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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.

/s/ KPMG LLP

Columbus, Ohio
February 21, 2019

Diamond Hill Investment Group, Inc.
Consolidated Balance Sheets

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	$ 84,430,059	$ 76,602,108
Investments	203,488,217	138,476,022
Accounts receivable	20,290,283	19,220,279
Prepaid expenses	2,372,712	2,073,343
Income taxes receivable	—	4,114,962
Property and equipment, net of depreciation	3,680,472	4,057,901
Deferred taxes	11,466,100	5,843,704
Total assets	$ 325,727,843	$ 250,388,319
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 15,561,491	$ 11,890,403
Accrued incentive compensation	26,754,167	25,496,500
Income taxes payable	2,768,681	—
Deferred compensation	22,387,874	20,480,790
Total liabilities	67,472,213	57,867,693
Redeemable noncontrolling interest	62,679,687	20,076,806
Permanent Shareholders' Equity		
Common stock, no par value 7,000,000 shares authorized; 3,499,285 issued and outstanding at December 31, 2018 (inclusive of 211,575 unvested shares); 3,470,428 issued and outstanding at December 31, 2017 (inclusive of 191,900 unvested shares)	124,933,060	118,209,111
Preferred stock, undesignated, 1,000,000 shares authorized and unissued	—	—
Deferred equity compensation	(22,008,054)	(19,134,963)
Retained Earnings	92,650,937	73,369,672
Total permanent shareholders' equity	195,575,943	172,443,820
Total liabilities and shareholders' equity	$ 325,727,843	$ 250,388,319
Book value per share	$ 55.89	$ 49.69

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,		
	2018	2017	2016
REVENUES:			
Investment advisory	$ 135,317,805	$ 132,688,462	$ 121,645,149
Mutual fund administration, net	10,309,943	12,513,267	14,457,926
Total revenue	145,627,748	145,201,729	136,103,075
OPERATING EXPENSES:			
Compensation and related costs	53,853,670	54,855,972	52,264,843
General and administrative	11,648,925	14,036,681	12,621,831
Sales and marketing	5,242,848	4,994,525	4,263,143
Mutual fund administration	3,625,898	4,313,185	3,884,655
Total operating expenses	74,371,341	78,200,363	73,034,472
NET OPERATING INCOME	71,256,407	67,001,366	63,068,603
Investment income (loss), net	(6,272,678)	14,017,593	7,517,398
Gain on sale of subsidiary	—	—	2,675,766
INCOME BEFORE TAXES	64,983,729	81,018,959	73,261,767
Income tax expense	(18,669,341)	(29,417,290)	(26,667,635)
NET INCOME	46,314,388	51,601,669	46,594,132
Net loss (income) attributable to redeemable noncontrolling interest	1,061,441	(1,612,712)	(542,209)
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 47,375,829	$ 49,988,957	$ 46,051,923
Earnings per share attributable to common shareholders			
Basic	$ 13.49	$ 14.49	$ 13.52
Diluted	$ 13.48	$ 14.48	$ 13.49
Weighted average shares outstanding			
Basic	3,512,470	3,448,824	3,407,408
Diluted	3,514,528	3,451,838	3,413,391

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

Diamond Hill Investment Group, Inc.
Consolidated Statements of Shareholders' Equity and Redeemable Noncontrolling Interest

	Shares Outstanding	Common Stock	Deferred Equity Compensation	Retained Earnings	Total	Redeemable Noncontrolling Interest
Balance at January 1, 2016	3,414,338	$ 102,536,527	$ (19,294,784)	$ 22,072,271	$105,314,014	$ —
Cumulative-effect adjustment from the adoption of ASU 2015-02 (Note 2)	—	—	—	—	—	4,031,756
Issuance of restricted stock grants	35,900	7,504,564	(7,504,564)	—	—	—
Amortization of restricted stock grants	—	—	6,466,797	—	6,466,797	—
Issuance of stock grants	21,940	3,879,431	—	—	3,879,431	—
Issuance of common stock related to 401k plan match	9,466	1,738,287	—	—	1,738,287	—
Tax benefit from dividend payments related to restricted stock grants	—	1,372,996	—	—	1,372,996	—
Net excess tax benefit from vested restricted stock grants	—	4,895,907	—	—	4,895,907	—
Shares withheld related to employee tax withholding	(53,018)	(10,029,464)	—	—	(10,029,464)	—
Forfeiture of restricted stock grants	(17,070)	(2,604,445)	2,604,445	—	—	—
Cash dividend paid of $6.00 per share	—	—	—	(20,465,736)	(20,465,736)	—
Net income	—	—	—	46,051,923	46,051,923	542,209
Net subscriptions of consolidated funds	—	—	—	—	—	9,266,723
Balance at December 31, 2016	3,411,556	$ 109,293,803	$ (17,728,106)	$ 47,658,458	$139,224,155	$ 13,840,688
Issuance of restricted stock grants	57,350	8,454,411	(8,454,411)	—	—	—
Amortization of restricted stock grants	—	—	6,871,284	—	6,871,284	—
Issuance of stock grants	19,219	3,892,424	—	—	3,892,424	—
Issuance of common stock related to 401k plan match	8,478	1,710,785	—	—	1,710,785	—
Shares withheld related to employee tax withholding	(24,425)	(4,966,042)	—	—	(4,966,042)	—
Forfeiture of restricted stock grants	(1,750)	(176,270)	176,270	—	—	—
Cash dividend paid of $7.00 per share	—	—	—	(24,277,743)	(24,277,743)	—
Net income	—	—	—	49,988,957	49,988,957	1,612,712
Net subscriptions of consolidated funds	—	—	—	—	—	4,623,406
Balance at December 31, 2017	3,470,428	$ 118,209,111	$ (19,134,963)	$ 73,369,672	$172,443,820	$ 20,076,806
Issuance of restricted stock grants	73,025	13,654,592	(13,654,592)	—	—	—
Amortization of restricted stock grants	—	—	6,664,875	—	6,664,875	—
Issuance of stock grants	20,153	4,109,197	—	—	4,109,197	—
Issuance of common stock related to 401k plan match	11,967	2,231,735	—	—	2,231,735	—
Shares withheld related to employee tax withholding	(9,918)	(1,925,700)	—	—	(1,925,700)	—
Forfeiture of restricted stock grants	(20,900)	(4,116,626)	4,116,626	—	—	—
Repurchases of common stock	(45,470)	(7,229,249)	—	—	(7,229,249)	—
Cash dividend paid of $8.00 per share	—	—	—	(28,094,564)	(28,094,564)	—
Net income	—	—	—	47,375,829	47,375,829	(1,061,441)
Net subscriptions of consolidated funds	—	—	—	—	—	27,219,682
New consolidations of Company sponsored investments	—	—	—	—	—	16,444,640
Balance at December 31, 2018	3,499,285	$ 124,933,060	$ (22,008,054)	$ 92,650,937	$195,575,943	$ 62,679,687

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,		
	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net Income	$ 46,314,388	$ 51,601,669	$ 46,594,132
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,159,380	888,197	712,112
Share-based compensation	8,896,610	8,582,069	8,205,084
Decrease (increase) in accounts receivable	(1,014,839)	(1,615,070)	486,491
Change in current income taxes	6,883,643	(3,003,072)	6,559,150
Change in deferred income taxes	(5,622,396)	2,893,063	469,312
Gain on sale of subsidiary	—	—	(2,675,766)
Net loss / (gain) on investments	14,297,382	(9,730,751)	(5,471,469)
Net change in securities held by Consolidated Funds	(52,168,968)	(5,511,669)	(41,674,992)
Increase in accrued incentive compensation	5,366,864	6,705,424	4,578,431
Increase in deferred compensation	1,907,084	6,298,320	3,945,727
Excess income tax benefit from share-based compensation	—	—	(4,895,907)
Income tax benefit from dividends paid on restricted stock	—	—	(1,372,996)
Other changes in assets and liabilities	2,111,443	3,811,579	4,612,437
Net cash provided by operating activities	28,130,591	60,919,759	20,071,746
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(781,951)	(1,106,520)	(484,509)
Purchase of Company sponsored investments	(6,332,090)	(21,044,429)	(25,953,000)
Proceeds from sale of Company sponsored investments	2,353,144	2,597,130	19,543,607
Proceeds from sale of subsidiary, net of cash disposed	500,000	1,000,000	1,163,769
Net cash used in investing activities	(4,260,897)	(18,553,819)	(5,730,133)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Value of shares withheld related to employee tax withholding	(1,925,700)	(4,966,042)	(10,029,464)
Payment of dividends	(28,094,564)	(24,277,743)	(20,465,736)
Net subscriptions received from redeemable noncontrolling interest holders	21,207,770	6,290,077	9,599,783
Repurchase of common stock	(7,229,249)	—	—
Excess income tax benefit from share-based compensation	—	—	4,895,907
Income tax benefit from dividends paid on restricted stock	—	—	1,372,996
Net cash used in financing activities	(16,041,743)	(22,953,708)	(14,626,514)
CASH AND CASH EQUIVALENTS			
Net change during the year	7,827,951	19,412,232	(284,901)
At beginning of year	76,602,108	57,189,876	57,474,777
At end of year	$ 84,430,059	$ 76,602,108	$ 57,189,876
Supplemental cash flow information:			
Income taxes paid	$ 17,408,094	$ 29,527,299	$ 19,639,173
Supplemental disclosure of non-cash transactions:			
Common stock issued as incentive compensation	4,109,197	3,892,424	3,879,431
Charitable donation of corporate investments and property and equipment	1,989,803	1,748,841	1,729,735
Cumulative-effect adjustment from the adoption of ASU 2015-02 (Note 2)	—	—	4,031,756
Net subscriptions (redemptions) of ETF Shares for marketable securities	6,282,621	(1,555,305)	(244,200)

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”), an Ohio corporation, derives its consolidated revenues and net income from investment advisory and fund administration services.

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”), an exchange traded fund (the “ETF”), and other institutional accounts. In addition, DHCM is administrator for the Funds.

Beacon Hill Fund Services, Inc. (“BHFS”) and BHIL Distributors, Inc. (“BHIL”), collectively operated as “Beacon Hill,” were former operating subsidiaries of the Company. The Company sold Beacon Hill on July 31, 2016. Prior to the sale, Beacon Hill provided compliance, treasury, underwriting and other fund administration services to investment advisers and mutual funds. See Note 11 for additional information regarding the sale of Beacon Hill.

Note 2 Significant Accounting Policies

Basis of Presentation

The accompanying Consolidated Financial Statements of the Company have been prepared pursuant to the rules and regulations of the U. S. Securities and Exchange Commission (“SEC”) and in accordance with the instructions to Form 10-K. The Company believes that the disclosures contained herein are adequate to make the information presented not misleading.

These Consolidated Financial Statements reflect, in the opinion of the Company, all material adjustments (which include only normal recurring adjustments) necessary to fairly present the Company’s financial position as of December 31, 2018 and 2017, and results of operations for the years ended December 31, 2018, 2017 and 2016. The preparation of the Consolidated Financial Statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as the reported amounts of revenue and expense during the reporting period. Estimates have been prepared on the basis of the most current and best available information, but actual results could differ materially from those estimates.

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.

Reclassification

Certain prior period amounts and disclosures may have been reclassified to conform to the current period’s financial presentation.

Principles of Consolidation

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

The Company holds certain investments in the Funds and the ETF for general corporate investment purposes, to provide seed capital for newly formed strategies or to add capital to existing strategies. The Funds are organized in a series fund structure in which there are multiple mutual funds within one Trust. The Trust is an open-end investment company registered under the Investment Company Act of 1940, as amended (the”1940 Act”). The ETF is an individual series of ETF Series Solutions which is also an open-end investment company registered under the 1940 Act. Each of the individual mutual funds and the ETF represents a separate share class of a legal entity organized under the Trust.

As of January 1, 2016, the Company adopted ASU 2015-02 - Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”) and we have performed our consolidation analysis at the individual mutual fund and ETF level and have concluded the mutual funds and ETF are voting rights entities (“VREs”) because the structure of the investment product is such that the shareholders are deemed to have the power through voting rights to direct the activities that most significantly impact the entity’s economic performance. To the extent material, these investment products are consolidated if Company ownership, directly or indirectly, represents a majority interest (greater than 50%). The Company records redeemable noncontrolling interests in consolidated investments for which the Company’s ownership is less than 100%. The Company has consolidated the ETF, the Diamond Hill Core Bond Fund, the Diamond Hill High Yield Fund, and the Diamond Hill Global Fund (collectively, the "Consolidated Funds") as of December 31, 2018.

We adopted ASU 2015-02 utilizing the modified retrospective transition method and have recorded a cumulative-effect adjustment to equity of $4.0 million as of January 1, 2016. Prior to the adoption of ASU 2015-02, we performed our analysis at the Trust level and concluded we did not need to consolidate the Funds or the ETF as we owned less than 1% of the voting interest in the respective Trusts.

DHCM is the managing member of Diamond Hill General Partner, LLC (the "General Partner"), which is the general partner of Diamond Hill Investment Partners, L.P. ("DHIP"), and Diamond Hill International Equity Fund, L.P. ("DHIEF"), each a limited partnership (collectively, the "Partnerships" or "LPs") whose underlying assets consist primarily of marketable securities.

DHCM is wholly owned by the Company and is consolidated by us. Further, DHCM, through its control of the General Partner, has the power to direct each LP's economic activities and the right to receive investment advisory fees that may be significant to the LPs.

The Company concluded we did not have a variable interest in DHIP as the fees paid to the General Partner are considered to contain customary terms and conditions as found in the market for similar products and the Company has no equity ownership in DHIP.

The Company concluded DHIEF was a variable interest entity ("VIE") as DHCM has disproportionately less voting interest than economic interest, given that the limited partners have full power to remove the Company as the General Partner due to the existence of substantive kick-out rights. In addition, substantially all of the LPs' activities are conducted on behalf of the General Partner which has disproportionately few voting rights. The Company concluded it is not the primary beneficiary of DHIEF as we lack the power to control the entity due to the existence of single-party kick-out rights where the limited partners have the unilateral ability to remove the General Partner without cause. DHCM's investments in DHIEF are reported as a component of the Company's investment portfolio, valued at DHCM's respective share of the net income or loss of DHIEF.

The LPs are not subject to lock-up periods and can be redeemed on demand. Gains and losses attributable to changes in the value of DHCM's interests in the LPs are included in the Company's reported investment income. The Company's exposure to loss as a result of its involvement with the LPs is limited to the amount of its investments. DHCM is not obligated to provide, and has not provided, financial or other support to the LPs, other than its investments to date and its contractually provided investment advisory responsibilities. The Company has not provided liquidity arrangements, guarantees or other commitments to support the LPs' operations, and the LPs' creditors and interest holders have no recourse to the general credit of the Company.

Certain board members and employees of the Company invest in the LPs and are not subject to a management fee or an incentive fee. These individuals receive no remuneration as a result of their personal investment in the LPs. The capital of the General Partner is not subject to a management fee or an incentive fee.

Redeemable Noncontrolling Interest

Redeemable noncontrolling interest represents third-party interests in the Consolidated Funds. This interest is redeemable at the option of the investors and therefore is not treated as permanent equity. Redeemable noncontrolling interest is recorded at redemption value, which approximates the fair value each reporting period.

Segment Information

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

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market mutual funds held by DHCM.

Accounts Receivable

Accounts receivable are recorded when they are due and are presented on 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 the individuals or entities that owe the receivable. No allowance for doubtful accounts was deemed necessary at December 31, 2018 or 2017. Accounts receivable from the Funds were $9.4 million and $11.6 million as of December 31, 2018 and 2017, respectively.

Investments

Management determines the appropriate classification of its investments at the time of purchase and re-evaluates its determination at each reporting period.

Investments in the Funds we advise where the Company has neither control nor the ability to exercise significant influence, as well as securities held in the Consolidated Funds, are measured at fair value based on quoted market prices. Unrealized gains and losses are recorded as investment income (loss) in the Company's consolidated statements of income.

Investments classified as equity method investments represent investments in which the Company owns between 20-50% of the outstanding voting interests in the entity or when it is determined that the Company is able to exercise significant influence but not control over the investments. When using the equity method, the Company recognizes its respective share of the investee's net income or loss for the period which is recorded as investment income in the Company's consolidated statements of income.

Property and Equipment

Property and equipment, consisting of leasehold improvements, computer equipment, furniture, and fixtures, are carried at cost less accumulated depreciation. Accumulated depreciation was $5.2 million and $4.0 million as of December 31, 2018 and 2017, respectively. Depreciation is calculated using the straight-line method over the estimated lives of the assets.

New Accounting Guidance

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers", which superseded existing accounting standards for revenue recognition and created a single framework. ASU 2014-09 requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This standard also specifies the accounting for certain costs to obtain or fulfill a contract with a customer. Our implementation efforts included a detailed review of revenue contracts within the scope of the guidance and an evaluation of the impact on the Company's revenue recognition policies. No transition-related practical expedients were applied. The Company adopted this ASU on its effective date, January 1, 2018, and it had no impact on the timing of the Company's revenue recognition.

Revenue Recognition – General

Revenue is recognized when performance obligations under the terms of a contract with a client are satisfied. The Company earns substantially all of its revenue from investment advisory and fund administration contracts. Investment advisory and administration fees, generally calculated as a percentage of assets under management ("AUM"), are recorded as revenue as services are performed. In addition to fixed fees based on a percentage of AUM, certain client accounts also provide periodic variable rate fees.

Revenue earned for the years ended December 31, 2018, 2017 and 2016 under contracts with clients include:

	Year Ended December 31, 2018		
	Investment advisory	Mutual fund administration, net	Total revenue
Proprietary funds	$ 105,228,977	$ 10,309,943	$ 115,538,920
Sub-advised funds and institutional accounts	30,088,828	—	30,088,828
	$ 135,317,805	$ 10,309,943	$ 145,627,748

	Year Ended December 31, 2017		
	Investment advisory	Mutual fund administration, net	Total revenue
Proprietary funds	$ 104,233,581	$ 12,513,267	$ 116,746,848
Sub-advised funds and institutional accounts	28,454,881	—	28,454,881
	$ 132,688,462	$ 12,513,267	$ 145,201,729

	Year Ended December 31, 2016		
	Investment advisory	Mutual fund administration, net	Total revenue
Proprietary funds	$ 88,861,650	$ 14,457,926	$ 103,319,576
Sub-advised funds and institutional accounts	32,783,499	—	32,783,499
	$ 121,645,149	$ 14,457,926	$ 136,103,075

Revenue Recognition – Investment Advisory Fees

The Company's investment advisory contracts have a single performance obligation (the investment advisory services provided to the client) as the promised services are not separately identifiable from other promises in the contracts and, therefore, are not distinct. All performance obligations to provide advisory services are satisfied over time and the Company recognizes revenue as time passes.

The fees we receive for our services under our investment advisory contracts are based on our AUM, which changes based on the value of securities held under each advisory contract. These fees are thereby constrained and represent variable consideration, and are excluded from revenue until the AUM on which our client is billed is no longer subject to market fluctuations.

Revenue Recognition – Variable Rate Fees

The Company manages certain client accounts that provide for variable rate fees. These fees are calculated based on client investment results over rolling five-year periods. The Company records variable rate fees at the end of the contract measurement period because the variable fees earned are constrained based on movements in the financial markets. During the years ended December 31, 2018, 2017, and 2016, the Company recorded $1.4 million, $0.2 million, and $6.4 million, respectively, in variable rate fees. The table below shows AUM subject to variable rate fees and the amount of variable rate fees that would be recognized based upon investment results as of December 31, 2018:

	As of December 31, 2018	
	AUM subject to variable rate fees	Unearned variable rate fees
Contractual Period Ending:		
Quarter Ending September 30, 2019	$ 31,391,099	$ 563,958
Quarter Ending March 31, 2020	11,224,113	10,585
Quarter Ending September 30, 2021	247,707,871	4,062,773
Total	$ 290,323,083	$ 4,637,316

The contractual end dates highlight the time remaining until the variable rate fees are scheduled to be earned. The amount of variable rate fees that would be recognized based upon investments results as of December 31, 2018 will increase or decrease based on future client investment results through the contractual period end. There can be no assurance that the unearned amounts will ultimately be earned.

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 performance obligations including mutual fund administration, fund accounting, transfer agency and other related functions. These services are performed concurrently under our agreement with the Funds, and all performance obligations to provide these administrative services are satisfied over time, and the Company recognizes revenue as time passes. For performing these services each Fund pays DHCM a fee, which is calculated using an annual rate times the average daily net assets of each respective share class. These fees are thereby constrained and represent variable consideration, and are excluded from revenue until the AUM on which we bill the Funds is no longer subject to market fluctuations.

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 shareholder mailings, federal and state registrations, and legal and audit services. 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 each Fund pays 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. In addition, DHCM advances the upfront commissions that are paid to brokers who sell Class C shares of the Funds. 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.

Prior to the sale of Beacon Hill, the Company, through Beacon Hill, had underwriting and administrative service agreements with certain clients, including registered mutual funds. The fee arrangements varied from client to client based upon services provided and have been recorded as revenue under mutual fund administration on the Company's consolidated statements of income. Part of Beacon Hill's role as underwriter was 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 majority of 12b-1/service fees were paid to independent third parties and the remainder were retained by the Company as a reimbursement of expenses the Company had incurred. The amounts of 12b-1/service fees and commissions were determined by each mutual fund client, and Beacon Hill bore no financial risk related to these services. As a result, 12b-1/service fees and commission revenue was recorded net of the expense payments to third parties, in accordance with the appropriate accounting treatment for this agency relationship.

Mutual fund administration gross and net revenue are summarized below:

	Year Ended December 31,		
	2018	2017	2016
Mutual fund administration:			
Administration revenue, gross	$ 24,463,538	$ 26,219,881	$ 26,664,635
12b-1/service fees and commission revenue received from fund clients	—	—	6,360,400
12b-1/service fees and commission expense payments to third parties	—	—	(5,660,430)
Fund related expense	(14,183,370)	(13,748,445)	(12,937,067)
Revenue, net of related expenses	10,280,168	12,471,436	14,427,538
DHCM C-Share financing:			
Broker commission advance repayments	332,680	416,614	691,228
Broker commission amortization	(302,905)	(374,783)	(660,840)
Financing activity, net	29,775	41,831	30,388
Mutual fund administration revenue, net	$ 10,309,943	$ 12,513,267	$ 14,457,926

Mutual fund administrative net revenue from the Funds was $10.3 million, $12.5 million, and $11.9 million for the years ended December 31, 2018, 2017 and 2016, respectively.

Income Taxes

The Company accounts for current and deferred income taxes through an asset and liability approach. Deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are reduced by a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company is subject to examination by federal and applicable state and local jurisdictions for various tax periods. The Company's income tax positions are based on research and interpretations of the income tax laws and rulings in each of the jurisdictions in which it does business. Due to the subjectivity of interpretations of laws and rulings in each jurisdiction, the differences and interplay in tax laws among those jurisdictions, and the inherent uncertainty in estimating the final resolution of complex tax audit matters, the Company's estimates of income tax liabilities may differ from actual payments or assessments. The Company regularly assesses its position with regard to tax exposures and records liabilities for these uncertain tax positions and related interest and penalties, if any, according to the principles of FASB ASC 740, *Income Taxes*. The Company records interest and penalties within income tax expense on the income statement. See Note 8.

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, which includes participating securities. Diluted EPS reflects the potential dilution of EPS due to unvested restricted stock units. See Note 9.

Newly Issued But Not Yet Adopted Accounting Guidance

In February 2016, the FASB issued ASU 2016-02, "Leases", which, among other things, requires lessees to recognize most leases on-balance sheet. This will increase the reported assets and liabilities of lessees - in some cases significantly. Lessor accounting remains substantially similar to current GAAP. ASU 2016-02 supersedes Topic 840, *Leases*. ASU 2016-02 is effective for annual and interim periods in fiscal years beginning after December 15, 2018. ASU 2016-02 mandates a modified retrospective transition method for all entities. We will adopt this standard on its effective date, January 1, 2019. While we continue evaluating the full impact this standard will have on our consolidated financial statements, we expect to record a right-of use asset and lease liability of approximately $3.6 million related to our office lease. We expect the adoption will have no impact on our consolidated statements of income.

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurements." This update makes certain removals from, changes to and additions to existing disclosure requirements for fair value measurement. ASU 2018-13 does not change fair value measurements already required or permitted by existing standards. ASU 2018-13 is effective for financial statements issued for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Management does not believe that adoption of ASU 2018-13 will materially impact the Company's financial statements.

Note 3 Investments

The following table summarizes the carrying value of investments as of December 31, 2018 and 2017:

	As of December 31,	
	2018	2017
Fair value investments:		
Securities held in Consolidated Funds[(a)]	$ 153,730,480	$ 65,890,500
Company sponsored investments	33,418,088	36,541,818
Company sponsored equity method investments	16,339,649	36,043,704
Total Investments	$ 203,488,217	$ 138,476,022

(a) Of the securities held in the Consolidated Funds as of December 31, 2018, $84.7 million were held directly by the Company and $69.0 million were held by noncontrolling shareholders. Of the securities held in the Consolidated Funds as of December 31, 2017, $42.6 million were held directly by the Company and $23.3 million were held by noncontrolling shareholders.

The Company consolidated the ETF and Diamond Hill Core Bond Fund as of both December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, the Company also consolidated the Diamond Hill Global Fund and the Diamond

Hill High Yield Fund as we increased our ownership interest of each above 50% during the year. As of December 31, 2017, these investments were classified as equity method investments.

As of December 31, 2018, our equity method investments consisted of the Diamond Hill Research Opportunities Fund and the Diamond Hill International Equity Fund, L.P., and our ownership percentages in each of these funds was 28% and 30%, respectively. As of December 31, 2017, our equity method investments consisted of the Diamond Hill Research Opportunities Fund, the Diamond Hill High Yield Fund, the Diamond Hill Global Fund, L.P., and the Diamond Hill International Equity Fund, L.P., and our ownership percentages in these funds were 26%, 48%, 95%, and 30%, respectively. The Company's equity method investments consist of cash, marketable equity securities and fixed income securities. The following table includes the condensed summary financial information from the Company's equity method investments as of December 31, 2018 and 2017 and for the years ended December 31, 2018, 2017 and 2016:

	As of December 31,	
	2018	2017
Total assets	$ 80,845,124	$ 144,118,745
Total liabilities	22,287,437	38,009,765
Net assets	58,557,687	106,108,980
DHCM's portion of net assets	16,339,649	36,043,704

	For the Year Ended December 31,		
	2018	2017	2016
Investment income	$ 1,154,007	$ 2,944,836	$ 3,272,972
Expenses	978,322	1,176,896	1,409,896
Net realized gains	1,918,661	4,432,850	1,981,185
Net change in unrealized appreciation (depreciation)	(10,229,319)	5,613,627	10,458,073
Net income	(8,134,973)	11,814,417	14,302,334
DHCM's portion of net income	(2,400,467)	3,206,702	4,392,636

Note 4 Fair Value Measurements

The Company determines the fair value of our cash equivalents and certain investments using the following broad levels listed below:

Level 1 - Unadjusted quoted prices for identical instruments in active markets.

Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-driven valuations in which all significant inputs are observable.

Level 3 - Valuations derived from techniques in which significant inputs are unobservable. We do not value any investments using Level 3 inputs.

These levels are not necessarily an indication of the risk or liquidity associated with investments.

The following table summarizes investments that are recognized in our consolidated balance sheet using fair value measurements (excludes investments classified as equity method investments) determined based upon the differing levels as of December 31, 2018 and 2017:

December 31, 2018	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 80,690,647	$ —	$ —	$ 80,690,647
Fair value investments				
Securities held in Consolidated Funds[a]	43,595,438	110,135,042	—	$ 153,730,480
Company sponsored investments	33,418,088	—	—	$ 33,418,088
December 31, 2017				
Cash equivalents	72,669,083	—	—	$ 72,669,083
Fair value investments				
Securities held in Consolidated Funds[a]	24,618,578	41,271,922	—	$ 65,890,500
Company sponsored investments	36,541,818	—	—	$ 36,541,818

(a) Of the securities held in the Consolidated Funds as of December 31, 2018, $84.7 million were held directly by the Company and $69.0 million were held by noncontrolling shareholders. Of the securities held in the Consolidated Funds as of December 31, 2017, $42.6 million were held directly by the Company and $23.3 million were held by noncontrolling shareholders.

Level 1 investments are comprised of investments in registered investment companies (mutual funds) or equity securities held in the Consolidated Funds and include, as of December 31, 2018 and 2017, $80.7 million and $72.7 million, respectively, of investments in money market mutual funds owned by DHCM that the Company classifies as cash equivalents.

Level 2 investments are comprised of investments in debt securities held in the Consolidated Funds, which are valued by an independent pricing service using pricing techniques which take into account factors such as trading activity, readily available market quotations, yield, quality, coupon rate, maturity, type of issue, trading characteristics, call features, credit rates and other observable inputs.

The Company determines transfers between fair value hierarchy levels at the end of the reporting period. There were no transfers in or out of the levels during any of the years ended December 31, 2018, 2017, and 2016.

Changes to fair values of the investments are recorded in the Company's consolidated statements of income as investment income (loss), net.

Note 5 Capital Stock

Common Shares

The Company has only one class of securities outstanding, common shares, no par value per share.

Authorization of Preferred Shares

The Company's Amended and Restated Articles of Incorporation authorize the issuance of 1,000,000 "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 shares 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 shares issued or outstanding at December 31, 2018 or 2017.

Note 6 Compensation Plans

Equity Incentive Plans

2014 Equity and Cash Incentive Plan

At the Company's annual shareholder meeting on April 30, 2014, shareholders approved the 2014 Equity and Cash Incentive Plan ("2014 Plan"). The 2014 Plan is intended to facilitate the Company's ability to attract and retain staff, provide additional incentive to employees and directors, and promote the success of the Company's business. The 2014 Plan authorizes the issuance of 600,000 common shares of the Company in various forms of equity awards. The 2014 Plan also authorizes cash incentive awards. As of December 31, 2018, there were 287,354 common shares available for awards under the 2014 Plan. The 2014 Plan provides that the Board of Directors, or a committee appointed by the Board, may grant awards and otherwise administer the 2014 Plan. Restricted stock units and restricted stock grants issued under the 2014 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. Stock grants issued under the 2014 Plan are recorded as compensation expense based on the grant date price.

2011 Equity and Cash Incentive Plan

There are no longer any common shares available for future awards under the 2011 Equity and Cash Incentive Plan (the "2011 Plan"), although awards granted under the 2011 plan remain issued and outstanding. Restricted stock grants issued under the 2011 Plan, which vest over time, were 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. Stock grants issued under the 2011 Plan were recorded as compensation expense based on the grant date price.

Share-Based Payment Transactions

The Company issues restricted stock units and restricted stock awards (sometimes referred to collectively as, "Restricted Stock") under the 2014 Plan. Restricted stock units represent common shares which may be issued in the future, whereas restricted stock awards represent common shares issued and outstanding upon grant subject to vesting restrictions. The following table represents a roll-forward of outstanding Restricted Stock and related activity during the years ended December 31, 2018 and 2017:

	Shares	Weighted-Average Grant Date Price per Share
Outstanding Restricted Stock as of December 31, 2016	223,800	$ 132.96
Grants issued	41,350	204.46
Grants vested	(65,500)	98.81
Grants forfeited	(1,750)	100.73
Outstanding Restricted Stock as of December 31, 2017	197,900	$ 165.60
Grants issued	70,025	195.00
Grants vested	(32,450)	82.30
Grants forfeited	(20,900)	196.97
Outstanding Restricted Stock as of December 31, 2018	214,575	$ 177.22

Total deferred equity compensation related to unvested Restricted Stock grants was $22.0 million as of December 31, 2018. Compensation expense related to Restricted Stock grants is calculated based upon the fair market value of the common shares on grant date. The Company's policy is to adjust compensation expense for forfeitures as they occur. The recognition of compensation expense related to deferred compensation over the remaining vesting periods is as follows:

2019	2020	2021	2022	2023	Thereafter	Total
$ 7,135,131	$ 5,671,192	$ 4,358,633	$ 3,371,500	$ 1,129,611	$ 341,987	$ 22,008,054

Stock Grant Transactions

The following table represents shares issued as part of our incentive compensation program during the years ended December 31, 2018, 2017, and 2016:

	Shares Issued	Grant Date Value
December 31, 2018	20,153	$ 4,109,197
December 31, 2017	19,219	3,892,424
December 31, 2016	21,940	3,879,431

401(k) Plan

The Company sponsors a 401(k) plan in which all employees are eligible to participate. Employees may contribute a portion of their compensation subject to certain limits based on federal tax laws. Effective April 1, 2018, the Company increased its matching contributions of common shares of the Company with a value equal to 250 percent of the first six percent of an employee's compensation contributed to the plan. Prior to April 1, 2018, the Company made 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 contribution 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 401(k) plan during the years ended December 31, 2018, 2017 and 2016:

	Shares Issued	Company Contribution
December 31, 2018	11,967	$ 2,231,735
December 31, 2017	8,478	1,710,785
December 31, 2016	9,466	1,738,287

Deferred Compensation Plans

The Company offers two deferred compensation plans, the Diamond Hill Fixed Term Deferred Compensation Plan and the Diamond Hill Variable Term Deferred Compensation Plan (collectively the "Plans"). Under the Plans, participants may elect to voluntarily defer, for a minimum of five years, certain incentive compensation, which the Company then contributes into the Plans. Each participant is responsible for designating investment options for assets they contribute, and the distribution paid to each participant reflects any gains or losses on the assets realized while in the Plans. Assets held in the Plans are included in the Company's investment portfolio, and the associated obligation to participants is included in deferred compensation liability. Deferred compensation liability was $22.4 million and $20.5 million as of December 31, 2018 and 2017, respectively.

Note 7 Operating Leases

The Company currently leases office space of approximately 37,829 square feet at one location. The following table summarizes the total lease and operating expenses for the years ended December 31, 2018, 2017 and 2016:

For the year ended December 31,		
2018	2017	2016
$ 970,143	$ 936,008	$ 882,231

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

	Future Minimum Lease Payments by Year					
Total	2019	2020	2021	2022	2023	Thereafter
$ 3,853,831	$ 586,350	$ 614,721	$ 624,179	$ 624,179	$ 624,179	$ 780,223

In addition to the above lease payments, the Company is also responsible for normal operating expenses of the property. Such annual operating expenses were approximately $0.4 million in each of 2018, 2017 and 2016.

Note 8 Income Taxes

The provision for income taxes consists of:

	As of December 31,		
	2018	2017	2016
Current federal income tax provision	$ 15,731,258	$ 24,749,832	$ 24,234,050
Current state and local income tax provision	8,560,479	1,774,395	1,964,273
Deferred income tax expense (benefit)	(5,622,396)	2,893,063	469,312
Provision for income taxes	$ 18,669,341	$ 29,417,290	$ 26,667,635

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

	2018	2017	2016
Income tax computed at statutory rate	$ 13,646,583	$ 28,356,636	$ 25,641,618
Expense (benefit) attributable to redeemable noncontrolling interests[a]	222,624	(564,449)	(189,773)
State and local income taxes, net of federal benefit	2,993,730	1,153,357	1,276,777
Change in uncertain state and local tax positions, net of federal benefit	2,982,337	—	—
Revaluation adjustment of net deferred tax assets[b]	(917,288)	3,557,039	—
Excess tax benefits on vesting of Restricted Stock	(667,697)	(2,420,250)	—
Income tax benefit from dividends paid on Restricted Stock	(340,200)	(418,583)	—
Interest and Penalties	786,711	—	15,748
Other	(37,459)	(246,460)	(76,735)
Income tax expense	$ 18,669,341	$ 29,417,290	$ 26,667,635

(a) The provision for income taxes includes expense (benefit) attributable to the fact that the Company's operations include the Consolidated Funds which are not subject to federal income taxes. Accordingly, a portion of the Company's earnings are not subject to corporate tax levels.
(b) The provision for income taxes for 2018 includes the remeasurement of our net deferred tax assets of $0.9 million due to the additional state and local tax we expect to pay in future tax periods. The provision for income taxes for 2017 includes a non-recurring charge of $3.6 million for the remeasurement of our net deferred tax assets to reflect the effect of the U.S. tax law changes enacted on December 22, 2017.

Deferred income taxes and benefits arise from temporary differences between taxable income for financial statement and income tax return purposes. Net deferred tax assets consisted of the following at December 31, 2018 and 2017:

	2018	2017
Stock-based compensation	$ 4,025,255	$ 2,868,719
Accrued compensation	6,684,531	5,795,204
Unrealized losses (gains)	1,323,181	(2,260,673)
Property and equipment	(498,271)	(467,127)
Other assets and liabilities	(68,596)	(92,419)
Net deferred tax assets	$ 11,466,100	$ 5,843,704

The net temporary differences incurred to date will reverse in future periods as the Company generates taxable earnings. The Company believes it is more likely than not that the results of future operations will generate sufficient taxable income to realize the net deferred tax assets recorded. The Company records a valuation allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. As of December 31, 2018, no valuation allowance was deemed necessary.

The Company implemented ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting" on January 1, 2017. Beginning January 1, 2017, any excess tax benefits or deficiencies from the vesting of stock awards are recognized through the income tax provision as opposed to common stock. For Restricted Stock, the Company receives an excess income tax benefit calculated as the tax effect of the difference between the fair market value of the stock at the time of grant and vesting. The Company also records income tax benefits from dividends paid on Restricted Stock. This change was required to be applied prospectively to all excess tax benefits and tax deficiencies after the date of adoption of the ASU. No adjustment is recorded for any windfall benefits previously recorded in common stock. In addition, all tax-related cash flows resulting from share based payments are now reported as operating activities in the statement of cash flows under the new guidance, rather than the prior requirement to present windfall tax benefits as an inflow from financing activities and an outflow from operating activities. The Company elected to adopt this change in cash flow presentation prospectively after the date of adoption of the ASU beginning January 1, 2017.

Prior to January 1, 2017, the Company's income taxes payable has been reduced by the tax benefits from equity incentive plan awards. These tax benefits were considered windfall tax benefits and were recognized as an increase to common stock. For Restricted Stock, the Company receives an excess income tax benefit calculated as the tax effect of the difference between the fair market value of the stock at the time of grant and vesting. The Company also records a tax benefit on dividends paid on Restricted Stock during the vesting period. The Company had net tax benefits from equity awards of $6.3 million for the year ended December 31, 2016.

FASB ASC 740, *Income* Taxes, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company recognizes tax benefits related to positions taken, or expected to be taken, on its tax returns, only if the positions are "more-likely-than-not" sustainable. Once this threshold has been met, the Company's measurement of its expected tax benefits is recognized in its financial statements.

There was a $3.0 million increase to the total amount of unrecognized tax benefits related to tax uncertainties during 2018. The increase was the result of tax positions taken regarding state tax apportionment issues based on management's judgment and latest information available.

The Company and its subsidiaries file income tax returns with the Internal Revenue Service and the taxing authorities of various states. Generally the Company is subject to federal, state and local examinations by tax authorities for the tax years ended December 31, 2014 through 2018. The Company is currently under examination for tax years 2014 through 2016 with the New York State Department of Finance and Taxation. The New York State Department of Finance and Taxation issued a Consent to Field Audit Adjustment which means the Company and the New York State Department of Finance and Taxation are nearing the completion of the examination, however, the examination was not completed as of December 31, 2018. During 2018, the Company reassessed its New York City filing positions and filed a Voluntary Disclosure Agreement with the New York City Department of Finance. During 2018, the California Franchise Tax Board started the audit of the Company's 2015 and 2016 tax years. No Notices of Proposed Assessments have been issued by the California Franchise Tax Board by December 31, 2018 and the audit is ongoing.

The outcome of these examinations is not expected to have a material impact on the Company's financial statements. The Company believes that some of these audits and negotiations will conclude within the next 12 months and that it is reasonably possible the amount of uncertain tax positions, including interest, may change by an immaterial amount due to settlements of audits.

The amount of uncertain tax positions as of December 31, 2018, 2017 and 2016, respectively, which would impact the Company's effective tax rate if recognized and a reconciliation of the beginning and ending amounts of uncertain tax positions is as follows:

	2018	2017	2016
Uncertain tax positions, beginning of the year	$ —	$ —	$ —
Gross addition for tax positions of the current year	—	—	—
Gross additions for tax positions of prior years	2,982,337	—	—
Uncertain tax positions, end of year	$ 2,982,337	$ —	$ —

In addition to the above uncertain tax positions, the Company recognized $0.8 million of interest and penalties which were accrued for during the year ended December 31, 2018. No interest and penalties were accrued for uncertain tax positions during the years ended December 31, 2017 and 2016.

Note 9 Earnings Per Share

The Company's common shares outstanding consist of all shares issued and outstanding, including unvested restricted shares. Basic and diluted EPS are calculated under the two-class method. Restricted stock units are considered dilutive. The following table sets forth the computation for basic and diluted EPS and reconciliation between basic and diluted shares outstanding:

	Year Ended December 31,		
	2018	2017	2016
Net Income	$ 46,314,388	$ 51,601,669	$ 46,594,132
Less: Net loss (income) attributable to redeemable noncontrolling interest	1,061,441	(1,612,712)	(542,209)
Net income attributable to common shareholders	$ 47,375,829	$ 49,988,957	$ 46,051,923
Weighted average number of outstanding shares	3,512,470	3,448,824	3,407,408
Dilutive impact of restricted stock units	2,058	3,014	5,983
Weighted average number of outstanding shares - Diluted	3,514,528	3,451,838	3,413,391
Earnings per share attributable to common shareholders			
Basic	$ 13.49	$ 14.49	$ 13.52
Diluted	$ 13.48	$ 14.48	$ 13.49

Note 10 Commitments and Contingencies

The Company indemnifies its directors, officers and certain of its employees for certain liabilities that might arise from their performance of their duties to the Company. From time to time, the Company is involved in legal matters relating to claims arising in the ordinary course of business. There are currently no such matters pending that the Company believes could have a material adverse effect on its consolidated financial statements.

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 could 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.

Note 11 Sale of Beacon Hill

On June 15, 2016, the Company sold the entirety of Beacon Hill's business. The Company received $1.2 million in cash consideration, net of cash disposed, as well as contingent consideration with a fair value of $1.5 million in the form of a promissory note. The Company recorded a gain on sale of approximately $2.7 million during 2016. The Company collected $0.5 million and $1.0 million in the years ended December 31, 2018 and 2017, respectively.

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 Annual Report on Form 10-K (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, 2018 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, 2018 based on criteria established in *Internal Control - Integrated Framework (2013)* 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, 2018.

The Company's independent registered public accounting firm, KPMG LLP, has audited the Company's 2018 and 2017 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, 2018, 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 2019 annual meeting of shareholders to be filed with the SEC pursuant to Regulation 14A of the Exchange Act (the "2019 Proxy Statement"), under the captions: "Section 16(a) Beneficial Ownership Reporting Compliance", "Proposal 1 – Election of Directors", "Proposal 1 – Election of Directors – The Board of Directors and Committees", "Proposal 1 – Election of Directors – Corporate Governance", and "Proposal 1 – Election of Directors – Executive Officers and Compensation Information".

ITEM 11. Executive Compensation

Information required by this Item 11 is incorporated herein by reference from the Company's 2019 Proxy Statement under the captions: "Proposal 1 – Election of Directors—The Board of Directors and Committees", "Proposal 1 – Election of Directors – Corporate Governance", "Proposal 1 – Election of Directors – Executive Officers and Compensation Information", and "Proposal 1 – Election of Directors – Executive Officers and compensation Information - Compensation Committee Report".

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, 2018:

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	—	$ —	287,354 [1]

1 This amount relates to common shares that may be issued under our 2014 Equity and Cash Incentive Plan.

The other information required by this Item 12 is incorporated herein by reference from the Company's 2019 Proxy Statement under the captions: "Security Ownership of Certain Beneficial Owners and Management" and "Proposal 1 – Election of Directors – 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 2019 Proxy Statement under the caption: "Proposal 1 – Election of Directors – Director Independence" and "Proposal 1 – Election of Directors – Corporate Governance".

ITEM 14. Principal Accounting Fees and Services

Information required by this Item 14 is incorporated herein by reference from the Company's 2019 Proxy Statement under the caption: "Proposal 2 – Ratification of the Appointment of 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	Certificate of Amendment by Shareholders to the Articles of Incorporation of the Company (Incorporated by reference from Form 8-K Current Report for the event on April 28, 2017; File No. 000-24498.)
3.3	Amended and Restated Code of Regulations of the Company (Incorporated by reference from Form 8-K Current Report, Exhibit 3.2, filed with the SEC on April 28, 2017; File No. 000-24498.)
10.1	Amended and Restated Investment Management Agreement between Diamond Hill Capital Management, Inc. and the Diamond Hill Funds dated November 17, 2011, as amended November 21, 2013. (Incorporated by reference from Exhibit 28(d)(xi) to Form N-1A filed by Diamond Hill Funds as a 485BPOS on October 10, 2017; File Nos. 333-22075 and 811-08061)
10.2	Amended and Restated Administrative and Transfer Agency Services Agreement dated as of May 31, 2002, as amended January 1, 2016, between Diamond Hill Capital Management, Inc. and the Diamond Hill Funds. (Incorporated by reference from Exhibit 28(h)(vii) to Form N-1A filed by Diamond Hill Funds as a 485BPOS on October 10, 2017; File Nos. 333-22075 and 811-08061)
10.3*	2014 Equity and Cash Incentive Plan. (Incorporated by reference from Exhibit 10.1 to the Registration Statement on Form S-8 filed with the SEC on June 27, 2014; File No 333-197064.)
10.4*	2014 Equity and Cash Incentive Plan As of Agreement (Filed herewith)
10.5*	2011 Equity and Cash Incentive Plan referenced therein. (Incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on April 29, 2011; File No. 000-24498.)
10.6*	Diamond Hill Investment Group, Inc. Compensation Recoupment and Restitution Policy. (Incorporated by reference from Exhibit 99 to the Current Report on Form 8-K filed with the SEC on February 20, 2013; File No. 000-24498.)
10.7*	Diamond Hill Investment Group, Inc. Compensation Recoupment and Restitution Policy Acknowledgment and Agreement. (Incorporated by reference from Exhibit 99.1 to the Current Report on Form 8-K filed with the SEC on February 20, 2013; File No. 000-24498.)
10.8*	Diamond Hill Fixed Term Deferred Compensation Plan. (Incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on April 30, 2013; File No. 000-24498.)
10.9*	Diamond Hill Variable Term Deferred Compensation Plan. (Incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on April 30, 2013; File No. 000-24498.)
10.10*	First Amendment to the Diamond Hill Fixed Term Deferred Compensation Plan. (Incorporated by reference from Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on May 28, 2013; File No. 000-24498.)
10.11*	First Amendment to the Diamond Hill Variable Term Deferred Compensation Plan. (Incorporated by reference from Exhibit 10.2 to the Current Report on Form 8-K filed with the SEC on May 28, 2013; File No. 000-24498.)
10.12	Separation Agreement and Release of All Claims between Diamond Hill Capital Management, Inc. and Lisa Wesolek dated May 30, 2018 (Incorporated by reference from Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended June 30, 2018; File No. 000-24498.)
14.1	Amended Code of Business Conduct and Ethics. (Incorporated by reference from Exhibit 14.1 to the Annual Report on Form 10-K filed with the SEC on March 7, 2014; File No. 000-24498.)
21.1	Subsidiaries of the Company. (Filed herewith)

23.1	Consent of Independent Registered Public Accounting Firm, KPMG LLP. (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.sch	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.

ITEM 16. Form 10-K Summary

None.

SIGNATURES

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

DIAMOND HILL INVESTMENT GROUP, INC.

By: /s/ Christopher M. Bingaman

Christopher M. Bingaman, Chief Executive Officer — February 21, 2019

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/ Christopher M. Bingaman Christopher M. Bingaman	Chief Executive Officer and President	February 21, 2019
/s/ Thomas E. Line Thomas E. Line	Chief Financial Officer and Treasurer	February 21, 2019
/s/ Jeffrey J. Cook Jeffrey J. Cook	Controller	February 21, 2019
/s/ R. H. Dillon R. H. Dillon	Director	February 21, 2019
/s/ Randolph J. Fortener Randolph J. Fortener	Director	February 21, 2019
/s/ James F. Laird James F. Laird	Director	February 21, 2019
/s/ Paula R. Meyer Paula R. Meyer	Director	February 21, 2019
/s/ Paul A. Reeder, III Paul A. Reeder, III	Director	February 21, 2019
/s/ Bradley C. Shoup Bradley C. Shoup	Director	February 21, 2019
/s/ Nicole R. St. Pierre Nicole R. St. Pierre	Director	February 21, 2019

INVESTOR INFORMATION

CORPORATE HEADQUARTERS
Diamond Hill Investment Group, Inc.
325 John H. McConnell Blvd., Suite 200
Columbus, OH 43215
614.255.3333
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.
1 State Street, 30th Floor
New York, NY 10004
212.509.4000

INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS
KPMG LLP
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

LEGAL COUNSEL
Vorys, Sater, Seymour and Pease LLP
Columbus, OH

www.diamond-hill.com

DIAMOND HILL INVESTMENT GROUP