DIAMOND HILL

INVESTED IN THE LONG RUN

Diamond Hill Investment Group, Inc.

2023 Annual Report
Notice of 2024 Annual Shareholder Meeting
and Proxy Statement

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

Filed by the Registrant ☒ Filed by a Party other than the Registrant ☐

Check the appropriate box:

☐ Preliminary Proxy Statement
☐ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
☒ Definitive Proxy Statement
☐ Definitive Additional Materials
☐ Soliciting Material under §240.14a-12

DIAMOND HILL

DIAMOND HILL INVESTMENT GROUP, INC.

(Name of registrant as specified in its charter)
(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check all boxes that apply):

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DIAMOND HILL

DIAMOND HILL INVESTMENT GROUP, INC.
ANNUAL LETTER TO SHAREHOLDERS

March 25, 2024

Dear Fellow Shareholders:

At Diamond Hill, we are fiercely committed to improving the lives of our clients and those they serve through the pursuit of exceptional investment results. Doing so requires discipline, patience, and a passion for what we do and who we serve. That passion drives us to develop outstanding, long-term partnerships with our clients because we know that excellent investment outcomes enable them to achieve their goals.

Achieving our long-term goals in an industry where change is constant can be challenging, especially when active managers continue to face several significant industry headwinds. Passive has been on the rise for decades — as of year-end 2023, assets in passive funds and ETFs surpassed their active counterparts. Against this backdrop, new funds launched have struggled to gain traction with only a small number reaching scale within five years. Pairing this trend with increased demand for private assets in the institutional space and increasingly in retail, traditional active managers continue to be squeezed from both sides.

And, of course, costs have been rising for asset managers — including distribution costs, growing product suites and the related data and technology to support them, operational and IT costs, and the ability to retain top investment talent to deliver strong results for clients. At the same time, rising revenues over the last 15 years have enabled a lack of cost discipline to persist within the industry. With revenues now slowing, the industry is starting to see the implications of higher cost structures.

As we look ahead, we understand the headwinds in front of us, and given our competitive advantages and our discipline to stay focused, we believe we are positioned well for long-term success. To succeed in this challenging environment over the long term, we must take market share from our competitors by delivering long-term outperformance and an exceptional client experience that differentiates us. On balance, investors are allocating more to passive products as well as to private equities and credit. Many of our competitors have pursued aggressive acquisition strategies to shift their businesses to meet that demand. The reality is that publicly traded active equity and fixed income are enormous categories that aren't going anywhere anytime soon. In our view, this environment presents opportunities for those focused on actively managing concentrated portfolios with a valuation discipline and long-term ownership mindset. As such, we remain committed to our investment philosophy and approach, and we believe we can continue to deliver highly competitive investment outcomes for our clients.

It's important to remember investors in passive products face higher investment risks than ever before. A handful of companies are now dominating US equity markets, exacerbating the already highly concentrated nature of returns. The tech-centric Magnificent 7 — Apple, Microsoft, Amazon, Alphabet, Nvidia, Meta and Tesla — accounted for more than half of 2023's returns for index-based products tracking large-cap US equities. Passive strategies, by definition, do not come with the long-term analysis or portfolio oversight of their actively managed counterparts. The winning investments become an even greater share of the index, further tilting toward added risk. Investors have been willing to make that trade-off in strong market environments, and time will tell if this imbalance is sustainable. We are convinced that active management remains an essential component of investors' success in the long run.

Instead of pursuing passive or private markets, as always, we remain focused on our strengths and prioritize areas where we have a competitive edge. While we know it will take dedication and resilience to succeed in the active strategies we've built our business on, fewer firms focused on this particular arena should further enable us to continue adding value for our clients and shareholders.

Our long-term success hinges on our ability to deliver outstanding investment performance and a differentiated client experience. Both are essential to maintain and grow enduring client partnerships. How do we do that?

We start by putting clients at the center of everything we do.

- We align our interests with our clients' by prioritizing their investment outcomes with a commitment to **develop and retain excellent investment talent** and **manage capacity** of our strategies to protect our team's ability to deliver those outcomes.

- We **invest alongside our clients**, so we understand their experiences and are there with them through the ups and downs of the market.

- We ensure our portfolio managers are aligned with clients by looking at a **long-term time horizon** when evaluating their performance.

- We **competitively structure our fees** to achieve a fair sharing of economics with our clients.

Our success further relies on our shared investment principles that drive not only how we think about investing but also how we think about managing our business. We take an active approach in managing concentrated portfolios we believe are well-positioned to deliver better long-term returns than benchmarks or peers. This approach depends on our valuation discipline, which is critical in how we think about the prices we pay when making investment decisions. We also consider valuation explicitly when buying back our shares and are intentional about how we return excess capital to shareholders. Our ownership mentality allows us to make the hard decisions to own investments we expect to outperform in the long run, even when those investments may not deliver strong short-term returns— and we use that same ownership mentality and long-term orientation when making decisions on how we run our business. Finally, our capacity discipline ensures we are thoughtful about how we deliver excess returns to clients.

We head into 2024 with grounded optimism. Our fixed income and international equity strategies ended the year with strong five-year and since-inception results. We finished 2023 with strong Q4 performance across many of our US equity strategies, which helped improve our rolling five-year returns — strength that has continued into Q1 2024. We have a robust pipeline of interest from clients and prospects across our fixed income and international strategies and many of our more established US equity strategies.

The Future is Bright

Our industry's challenges and headwinds are not new, and we have spent much time assessing what it will take for our business to succeed over the long run. Focusing on investment excellence and an outstanding client experience is first and foremost. Investing in areas where we have competitive advantages and modernizing our operating model to support those investments and the growth that comes with it is also significant.

Over the past several years, we have developed and implemented a strategic plan designed to guide us successfully into the next phase of our growth. In 2022, we clearly defined our strategic objectives: deliver excellent returns, thoughtfully and sustainably grow our business, and diversify across several dimensions — including diversifying our assets, clients and how we deliver our portfolios.

This strategic plan led to the appointment of a dedicated chief investment officer, Matthew Stadelman, CFA, as well as a director of research, Win Murray, over the past several years. We also elevated our focus on recruiting, developing and retaining exceptional investment talent. We added new research team members to our US equity and fixed income teams in 2023, formalized an equity track in our internship program, and recently added an assistant portfolio manager who will focus on our small-mid and mid-cap strategies to support Chris Welch, CFA.

We upgraded our distribution and marketing technologies and processes over the past five years to enhance the client experience. We built a new marketing function equipped with state-of-the-art data and analytics, and we launched a new visual identity for our brand. We also substantially advanced our adoption of technologies to nurture collaboration and connection — with an eye on delivering an employee experience that attracts and retains top talent. To ensure we can effectively execute and deliver on all of our long-term strategic initiatives going forward, we elevated Jo Ann Quinif to president of Diamond Hill Capital Management, increasing her responsibility for additional parts of our business that align with ensuring a great client experience.

We reached a significant milestone in our fixed income strategies in 2023 — assets across our fixed income strategies surpassed the $3 billion mark. As of 29 February 2024, our fixed income assets exceeded $3.9 billion. We have made significant investments to diversify our business and grow our assets, and we are pleased to see progress in this critical asset class.

In late 2023 and early 2024, we looked deeply at our operating model to assess our preparedness for the future. We believe modernizing our operating model — and understanding how the industry is changing and the impact it will have on our business — is necessary to succeed in a world increasingly driven by data and technology. Our key conclusions are that many aspects of our business serve us sufficiently today and don't need immediate change. However, there are a few areas, such as our client reporting and research management systems, as well as our approach to data architecture and governance, that we are looking to optimize over the next two years to set us up for future success.

We believe our clients choose to work with us for our investment expertise and client-centric approach. We will continue proactively seeking to offer strategies in the vehicles our clients demand and improving our ability to customize strategies to meet their needs.

As we continue to evolve our business and pursue these operational goals, there are fundamental elements of who we are as a company that will not change. Our investment principles have always been, and will always be, the foundation of who we are and how we invest. Our fundamental commitment to prioritizing client interests is a constant that forms our identity and differentiates us from others. Our core competencies focus on delivering actively managed, concentrated, long-term-oriented strategies within US and international equity and fixed income. We will remain focused on areas where we have a competitive advantage and can offer differentiated solutions.

Diamond Hill has undergone many changes since its inception. Throughout these changes, we have remained a client-centric, investment-led boutique that prioritizes a strong culture and aspires to be a great workplace. We are confident this approach will continue serving our clients and shareholders well.

Financial Results

Equity and fixed income markets were volatile in 2023, with choppy performance throughout the year. A significant portion of the year's gains came in the final two months — the MSCI All Country World Index advanced 6.75% through the end of October but finished the year with a 22.20% return. Likewise, the Bloomberg US Aggregate Bond Index, down 2.77% at the start of November, finished 2023 with a return of 5.53%, marking the best calendar year return since 2020 (+7.51%).

So, while we ended the year with total assets under management (AUM) and assets under advisement (AUA) of $29.2 billion, our average during the year was $27.3 billion, down 8% from 2022. Additionally, our mix of assets changed, partly due to fixed income inflows of $1.4 billion and equity outflows of $1.9 billion. Fixed income assets, which typically have lower fee rates, made up 14% of our AUM at the end of the year, an increase from 9% a year earlier. We recognize the impact on our business from net flows in 2023, but we are pleased with the progress we are making in adding fixed income assets.

The decline in average assets, as well as a lower average fee rate due to a shift toward lower-fee fixed income assets, resulted in a decline in revenue of 12% in 2023. We generated net operating income of $35.5 million and net operating profit margin of 26% in 2023. In managing our business, we focus on adjusted net operating income, which adjusts net operating income, as calculated in accordance with US generally accepted accounting principles (GAAP), to exclude the impact of market movements on the deferred compensation plan investments that run through net operating income, and the impact of any mutual funds that we consolidate. Adjusted net operating income was $41.4 million in 2023, down from $60.4 million in 2022, and our adjusted net operating profit margin was 30%.[1] In addition to seeing the impact of inflationary pressure on many of our SG&A expenses, we manage the business with a long-term outlook and continue to make important investments in our business with that outlook in mind. The combination of the revenue decline and the investments in the business resulted in the decline in our adjusted net operating profit margin in 2023.

While 2023 was a challenging year, we focus on the long term in evaluating our results. From that perspective, we ended the year more positively than it began. The late-year rally boosted our ending AUM and AUA above $29 billion, more than $2.5 billion higher than where we started the year. Additionally, the strong market returns generated $23 million in investment

[1] Adjusted net operating income and adjusted net operating profit margin are non-GAAP financial measures. See the Annex to this letter for a reconciliation of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

income in 2023. Our net income attributable to common shareholders was $42.2 million, up from $40.4 million in 2022, and our earnings per share increased to $14.32 from $13.01 in the prior year.

Capital Allocation

Our capital allocation approach is designed to grow the intrinsic value of the business by investing in new and existing strategies and ensuring we have sufficient capital to operate the business in any market environment. When we believe we have more capital than is necessary to achieve those aims, we return capital to shareholders. Our approach has evolved over our history as we have deployed new methods of returning capital. Beginning in 2018, we began repurchasing shares for the first time. In 2021, we implemented our first regular quarterly dividend.

We may repurchase shares when they are trading below our estimate of the firm's intrinsic value. Since we began repurchasing shares in 2018, we have repurchased approximately 954,000 shares totaling $146 million, representing approximately 27% of our shares outstanding when we initiated our repurchases. Those repurchases have been partially offset by the net issuance of approximately 245,000 shares in the form of compensation to our associates over that period. We believe share-based compensation is a meaningful way to align our interests with shareholders. Since 2018, we have reduced our total share count by 711,000 shares, or 20%. Share repurchases in 2023 were approximately 213,000 shares, totaling $34.6 million.

After considering strategic uses of capital and share repurchases, we evaluate any excess capital to pay dividends. In 2023, we paid shareholders a $1.50 per share regular quarterly dividend, totaling $6.00 per share, or approximately $17.7 million. We have paid dividends for 16 consecutive years, cumulatively totaling $139.00 per share.

Each year, we will continue to consider paying a special dividend in Q4 after assessing our strategic capital deployment and share repurchases during the year. In 2023, we determined not to pay a special dividend in Q4 given the large capital return via share repurchases as well as our regular quarterly dividends during the year, which combined totaled $52.5 million.

Conclusion

While Jim Laird will continue as a board member through the end of his term in 2025, effective February 29, 2024, he has stepped down from his role as chairman. We are grateful to Jim for his leadership over the years and his many contributions to our success, first as Diamond Hill's chief financial officer and president of Diamond Hill Funds from 2001 to 2014, as a director on our board since 2011 and as chairman since 2019.

We believe the best way to generate strong long-term shareholder returns is to deliver excellent investment outcomes for our clients. Our investment team is intensely focused on generating alpha for our clients, and our entire firm is committed to developing and maintaining partnerships that help instill the confidence required to remain invested through complete market cycles. This perspective has enabled us to grow new and existing client relationships, which ultimately helps us deliver returns to our shareholders.

Sincerely,

Heather Brilliant
Chief Executive Officer and President

ANNEX - RECONCILIATION OF NON-GAAP MEASURES

As a supplement to information calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP"), Diamond Hill Investment Group, Inc. (the "Company") is providing certain financial measures that are based on methodologies other than GAAP ("non-GAAP"). Management believes the non-GAAP financial measures below are useful measures of the Company's core business activities, are important metrics in estimating the value of an asset management business, and help facilitate comparisons to Company operating performance across periods. These non-GAAP financial measures should not be used as a substitute for financial measures calculated in accordance with GAAP and may be calculated differently by other companies. The following schedules reconcile the difference between financial measures calculated in accordance with GAAP and non-GAAP financial measures for the years ended December 31, 2023 and 2022, respectively.

	Year Ended December 31, 2023						
(in thousands, except percentages and per share data)	**Total operating expenses**	**Net operating income**	**Total non-operating income**	**Income tax expense[5]**	**Net income attributable to common shareholders**	**Earnings per share attributable to common shareholders - diluted**	**Net operating profit margin**
GAAP Basis	$ 101,212	$ 35,504	$ 23,071	$ 15,490	$ 42,226	$ 14.32	26 %
Non-GAAP Adjustments:							
Deferred compensation liability[1]	(5,600)	5,600	(5,600)	—	—	—	4 %
Consolidated Funds[2]	—	330	(4,148)	(793)	(2,166)	(0.73)	—
Other investment income[4]	—	—	$ (13,323)	(3,571)	(9,752)	(3.31)	—
Adjusted Non-GAAP Basis	$ 95,612	$ 41,434	—	$ 11,126	$ 30,308	$ 10.28	30 %

	Year Ended December 31, 2022						
(in thousands, except percentages and per share data)	**Total operating expenses**	**Net operating income**	**Total non-operating loss**	**Income tax expense[5]**	**Net income attributable to common shareholders**	**Earnings per share attributable to common shareholders - diluted**	**Net operating profit margin**
GAAP Basis	$ 90,165	$ 64,331	$ (13,373)	$ 14,088	$ 40,434	$ 13.01	42 %
Non-GAAP Adjustments:							
Deferred compensation liability[1]	4,402	(4,402)	4,402	—	—	—	(3)%
Consolidated Funds[2]	—	423	11,317	2,113	6,063	1.95	—
Gain on sale of High Yield-Focused Advisory Contracts[3]	—	—	(6,814)	(1,761)	(5,053)	(1.63)	—
Other investment income[4]	—	—	$ 4,468	1,155	3,313	1.07	—
Adjusted Non-GAAP Basis	$ 94,567	$ 60,352	—	$ 15,595	$ 44,757	$ 14.40	39 %

[1] This non-GAAP adjustment removes the compensation expense resulting from market valuation changes in the Diamond Hill Fixed Term Deferred Compensation Plan and the Diamond Hill Variable Term Deferred Compensation Plan's (together, the "Deferred Compensation Plans") liability and the related net gains or losses on investments designated as an economic hedge against the related liability. Amounts deferred under the Deferred Compensation Plans are adjusted for appreciation/depreciation of investments chosen by participants. The Company believes it is useful to offset the non-operating investment income or loss realized on the hedges against the related compensation expense and remove the net impact to help readers understand the Company's core operating results and to improve comparability from period to period.

[2] This non-GAAP adjustment removes the impact that the Diamond Hill International Fund and the Diamond Hill Large Cap Concentrated Fund (during a period for which such fund is or such funds are consolidated, the "Consolidated Funds") have on the Company's GAAP consolidated statements of income. Specifically, the Company adds back the operating expenses and subtracts the investment income of the Consolidated Funds. The adjustment to net operating income represents the operating expenses of the Consolidated Funds, net of the elimination of related management and administrative fees. The adjustment to net income attributable to common shareholders represents the net income of the Consolidated Funds, net of redeemable non-controlling interests. The Company believes removing the impact of the Consolidated Funds helps readers understand its core operating results and improves comparability from period to period.

[3] This non-GAAP adjustment removes the impact of the gain on the sale of the Diamond Hill Corporate Credit and the Diamond Hill High Yield investment advisory contracts (together, the "High Yield-Focused Advisory Contracts") to Brandywine Global Investment Management, LLC effective July 30, 2021. The sale of the High Yield-Focused Advisory Contracts was a discrete transaction; thus, the Company believes that removing the impact of the gain helps readers understand the Company's core operating results and improves comparability from period to period.

[4] This non-GAAP adjustment represents the net gains or losses earned on the Company's non-consolidated investment portfolio that are not designated as economic hedges of the Deferred Compensation Plans' liability, non-consolidated seed investments, and other investments. The Company believes adjusting for these non-operating income or loss items helps readers understand the Company's core operating results and improves comparability from period to period.

[5] The income tax expense impacts were calculated and resulted in an overall non-GAAP effective tax rate of 26.8% for 2023 and 25.8% for 2022.

DIAMOND HILL

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

March 25, 2024

Dear Shareholders:

We cordially invite you to attend the 2024 Annual Meeting of Shareholders of Diamond Hill Investment Group, Inc., to be held at Diamond Hill Investment Group, Inc., 325 John H. McConnell Boulevard, Suite 125, Columbus, Ohio 43215, on Thursday, May 9, 2024 at 10:00 a.m. Eastern Time.

The attached Notice of Annual Meeting and Proxy Statement describe the formal business to be transacted at the meeting. Immediately following the meeting, we will hold a management presentation to report on our operations, and our directors and officers will be present to respond to any appropriate questions you may have. For the management presentation only, there will be the option to participate virtually, and the link will be made available on our website, ir.diamond-hill.com.

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 plan to attend the Annual Meeting. Returning the enclosed proxy card will not prevent you from voting in person, but it 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,

Heather E. Brilliant
Chief Executive Officer and President

DIAMOND HILL

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 9, 2024

Notice is hereby given that the 2024 Annual Meeting of Shareholders (the “Annual Meeting”) of Diamond Hill Investment Group, Inc. (the “Company”) will be held at Diamond Hill Investment Group, Inc., 325 John H. McConnell Boulevard, Suite 125, Columbus, Ohio 43215, on Thursday, May 9, 2024 at 10:00 a.m. Eastern Time, to consider and act upon the following matters:

1) The election of six directors to serve on the Company’s Board of Directors (“Board”) until the Company’s 2025 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, 2024;
3) An advisory resolution to approve the 2023 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 postponement or adjournment of the Annual Meeting. The Board has fixed the close of business on March 11, 2024, as the record date for determining the shareholders entitled to vote at the Annual Meeting and any postponements or adjournments thereof. On or about March 25, 2024, the Company began mailing to shareholders of record as of the close of business on March 11, 2024, the accompanying Proxy Statement, the form of proxy (also known as a proxy card), and the Company’s 2023 Annual Report to shareholders.

PROMPTLY RETURNING YOUR PROXY CARD 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. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY REVOKE YOUR PREVIOUSLY SUBMITTED PROXY AND VOTE IN PERSON AS DESCRIBED IN THE PROXY STATEMENT.

By order of the Board,

Carlotta D. King

Carlotta D. King, Secretary

Columbus, Ohio
March 25, 2024

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 9, 2024:
The Proxy Statement and the Company’s 2023 Annual Report on Form 10-K are available without charge at the following location:
https://ir.diamond-hill.com/sec-filings-ownership/proxy-materials/

DIAMOND HILL

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 9, 2024

This Proxy Statement is being furnished to the shareholders of Diamond Hill Investment Group, Inc., an Ohio corporation (the "Company"), in connection with the solicitation of proxies by its Board of Directors (the "Board") for use at its 2024 Annual Meeting of Shareholders (the "Annual Meeting") to be held at Diamond Hill Investment Group, Inc., 325 John H. McConnell Boulevard, Suite 125, Columbus, Ohio 43215, at 10:00 a.m., Eastern Time, on May 9, 2024, and any postponement or adjournment thereof. A copy of the Notice of Annual Meeting accompanies this Proxy Statement. This Proxy Statement and the enclosed form of proxy (also known as a proxy card) are first being mailed to shareholders on or about March 25, 2024. Only shareholders of record at the close of business on March 11, 2024, 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 to:

1) Elect six directors to serve on the Board until the Company's 2025 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;

2) Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2024;

3) Approve, on an advisory basis, the 2023 compensation of the Company's named executive officers ("NEOs"); and

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

Those shares of common stock represented by: (i) properly signed proxy cards received by the Company prior to the Annual Meeting, or (ii) properly authenticated voting instructions recorded electronically over the Internet or by telephone prior to 11:59 p.m., Eastern Time on May 8, 2024 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 their 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 Diamond Hill Investment Group, Inc., 325 John H. McConnell Boulevard, Suite 125, Columbus, Ohio 43215, on Thursday, May 9, 2024, at 10:00 a.m., Eastern Time.

Q: How do I attend the Annual Meeting?

A: The Company will hold the Annual Meeting in person as scheduled. If you attend the Annual Meeting, you may be asked to present valid photo identification, such as a driver's license or passport. If you are a beneficial holder, you may also be asked to present a copy of a brokerage or bank statement reflecting your beneficial ownership of the Company's shares as of the record date. Cameras, recording devices, and other electronic devices will not be permitted at the Annual Meeting.

Immediately following the Annual Meeting, the Company will hold a management presentation to report on its operations, and its directors and officers will be present to respond to any appropriate questions you may have. For the management presentation only, there will be the option to participate virtually and the link will be made available on the Company's website, ir.diamond-hill.com.

Q: What may I vote on at the Annual Meeting?

A: At the Annual Meeting, you will be asked to:

- Elect six directors to serve on the Board until the Company's 2025 Annual Meeting of Shareholders and until their successors have been duly elected and qualified;
- Ratify the appointment of KPMG LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2024;
- Approve, on an advisory basis, the 2023 compensation of the Company's NEOs; and
- Vote on such other business as may properly come before the Annual Meeting or any postponement or adjournment thereof.

Q: What do I need to do now?

A: After carefully reading this Proxy Statement and the accompanying materials, indicate on the enclosed proxy card how you want your shares to be voted and then 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 11:59 p.m. Eastern Time on Wednesday, May 8, 2024. 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. If you are a beneficial owner, you should review the instructions provided by your broker, bank, or other nominee to determine the procedures and deadlines that you must follow.

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 the Company's 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 shares owned beneficially.

Shareholder of Record. For shares registered directly in your name with the Company's transfer agent, you are considered the shareholder of record, and the Company is 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, bank, or other nominee on how to vote your shares. Your broker, bank, or other 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. Beneficial owners should contact their broker, bank, or other nominee to determine applicable deadlines.

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

A: Your broker, bank, or other nominee will vote your shares in the manner you instruct, and you should follow the voting instructions your broker, bank, or other nominee has provided to you. However, if you do not provide voting instructions to your broker, bank, or other nominee, it may vote your shares in its discretion on certain "routine" matters. The ratification of the appointment of KPMG LLP as the Company's independent registered public accounting firm for the 2024 fiscal year is considered a routine matter, and if you do not submit voting instructions, your broker, bank, or other nominee 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, bank, or other nominee 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 may 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 any one of three ways:

- Send a written statement to Carlotta D. King, Secretary, at Diamond Hill Investment Group, Inc., 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215, stating that you would like to revoke your proxy, which must be received prior to the Annual Meeting;

- Send a newly-signed and later-dated proxy card, which must be received prior to the Annual Meeting, or submit later-dated electronic voting instructions over the Internet or by telephone no later than 11:59 p.m., Eastern Time on May 8, 2024; 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, bank, or other nominee. You should review the instructions provided by your broker or nominee to determine the procedures that you must follow.

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

A: You may vote shares for which you are the record holder in person at the Annual Meeting. If you choose to attend, please bring the enclosed proxy card and valid photo identification, such as a driver's license or passport. If you are a beneficial owner and you wish to attend the Annual Meeting and vote in person, you will need to bring and provide to the Secretary a signed proxy from your broker, bank, or other nominee giving you the right to vote your shares at the Annual Meeting and a valid photo identification. To obtain directions to attend the Annual Meeting and vote in person, please call Carlotta D. King, 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: What are the Board's recommendations on the matters to be considered at the Annual Meeting?

A: The Board's recommendations on the matters to be considered at the Annual Meeting 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 Carlotta D. King, Secretary, at (614) 255-3333. If you are a beneficial owner, you should contact your broker, bank, or other nominee to determine the procedures and deadlines that you must follow.

PROCEDURAL MATTERS

Record Date

Only the Company's shareholders of record at the close of business on March 11, 2024, the record date, will be entitled to vote at the Annual Meeting. As of the record date, there were 2,819,549 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 are a record holder and submit a proxy card without voting instructions, it will be voted as recommended by the Board. If you are a beneficial owner, you have the right to direct your broker, bank, or other nominee on how to vote your shares, and you should contact your broker, bank, or other nominee to determine the procedures and deadlines that you must follow. 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 are a beneficial owner, you are encouraged to instruct your broker, bank, or other nominee as to how to vote your shares. The Company's shareholders do not have cumulative voting rights with respect to the election of directors.

Proposal 1 - Director election. 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 the "Majority Voting" provisions within Proposal 1.

Proposal 2 - 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 LLP ("KPMG") as the Company's independent registered public accounting firm for fiscal year ending December 31, 2024.

Proposal 3 - Advisory vote on 2023 NEO compensation. The affirmative vote of the holders of a majority of the shares cast on the proposal is required for the approval of the advisory vote on the 2023 compensation of the Company's NEOs.

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, banks, and other nominees are members, brokers, banks, and other nominees who hold shares in street name for beneficial owners may sign and submit proxies and may vote those shares on certain "routine" matters. Proposal 2 is considered routine, and Proposals 1 and 3 are considered to be "non-routine" matters. Under applicable stock exchange rules, brokers, banks, and other nominees are not permitted to vote on non-routine matters without instruction from the beneficial holders. Proxies that are signed and submitted by brokers, banks, and other nominees that have not been voted on non-routine 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 2023 NEO compensation.

Quorum

Business can be conducted at the Annual Meeting only if a quorum, consisting of the holders of at least a majority of the Company's 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

The Company 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 of Annual Meeting, proxy card, Proxy Statement, and annual report to shareholders that accompanies this Proxy Statement (the "Annual Report"), 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. The Company will not pay any electronic access charges associated with Internet or telephonic voting incurred by a shareholder. The Company may solicit proxies in person or by telephone, facsimile, or e-mail. Its 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 does 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, Annual Report, and Form 10-K; Internet Availability

The Company's Annual Report on Form 10-K for the year ended December 31, 2023 (the "Form 10-K"), including audited consolidated financial statements, is included in the Annual Report that accompanies this Proxy Statement. The Annual Report is intended to satisfy the Company's obligation to provide an annual report to its shareholders pursuant to Rule 14a-3(b) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The Company is delivering a single copy of this Proxy Statement and the Annual Report to multiple shareholders sharing an address, unless it has received instructions from one or more of these shareholders to the contrary. However, each shareholder will continue to receive a separate proxy card. The Company 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 Carlotta D. King, Secretary, at Diamond Hill Investment Group, Inc., 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215 or by phone at (614) 255-3333. Additionally, this Proxy Statement, the Annual Report, and the Form 10-K are available on the internet free of charge at: https://ir.diamond-hill.com/sec-filings-ownership/proxy-materials/.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth beneficial ownership of the Company's shares of common stock by: (a) all persons known by to beneficially own 5% or more of the Company's outstanding shares, (b) each director and director nominee of the Company, (c) the Company's NEOs, and (d) all of the Company's executive officers, directors, and director nominees as a group. Although not required, the Company has also voluntarily disclosed all shares of common stock beneficially owned by all of its other employees, excluding its 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 Company common stock, and none of the named persons have pledged any common stock of the Company as security. Except as otherwise indicated, all information is as of March 11, 2024.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership		Percent of Class(1)
Heather E. Brilliant	48,184	(2)	1.7 %
Richard S. Cooley	7,164		*
James F. Laird	30,500		1.1 %
Thomas E. Line	18,484	(2)	*
Paula R. Meyer	2,764		*
Jo Ann Quinif	22,784	(2)	*
Nicole R. St. Pierre	3,764		*
L'Quentus Thomas	1,385		*
Directors, nominees, and executive officers as a group (8 persons)	135,029		4.8 %
All other employees of the Company (126 persons)	409,810	(3)	14.5 %
5% Beneficial Owners			
BlackRock, Inc.(4)	258,602		9.2 %
The Vanguard Group(5)	162,419		5.8 %
Royce & Associates, LP(6)	160,476		5.7 %

(1) In this column, beneficial ownership of less than 1% is represented by an asterisk (*). The percent of class is based upon the number of shares of common stock beneficially owned by the named person or entity divided by 2,819,549, which was the total number of shares that were issued and outstanding as of March 11, 2024.

(2) These amounts include 473, 1,294, and 816 shares for Ms. Brilliant, Mr. Line, and Ms. Quinif respectively, that are held in the Diamond Hill Investment Group 401(k) Plan and Trust (the "401(k) Plan").

(3) This amount includes all employees of the Company, other than executive officers, as of March 11, 2024. Each employee has sole voting power over the shares of such employee reflected in the table. Certain shares are subject to restrictions on disposition. The employees do not constitute a "Group" as defined by Rule 13d-1 under the Exchange Act.

(4) This information is based on the Schedule 13G/A filed with the SEC on January 25, 2024 by BlackRock, Inc. to report beneficial ownership by its subsidiaries (BlackRock Advisors, LLC, Aperio Group, LLC, BlackRock Asset Management Canada Limited, BlackRock Fund Advisors, BlackRock Asset Management Ireland Limited, BlackRock Institutional Trust Company, National Association, BlackRock Financial Management, Inc., BlackRock Fund Managers Ltd, BlackRock Asset Management Schweiz AG, and BlackRock Investment Management, LLC) of shares as of December 31, 2023. The Schedule 13G/A reported that BlackRock, Inc., through its subsidiaries, had sole voting power over 252,059 shares and sole dispositive power over 258,602 shares. The address reported for BlackRock, Inc. is 55 East 52nd Street, New York, NY 10055.

(5) This information is based on the Schedule 13G/A filed with the SEC on February 13, 2024 by The Vanguard Group to report its beneficial ownership of shares as of December 29, 2023. The Schedule 13G/A reported that The Vanguard Group had shared voting power over 5,348 shares, sole dispositive power over 154,170 shares, and shared dispositive power over 8,249 shares. The address reported for The Vanguard Group is 100 Vanguard Blvd., Malvern, PA 19355.

(6) This information is based on the Schedule 13G/A filed with the SEC on January 23, 2024 by Royce & Associates, LP to report its beneficial ownership of shares as of December 31, 2023. The Schedule 13G/A reported that Royce & Associates, LP had sole voting power over 160,476 shares and sole dispositive power over 160,476 shares. The address reported for Royce & Associates, LP is 745 Fifth Avenue, New York, NY 10151.

PROPOSAL 1 — ELECTION OF DIRECTORS

The Board guides the strategic direction of the Company and oversees its management. All of the Company's directors are elected annually.

Pursuant to the recommendation of the Nominating and Governance Committee, the Board has nominated the six nominees listed below for election, all of whom are current directors, to hold office until the 2025 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.

Pursuant to the Company's Corporate Governance Guidelines (the "Guidelines"), the Nominating and Governance Committee is responsible for articulating and managing Board leadership succession processes. Although there are no formal limits in the Guidelines on the length or number of terms a director can serve in any Board leadership role, in general, directors transition out of their leadership roles after serving in them for five years. As a result and consistent with ordinary Board leadership succession planning, since James F. Laird began serving as Chair of the Board ("Board Chair") in 2019, on February 29, 2024, Mr. Laird's term as Board Chair ended and Richard S. Cooley was appointed to succeed him as Board Chair.

Majority Voting

In an uncontested election, a nominee must receive more "FOR" votes than "AGAINST" votes to be elected. In addition, pursuant to the Guidelines, any director who fails to obtain the required vote in an uncontested election will promptly submit their resignation to the Board. The Board will then decide, after considering the Nominating and Governance Committee's recommendation, whether to accept the resignation, 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 at which such uncontested election occurred. Plurality voting will apply to any contested elections.

Director Independence

The Board has determined that each of Mr. Cooley, Mr. Laird, Paula R. Meyer, Nicole R. St. Pierre, and L'Quentus Thomas qualifies as independent under the rules and independence standards of The Nasdaq Stock Market ("Nasdaq"), as well as applicable SEC requirements. The Board has also determined that Randolph J. Fortener and Mark J. Zinkula qualified as independent during the period for which they each served as a director in 2023. The Board has determined that Heather E. Brilliant is not independent due to her status as an executive officer of the Company. There are no family relationships among the Company's directors and executive officers. In making its determination regarding the independence of directors, the Board reviewed and considered each director's direct and indirect relationship with the Company.

The Nominees

The Board has determined that all of the Company's director nominees are qualified to serve as directors of the Company. In addition to their specific business experience listed below, each of the Company's director nominees has the tangible and intangible skills and attributes that the Board believes 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 that the Board expects of the Company's directors. The specific qualifications of each individual nominee are set forth under such nominee's name below.

Heather E. Brilliant, CFA, age 47, was appointed as a director as well as Chief Executive Officer and President ("CEO") of the Company effective September 3, 2019. She has also been CEO of Diamond Hill Capital Management, Inc. ("DHCM") since September 3, 2019 and served as President of DHCM from September 3, 2019 to March 31, 2023. Ms. Brilliant previously served as Chief Executive Officer, Americas with First State Investments, from 2017 until joining the Company. Prior to that role, she spent almost 14 years with Morningstar (a financial services firm) where she served as Global Head of Equity & Credit Research before advancing to Chief Executive Officer, Morningstar Australasia. Earlier in her career, she held several roles analyzing both credit and equity at firms including Driehaus Capital Management (an investment adviser), Coghill Capital Management (an investment adviser), and Bank of America (a multinational investment bank and financial services holding company).

Ms. Brilliant received her Bachelor of Arts degree from Northwestern University and a Master of Business Administration ("MBA") from the University of Chicago. Ms. Brilliant also holds the Chartered Financial Analyst ("CFA") designation and is past chair and served as a member of the CFA Institute Board of Governors from 2013-2020.

Ms. Brilliant's qualifications to serve on the Board include her current experience as the Company's President and CEO, her prior experience as CEO of a division of an investment firm, and her in-depth knowledge of the investment management industry through her more than 20 years of experience as an investment professional and industry executive.

Richard S. Cooley, age 55, has been a director of the Company since 2020 and Board Chair since February 29, 2024. He served as Chair of the Audit Committee from 2020 until February 29, 2024, and serves on the Audit Committee, Compensation Committee, and Nominating and Governance Committee. Mr. Cooley has been determined by the Board to be an audit committee financial expert as defined by the SEC and is a non-executive director. Since 2023, Mr. Cooley has been a Collegiate Assistant Professor and Harper-Schmidt Fellow at the University of Chicago (a private research university). During the preceding five years, Mr. Cooley primarily and intermittently served as a teaching fellow or teaching assistant at the University of Chicago. From 2007 to 2013, Mr. Cooley served as Morningstar, Inc.'s (a financial services firm) Chief Financial Officer ("CFO"), and was responsible for the firm's investor relations, financial reporting, corporate finance, tax, corporate communications, and U.S. national sales teams. Prior to becoming CFO, from 2003 to 2007 Mr. Cooley was CEO of Morningstar's operations in Australia and New Zealand. Mr. Cooley also established Morningstar's government affairs function.

Mr. Cooley holds Bachelor of the Arts and Master of the Arts degrees from Illinois State University, a Master of the Arts degree from the University of Chicago, and a Doctor of Philosophy in Political Science from the University of Chicago. He was also awarded the Certificate in Cybersecurity Oversight from the Software Engineering Institute in association with Carnegie Mellon University in 2023.

Mr. Cooley's qualifications to serve on the Board include his substantial experience in accounting and financial matters due to serving as CFO of a global, publicly-traded financial services firm, his experience as CEO of a division of a large financial services firm, as well as his experience serving as a board member for numerous for-profit companies.

James F. Laird, age 67, has been a director of the Company since 2011, was Board Chair from 2019 to February 29, 2024, and serves on the Audit Committee, Compensation Committee, and Nominating and Governance Committee. Mr. Laird has been determined by the Board to be an audit committee financial expert, as defined by the SEC and is a non-executive 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 (inactive), 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 of, and involvement in, the Company's 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 70, has been a director of the Company since 2019, is the Chair of the Nominating and Governance Committee, serves on the Audit Committee and the Compensation Committee, and is a non-executive director. Since 2007, Ms. Meyer has served as a professional, non-executive director. Prior to 2007, she 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. (a financial services company) from 1998 to 2006. She currently serves as a director for Mutual of Omaha (an insurance company) and First Command Financial Services, Inc. (a financial services company). She also served as a director of the Federal Home Loan Bank of Des Moines (a regional bank) from 2007 to 2016 and on the Investment Company Institute's (a trade association) Board of Governors from 2000 to 2006.

Ms. Meyer received her Bachelor of Arts from Luther College, an MBA from the University of Pennsylvania, Wharton School of Business, and is a National Association of Corporate Directors ("NACD") Board Leadership Fellow. She was also awarded the Certificate in Cybersecurity Oversight from the Software Engineering Institute in association with Carnegie Mellon University in 2020.

Ms. Meyer's qualifications to serve on the Board include her more than 40 years of experience consisting of 25 years of executive experience in the financial services and mutual fund industries as well as 15 years of service as a corporate board member on numerous for-profit and non-profit companies.

Nicole R. St. Pierre, age 51, has been a director of the Company since 2019, is the Chair of the Compensation Committee, serves on the Audit Committee and Nominating and Governance Committee, and is a non-executive director. Prior to her retirement, Ms. St. Pierre served in a variety of roles within the Asset Management group at J.P. Morgan (a multinational finance corporation) from 1994 to 2018, including as Managing Director; Head of Client Services and Business Platform & Americas Regional Lead. Ms. St. Pierre is NACD Directorship Certified®.

Ms. St. Pierre received her Bachelor of Science in Marketing from Rutgers University and an MBA from Fordham University. She was also awarded the Certificate in Cybersecurity Oversight from the Software Engineering Institute in association with Carnegie Mellon University in 2020.

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

L'Quentus Thomas, age 49, has been a director of the Company since 2021 and Chair of the Audit Committee since February 29, 2024. He also serves on the Compensation Committee and the Nominating and Governance Committee. Mr. Thomas has been determined by the Board to be an audit committee financial expert as defined by the SEC and is a non-executive director. Since 2021, Mr. Thomas has served as a Senior Managing Director at Stonehenge Capital (a private equity and venture capital investment firm), and currently manages the operations of Stonehenge Community Development, the firm's community banking subsidiary. Prior to his current role, from 2005 to 2009, Mr. Thomas worked in the firm's principal investing division, Stonehenge Growth Capital, where he focused on providing debt and equity capital solutions to privately held firms.

Mr. Thomas has served on numerous boards of non-profit organizations, including as a Trustee of Kenyon College (a liberal arts college). Mr. Thomas earned a Bachelor of Arts degree from Amherst College and an MBA from the Stern School of Business at New York University.

Mr. Thomas's qualifications to serve on the Board include his experience in accounting and financial matters, his more than 20 years of experience in the financial services industry, and his experience serving as a board member for numerous non-profit companies.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" EACH NOMINEE LISTED ABOVE TO BE A DIRECTOR OF THE COMPANY.

THE BOARD OF DIRECTORS AND COMMITTEES

The Board held a total of four meetings during 2023, and each director attended at least 75% of all applicable Board and committee meetings. Consistent with the Guidelines and Nasdaq listing rules, the directors met in executive session at each regularly scheduled Board meeting in 2023. Although the Company does not have a formal policy requiring directors' attendance at the Annual Meeting, the Guidelines provide that all directors are expected to attend each annual meeting of shareholders. All individuals serving as directors at the time of the 2023 Annual Meeting of Shareholders attended such 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, the Guidelines, and the Code of Ethics are available on the Company's website, ir.diamond-hill.com, under "Corporate Information - Corporate Governance".

The Board has adopted a Code of Ethics ("Code") for principal executive and senior financial officers of the Company. The Code is intended to deter wrongdoing and promote honest and ethical conduct, full, timely, and accurate reporting, compliance with laws, and accountability for adherence to the Code, including internal reporting of Code violations. The Company intends to post amendments to, or waivers from, any applicable provision (related to elements listed under Item 406(b) of Regulation S-K) of the Code, if any, in the Corporate Governance section of its website, ir.diamond-hill.com.

The Company also has a Code of Business Conduct and Ethics that is applicable to all of its employees and directors. It is the Company's policy to require all employees to participate annually in continuing education and training related to the Code of Business Conduct and Ethics.

Information and documents contained on, or accessible through, the Company's website are not part of this Proxy Statement or any other document or report that the Company files with, or furnishes to, the SEC or its shareholders.

Personal Trading and Hedging Policy

The Company has established a policy prohibiting its employees and directors 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

All independent directors serve on the Audit Committee. The Audit Committee met four times during 2023. The Board has determined that each of the Audit 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. Cooley, Mr. Laird, and Mr. Thomas meet 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: (i) the retention of the Company's independent registered public accounting firm, including appointing and overseeing the terms of the accounting firm's engagement and its performance, qualifications, and independence; (ii) the quality and integrity of the Company's financial statements; (iii) the Company's accounting and financial reporting process; (iv) adherence to the Company's ethics policies; and (v) the Company's systems for internal accounting and financial controls. The Audit Committee also reviews all related person transactions for potential conflicts of interest on an ongoing basis, and the Audit Committee must approve all such transactions. 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 under the heading "Audit Committee Report" below.

Compensation Committee

All independent directors serve on the Compensation Committee. The Compensation Committee met two times during 2023. The Board has determined that each of the Compensation Committee members meets the independence criteria of the SEC and Nasdaq.

The primary purpose of the Compensation Committee is to assist the Board in the discharge of its responsibilities to: (i) review and approve the compensation and benefits programs of the Company's NEOs and directors; (ii) evaluate the performance of the Company's executive officers in light of corporate goals and objectives approved by the Compensation Committee; (iii) approve the annual salaries, bonuses, stock grants, and other benefits, direct and indirect, of the Company's executive officers; (iv) make recommendations to the full Board with respect to incentive compensation plans and equity-based plans; (v) appoint and oversee the work of compensation consultants and other advisors; (vi) determine director, committee member, and committee chair compensation for non-employee directors; and (vii) oversee succession planning for the Company's executive officers. The Compensation Committee also administers, maintains, or delegates the administration and maintenance of the Company's equity compensation plans. The Compensation Committee has delegated to management the ability to make stock grants to non-executive employees within specific parameters to align the interests of the Company's shareholders and its 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

All independent directors serve on the Nominating and Governance Committee. The Nominating and Governance Committee met four times during 2023. The Board has determined that each of the Nominating and Governance Committee members meets the independence criteria of the SEC and 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, committee, and director evaluations. The Nominating and Governance Committee: (i) identifies, evaluates, and nominates Board candidates; (ii) develops and oversees Board leadership succession planning, (iii) reviews compliance with stock ownership guidelines for directors and NEOs; and (iv) 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 Guidelines. Additional information regarding the committee's activities can be found under the heading "Corporate Governance" below.

Board Committee Membership

The following table summarizes the membership of the Board and each of its committees as of March 11, 2024, and the number of times each body met during 2023.

Director	***Audit***	***Compensation***	***Nominating and Governance***
Heather E. Brilliant	—	—	—
Richard S. Cooley	Member	Member	Member
James F. Laird	Member	Member	Member
Paula R. Meyer	Member	Member	Chair
Nicole R. St. Pierre	Member	Chair	Member
L'Quentus Thomas[(1)]	Chair	Member	Member
Number of Meetings in 2023	4	2	4

(1) Concurrent with the election of Mr. Cooley as Board Chair, on February 29, 2024, the Board appointed Mr. Thomas as chair of the Audit Committee.

Compensation of Directors

The Compensation Committee is responsible for periodically reviewing and recommending to the Board the compensation of the Company's non-employee directors. Since 2021, the compensation structure for non-employee directors has included an annual cash award, an annual restricted stock award with a one-year vesting period, and annual chair fees, where applicable.

The Company's non-employee, annual, target director compensation is $155,000, plus applicable fees as provided under the following structure:

- An annual cash payment of $40,000 paid quarterly in arrears in conjunction with quarterly Board meetings;
- An annual restricted stock award with a grant date value of $115,000 to align the interests of the directors with the long-term interests of the Company's shareholders. Grants typically occur concurrent with each annual shareholder meeting and vest on the first anniversary of the grant date;
- An annual cash payment of $30,000 to the Board Chair;
- An annual cash payment of $15,000 to the chair of the Audit Committee; and
- An annual cash payment of $10,000 to the chair of each of the Compensation Committee and the Nominating and Governance Committee.

Mr. Laird will reach his 10-year term limit as a director at the Company's 2025 Annual Meeting of Shareholders. Under the director compensation structure in place at the time, upon Mr. Laird's appointment as a director, he received a one-time, long-term cliff vest award of restricted stock that was intended to compensate him for the entirety of his service as a director. As such, the Board previously concluded that Mr. Laird would be an exception to the current compensation structure discussed above. Instead, Mr. Laird receives a $40,000 annual cash payment for his service as a director, but he does not receive an annual restricted stock award, given the earlier long-term, cliff-vest award he was previously granted for his service.

The following table sets forth information regarding the compensation earned by, or paid to, non-employee directors who served on the Board during the fiscal year ended December 31, 2023.

2023 Director Compensation

Name	Fees Earned or Paid in Cash	Stock Awards	Total
Heather E. Brilliant	$ —	$ —	$ —
Richard S. Cooley	$ 55,000	$ 115,000	$ 170,000
Randolph J. Fortener[1]	$ 5,000	$ —	$ 5,000
James F. Laird	$ 40,000	$ —	$ 40,000
Paula R. Meyer	$ 50,000	$ 115,000	$ 165,000
Nicole St. Pierre	$ 50,000	$ 115,000	$ 165,000
L'Quentus Thomas	$ 40,000	$ 115,000	$ 155,000
Mark J. Zinkula[2]	$ 58,750	$ —	$ 58,750

(1) Mr. Fortener reached his 10-year term limit as a director and his service concluded at the Company's 2023 Annual Meeting of Shareholders. The amount reported reflects compensation for Mr. Fortener's service as a director from January 1, 2023 until May 11, 2023, the date of the Company's 2023 Annual Meeting of Shareholders.

(2) The amount reported reflects compensation for Mr. Zinkula's service as a director from his appointment on February 23, 2023 until his resignation effective September 26, 2023.

Outstanding Stock Grants to Directors

The below table shows the amount of unvested restricted stock awards outstanding to directors as of December 31, 2023 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 Covered by Grant	Grant-Date Fair Value	Grant Date	Vesting Date
Richard S. Cooley[(1)]	727	One Year	$115,000	5/11/23	5/11/24
James F. Laird	8,000	Ten Years	$1,125,760	2/27/15	4/30/25
Paula R. Meyer[(1)]	727	One Year	$115,000	5/11/23	5/11/24
Nicole R. St. Pierre[(1)]	727	One Year	$115,000	5/11/23	5/11/24
L'Quentus Thomas[(1)]	727	One Year	$115,000	5/11/23	5/11/24

(1) Concurrent with the Annual Meeting, Mr. Cooley, Ms. Meyer, Ms. St. Pierre, and Mr. Thomas will each receive an annual grant of restricted stock with an approximate fair value of $115,000 that will vest on the first anniversary of the grant date.

Non-Employee Director Stock Ownership and Retention Guidelines

The Guidelines prohibit shares granted to the non-employee 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, aside from this exception, the Company expects each non-employee director to hold all of the shares granted to them as compensation for their service for their entire term of service on the Board. Additionally, the Guidelines require that, within three years of being appointed to the Board, each non-employee director must hold Company shares having a value of at least $200,000 at cost as of the date of acquisition, grant, or receipt, as applicable. Vested and unvested restricted stock is included when determining each non-employee director's compliance with the Guidelines.

CORPORATE GOVERNANCE

The Nominating and Governance Committee has general responsibility for the assessment and recruitment of new director candidates, evaluation of director and Board performance, and oversight of the Company's governance matters. The Nominating and Governance Committee has adopted the Guidelines and reviews them annually. The most current version of the Guidelines is available on the Company's website, ir.diamond-hill.com, under "Corporate Information - Corporate Governance".

Board Leadership and Composition

As part of ensuring a strong governance and oversight structure, the Guidelines provide that the Board Chair and CEO roles must be separate and occupied by different people. The Board Chair calls Board meetings, approves Board meeting agendas and schedules, chairs all executive sessions of the Board, acts as the liaison between the directors and management, and is available to the Secretary to discuss and, as necessary, respond to shareholder communications to the Board.

Currently, five of the Company's six director nominees qualify as independent under Nasdaq listing rules, with Ms. Brilliant, the CEO, being the only non-independent director. The membership of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee are all comprised entirely of independent directors.

In 2021, Nasdaq amended its listing rules to encourage diverse board composition and require disclosure of specified diversity metrics, subject to certain exceptions and transition periods (the "Diversity Rule"). In accordance with the Diversity Rule, the diversity statistics of the six current members of the Board are below, which are also the six director nominees. Each of the categories listed in the below table has the meaning as it is used in the Nasdaq listing rules and related guidance and instructions. To see the Company's Board Diversity Matrix as of March 13, 2023, please see the Company's proxy statement filed with the SEC on March 23, 2023.

Board Diversity Matrix (As of March 11, 2024)			
Board Size:			
Total Number of Directors	6		
	Female	**Male**	**Did Not Disclose Gender**
Part I: Gender Identity			
Directors	3	3	0
Part II: Demographic Background			
African American or Black	0	1	0
Alaskan Native or Native American	0	0	0
Asian	0	0	0
Hispanic or Latinx	0	0	0
Native Hawaiian or Pacific Islander	0	0	0
White	3	2	0
Two or More Races or Ethnicities	0	0	0
LGBTQ+	0		
Did Not Disclose Demographic Background	0		

Overall, the Board believes that the current Board structure is designed to foster critical oversight, good governance practices, and the interests of the Company and its shareholders.

Among other things, the Guidelines set a 10-year term limit for each non-employee director, provided that, notwithstanding that limitation, a director may be re-elected if: (1) such person is currently the Board Chair, and has not served as Board Chair for five consecutive years, or (2) the Board in its discretion agrees to allow such person to be eligible for re-election for an additional year. The Board has not made any exceptions to the term limit for non-employee directors during the last five years.

Board Role in Risk Oversight

The Board's role in the Company's risk oversight process includes receiving regular reports from management on areas of material risk to the Company, including client investment results, and operational, financial, legal, regulatory information security, and strategic risks. The Audit Committee is responsible for overseeing risks relating to the Company's accounting matters, financial reporting, and related legal and regulatory compliance matters. 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 related to employment policies and the Company's compensation and benefits programs. To satisfy these oversight responsibilities, the Compensation Committee meets regularly with management to understand the implications of compensation decisions, particularly the risks that the Company's compensation policies pose to its finances and its relationship with employees. The Nominating and Governance Committee is responsible for overseeing risks relating to corporate governance and director succession planning. To satisfy these oversight responsibilities, the Nominating and Governance Committee meets regularly with management and, when necessary, consults outside legal counsel.

The Board believes that its current leadership structure supports the risk oversight function of the Board. In addition to providing a strong governance structure, having the roles of Board Chair and CEO filled by separate individuals allows the CEO to lead senior management in its supervision of the Company's day-to-day business operations, including the identification, assessment, and mitigation of material risks, and allows the Board Chair to lead the Board in its oversight of the Company's risk assessment and risk management activities.

Director Orientation and Continuing Education and Development

When a new non-employee director joins the Board, the Company provides a formal orientation program to provide the new director with an understanding of the Company's operations and financial condition. In addition, each director is expected to maintain the necessary level of expertise to perform their responsibilities as a director. To assist the directors in maintaining such level of expertise, the Company 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. Additionally, each director is expected to participate, at the Company's cost, in at least one continuing education program annually.

Director Qualifications and the Nominations Process

The Nominating and Governance Committee believes that the nominees presented in this Proxy Statement currently, and will 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 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. In selecting nominees, the Nominating and Governance Committee considers, as applicable, independence, judgment, skills, diversity, character, community involvement, financial expertise, business experience, experience with similarly-sized companies and with publicly-traded companies, experience and skills relative to other Board members, ability to meet long-term interests of the Company and its shareholders, and any additional criteria deemed appropriate by the Nominating and Governance Committee. In the event of a vacancy, including upon an increase in the number of directors, the Nominating and Governance Committee will identify, interview, examine, and make recommendations to the Board regarding appropriate candidates to fill such vacancy. When identifying potential director nominees, the Nominating and Governance Committee considers diversity among the various factors relevant to any particular nominee and the overall needs of the Board.

The Nominating and Governance Committee identifies potential candidates for the Board principally through suggestions from directors and senior management and will also consider recommendations from shareholders. The Nominating and Governance Committee may also seek candidates through informal discussions with other third parties.

Pursuant to its charter, the Nominating and Governance Committee has the authority to retain consultants and search firms to assist in the process of identifying and evaluating director candidates and to approve the fees and other retention terms for any such consultant or search firm. In 2022, the Nominating and Governance Committee engaged a search firm to assist with its director search.

Generally, the Nominating and Governance Committee will identify potential candidates who at a minimum:

- Demonstrate strong character and integrity;
- Have sufficient time to carry out their duties;
- Have relevant experience in areas of expertise helpful to the Company; and
- Have the ability to meet the expectations of a director of the Company as set forth in the Guidelines.

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 along with input from management. Once the Nominating and Governance Committee has selected a candidate, it recommends the candidate to the full Board for appointment 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 the Company's shareholders. All of the Company's directors serve for one-year terms and must stand for re-election annually.

All director candidates recommended by shareholders are evaluated using the same criteria as individuals nominated by the Board, the Nominating and Governance Committee, management, and other sources. Shareholder recommendations for Board candidates should be directed in writing to the Company at 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215, Attention: Secretary, and 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, evidence of the recommending person's ownership of the Company's common stock, and any other information that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of such prospective nominee as a director.

Certain Relationships and Related Person Transactions

The Board recognizes that related person transactions present a heightened risk of conflicts of interest. There has been no such transaction since the beginning of fiscal 2023, and there is no currently proposed transaction, in which the Company was or is to be a participant that would be required to be disclosed pursuant to Item 404(a) of Regulation S-K. The Company has no formal, written policies or procedures for the review, approval, or ratification of any transaction required to be reported under Item 404(a) of Regulation S-K, because, in the last 10 years, the Company has only been a party to one transaction that was required to be considered under Item 404(a). 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(a) of Regulation S-K. 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 2023 were Mr. Cooley, Mr. Laird, Ms. Meyer, Ms. St. Pierre, Mr. Thomas, Mr. Fortener (until his retirement on May 11, 2023), and Mr. Zinkula (from his appointment on February 23, 2023 through his resignation on September 26, 2023). No director who served on the Compensation Committee during 2023 currently is, or during 2023 was, an officer or employee of the Company. Mr. Laird served as the Company's CFO until his retirement in 2014. No member of the Compensation Committee has, or during 2023 had, any relationship requiring disclosure by the Company under Item 404(a) of Regulation S-K. During 2023, none of the Company's 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 the Company's Board or Compensation Committee.

Executive Officers

During 2023, Ms. Brilliant, Mr. Line, and Ms. Quinif (effective March 31, 2023) were the Company's executive officers. Ms. Brilliant's business experience and qualifications are described above under the heading "Proposal 1 - Election of Directors, The Nominees", and Mr. Line's and Ms. Quinif's business experience and qualifications are described below. Each executive officer devotes their full time and effort to the affairs of the Company.

Thomas E. Line, age 56, has served as the CFO and Treasurer of the Company since 2015 and is currently the President of the Diamond Hill Funds. 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 (a commercial real estate mortgage and investment banking firm). Mr. Line was Managing Director and Chief Financial Officer for Red Capital Group (a financial services company from 2005 to 2012 and was Vice President and Treasurer from 2004 to 2005. From 1989 to 2004, Mr. Line held various positions in the financial services industry, including seven years in various roles at KPMG (an audit, tax, and advisory services provider). Mr. Line has over 30 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).

Jo Ann Quinif, age 48, has served as President of DHCM since March 31, 2023 and as Chief Client Officer since 2020. Previously, Ms. Quinif served as a Managing Director at DHCM from 2017 to 2020. From 2008 to 2017, she was Vice President, Director of Sales and Marketing with Weitz Investment Management, Inc. (an asset manager). Prior to that role, Ms. Quinif was with Ariel Capital Management (an asset manager), where she served as Vice President – Strategic Account Management from 2005 to 2008, and as Director of Advisory Services from 2003 to 2005. Earlier in her career, she served as Director of Marketing at CinFin Capital Management, an asset management subsidiary of Cincinnati Financial Corporation (an insurance company), from 2002 to 2003, as a financial analyst at Kendle International (a global clinical research organization) from 2001 to 2002, and as a commercial insurance underwriter at Cincinnati Financial Corporation.

Ms. Quinif has a Bachelor of Science in Business Administration degree from The Ohio State University and an MBA from Xavier University. She also holds the Series 6, 26, 63 and 65 FINRA securities licenses.

EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee has reviewed and discussed the following "Compensation Discussion and Analysis" required by Item 402(b) of Regulation S-K with management. Based on that review and discussion, the Compensation Committee 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.

Submitted by the Compensation Committee of the Board of Directors:

Richard S. Cooley
James F. Laird
Paula R. Meyer
Nicole R. St. Pierre, Chair
L'Quentus Thomas

Compensation Discussion and Analysis

In this Compensation Discussion and Analysis, the Company:

- Describes its compensation program objectives and how compensation for its NEOs is determined; and
- Explains the tables and disclosures that follow.

This Compensation Discussion and Analysis presents compensation information for the following individuals, each of whom is an NEO:

- Ms. Brilliant, the CEO and President of the Company and the CEO of DHCM;
- Mr. Line, the CFO and Treasurer of the Company; and
- Ms. Quinif, the President ("DHCM President") and Chief Client Officer of DHCM.

Background

In the investment management industry, human capital is the most important resource. Attracting and retaining talent is a sustainable competitive advantage that allows the Company to deliver on its purpose and vision. The Company has been able to attract and retain high-quality employees due to:

- Its client-centric culture, which is emphasized through its alignment of interests. This alignment ensures that the Company only succeeds when its clients succeed, and is achieved through:
  - Significant employee ownership in all of the Company's investment strategies;
  - Incentives that align with long-term investment results; and
  - Capacity discipline that protects the Company's ability to add value;
- Its shared investment principles focused on long-term, fundamental investing;
- Its shared values of curiosity, ownership, trust, and respect which guide employees' behaviors and support an inclusive workplace culture; and
- The nationally competitive compensation and benefits that the Company offers to its employees.

Competitive compensation and benefits are fundamental to sustain a business dependent on talented employees. Achieving profitability while retaining high-quality talent requires balancing the economics between the Company's operating profit margin and compensating employees for their contributions.

At the 2023 Annual Meeting of Shareholders, the Company's shareholders voted upon, and by 95% of the votes cast on the matter approved, an advisory resolution to approve the 2022 compensation of the NEOs. The Compensation Committee believes that the results of the advisory vote on executive compensation support the Company's compensation practices and the Compensation Committee's overall judgment related to those executive compensation practices.

Compensation Program Objectives

Since the Company's founding, aligning its interests directly with the clients it serves has been imperative. Inherent in this alignment is a passion for excellence, and the Company is focused on exceeding client expectations. To achieve this vision, it is important that the Company's compensation philosophy attracts, retains, and motivates employees who embody its values, act like owners, and advocate for client outcomes.

The Company maintains a long-term approach to managing its business and aims to invest in its employees throughout their careers. It believes employees should be paid competitively and fairly for their contributions and have confidence that the Company is investing in them for the long term.

The Company's employees receive a base salary and benefits and participate in an annual performance incentive program. The Company is committed to ensuring that its shareholders' and employees' interests align by giving each employee a new hire, cliff vest equity grant to inspire an ownership mentality from their first day of employment. These new hire grants cliff vest after five years to promote long-term employee ownership and employee retention. Employees have further opportunities to grow their ownership stake through the Company's Employee Stock Purchase Plan and, for certain roles, they are eligible to receive additional shares of restricted stock through the Company's long-term equity incentive ("LTI") program.

Performance-Focused Incentives

The Company's primary business objective is to meet its fiduciary duty to clients. Specifically, its 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 above the peer group median for similar investment strategies, and exceed a sufficient absolute return for the risk associated with the asset class. The Board believes that if the Company meets its primary business objective, it will ultimately drive long-term value for the Company's shareholders.

To align NEO incentives with Company performance, the Board desires to have the majority of total compensation paid to the NEOs at risk and in the form of incentive compensation of cash bonuses and/or equity grants. Incentive compensation awarded to the NEOs is generally provided in the form of annual incentive awards ("Incentive Awards") and restricted stock award grants under its LTI program ("LTI Awards"), each of which is described in the "Elements of Compensation" section below.

Long-Term Incentives – Restricted Stock Grants with Three-Year Graded Vesting

In 2021, the Company began making LTI Awards. Under the LTI program, each LTI Award is made in the calendar year following the calendar year to which it relates and is subject to a three-year vesting schedule with one-third of the award vesting each year. This program makes up part of the total compensation for certain roles, including the NEOs. This program is designed to encourage long-term thinking for the NEOs and other employees who have a significant impact on client outcomes and future business results.

Compensation Setting Process

Role of the Compensation Committee. Pursuant to its charter, the Compensation Committee is required to fulfill certain duties and responsibilities including, but not limited to:

- Conducting an annual performance review of the CEO, reviewing and approving corporate goals and objectives relevant to the compensation of the CEO, evaluating their performance in light thereof, and considering other factors related to the performance of the Company in determining the CEO's compensation;
- Reviewing the CEO's recommendations and approving the salary, bonus, ownership incentives, and other significant benefits and arrangements provided for other NEOs;
- Reviewing and recommending to the Board the compensation for directors, including committee and committee chair fees and other compensation as appropriate;
- Reviewing management's recommendations and making recommendations to the Board with respect to the competitiveness of 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;

- Evaluating whether the Company's compensation and benefits policies, plans, and practices are reasonably designed in coordination with the Company's risk oversight policies so as not to create incentives for unnecessary or excessive risk taking; and
- Overseeing management's engagement and communications with shareholders and proxy advisory firms on executive compensation matters, including with respect to shareholder votes on executive compensation.

Role of Management. The CEO evaluates the other NEOs as part of the annual review process and makes recommendations to the Compensation Committee regarding all elements of their respective compensation. The CEO may propose changes to the other NEOs' compensation based on their respective performance, the compensation of individuals with comparable responsibilities in competing or similar organizations, and the business results of the Company. At the Compensation Committee's request, management attends Compensation Committee meetings to provide general employee compensation and other information to the Compensation Committee, including information regarding the design, implementation, and administration of the Company's compensation plans. The Compensation Committee also meets in executive sessions without the presence of any executive officer whose compensation the Compensation Committee is scheduled to discuss.

Use of Compensation Consultants and Surveys in Determining Executive Compensation. The Compensation Committee's charter gives it the authority to retain an independent, outside, compensation consulting firm to assist in evaluating policies and practices regarding executive compensation and provide objective advice regarding the competitive landscape. The Compensation Committee periodically obtains asset management industry pay analysis prepared by McLagan Data & Analytics (an Aon plc solution) or another compensation specialist focusing on the asset management industry. This analysis provides the Compensation Committee with a general overview of compensation trends in the asset management industry. The Compensation Committee does not define a specific peer group, but instead takes a broad view of the analysis across the industry, including the types and amounts of compensation paid generally by the companies surveyed. The Compensation Committee does not set any compensation elements or levels based on targeting a certain percentile from the survey. The Compensation Committee sets compensation that it believes to be both competitive and based on the executive's value to the Company. This analysis is just one of many factors that the Compensation Committee considers when determining executive compensation. Management and the Compensation Committee believe this broad view of the analysis is appropriate because the Company competes with both public and private asset management firms, regardless of their size, location, or scope of operations.

<u>Elements of Compensation</u>

The following table sets forth the total compensation for the NEOs for each of the past three years (except that Ms. Quinif served as an NEO only during 2023), as determined by the Compensation Committee. The Compensation Committee believes it is important to align the interests of the NEOs with those of shareholders, appropriately balance short and long-term incentives, and appropriately balance the mix of cash and equity-based compensation.

				Incentive Paid or Granted in the First Quarter Following Each Calendar Year				
Name and Principal Position	**Year**	**Compensation Committee Action Date [1]**	**Salary**	**Cash Bonus**	**Fully Vested Stock Award**	**LTI Stock Award (graded vesting)**	**Total Incentive**	**Total Salary & Incentive**
Heather E. Brilliant	2023	January 2024	$ 400,000	$1,500,000	—	$ 1,000,000	$ 2,500,000	$2,900,000
Chief Executive Officer	2022	January 2023	$ 400,000	$1,900,000	—	$ 750,000	$ 2,650,000	$3,050,000
and President	2021	January 2022	$ 400,000	$1,400,000	$ 900,000	$ 750,000	$ 3,050,000	$3,450,000
Thomas E. Line	2023	January 2024	$ 250,000	$ 495,000	—	$ 300,000	$ 795,000	$1,045,000
Chief Financial Officer	2022	January 2023	$ 250,000	$ 625,000	—	$ 250,000	$ 875,000	$1,125,000
and Treasurer	2021	January 2022	$ 250,000	$ 750,000	—	$ 350,000	$ 1,100,000	$1,350,000
Jo Ann Quinif[12]	2023	January 2024	$ 300,000	$1,000,000	—	$ 900,000	$ 1,900,000	$2,200,000
DHCM President and								
Chief Client Officer								

(1) The Compensation Committee Action Date references the date on which the Compensation Committee approved the relevant cash bonus and stock award grants for each NEO. With respect to each NEO's salary, the Compensation Committee approves such salary amount in, and the Compensation Committee Action Date would be, January of the year to which the salary relates (*e.g.*, the Compensation Committee approved NEO salaries for 2023 in January 2023).

Base Salary. Base salaries for the NEOs are designed to compensate knowledge and experience and 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 the Compensation Committee based on: (i) the NEO's scope of responsibility and complexity of position; (ii) the NEO's performance history; (iii) the NEO's 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. Based on these criteria, for 2023, the Compensation Committee set Ms. Brilliant's base salary at $400,000, Mr. Line's base salary at $250,000, and Ms. Quinif's base salary at $300,000.

Incentive Awards. When determining Incentive Awards, the Compensation Committee evaluates NEO and Company performance on many factors, including but not limited to the following:

- Long-term investment performance delivered for the Company's clients;
- Company financial performance including adjusted net operating income, adjusted operating margin, and adjusted diluted earnings per share; and
- In the case of the CEO, the CEO's performance including:
  - Achievement of individual goals reviewed with the Compensation Committee at the beginning of each year;
  - Overall leadership and people management;
  - Continued focus on corporate culture; and
  - Progress toward the long-term strategic goals of the Company.

The Compensation Committee believes that it is important to consider progress toward the achievement of long-term goals in addition to short-term financial metrics that are subject to market conditions or other factors outside the Company's control.

Under her employment agreement, Ms. Brilliant is entitled to receive an annual Incentive Award with a target fair market value equal to $1,750,000, and subject to a minimum Incentive Award of at least $600,000. The Incentive Award may be paid in cash, vested Company stock, or a combination of cash and vested stock as determined at the discretion of the Compensation Committee, with at least 40% of any Incentive Award being paid in cash.

As part of Ms. Brilliant's 2023 compensation, the Compensation Committee awarded to her a discretionary cash Incentive Award of $1,500,000, to compensate her for her performance and overall contributions to the Company during 2023. In determining the composition of Ms. Brilliant's 2023 Incentive Award, the Compensation Committee considered the Company's ownership guidelines for NEOs, Ms. Brilliant's overall ownership level, the compensation structure for Company employees, and overall Company financial performance. The Compensation Committee believes that having discretion on the amount and composition of the Incentive Award (subject to the minimum) provided the Compensation Committee with the flexibility to consider all aspects of Ms. Brilliant's performance and her contributions to the Company.

As part of Mr. Line's 2023 compensation, the Compensation Committee awarded him a discretionary cash Incentive Award of $495,000 to compensate him for his performance and overall contributions to the Company during 2023. In determining the amount of Mr. Line's 2023 Incentive Award, the Compensation Committee considered the Company's overall operating results for 2023, contributions by Mr. Line that were not reflected in the Company's operating results, and the compensation structure for Company employees.

As part of Ms. Quinif's 2023 compensation, the Compensation Committee awarded her a discretionary cash Incentive Award of $1,000,000 to compensate her for her performance and overall contributions to the Company during 2023. In determining the amount of Ms. Quinif's 2023 Incentive Award, the Compensation Committee considered her promotion to DHCM President, the Company's overall operating results for 2023, contributions by Ms. Quinif that were not reflected in the Company's operating results, and the compensation structure for Company employees.

LTI Awards. The Compensation Committee believes that granting LTI Awards of restricted stock under the Company's LTI program strongly aligns the NEOs' long-term interests with the interests of the Company and its shareholders. In determining the amount and composition of each NEO's LTI Award, the Compensation Committee considers the NEOs' contributions to and anticipated future impact on the Company, the total compensation of the NEO, industry practices related to the mix of cash and stock compensation, and the compensation structure of the Company's employees.

Consistent with the past practice of the Compensation Committee, in February 2024, the Compensation Committee evaluated the 2023 performance of the Company and each NEO and granted LTI Awards to each NEO that vest one-third per year on each April 1 from 2025 through 2027. The grant date fair value of the LTI Awards was $1,000,000 for Ms. Brilliant, $300,000 for Mr. Line, and $900,000 for Ms. Quinif.

In February 2023, the Compensation Committee evaluated the 2022 performance of the Company and each NEO (Ms. Brilliant and Mr. Line) and granted LTI Awards to each of them that vest one-third per year on each April 1 from 2024 through 2026. The grant date fair value of the LTI Awards was $750,000 for Ms. Brilliant and $250,000 for Mr. Line.

In February 2022, the Compensation Committee evaluated the 2021 performance of the Company and each NEO (Ms. Brilliant and Mr. Line) and granted LTI Awards to each of them that vest one-third per year on each April 1 from 2023 through 2025. The grant date fair value of the LTI Awards was $750,000 for Ms. Brilliant and $350,000 for Mr. Line. The LTI Awards granted in 2024, 2023 and 2022 (for performance in 2023, 2022 and 2021, respectively) were not based on any pre-established performance goals.

Pursuant to the SEC's rules for disclosing the LTI Awards in the Summary Compensation Table ("SCT") that follows this Compensation Discussion and Analysis, the Company is required to report these LTI Awards in the year in which they are granted. Accordingly, the LTI Awards for 2023 NEO performance (granted in February 2024) are not included in the SCT. In addition, the LTI Awards for 2022 NEO performance (granted in February 2023) and for 2021 NEO performance (granted in February 2022) are included in the SCT in in the "Stock Awards" column with respect to each of Ms. Brilliant's and Mr. Line's respective 2023 and 2022 compensation.

Retirement Plan Benefits. The Company provides retirement benefits to its NEOs through the 401(k) Plan. Each NEO 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. The Company's Deferred Compensation Plans are the Diamond Hill Fixed Term Deferred Compensation Plan and the Diamond Hill Variable Term Deferred Compensation Plan. Each NEO is eligible to participate in one of the Deferred Compensation Plans, along with other employees of the Company. The terms and conditions of the Deferred Compensation Plans are described in more detail under the heading "Pension Plans and Non-Qualified Deferred Compensation" below.

Other Benefits and Perquisites. The Company does not provide supplemental retirement plan benefits to its NEOs. As a general rule, it does not provide any perquisites or other personal benefits to its NEOs that are not offered on an equal basis to all other employees. The Company's NEOs 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. Ms. Brilliant has an employment agreement, which provides for payments upon termination of employment. More information on Ms. Brilliant's employment agreement and termination payments thereunder is set forth under the heading "Employment Agreements and Change in Control Benefits".

Risks Related to Compensation Policies and Practices

As part of its oversight of the Company's compensation programs, the Compensation Committee considers how the Company's current compensation programs, including the incentives created by compensation awards, affect the Company's risk profile. In addition, the Compensation Committee reviews the Company's 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 Compensation Committee also considers risk mitigating factors, including but not limited to, the following:

- The Company's current compensation programs consider an appropriate ratio of base compensation (fixed) to incentive compensation (variable);
- The portfolio managers have meaningful ownership in the strategies they manage;
- The Company pays a portion of incentive compensation in the form of long-term equity-based awards;
- The Compensation Committee has discretionary authority to adjust annual incentive awards for NEOs, subject to stated terms and conditions;

- The Company has internal controls over financial reporting and other financial, operational and compliance policies and practices; and
- The Company ensures that base salaries are consistent with executives' responsibilities so that they are not motivated to take excessive risks to achieve a reasonable level of financial security.

Based on this review, the Compensation Committee has concluded that the Company's compensation policies and practices for its employees are reasonably designed to not have a material adverse effect on the Company.

Compensation Recoupment and Restitution Policies

Upon the recommendation of the Compensation Committee, the Board has adopted a Compensation Recoupment and Restitution Policy that applies to all incentive compensation received by all employees, including the NEOs. Under this policy, the Company may recover all or a portion of incentive compensation previously paid or granted (or pay out additional incentive compensation) related to awards made after the adoption of the policy, in three general situations:

- If there was an erroneous miscalculation of the previously determined incentive pool such that one or more employee's incentive compensation awards is too large (or too small), then any overpayment made (or underpayment resulting, as applicable) to any employee may, in the sole discretion of the Compensation Committee and the Board, be required to be returned to the Company, or, in the case of any underpayment, an additional payment may be made to any affected 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 in the Board's sole discretion, the Company may recover, and the employee will forfeit and/or repay, all or a portion of the employee's incentive compensation awards for the relevant period; and
- If the Company's previously issued financial statements are restated as a result of error, omission, fraud or non-compliance with financial reporting requirements, then the Compensation Committee and the Board may, in their sole discretion, determine whether to recover all or a portion of an employee's (or former employee's) incentive award, or otherwise adjust an incentive award made to, one or more employees (or former employees).

In addition, as required by Nasdaq Listing Rule 5608, the Board has adopted an Executive Officer Compensation Recoupment and Restitution Policy, effective as of October 2, 2023, that applies to all incentive-based compensation granted to or received by the Company's current and former executive officers, including the NEOs. This policy is administered by the Compensation Committee. Pursuant to this policy, "incentive-based compensation" is any compensation granted, earned, or vested based wholly or in part upon the attainment of any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure. Under this policy, if there is an accounting restatement of the Company's financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws such that the incentive-based compensation granted to or received by current or former executive officers for the previously completed three fiscal years was too large, then the Compensation Committee will promptly determine the amount of any excess compensation paid and recover such excess amount. Consistent with Nasdaq Listing Rule 5608, this policy provides that this recovery obligation will not apply under certain limited circumstances, including if the direct expense that would be paid to a third party to assist in the recovery would exceed the amount to be recovered.

These two policies are intended to provide enhanced safeguards against certain types of employee misconduct and provide enhanced protection to, and alignment with, shareholders. These policies are in addition to any policies or recovery rights that are provided under applicable laws, including the Sarbanes-Oxley Act of 2002, as amended, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as amended (the "Dodd-Frank Act").

Executive Officer Stock Ownership and Retention Guidelines

Through the Guidelines, the Board has adopted stock ownership and retention guidelines for the Company's NEOs to further align their interests with those of shareholders. Under the Guidelines, each NEO is expected to reach a specified target ownership level within three years after assuming their position. For purposes of calculating the value of Company shares held, vested and unvested restricted stock and restricted stock units are counted, but unexercised stock options do not count. Shares held are measured at the greater of cost or market value.

The below table provides the target ownership level reflected in the Guidelines and actual shares owned by each NEO as of December 31, 2023. Each NEO currently holds shares well in excess of the amounts required under the Guidelines.

Name	Title	Target Ownership Level	Target Number of Shares (1)	Number of Shares Owned (2)	Ownership Guideline Met
Heather E. Brilliant	CEO and President	5x Salary	12,078	41,668	Yes
Thomas E. Line	Chief Financial Officer	3x Salary	4,529	20,210	Yes
Jo Ann Quinif	DHCM President and Chief Client Officer	2x Salary	3,623	16,920	Yes

(1) This target is based on a per share price of $165.59, which was the closing price of the Company's common stock as of December 31, 2023, and the respective base salaries of the NEOs as of that date.

(2) This number includes any unvested restricted stock and any shares held in the 401(k) Plan.

Summary Compensation Table

The following table sets forth the total compensation paid to, or earned by, the Company's NEOs for services rendered in the years indicated. Additional information on the elements of compensation included in the table below is available under the heading "Compensation Discussion and Analysis" above.

Name and Principal Position	Year	Salary	Bonus(1)	Stock Awards(2)		All Other Compensation(10)	Total(11)
Heather E. Brilliant	2023	$ 400,000	$1,500,000	$ 750,000	(3)	$ 52,743	$ 2,702,743
Chief Executive Officer	2022	$ 400,000	$1,900,000	$ 1,650,000	(4)	$ 49,171	$ 3,999,171
and President	2021	$ 400,000	$1,400,000	$ 1,300,000	(5)	$ 47,029	$ 3,147,029
Thomas E. Line	2023	$ 250,000	$ 495,000	$ 250,000	(6)	$ 43,100	$ 1,038,100
Chief Financial Officer	2022	$ 250,000	$ 625,000	$ 350,000	(7)	$ 43,100	$ 1,268,100
and Treasurer	2021	$ 250,000	$ 750,000	$ 250,000	(8)	$ 43,100	$ 1,293,100
Jo Ann Quinif(12)	2023	$ 300,000	$1,000,000	$ 600,000	(9)	$ 51,300	$ 1,951,300
DHCM President and							
Chief Client Officer							

(1) The amounts reported represent discretionary cash bonus Incentive Awards for the year in which each amount is reported. These discretionary cash bonus Incentive Awards were paid in the first quarter of the year following the year for which they were awarded and were not based upon any pre-established performance goals.

(2) The amounts reported represent discretionary stock bonus awards and discretionary restricted stock LTI Awards. The LTI Awards granted to NEOs are not based on any pre-established performance goals. The restricted stock is calculated in accordance with ASC 718. With respect to LTI Awards, these amounts do not represent the actual amounts that will be realized by the NEOs with respect to such awards upon vesting, if at all. The grant date fair value of the restricted stock was determined by multiplying the closing price of the Company's common stock on Nasdaq on the date of grant by the number of shares granted. Assumptions used in the calculation of these amounts are included in Note 7 to the Company's audited consolidated financial statements in the Form 10-K.

(3) The amount reported includes an LTI Award granted to Ms. Brilliant in February 2023, as part of her long-term incentive compensation for 2022, with a grant date fair value of $750,000 (3,918 shares). As long as Ms. Brilliant remains employed by the Company, the LTI Award will vest ratably on an annual basis over a three-year period beginning April

1, 2024. The compensation awarded to Ms. Brilliant for 2023 includes an LTI Award granted in February 2024, with a grant date fair value of $1,000,000, which comprises the entirety of her equity awards for 2023 and, pursuant to SEC disclosure rules, will be reported as a stock award in 2024 in the Company's next annual proxy statement.

(4) The amount reported includes a discretionary stock bonus award granted to Ms. Brilliant in February 2022, as part of her Incentive Award for 2021, with a grant date fair value of $900,000 (2,743 shares, net of tax withholding), which immediately vested upon grant. This discretionary stock bonus award was previously reported in the Stock Award column for 2021; see footnote 11 below for additional information. The amount reported also includes an LTI Award granted to Ms. Brilliant in February 2022, as part of her long-term incentive compensation for 2021, with a grant date fair value of $750,000 (4,244 shares). As long as Ms. Brilliant remains employed by the Company, the LTI Award will vest ratably on an annual basis over a three-year period beginning April 1, 2023.

(5) The amount reported includes a discretionary stock bonus award granted to Ms. Brilliant in February 2021, as part of her Incentive Award for 2020, with a grant date fair value of $1,000,000 (3,681 shares, net of tax withholding), which immediately vested upon grant. This discretionary stock bonus award was previously reported in the Stock Award column for 2020; see footnote 11 below for additional information. The amount reported also includes an LTI Award granted to Ms. Brilliant in February 2021, as part of her long-term incentive compensation for 2020, with a grant date fair value of $300,000 (1,923 shares). The LTI Award vested ratably on an annual basis over the three-year period beginning April 1, 2021.

(6) The amount reported represents an LTI Award granted to Mr. Line in February 2023 as part of his long-term incentive compensation for 2022, with a grant date fair value of $250,000 (1,306 shares). As long as Mr. Line remains employed by the Company, the LTI Award will vest ratably on an annual basis over a three-year period beginning April 1, 2024. The compensation awarded to Mr. Line for 2023 includes an LTI Award granted in February 2024, with a grant date fair value of $300,000, which comprises the entirety of his equity awards for 2023, and, pursuant to SEC disclosure rules, will be reported as a stock award in 2024 in the Company's next annual proxy statement.

(7) The amount reported represents an LTI Award granted to Mr. Line in February 2022 as part of his long-term incentive compensation for 2021, with a grant date fair value of $350,000 (1,981 shares). As long as Mr. Line remains employed by the Company, the LTI Award will vest ratably on an annual basis over a three-year period beginning April 1, 2023.

(8) The amount reported represents an LTI Award granted to Mr. Line in February 2021 as part of his long-term incentive compensation for 2020, with a grant date fair value of $250,000 (1,603 shares). The LTI Award vested ratably on an annual basis over the three-year period beginning April 1, 2021.

(9) The amount reported represents an LTI Award granted to Ms. Quinif in February 2023 as part of her long-term incentive compensation for 2022, with a grant date fair value of $600,000 (3,134 shares). As long as Ms. Quinif remains employed by the Company, the LTI Award stock will vest ratably on an annual basis over a three-year period beginning April 1, 2024. The compensation awarded to Ms. Quinif for 2023 includes an LTI Award granted in February 2024, with a grant date fair value of $900,000, which comprises the entirety of her equity awards for 2023 and, pursuant to SEC disclosure rules, will be reported as a stock award in 2024 in the Company's next annual proxy statement.

(10) The following items are included in the "All Other Compensation" column:

Name	Year	Contributions to 401(k) Plan[(i)]	Contributions to Health Savings Account[(i)]	Total
Heather E. Brilliant	2023	$ 47,143	$ 5,600	$ 52,743
	2022	$ 43,571	$ 5,600	$ 49,171
	2021	$ 41,429	$ 5,600	$ 47,029
Thomas E. Line	2023	$ 37,500	$ 5,600	$ 43,100
	2022	$ 37,500	$ 5,600	$ 43,100
	2021	$ 37,500	$ 5,600	$ 43,100
Jo Ann Quinif	2023	$ 45,000	$ 6,300	$ 51,300

(i) Company contributions to the 401(k) Plan and employee health savings accounts are offered to all employees of the Company.

(11) The total compensation reported in this SCT for Ms. Brilliant in 2021 adjusts the corresponding amounts reported in the Company's annual proxy statements filed in 2022, wherein the Company included the grant date fair value of each discretionary stock bonus award as a stock award in the year for which the stock bonus award was made. In this Proxy Statement and the Company's proxy statement filed in 2023, the Company has, in accordance with SEC disclosure rules regarding the timing of reporting stock awards, moved the grant date fair value of each discretionary stock bonus award

to the year in which the stock bonus award was actually granted (*i.e.*, an award that was made for 2021 performance was granted in the first quarter of 2022 and now appears as a stock award in 2022).

(12) Ms. Quinif did not serve as an NEO until 2023.

Grants of Plan-Based Awards for 2023

The following table sets forth information regarding the awards granted to each NEO during 2023 under the Diamond Hill Investment Group, Inc. 2022 Equity and Cash Incentive Plan (the "2022 Plan").

Name	Grant Date	Compensation Committee Action Date(1)	All Other Stock Awards: Number of Shares of Stock(2)	Grant Date Fair Value of Stock Award
Heather E. Brilliant	02/18/2023	01/26/2023	3,918	$ 750,000
Thomas E. Line	02/18/2023	01/26/2023	1,306	$ 250,000
Jo Ann Quinif	02/18/2023	01/26/2023	3,134	$ 600,000

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

(2) The Compensation Committee granted restricted stock LTI Awards to each of Ms. Brilliant, Mr. Line, and Ms. Quinif pursuant to the 2022 Plan. These LTI Awards are intended to represent a portion of their total compensation. The shares of restricted stock granted on February 18, 2023 were unvested and will vest over a three-year period beginning on April 1, 2024, provided that the applicable NEO remains employed by the Company through the applicable vesting dates.

Outstanding Equity Awards at December 31, 2023

The following table summarizes all outstanding equity awards held by the NEOs as of December 31, 2023.

	Stock Awards	
Name	Equity Incentive Plan Awards: Number of Unearned Shares That have Not Vested (1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares That Have Not Vested(2)
Heather E. Brilliant	29,073	$ 4,814,198
Thomas E. Line	11,142	$ 1,845,004
Jo Ann Quinif	7,342	$ 1,215,762

(1) These shares represent grants of restricted stock to each of Ms. Brilliant, Mr. Line, and Ms. Quinif pursuant to the 2022 Plan and the Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan (the "2014 Plan"). Subject to their continued employment with the Company: (a) Ms. Brilliant received 21,719 shares of restricted stock upon hire that will vest on October 1, 2024; (b) Ms. Brilliant's restricted stock granted in 2021 under the LTI program will vest on April 1, 2024 (635 shares); (c) Ms. Brilliant's restricted stock granted in 2022 under the LTI program will vest on April 1, 2024 (1,400 shares), and April 1, 2025 (1,401 shares); (d) Ms. Brilliant's restricted stock granted in 2023 under the LTI program will vest on April 1, 2024 (1,332 shares), April 1, 2025 (1,293 shares), and April 1, 2026 (1,293 shares); (e) Mr. Line received 8,000 shares of restricted stock that vested on January 1, 2024; (f) Mr. Line's restricted stock granted in 2021 under the LTI program will vest on April 1, 2024 (529 shares); (g) Mr. Line's restricted stock granted in 2022 under the LTI program will vest on April 1, 2024 (653 shares) and April 1, 2025 (654 shares); (h) Mr. Line's restricted stock granted in 2023 under the LTI program will vest on April 1, 2024 (444 shares), April 1, 2025 (431 shares), and April 1, 2026 (431 shares); (i) Ms. Quinif's restricted stock granted in 2021 under the LTI program will vest on April 1, 2024 (847 shares); (j) Ms. Quinif's restricted stock granted in 2022 under the LTI program will vest on April 1, 2024 (1,681 shares) and April 1, 2025 (1,680 shares); (k) Ms. Quinif's restricted stock granted in 2023 under the LTI program will vest on April 1, 2024 (1,066 shares), April 1, 2025 (1,034 shares), and April 1, 2026 (1,034 shares).

(2) The amount in this column represents the value of the awards shown, calculated as the product of the number of shares of restricted stock underlying the award multiplied by $165.59, the closing market price of the Company's common stock as of December 31, 2023.

Option Exercises and Stock Vested in 2023

No options have been granted to the NEOs. The following table sets forth information with respect to the stock awards held by the NEOs that vested in 2023.

	Stock Awards	
Name	Number of Shares Acquired on Vesting	Value Realized on Vesting
Heather E. Brilliant [(1)]	2,078	$ 341,997
Thomas E. Line [(1)]	1,203	$ 197,990
Jo Ann Quinif [(1)]	2,577	$ 424,123

(1) These shares relate to the vesting of restricted stock awards previously granted to Ms. Brilliant, Mr. Line, and Ms. Quinif under the LTI program.

Pension Benefits and Non-Qualified Deferred Compensation

The Company does not maintain any pension plans for NEOs or other employees. In 2023, the Company offered to its NEOs and all other employees the opportunity to participate in one of the two Deferred Compensation Plans.

Deferrals of Incentive Compensation.

Pursuant to the Deferred Compensation Plans, eligible participants may elect to defer up to 50% of the vested 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 Plans.

Ms. Brilliant was the only NEO that contributed to the Deferred Compensation Plans in 2023, and she had a balance under such plans as of December 31, 2023.

Potential Payments upon Termination or Change-in-Control

Overview

The Company entered into an employment agreement with Ms. Brilliant on October 26, 2021, an amendment to the employment agreement on March 31, 2023, and an amendment to the employment agreement on November 14, 2023 (as amended, the “Agreement”). A description of the Agreement is set forth below. The Company is not a party to an employment agreement with any other employee, including Mr. Line or Ms. Quinif, and is not obligated to provide change in control benefits to any employee other than Ms. Brilliant. In the sections below, the Company describes the material terms of the Agreement with Ms. Brilliant, and sets forth the payments that would have been received by Ms. Brilliant (or her beneficiaries, as applicable) upon a change in control of the Company or in the event her employment with the Company terminated on December 31, 2023 under various hypothetical scenarios.

Employment Agreement with CEO

The Company entered into the Agreement to align Ms. Brilliant’s compensation more closely with the Company’s employee compensation program changes that were approved in 2020. The Company amended the employment agreement with Ms. Brilliant on March 31, 2023 to reflect that Ms. Brilliant would no longer serve as President of DHCM, and amended it on November 14, 2023 to comply with the requirements of Nasdaq Listing Rule 5608 and to reflect the Company’s Executive Officer Compensation Recoupment and Restitution Policy. The Agreement will expire on December 31, 2026, but will automatically renew for one-year periods unless the Company or Ms. Brilliant provides advance notice that it will not be renewed. The Agreement superseded and replaced the employment agreement entered into between the Company and Ms. Brilliant dated July 5, 2019 (the “Initial Agreement”).

The agreement provides for an annual base salary of $400,000, which may be increased (but not reduced) by the Board annually. Ms. Brilliant also receives reimbursement for certain travel and other expenses, insurance, and fringe benefits at the levels available to all of the Company's employees. As long as she remains employed with the Company, Ms. Brilliant will be eligible to receive: (i) an annual Incentive Award, with a target fair market value equal to $1,750,000, and a minimum of at least $600,000; and (ii) an annual LTI Award with a target fair market value equal to $600,000 for each calendar year prior to the full vesting of the initial five-year cliff-vested award of restricted stock on October 1, 2024 that was granted to Ms. Brilliant under the Initial Agreement ("Initial Equity Award") and a target annual LTI Award of $1,200,000 thereafter. The Board retains complete flexibility to pay meaningfully more or less than these target amounts.

The Incentive Awards and LTI Awards will be determined based upon Ms. Brilliant's satisfaction of certain performance criteria established by the Board and eligibility requirements under the Company's Equity and Cash Incentive Plan in effect at that time. The Incentive Awards will also be subject to the Company's performance during the relevant calendar year. Any such Incentive Award may be paid in cash, Company stock, or a combination thereof, except that at least 40% of any Incentive Award must be paid in cash. The Agreement also contains customary non-competition, non-solicitation, confidentiality, and non-disparagement covenants that apply during the term of the Agreement and for one year following termination of Ms. Brilliant's employment with the Company.

Termination without Cause

If the Company terminates Ms. Brilliant's employment without "Cause", she would be entitled to the following payments, which are quantified to reflect the amounts she would have received had her employment been terminated on December 31, 2023:

1. Her accrued but unpaid base salary and vacation and unreimbursed business expenses as of the date of termination ($0 at December 31, 2023);
2. Payments, if any, under other benefit plans and programs in effect at the time ($0 at December 31, 2023; the Company has no benefit plans that would result in payments upon termination);
3. Any Incentive Award for a completed year that has not yet been paid as of the date of termination ($1,500,000 at December 31, 2023);
4. Any LTI Award and/or Initial Equity Award for a completed year that has been granted but not yet vested ($4,814,198 at December 31, 2023);
5. A lump sum payment equal to her base salary in effect at the date of termination ($400,000 at December 31, 2023);
6. A lump sum payment equal to the amount of the Incentive Award made to Ms. Brilliant for the calendar year preceding termination of employment, prorated for the number of days during the calendar year in which the termination of employment occurs ($1,900,000 at December 31, 2023); and
7. A single lump sum payment equal to the fair market value of the portion of any LTI Award that would have vested for the calendar year in which termination of employment occurs ($344,096 at December 31, 2023).

Under the Agreement, "Cause" generally includes material violations of the Company's employment policies, conviction of crime involving moral turpitude, violations of securities or investment adviser laws, causing the Company to violate a law which may result in penalties exceeding $250,000, materially breaching the Agreement, or fraud, willful misconduct, or gross negligence in carrying out her duties.

Termination for Good Reason

Ms. Brilliant may terminate her employment for "Good Reason" (as defined in the Agreement), which generally includes reduction of her annual base salary, requiring her to relocate her principal place of business to a location more than 50 miles from its current location, assignment to her of duties inconsistent with her position and authority, a requirement that she no longer report directly to the Board, or a breach by the Company of the Agreement. If she terminates her employment for Good Reason, Ms. Brilliant is entitled to all of the payments described in numbers 1 through 6 in the "Termination without Cause" section above.

Voluntary Termination, Termination for Cause, or Expiration of Agreement

If Ms. Brilliant terminates the Agreement voluntarily other than for "Good Reason" or if the Company terminates Ms. Brilliant for "Cause", the Company has no obligation to pay any unearned compensation or continue any benefits. In such instances, Ms. Brilliant will be entitled to receive only the payments set forth in numbers 1 and 2 in the "Termination without

Cause" section above. If the Agreement expires in accordance with its terms, Ms. Brilliant will be entitled to receive the payments set forth in numbers 1 through 3 in the "Termination without Cause" section above.

Termination Due to Death or Disability

If Ms. Brilliant's employment terminates due to her death, her estate will be entitled to receive: (i) the payments set forth in numbers 1 through 3 in the "Termination without Cause" section above; and (ii) any LTI Award and Initial Equity Award for a completed year that has been granted but not yet vested ($4,814,198 at December 31, 2023), which grant shall then vest in accordance with the terms of the relevant compensation plan or award agreement, as applicable.

In the event of Ms. Brilliant's "Permanent Disability" (as defined in the Agreement), she will be entitled to receive the payments set forth in numbers 1 through 3 in the "Termination without Cause" section above.

Change in Control

Upon the occurrence of a "Change in Control" (as defined under the 2014 Plan or the 2022 Plan, as applicable), all unvested restricted stock awards of any employee will immediately vest and become exercisable. In addition, the Compensation Committee, in its sole discretion, may determine to make a cash payment to any employee in exchange for the cancellation of their restricted stock awards or issue substitute awards that substantially preserve the value, rights, and benefits of any affected restricted stock awards.

In the case of each of Ms. Brilliant, Mr. Line, and Ms. Quinif, such a Change in Control would result in the immediate vesting of all outstanding unearned shares that have not vested which for Ms. Brilliant would be $4,814,198 at December 31, 2023, for Mr. Line would be $1,845,004 at December 31, 2023, and for Ms. Quinif would be $1,215,762 at December 31, 2023.

In the event that a "Change in Control" (as defined in the Agreement) of the Company occurs and, within six months prior or 24 months following such Change in Control, Ms. Brilliant's employment is terminated by the Company or its successor without Cause, or Ms. Brilliant terminates her employment for Good Reason, she will be entitled to the following payments from the Company or its successor, in addition to the applicable payments set forth in numbers 1 through 3 in the "Termination without Cause" section above:

- A lump sum payment equal to the greater of: (1) her base salary in effect at termination of employment; or (2) the base salary paid to her for the most recently completed calendar year ($400,000 at December 31, 2023);
- A lump sum payment equal to her Incentive Award for the calendar year preceding termination of employment ($1,900,000 at December 31, 2023);
- A pro-rated lump-sum payment equal to the target annual Incentive Award for the calendar year in which the termination of employment occurs ($1,500,000 at December 31, 2023);
- Full vesting of her previously granted LTI Awards, to the extent not previously vested in a Change in Control transaction (7,354 shares valued at $1,217,750 at December 31, 2023); and
- Full vesting of her Initial Equity Award of 21,719 shares, to the extent not previously vested in a Change in Control transaction ($3,596,449 at December 31, 2023).

Pay Ratio Disclosure

As required by Section 953(b) of the Dodd-Frank Act and Item 402(u) of Regulation S-K, the table below shows the ratio of the median annual total compensation of all Company employees (excluding the CEO) to the annual total compensation of the CEO as presented in the SCT. In determining the median employee, a listing was prepared of all current employees as of December 31, 2023. To determine the median employee, the Company included 2023 base salary and incentive compensation (annualized for those employees that were not employed for the full year of 2023). Once the median employee was identified, for purposes of comparison to the CEO, the Company then calculated the compensation for that employee in the same manner as the total compensation shown for the CEO in the SCT. The following types of compensation are included in the "Median Employee total annual compensation" below: base salary, discretionary cash bonus, stock awards for 2022 granted in 2023, contributions to the 401(k) plan, and contributions to an employee's Health Savings Account.

Median Employee total annual compensation	$	350,722
Heather E. Brilliant, CEO, total annual compensation	$	2,702,743
Ratio of CEO to median employee compensation		7.7 : 1

Pay Versus Performance Table

As required by Item 402(v) of Regulation S-K, the Company is providing the following information regarding the relationship between the "compensation actually paid" ("CAP") for its NEOs and certain financial performance measures. The CAP to the NEOs as reported in this section of the Proxy Statement does not reflect the actual amount of compensation earned by or paid to the NEOs, but is a calculation derived from the total compensation reported for each NEO in the SCT, as adjusted pursuant to the requirements of Item 402(v) of Regulation S-K. Additional discussion of the Company's philosophy on pay for performance is available above under the heading "Compensation Discussion and Analysis".

					Value of initial fixed $100 investment based on:			
Year	**Summary compensation table total for PEO**[1]	**Compensation actually paid to PEO**[2]	**Average summary compensation table total for non-PEO NEOs**[3]	**Average compensation actually paid to non-PEO NEOs** [4]	**Total shareholder return**[5]	**Peer group total shareholder return**[6]	**Net income**	**Adjusted net operating income**[7]
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
2023	$ 2,702,743	$ 2,247,845	$ 1,494,700	$ 1,320,528	$ 156	$ 182	$ 43,085,548	$ 41,434,000
2022	$ 3,999,171	$ 4,091,451	$ 1,268,100	$ 1,308,631	$ 168	$ 132	$ 36,870,762	$ 60,352,296
2021	$ 3,147,029	$ 4,738,862	$ 1,293,100	$ 1,933,397	$ 167	$ 170	$ 75,589,539	$ 83,680,496
2020	$ 1,425,774	$ 1,877,746	$ 1,043,100	$ 1,209,580	$ 115	$ 134	$ 38,165,138	$ 47,974,867

(1) The dollar amounts in column (b) are the amounts reported in the "Total" column of the SCT for the Company's principal executive officer ("PEO"), Ms. Brilliant, for each applicable year. Ms. Brilliant was the only PEO for each year reported in this table.

(2) The dollar amounts in column (c) represent the CAP to the PEO. The determination of CAP in accordance with Item 402(v) of Regulation S-K requires the following adjustments to the amounts reported in the "Total" column of the SCT:

	2023	**2022**	**2021**	**2020**
Average SCT total	$ 2,702,743	$ 3,999,171	$ 3,147,029	$ 1,425,774
Less stock awards per SCT[(i)]	$ (750,000)	(1,650,000)	(1,300,000)	(380,000)
Equity award adjustments[(ii)]***:***				
Year end fair value of equity awards granted in the year and unvested at year end[(iii)]	648,782	785,225	373,504	—
Year over year change in fair value of outstanding and unvested equity awards[(iv)]	(488,761)	(211,729)	976,486	191,344
Fair value as of vesting date of equity awards granted and vested in the year[(v)]	—	900,000	1,000,000	380,000
Year over year change in fair value of equity awards granted in prior years that vested in the year[(vi)]	(42,474)	(4,525)	—	—
Value of dividends or other earnings paid on stock or option awards not otherwise reflected in fair value or total compensation[(vii)]	177,555	273,309	541,843	260,628
CAP to the PEO	**$ 2,247,845**	**$ 4,091,451**	**$ 4,738,862**	**$ 1,877,746**

(i) The grant date fair value of equity awards represents the total of the amounts reported in the "Stock Awards" column of the SCT.

(ii) The relevant required equity award adjustments for each year presented include the addition or subtraction, as applicable, of the following:

(iii) The year-end fair value of any equity awards granted in the applicable year that are outstanding and unvested as of the end of that year;

(iv) The amount of change as of the end of the applicable year (from the end of the prior year) in fair value of any equity awards granted in prior years that are outstanding and unvested as of the end of the applicable year;

(v) For equity awards that are granted and vest in same applicable year, the fair value as of the vesting date;

(vi) For equity awards granted in prior years that vest in the applicable year, the amount equal to the change as of the vesting date (from the end of the prior year) in fair value; and

(vii) The dollar value of any dividends or other earnings paid on stock or option awards in the applicable year prior to the vesting date that are not otherwise reflected in the fair value of such award or included in any other component of total compensation for the applicable year.

(3) The dollar amounts in column (d) represent the average of the amounts reported in the "Total" column of the SCT for the NEOs as a group (excluding the PEO) for each applicable year. Mr. Line, the Company's principal financial officer, was its only non-PEO NEO for 2020, 2021, and 2022. Mr. Line and Ms. Quinif were the Company's non-PEO NEOs for 2023.

(4) The dollar amounts in column (e) represent the CAP to the non-PEO NEOs. The determination of CAP in accordance with Item 402(v) of Regulation S-K requires the following adjustments to the amounts reported in the "Total" column of the SCT. The adjustments made to determine the CAP to the non-PEO NEOs are of the same nature as described in footnotes (2)(i)-(vii) above for the PEO and are as follows:

	2023	2022	2021	2020
Average SCT total	$ 1,494,700	$ 1,268,100	$ 1,293,100	$ 1,043,100
Less stock awards per SCT[(i)]	$ (425,000)	$ (350,000)	$ (250,000)	$ (300,000)
Equity award adjustments[(ii)]:				
Year end fair value of equity awards granted in the year and unvested at year end[(iii)]	$ 367,610	$ 366,525	$ 311,351	$ —
Year over year change in fair value of outstanding and unvested equity awards[(iv)]	$ (136,437)	$ (83,424)	$ 359,680	$ 70,480
Fair value as of vesting date of equity awards granted and vested in the year[(v)]	$ —	$ —	$ —	$ 300,000
Year over year change in fair value of equity awards granted in prior years that vested in the year[(vi)]	$ (38,632)	$ (3,777)	$ —	$ —
Value of dividends or other earnings paid on stock or option awards not otherwise reflected in fair value or total compensation[(vii)]	$ 58,287	$ 111,207	$ 219,266	$ 96,000
Average CAP to the non-PEO NEOs	**$ 1,320,528**	**$ 1,308,631**	**$ 1,933,397**	**$ 1,209,580**

(5) Cumulative total shareholder return ("TSR") is calculated by dividing the sum of the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and the difference between the Company's stock price at the end and the beginning of the measurement period by the Company's stock price at the beginning of the measurement period.

(6) The dollar amounts in column (g) represent the weighted peer group TSR, weighted according to the respective company's stock market capitalization at the beginning of each period for which a return is indicated. The peer group used for this purpose is the Russell 2000 Asset Managers & Custodians ("R2000 A&C Index"), which is comprised of the Asset Managers & Custodians subsector of the Russell 2000 Index. The R2000 A&C Index used to calculate the returns includes the following companies:

AlTi Global, Inc.[(j)]	Cowen Inc.	Patria Investments Ltd.[(j)]
Altisource Portfolio Solutions S.A.	Diamond Hill Investment Group, Inc.	Perella Weinberg Partners
Ares Management Corporation	Federated Hermes, Inc.	PJT Partners, Inc.
Arlington Asset Investment Corp.	Focus Financial Partners, Inc.	Pzena Investment Management, Inc.
Artisan Partners Asset Management, Inc.	GAMCO Investors, Inc.	Sculptor Capital Management, Inc.
Ashford Inc.	GCM Grosvenor, Inc.	Silvercrest Asset Management Group Inc.
AssetMark Financial Holdings, Inc.	Greenhill & Co., Inc.	StepStone Group, Inc.
Associated Capital Group, Inc.	Hamilton Lane Incorporated	Victory Capital Holdings, Inc.
Avantax, Inc.	Manning & Napier, Inc.	Virtus Investment Partners, Inc.
B. Riley Financial, Inc.	MMA Capital Holdings, Inc.	Waddell & Reed Financial, Inc.
BrightSphere Investment Group, Inc.	Morgan Group Holding Co.	Westwood Holdings Group, Inc.
Brookfield Business Corp.	Oppenheimer Holdings Inc.	WisdomTree, Inc.
Cohen & Steers, Inc.	P10, Inc.[(j)]	

(j) Added to the R2000 A&C Index in 2023.

Financial Engines, Inc. and Medley Management, Inc. were removed from the R2000 A&C Index in 2023.

(7) The company-selected measure ("CSM") is adjusted net operating income, which adjusts net operating income, as calculated in accordance with GAAP, for the impact of market movements on the deferred compensation liability and related economic hedges, and the impact of the Consolidated Funds. Adjusted net operating income is a non-GAAP financial measure. The Company believes this measure and other non-GAAP financial measures provide relevant and meaningful information to investors about its core operating results. See the "Annex – Reconciliation of Non-GAAP Financial Measures" section of the Annual Letter to Shareholders included with this Proxy Statement. While the Company uses several financial and non-financial performance measures for the purpose of evaluating its executive compensation programs, it has determined that adjusted net operating income is the financial performance measure that represents the most important performance measure used by it to link CAP to the NEOs, for the most recently completed year, to the Company's performance.

Tabular List of Important Performance Measures

As described in greater detail above under the heading "Compensation Discussion and Analysis", the metrics that the Company uses for both its long-term and short-term incentive awards are selected based on an objective of aligning the interests of its NEOs with the interest of its shareholders. The Company considers the measures below to be the most important to link CAP to the NEOs for the most recently completed year to its performance.

Performance Measure
Adjusted net operating income
Adjusted operating profit margin
Adjusted diluted earnings per share
Long-term investment performance

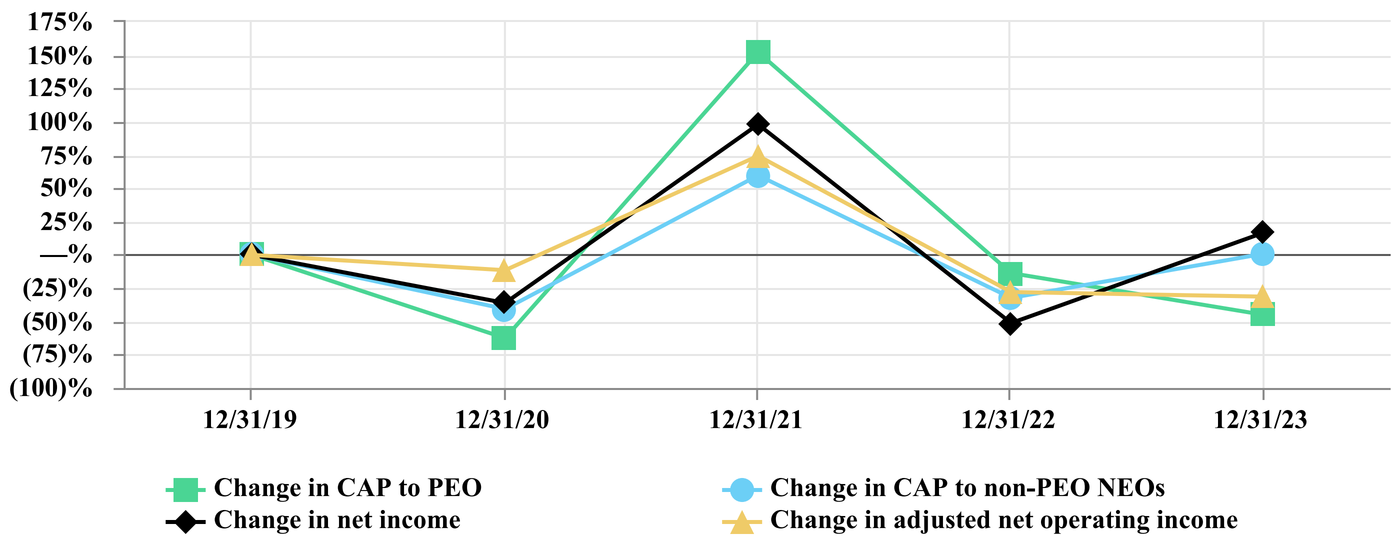
For an explanation of how the non-GAAP financial measures above are derived from the Company's audited consolidated financial statements, see the "Annex – Reconciliation of Non-GAAP Financial Measures" section of the Annual Letter to Shareholders included with this Proxy Statement.

Analysis of Information Presented in the Pay Versus Performance Table

As described in greater detail above under the heading "Compensation Discussion and Analysis", the Company's executive compensation program reflects a variable pay for performance philosophy. While the Company considers several performance indicators to align executive compensation with its performance, not all of those performance indicators are presented in the "Pay Versus Performance" Table. The Company does not specifically align its performance measures with CAP, as computed in accordance with Item 402(v) of Regulation S-K. In accordance with Item 402(v) of Regulation S-K, the Company is providing the following descriptions of the relationships between information presented in the "Pay Versus Performance" Table.

The Company determines NEO compensation, in part, based on its core operating results. It believes that adjusted net operating income (its CSM) provides the most relevant and meaningful information regarding its core operating results. Adjusted net operating income is a non-GAAP financial measure. See the "Annex – Reconciliation of Non-GAAP Financial Measures" section of the Annual Letter to Shareholders included with this Proxy Statement. The following graph compares the change in CAP to the PEO and non-PEO NEOs with the Company's net income and its adjusted net operating income for the four-year period ended December 31, 2023.

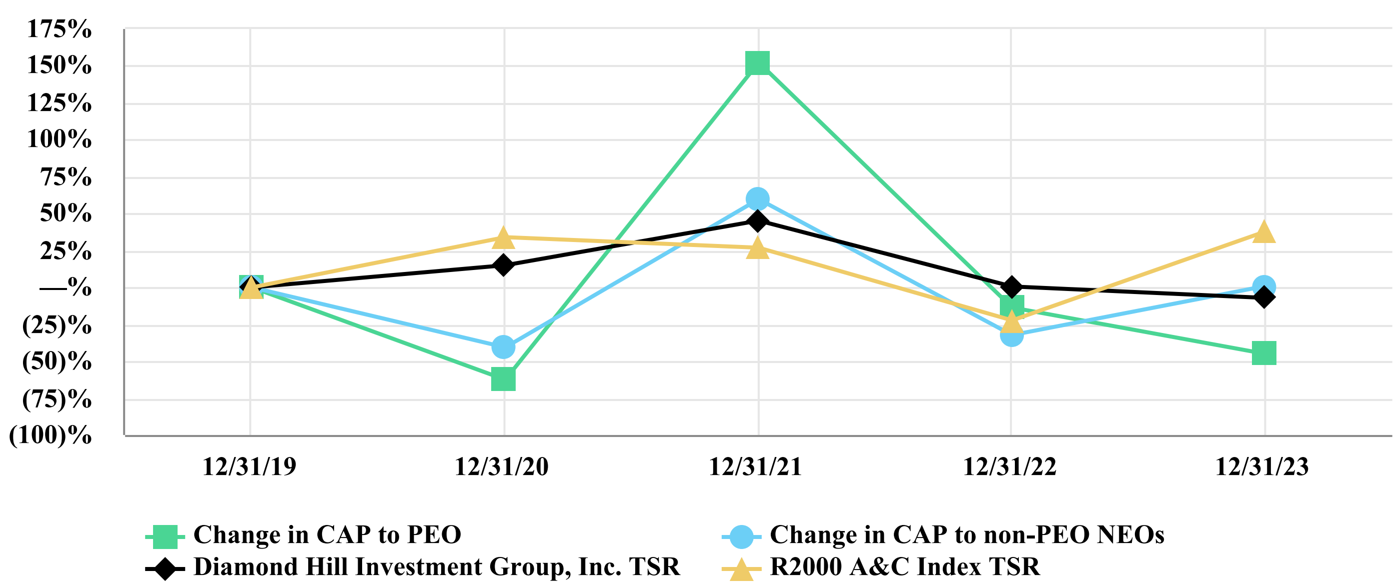
Change in CAP, Net Income and CSM



The above table includes the change in the total value of all outstanding unvested equity awards held by the PEO and non-PEO NEOs. Due to the large amount of unvested equity awards held by the PEO, the annual change in CAP to the PEO may be more volatile that the other measures shown in the graph above.

The following graph compares the change in CAP to the PEO and non-PEO NEOs, with the Company's TSR, and the TSR for the R2000 A&C Index for the four-year period ended December 31, 2023. The R2000 A&C Index is comprised of the Asset Managers & Custodians sub-sector of the Russell 2000 Index. The Company uses the R2000 A&C Index as its peer group comparison because it believes that index is the most relevant, comparable index available.

Change in CAP, Company TSR and Peer Group TSR



The change in CAP includes the change in the total value of all outstanding unvested equity awards held by the PEO and non-PEO NEOs. Due to the large amount of unvested equity awards held by the PEO, the annual change in CAP to PEO may be more volatile than the other measures shown in the graph above.

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 Audit Committee engages in an evaluation of the independent registered public accounting firm's qualifications, performance, and independence. The Audit 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 to serve as the Company's independent registered public accounting firm for fiscal year ending December 31, 2024. KPMG was first appointed to serve as the Company's independent registered public accounting firm on October 24, 2012, and served as its independent registered public accounting firm for fiscal year ended December 31, 2023.

The Audit Committee and the Board believe that the continued retention of KPMG as the Company's independent registered public accounting firm is in the best interests of the Company and its shareholders, and the Audit Committee is asking shareholders to ratify the selection of KPMG as its independent registered public accounting firm for fiscal year ending December 31, 2024.

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 AUDIT COMMITTEE AND THE BOARD UNANIMOUSLY RECOMMEND THAT YOU VOTE "FOR" THE RATIFICATION OF THE APPOINTMENT OF KPMG AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR FISCAL YEAR ENDING DECEMBER 31, 2024.

If Proposal 2 is not approved, the Audit Committee will reconsider the appointment of KPMG as the Company's independent registered public accounting firm for fiscal year ending December 31, 2024, and may or may not make any changes to such appointment.

AUDIT COMMITTEE MATTERS

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 2023 and 2022.

	Year Ended 12/31/2023	Year Ended 12/31/2022
Audit Fees[(1)]	$ 266,250	$ 262,500
Audit-Related Fees	—	—
Tax Fees [(2)]	61,380	72,250
All Other Fees	—	—
Total Fees	$ 327,630	$ 334,750

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

Pre-Approval by Audit Committee

The Audit Committee has adopted policies and procedures that set forth the manner in which the committee will review and approve all audit and non-audit services proposed 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 CFO and then reported to the Audit Committee at its next regularly scheduled meeting; and
- Pre-approval actions taken during Audit Committee meetings are recorded in the minutes of the meetings.

In determining whether to approve the proposed Services, the Audit Committee and the CFO consider whether such Services are consistent with the SEC's and the Public Company Accounting Oversight Board ("PCAOB") rules on auditor independence. All of the Services related to audit-related fees, tax fees, or all other fees described above were pre-approved by the Audit Committee.

Audit Committee Report

During 2023, the Audit Committee was comprised of independent directors operating under a written charter adopted by the Board, the most current version of which is available on the Company's website, ir.diamond-hill.com, under "Corporate Information - Corporate Governance". 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, 2023.

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 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 reviewed and held discussions with management and KPMG regarding the audited consolidated financial statements of the Company for the fiscal year ended December 31, 2023. The Audit Committee reviewed the audit plan and scope with KPMG. 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 Audit Committee also discussed with KPMG the matters required to be discussed by the applicable requirements of the PCAOB and SEC. The Audit Committee has received the written disclosures and the letter from KPMG required by applicable requirements of the PCAOB regarding KPMG's communications with the Audit Committee concerning independence, and has discussed with KPMG its independence from management and the Company.

Management has represented to the Audit Committee that the Company's consolidated financial statements for the year ended December 31, 2023, were prepared in accordance with GAAP. 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 (and the Board has approved) that the audited consolidated financial statements be included in the Form 10-K filed with the SEC.

Submitted by the Audit Committee of the Board:

Richard S. Cooley
James F. Laird
Paula R. Meyer
Nicole R. St. Pierre
L'Quentus Thomas, Chair

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

As described under the heading "Compensation Discussion and Analysis" of this Proxy Statement, the Board believes that executive compensation should be linked with the Company's performance and significantly aligned with the interests of the Company's shareholders. In addition, the Company's executive compensation program is designed to allow it to retain, and recognize the contributions of, employees who play a significant role in its current and future success. The Board urges you to read the "Compensation Discussion and Analysis" section and the executive compensation tables and related disclosure in this Proxy Statement for a detailed description of the 2023 compensation of its NEOs.

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 the Company's NEOs. This vote is advisory, and therefore, not binding on the Company, the Board, or the Compensation Committee. 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 NEOs.

Accordingly, the Board asks shareholders to vote on the following resolution:

> RESOLVED, that the Company's shareholders approve, on an advisory basis, the 2023 compensation of the named executive officers, as disclosed in the Company's Proxy Statement for the 2024 Annual Meeting of Shareholders pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, the compensation tables, and the related narrative discussion.

THE BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" THE ADVISORY APPROVAL OF THE 2023 COMPENSATION OF THE COMPANY'S NEOS AS DISCLOSED IN THIS PROXY STATEMENT PURSUANT TO ITEM 402 OF REGULATION S-K.

ADDITIONAL INFORMATION

SHAREHOLDER COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Given the Company's relatively small size, 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 the Company does not have, a formal process for, shareholders to send communications to the Board. Current practice is to forward any communication received by the Company and addressed to: (i) the full Board, to the Board Chair; (ii) a group of directors, to a member of the group; or (iii) an individual director, to that person.

SHAREHOLDER PROPOSALS FOR 2025 ANNUAL MEETING

Shareholders are entitled to submit proposals on matters appropriate for shareholder action consistent with SEC rules and the Company's Amended and Restated Code of Regulations (the "Regulations"). Should a shareholder wish to have a proposal appear in the Company's proxy statement and proxy card for the 2025 Annual Meeting of Shareholders, under applicable SEC rules, the proposal must be received by the Company's Secretary on or before November 25, 2024, and must otherwise comply with the requirements of Rule 14a-8 under the Exchange Act. The Company will not be required to include in its proxy statement and proxy card 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.

The advance notice provisions of the 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 may not be included in the Company's proxy statement for that meeting. Under the Regulations, director nominations or other business proposals to be addressed at the Company's 2025 Annual Meeting of Shareholders 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 February 10, 2025 and not earlier than January 9, 2025. If a shareholder intends to present a proposal at the Company's 2025 Annual Meeting of Shareholders without inclusion of that proposal in the Company's 2025 proxy materials and written notice of the proposal is not received by the Company on or before the deadline imposed by the advance notice provisions of the Regulations, or if the Company meets other requirements of the SEC rules, proxies solicited by the Board for the Company's 2025 Annual Meeting of Shareholders will confer discretionary authority on the proxy holders named therein to vote on the proposal at the meeting. In addition, shareholders who intend to solicit proxies for the Company's 2025 Annual Meeting of Shareholders in support of director nominees other than the Company's nominees must provide notice to the Company in accordance with, and within the period prescribed in, the advance notice provisions of the Regulations.

The advance notice provisions in the 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 and proxy card under the rules of the SEC. 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 the Regulations and applicable SEC rules.

All notices described in this section shall be sent to, and a copy of the Regulations may be obtained from, Carlotta D. King, Secretary, Diamond Hill Investment Group, Inc., 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215.

SHAREHOLDERS SHARING THE SAME ADDRESS

SEC rules allow multiple shareholders residing at the same address the convenience of receiving a single copy of the Annual Report and proxy materials if they consent to do so ("householding"). Householding, which has been instituted by the Company, is permitted only in certain circumstances, including when a shareholder has the same last name and address as one or more additional shareholders. If the required conditions are met, and SEC rules allow, a shareholder's household may receive a single copy of the Annual Report and proxy materials. The householding procedure reduces the volume of duplicate information shareholders receive and reduces expenses. If you are a shareholder and: (i) you wish to receive separate Annual Reports and proxy materials, either this year or in the future, or (ii) members of your household receive multiple copies of the Annual Report and proxy materials and you wish to request householding, you may contact the Company's transfer agent, Equiniti Trust Company at P.O. Box 64874, St. Paul, Minnesota 55164-0874, or by phone at (800) 401-1957, or write to Carlotta D. King, 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 the Company's stock is 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 the Annual Report 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

As of the date of this Proxy Statement, the Board knows of no business to be acted upon at the Annual Meeting other than Proposal 1, Proposal 2, and Proposal 3, each as described in this Proxy Statement. However, if any other business properly comes before the Annual Meeting, the persons named as proxy holders on the accompanying proxy card will vote and act on such matters in accordance with their best judgment in light of the conditions then prevailing, to the extent permitted under applicable law.

The Company appreciates 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

Carlotta D. King

Carlotta D. King
Secretary

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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2023

or

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

For the transition period from to

Commission file number 000-24498

DIAMOND HILL

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
(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	Trading Symbol	Name of each exchange on which registered
Common shares, no par value	**DHIL**	**The Nasdaq Stock Market**

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 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the registrant's common shares (the only common equity of the registrant) held by non-affiliates on The Nasdaq Global Select Market was $483,389,072, based on the closing price of $171.30 on June 30, 2023. For these purposes only, calculation of holdings by non-affiliates is based upon the assumption that the registrant's executive officers and directors are affiliates.

As of February 28, 2024, the registrant had 2,843,585 outstanding common shares.

Documents Incorporated by Reference

Portions of the registrant's definitive Proxy Statement for its 2024 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, 2023
Index

PART I

Item 1. Business

Cautionary Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K (this “Form 10-K”), the documents incorporated herein by reference and statements, whether oral or written, made from time to time by representatives of Diamond Hill Investment Group, Inc., an Ohio corporation organized in 1990 (“DHIL”, and collectively with its subsidiaries, the “Company,” “we,” “our,” and “us”), may contain or incorporate “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, as amended (the “PSLR Act”), Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Such statements are provided under the “safe harbor” protection of the PSLR Act. Forward-looking statements include, but are 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 “may,” “believe,” “expect,” “anticipate,” “target,” “goal,” “project,” “estimate,” “guidance,” “forecast,” “outlook,” “would,” “will,” “continue,” “likely,” “should,” “hope,” “seek,” “plan,” “intend,” and variations of such words and similar expressions identify such forward-looking statements. Similarly, descriptions of the Company’s objectives, strategies, plans, goals, or targets are also forward-looking statements. Forward-looking statements are based on our expectations at the time such statements are made, speak only as of the dates they are made and are susceptible to a number of risks, uncertainties and other factors. While the Company believes that the assumptions underlying its forward-looking statements are reasonable, investors are cautioned that any of the assumptions could prove to be inaccurate and, accordingly, the Company's actual results and experiences may differ materially from the anticipated results or other expectations expressed in its forward-looking statements.

Factors that may cause such actual results or experiences to differ materially from results discussed in the forward-looking statements include, but are not limited to: (i) any reduction in the Company's assets under management (“AUM”) or assets under advisement (“AUA”); (ii) withdrawal, renegotiation, or termination of investment advisory agreements; (iii) damage to the Company's reputation; (iv) failure to comply with investment guidelines or other contractual requirements; (v) challenges from the competition the Company faces in its business; (vi) challenges from industry trends towards lower fee strategies and model portfolio arrangements; (vii) adverse regulatory and legal developments; (viii) unfavorable changes in tax laws or limitations; (ix) interruptions in or failure to provide critical technological service by the Company or third parties; (x) adverse civil litigation and government investigations or proceedings; (xi) failure to adapt to or successfully incorporate technological changes, such as artificial intelligence, into the Company’s business; (xii) risk of loss on the Company's investments; (xiii) lack of sufficient capital on satisfactory terms; (xiv) losses or costs not covered by insurance; (xv) a decline in the performance of the Company's products; (xvi) changes in interest rates and inflation; (xvii) changes in national and local economic and political conditions; (xix) the continuing economic uncertainty in various parts of the world; (xviii) the after-effects of the COVID-19 pandemic and the actions taken in connection therewith; (xx) political uncertainty caused by, among other things, political parties, economic nationalist sentiments, tensions surrounding the current socioeconomic landscape; and (xix), other risks identified from time-to-time in our public documents on file with the U.S. Securities and Exchange Commission (“SEC”), including those discussed in Item 1A of this Form 10-K.

Forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements above, in Item 1A of this Form 10-K, and in our other public documents on file with the SEC. New risks and uncertainties arise from time to time, and factors that the Company currently deems immaterial may become material, and it is impossible for the Company to predict these events or how they may affect it. The Company undertakes no obligation to update any forward-looking statements after the date they are made, whether as a result of new information, future events or developments, except as required by federal securities laws, although it may do so from time to time. Readers are advised to consult any further disclosures the Company makes on related subjects in its public announcements and SEC filings. The Company does not endorse any projections regarding future performance that may be made by third parties.

Overview

DHIL 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., an Ohio corporation ("DHCM"). DHCM is a registered investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"), and is the investment adviser and administrator for the Diamond Hill Funds, a series of open-end mutual funds (each a "Fund," and collectively, the "Funds"). DHCM also provides investment advisory and related services to the Diamond Hill Micro Cap Fund, LP ("DHMF"), a private fund, as well as, separately managed accounts, collective investment trusts ("CITs"), other pooled vehicles including sub-advised funds, and model delivery programs.

The Company believes focusing on generating excellent, long-term investment outcomes and building enduring client partnerships will enable it to grow its intrinsic value to achieve a compelling, long-term return for its shareholders.

The Company accomplishes this through its shared investment principles, including: (i) valuation-disciplined active portfolio management, (ii) fundamental bottom-up research, (iii) a long-term, business-owner mindset, and (iv) a client alignment philosophy that ensures clients' interests come first. Client alignment is emphasized through: (i) a strategic capacity discipline that protects portfolio managers' abilities to generate excess returns, (ii) personal investment by portfolio managers in the strategies they manage, (iii) portfolio manager compensation being driven by long-term investment results in client portfolios, and (iv) a fee philosophy focused on a fair sharing of the economics among clients, employees, and shareholders. The Company's core cultural values of curiosity, ownership, trust, and respect create an environment where investment professionals focus on investment results and all teammates focus on the overall client experience.

The Company offers a variety of investment strategies designed for long-term strategic allocations from institutionally oriented investors in key asset classes, aligning its investment team's competitive advantages with its clients' needs.

Assets Under Management

DHCM'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. DHCM's revenues depend largely on the total value and composition of its AUM. Accordingly, net cash flows from clients, market fluctuations, and the composition of AUM impact the Company's revenues and results of operations. DHCM also has certain agreements that allow it to earn performance-based fees if investment returns exceed targeted amounts over a specified measurement period.

Model Delivery Programs - Assets Under Advisement

DHCM provides strategy-specific model portfolios to sponsors of model delivery programs. DHCM is paid for its services by the program sponsors at a pre-determined rate based on AUA in the model delivery programs. DHCM does not have discretionary investment authority over individual client accounts in the model delivery programs, and therefore, the AUA is not included in the Company's AUM.

The Company's revenues are highly dependent on both the value and composition of AUM and AUA. The following is a summary of the Company's AUM by product and investment strategy, a roll-forward of the change in AUM, and a summary of AUA for each of the past five years ended December 31, 2023:

	Assets Under Management and Assets Under Advisement As of December 31,				
(in millions)	2023	2022	2021	2020	2019
Diamond Hill Funds	$ 15,879	$ 14,745	$ 19,786	$ 17,615	$ 16,148
Separately managed accounts	6,617	6,220	7,232	5,611	5,222
Collective investment trusts	1,359	1,040	603	318	30
Other pooled vehicles	3,563	2,758	3,407	2,867	1,999
Total AUM	27,418	24,763	31,028	26,411	23,399
Total AUA	1,746	1,802	2,098	1,099	933
Total AUM and AUA	$ 29,164	$ 26,565	$ 33,126	$ 27,510	$ 24,332

(in millions)	Assets Under Management by Investment Strategy As of December 31, 2023	2022	2021	2020	2019
U.S. Equity					
Large Cap	$ 17,307	$ 16,478	$ 21,285	$ 15,075	$ 12,316
Small-Mid Cap	2,588	2,646	3,183	2,810	3,243
Mid Cap	1,023	899	1,165	992	569
Select	593	392	438	446	528
Small Cap	255	306	597	556	795
Large Cap Concentrated	98	99	64	27	28
Micro Cap	21	15	16	—	—
Total U.S. Equity	21,885	20,835	26,748	19,906	17,479
Alternatives					
Long-Short	1,725	1,752	1,998	2,056	3,605
Total Alternatives	1,725	1,752	1,998	2,056	3,605
Global/International Equity					
International	109	52	56	17	13
Global[(a)]	—	—	—	16	22
Total Global/International Equity	109	52	56	33	35
Fixed Income					
Short Duration Securitized Bond	1,948	1,308	1,613	1,132	809
Core Fixed Income	1,735	792	622	541	300
Long Duration Treasury	26	33	51	62	52
Corporate Credit[(b)]	—	—	—	2,020	1,147
High Yield[(b)]	—	—	—	724	135
Total Fixed Income	3,709	2,133	2,286	4,479	2,443
Total-All Strategies	27,428	24,772	31,088	26,474	23,562
(Less: Investments in affiliated funds)[(c)]	(10)	(9)	(60)	(63)	(163)
Total AUM	27,418	24,763	31,028	26,411	23,399
Total AUA[(d)]	1,746	1,802	2,098	1,099	933
Total AUM and AUA	$ 29,164	$ 26,565	$ 33,126	$ 27,510	$ 24,332

(a) The Diamond Hill Global Fund was liquidated on December 17, 2021.
(b) The Diamond Hill Corporate Credit and the Diamond Hill High Yield investment advisory contracts (the “High Yield-Focused Advisory Contracts”) were sold to Brandywine Global Investment Management, LLC (“Brandywine Global”) effective July 30, 2021.
(c) Certain of the Funds own shares of the Diamond Hill Short Duration Securitized Bond Fund. The Company reduces the total AUM of each Fund that holds such shares by the AUM of the investments held in this affiliated Fund.
(d) AUA is primarily comprised of model portfolio assets related to the Large Cap and Select strategies.

(in millions)	Change in Assets Under Management For the Year Ended December 31, 2023	2022	2021	2020	2019
AUM at beginning of the year	$ 24,763	$ 31,028	$ 26,411	$ 23,399	$ 19,108
Net cash inflows (outflows)					
Diamond Hill Funds	(599)	(2,433)	1,994	879	(499)
Separately managed accounts	(416)	(73)	168	(63)	(394)
Collective investment trusts	153	486	182	236	26
Other pooled vehicles	368	(221)	(221)	477	190
	(494)	(2,241)	2,123	1,529	(677)
Sale of High Yield-Focused Advisory Contracts	—	—	(3,456)	—	—
Net market appreciation/(depreciation) and income	3,149	(4,024)	5,950	1,483	4,968
Increase (decrease) during the year	2,655	(6,265)	4,617	3,012	4,291
AUM at end of the year	27,418	24,763	31,028	26,411	23,399
AUA at end of year	1,746	1,802	2,098	1,099	933
Total AUM and AUA at end of year	$ 29,164	$ 26,565	$ 33,126	$ 27,510	$ 24,332

Capacity

The Company’s ability to retain and grow its AUM has been, and will continue to be, primarily driven by delivering attractive long-term investment results, which requires adherence to capacity discipline. If the Company determines the size of a strategy could impede its ability to meet investment return goals, the Company will close that strategy to new clients. The Company’s commitment to capacity discipline inherently impacts its ability to grow its AUM. Investment results will always be prioritized over asset accumulation.

The Company’s capacity as of December 31, 2023 was estimated to be $40 billion to $50 billion in domestic equities, $20 billion to $30 billion in international equities, and $50 billion to $65 billion in fixed income. The Company’s firm-level capacity increases with the development of new products or strategies.

Growth Strategy

The Company’s growth centers first and foremost on delivering an investment and client experience that enables investors to experience better outcomes over the long-term. The Company’s client alignment philosophy guides it to develop strategies and offer vehicles that meet clients’ objectives, capitalize on its investment team’s research capabilities, and align with its investment principles.

The Company looks to attract like-minded, long-term focused clients across all of its offerings. To ensure efficient business development and relationship management, the Company has dedicated resources toward content-led marketing and sales enablement efforts. The Company believes that the combination of these efforts will lead to a deeper understanding of its investment strategies, and ultimately, longer holding periods for investors.

The Company focuses its efforts primarily on asset allocators with centralized research teams, allowing efficient delivery of services to a larger and more diverse client base. These highly sophisticated buyers conduct deep research and pair the Company’s strategies with complementary strategies to meet holistic client objectives. These asset allocators include centralized research teams at institutional consulting firms, wirehouses, banks, independent broker dealers, and independent registered investment advisory firms. The Company aims to partner with investors who maintain a long-term orientation and align with its investment principles.

Distribution Channels

The Company offers a variety of investment strategies designed for long-term strategic allocations from institutionally-oriented investors in key asset classes, aligning its investment team's competitive advantages with its clients' needs. The following table is a summary of AUM by distribution channel for each of the five years ended December 31, 2023:

	AUM and AUA by Distribution Channel As of December 31,				
(in millions)	2023	2022	2021	2020	2019
Diamond Hill Funds:					
Registered investment adviser	$ 4,329	$ 3,787	$ 4,633	$ 4,315	$ 3,603
Independent broker-dealer	4,597	4,135	5,304	4,274	3,563
Wirehouse	2,902	2,843	4,195	3,529	3,026
Bank trust	1,777	1,718	2,256	2,546	2,907
Defined contribution	2,090	2,085	3,249	2,716	2,723
Other	184	177	149	235	326
Total Diamond Hill Funds	15,879	14,745	19,786	17,615	16,148
Separately managed accounts:					
Institutional consultant	2,782	2,432	2,960	2,504	2,397
Financial intermediary	2,986	3,067	3,594	2,371	1,777
Direct	849	721	678	736	1,048
Total separately managed accounts	6,617	6,220	7,232	5,611	5,222
Collective investment trusts	1,359	1,040	603	318	30
Other pooled vehicles	3,563	2,758	3,407	2,867	1,999
Total AUM	27,418	24,763	31,028	26,411	23,399
Total AUA[(a)]	1,746	1,802	2,098	1,099	933
Total AUM and AUA	$ 29,164	$ 26,565	$ 33,126	$ 27,510	$ 24,332

(a) 100% of AUA is from financial intermediaries.

Fund Administration Activities

DHCM provides fund administration services to the Funds. Fund administration services are broadly defined to include the following services: 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 Funds.

Competition

Competition in the investment management industry is intense, and DHCM's competitors include investment management firms, broker-dealers, banks, and insurance companies, some of whom offer various investment alternatives, including passive index strategies. Many of DHCM's competitors are better known, offer a broader range of investment products, and have more dedicated resources for business development and marketing.

Regulation

The Company is subject to various federal, state, and non-U.S. 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. If an adviser fails to comply with these laws and regulations, these regulatory bodies have broad administrative powers, including the power to limit, restrict, or prohibit an investment adviser from carrying on its business. Possible sanctions that regulatory bodies may impose 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 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, as amended ("1940 Act"), and are required to make notice filings with all states where the Funds are offered for sale. Virtually all aspects of DHCM's 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, as amended ("ERISA"), with respect to benefit plan clients, and therefore, is subject to ERISA regulations. ERISA and applicable provisions of the Internal Revenue Code of 1986, as amended, 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 Department of Labor, which administers ERISA, has been increasingly active in proposing and adopting regulations affecting the asset management industry.

DHCM's trading activities for client accounts are regulated by the SEC under the Exchange Act, which includes regulations governing trading on inside information, market manipulation, and a broad number of trading and market regulation requirements in the United States.

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

Contractual Relationships with the Funds

DHCM is highly dependent on its contractual relationships with the Funds. If any of DHCM's advisory or administration agreements with the Funds were terminated or not renewed, or were amended or modified to reduce fees, DHCM would be materially and adversely affected. DHCM generated approximately 68%, 71%, and 69% of its 2023, 2022, and 2021 revenues, respectively, from its advisory and administration agreements with the Funds. DHCM believes that it has strong relationships with the Funds and their board of trustees, and DHCM has no reason to believe that these advisory or administration contracts will not be renewed in the future. However, there is no assurance that the Funds will choose to continue their relationships with DHCM. Please see Item 1A for risk factors regarding this relationship.

Human Capital

The Company believes its people are its greatest asset, and each role within the firm contributes to its goals of generating excellent, long-term investment outcomes and building enduring client partnerships.

Workforce Data

Attracting, developing, and retaining talented employees is integral to the Company's human capital strategy and critical to its success. The Company depends on highly skilled personnel, with specialized expertise and extensive experience in the investment management industry. As of December 31, 2023 and December 31, 2022, the Company employed 129 full-time employees.

The average employee tenure is approximately eight years, and nearly one-third of its employees have been with the Company more than 10 years. The Company's five-year average employee turnover rate is approximately 7%. The Company's employees are based in 12 states, and approximately 80% of its employees reside in Ohio.

Competitive Pay and Benefits

The Company's competitive compensation and benefits are designed to help attract, retain, and motivate employees who embody its values. The Company aligns its employees' compensation with client outcomes, individual and team results, and company performance.

Culture

The Company's culture emphasizes four key values: curiosity, ownership, trust and respect. The way its employees embody these core values creates the Company's culture. The culture allows the Company to attract and retain employees who share its commitment to client alignment, are motivated by investment excellence, and are committed to delivering excellent outcomes.

Employees who are curious focus on continuous self-improvement and have a passion for learning. They are open-minded, seek differing perspectives, and go beyond surface-level assumptions. Employees who think and act like business owners naturally embrace a long-term mindset. They lead by example and accept accountability for ensuring strong client outcomes. Employees who embrace trust act with integrity, are authentic and honest in interactions with others, and put client interests ahead of all others. Employees who are motivated by giving and receiving respect communicate and provide feedback candidly, transparently, and with positive intent. They are humble in their assumptions and listen to better understand others. They embrace, value, and celebrate diversity, inclusion, and differences in all forms.

The Company's culture revolves around the fact that DHCM is a fiduciary first and foremost. The primary focus is serving its clients. The Company's long-term, valuation-disciplined investment principles are foundational to its culture and have been consistently implemented since the firm's inception. All members of the investment team believe in, and adhere to, the same investment principles. The Company's employees invest alongside its clients, and portfolio managers have significant personal investments in the strategy or strategies they manage.

Diversity, Equity, and Inclusion

The Company views diversity, equity, and inclusion ("DEI") as essential parts of its business and operating model. DEI is embedded in the policies, practices, and strategic initiatives of the Company, and is linked to its core values. The Company believes clients are best served by decision making that engages and encourages varied perspectives.

As of December 31, 2023, females represented 50% of DHIL's board of directors ("Board"), 66% of the Company's management team, and approximately 32% of its employees. As of December 31, 2023, racial or ethnic minorities represented approximately 14% of the Company's workforce and 17% of the Board. Please see additional demographic details on the Company's website.

DEI is a continuous journey, and the Company recognizes that transparency and accountability are critical to driving real change within the firm, in the industry, and within its community. Learn more about the Company's DEI philosophy, commitments and annual progress on the Company's website. The information on our website, including our DEI annual reports, is not incorporated by reference in or otherwise considered a part of this Form 10-K or any other report or document we file with, or furnish to, the SEC. The Company's DEI initiatives are driven by employees across functional teams who are enthusiastic about leading sustainable efforts under four areas of focus: workforce diversity, inclusive culture, vendor and policy, and philanthropy and community.

SEC Filings

The Company maintains a website at www.diamond-hill.com. The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports that it files or furnishes from time-to-time pursuant to Section 13(a) or 15(d) of the Exchange Act, are made available free of charge, on or through the Investor Relations section of the Company's website, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Information contained on the Company's website is not part of this Form 10-K or any other report or document that it files with, or furnishes to, the SEC. These reports are also available free of charge on the SEC's website at http://www.sec.gov.

ITEM 1A. Risk Factors

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

Business Risks

<u>Poor investment results or adverse ratings of the Company's products could affect its ability to attract new clients or could reduce its AUM, potentially negatively impacting revenue and net income.</u>

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

Investment strategies are assessed and rated by independent third parties, including rating agencies, industry analysts, and publications. Investors can be influenced by such ratings. If a strategy receives an adverse report, it could negatively impact the Company's AUM and revenue.

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

The Company's success depends on highly skilled personnel, including portfolio managers, research analysts, and management, many of whom have specialized expertise and extensive experience in the investment management industry. Financial services professionals are in high demand, and the Company faces significant competition for qualified employees. Other than the Company's Chief Executive Officer, its employees do not have employment contracts and generally can terminate their employment at any time. The Company may not be able to retain or replace key personnel. To retain or replace its key personnel, the Company may be required to increase compensation, which would decrease its net income. The loss of key personnel could damage the Company's reputation and make it more difficult to retain and attract new employees and clients. A loss of client assets resulting from the departure of key personnel may materially decrease the Company's revenues and net income. Specifically, Charles Bath, a co-portfolio manager on our Large Cap strategy, which is our largest strategy by AUM and revenues, announced his retirement from the Company effective December 31, 2024. It is possible his departure could lead to increased redemptions resulting in a material decline in AUM and revenue. The Company has had a well-defined succession plan in place since 2018, when Austin Hawley was named co-portfolio manager on the Large Cap strategy. Mr. Hawley has worked closely with Mr. Bath for over 15 years, including the last six years as a co-portfolio manager.

<u>The Company's investment results and/or growth in its AUM may be constrained if appropriate investment opportunities are not available or if the Company closes certain of its investment strategies to new investors.</u>

The Company's ability to deliver excellent investment results depends in large part on its ability to identify appropriate investment opportunities in which to invest client assets. If the Company is unable to identify sufficient investment opportunities for existing and new client assets on a timely basis, its investment results could be adversely affected. The risk that appropriate investment opportunities may be unavailable is influenced by a number of factors, including general market conditions, and is likely to increase if the Company's AUM increases rapidly. The Company's efforts to establish and develop new strategies may face challenges or ultimately be unsuccessful, which could impact its results of operations, reputation, and/or culture. In addition, if the Company determines that sufficient investment opportunities are not available for an investment strategy, or it believes that it is necessary to continue to produce attractive returns from an investment strategy, the Company will consider closing the investment strategy to new investors. If the Company misjudged the point at which it would be optimal to close an investment strategy, the investment results of the strategy could be negatively impacted. The Company has closed investment strategies in the past and may do so again in the future. As of December 31, 2023, the Company does not have any closed investment strategies.

<u>The Company is subject to substantial competition in all aspects of its business.</u>

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

- Asset management firms;

- Mutual fund companies;
- Commercial banks and thrift institutions;
- Insurance companies;
- Exchange-traded funds;
- Private funds, including hedge funds and private equity funds; and
- Brokerage and investment banking firms.

Many of the Company's competitors have substantially greater resources 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. The Company competes with other providers of investment services primarily based upon its philosophy, performance, and client service. Some institutions have a broader array of products and distribution channels, which makes it more difficult for the Company to compete. If current or potential clients decide to use one of the Company's competitors, it could face a significant decline in market share, AUM, AUA, revenues, and net income. If the Company is required to lower its fees to remain competitive, its net income could be significantly reduced because some of the Company's expenses are fixed, especially over shorter periods of time, and its 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 over actively managed strategies. If this trend continues, the Company's AUM, revenues, and net income may be negatively impacted.

Industry trends towards lower fee strategies and model portfolio arrangements could adversely impact the Company's revenues.

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 the Company will be able to maintain its current fee structure. As a result, a shift in in the Company's AUM from higher to lower fee generating clients and strategies could result in a decrease in profitability even if its AUM increases or remains unchanged. Similarly, in recent years, there has been a trend in clients shifting their assets from higher fee mutual funds and separately managed accounts to lower fee model portfolio arrangements. As a result, a shift in the Company's client assets from AUM to AUA could result in a decrease in Company revenues.

The loss of access to, or increased fees required by, third-party distribution sources to market the Company's portfolios and access its client base could adversely affect the Company's results of operations.

The Company's ability to attract additional AUM is dependent on its relationship with third-party financial intermediaries. The Company compensates 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 the Company for reasonable terms, or at all. If such access is restricted or eliminated, it could have an adverse effect on the Company's 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 the Company's access to those client bases while paying them could adversely affect its profitability.

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

DHCM is highly dependent on its contractual relationships with the Funds. If DHCM's advisory or administration agreements with the Funds were terminated or not renewed, or were amended or modified to reduce fees, DHCM would be materially and adversely affected. Generally, these agreements are terminable by either party upon 60 days' prior written notice without penalty. The Funds' agreements are subject to annual approval by either: (i) their board of trustees, or (ii) a vote of the majority of the outstanding voting securities of each Fund. These agreements automatically terminate in the event of their assignment by either DHCM or the Funds. DHCM generated approximately 68%, 71%, and 69% of its 2023, 2022, and 2021 revenues, respectively, from its advisory and administration agreements with the Funds, including 30%, 12%, and 10% from the advisory contracts with the Diamond Hill Large Cap Fund, the Diamond Hill Long-Short Fund, and the Diamond Hill Small-Mid Cap Fund, respectively, during 2023. The loss of any of the Diamond Hill Large Cap Fund, the Diamond Hill Long-Short Fund, or the Diamond Hill Small-Mid Cap Fund contracts would have a material adverse effect on DHCM. DHCM believes that it has strong relationships with the Funds and their board of trustees, and it has 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 DHCM.

Negative public opinion of the Company could cause it to lose clients and adversely affect its share price.

Negative public opinion can result from the Company's actual or alleged conduct in any number of activities, including trading practices, corporate governance and acquisitions, DEI issues, social media and other marketing activities, and actions taken by governmental regulators and community organizations in response to any of the foregoing. Negative public opinion could adversely affect the Company's ability to attract and maintain clients, could expose the Company to potential litigation or regulatory action, and could have a material adverse effect on its share price or result in heightened volatility.

Operational Risks

Cybersecurity attacks could prevent the Company from managing client portfolios, cause the unauthorized disclosure of sensitive or confidential client or employee information or result in misappropriation of information or funds, each of which could severely harm its business.

As part of its business, the Company collects, processes, and transmits sensitive and confidential information about its clients and employees, as well as proprietary information about its business. The Company has policies and procedures pursuant to which it takes numerous security measures to prevent cyberattacks of various kinds as well as fraudulent and inadvertent activity by persons who have been granted access to such sensitive or confidential information. Nevertheless, the Company's systems, like all technology systems, remain vulnerable to unauthorized access, which can result in theft or corruption of information. In addition, the Company shares information with third party vendors upon whom it relies for various functions. The systems of such third parties also are vulnerable to cyber threats. Unauthorized access can come from unrelated third parties through the internet, from access to hardware removed from the Company's or those third parties' premises, or from employees acting intentionally or inadvertently.

Cybersecurity incidents can involve, among other things: (i) deliberate attacks designed to corrupt the Company's information systems and make them unusable by the Company to operate its business; (ii) theft of information used by the perpetrators for financial and other gain; or (iii) inadvertent releases of information by employees or third parties with whom the Company does business.

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

Whether information is corrupted, stolen, or inadvertently disclosed, and regardless of the type and nature of the information (*e.g.*, proprietary information about the Company's business or personal information about clients or employees), it could have various adverse impacts on, and be materially harmful to, the Company, including the following:

- The Company's reputation could be harmed, resulting in the loss of clients, vendors, and employees or making payments or concessions to such persons to maintain its relationships with them;
- The Company's inability to operate its business fully, even if temporarily, and thus, fulfill contracts with clients or vendors, could result in termination of contracts and loss of revenue;
- Harm suffered by clients or vendors whose contracts have been breached, or by clients, vendors, or employees whose information is compromised, could result in costly litigation against us;
- The Company's need to focus attention on remediation of a cybersecurity issue could take its attention away from the operation of its business, resulting in lost revenue;
- The Company could incur costs to repair systems made inoperable by a cyberattack and to make changes to its systems to reduce future cyber threats. Those changes could include, among other things, obtaining additional technologies as well as employing additional personnel and training employees;
- The interruption of the Company's business or theft of proprietary information could harm its ability to compete; and
- Any losses that the Company may be responsible to bear may not be covered by insurance.

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

The Company may not be able to adapt to technological change.

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve clients while reducing costs. The Company's future success depends, in part, upon its ability to address client needs by using technology to provide products and services that will satisfy client demands, as well as to create additional efficiencies in its operations. The Company may not be able to implement effectively new technology-driven products and services or be successful in marketing these products and services to its clients. Failure to successfully keep pace with technological changes affecting the financial services industry could negatively affect the Company's growth, revenue, and profit.

The Company operates in an intensely competitive business environment. It may not be as successful as its competitors incorporating artificial intelligence ("AI") into its business or adapting to a rapidly changing marketplace.

The Company's competitors may be larger, more diversified, better funded, and have access to more advanced technology, including AI. These competitive advantages may enable its competition to innovate better and more quickly, or to compete more effectively on quality and price, which could cause the Company to lose business and profitability. Burgeoning interest in AI may increase competition and disrupt the Company's business model. AI may lower barriers to entry in the industry and the Company may be unable to effectively compete with the products or services offered by new competitors. AI-related changes to the products and services on offer may affect customer expectations, requirements, or tastes in ways that the Company cannot adequately anticipate or adapt to, causing its business to lose revenues, market share, or the ability to operate profitably and sustainably.

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

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

Industry, Market, and Economic Risks

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

The majority of the Company's revenue is calculated as a percentage of AUM or is related to the general performance of the equity securities markets. A decline in securities prices or in the sale of investment products, or an increase in fund redemptions, generally will reduce revenue and net income. Financial market declines will generally negatively impact the level of the Company's AUM, and consequently, its revenue and net income. A recession or other economic or political events, whether in the United States or globally could also adversely impact the Company's revenue, if such events led to a decreased demand for products, a higher redemption rate, or a decline in securities prices. Investor interest in the valuation of the Company's fixed income strategies are affected by changes in interest rates and the overall credit environment. In addition, the majority of the Company's existing AUM is managed in primarily long-only, equity investment strategies, which exposes it to greater risk than certain of its competitors who may manage assets in more diverse strategies.

The Company's investment approach may underperform other investment approaches during certain market conditions.

The Company's investment strategies are best suited for investors with long-term investment time horizons. The Company's investment strategies may not perform well during certain periods of time. Additionally, the Company could have common positions and industry concentrations across its strategies at the same time. As such, factors leading to underperformance may impact multiple strategies simultaneously.

The Company's investment income and asset levels may be negatively impacted by fluctuations in its investment portfolio.

The Company currently has a substantial portion of its assets invested in investment strategies that it manages. All of these investments are subject to market risk and the Company's non-operating investment income could be adversely affected by market performance. Fluctuations in investment income are expected to occur in the future.

Trading in the Company's common shares is limited, which may adversely affect the time and the price at which shareholders can sell their shares.

Although the Company's common shares are listed on the The Nasdaq Global Select Market, the shares are held by a relatively small number of shareholders, and trading in its common shares is relatively inactive. The spread between the bid and the ask prices is often wide. As a result, shareholders may not be able to sell their 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 of the Company's directors and officers, 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 its shares.

Regulatory Risks

Changes in tax laws and unanticipated tax obligations could have an adverse impact on the Company's financial condition, results of operations, and cash flow.

The Company is subject to federal, state, and local income taxes in the United States. Tax authorities may disagree with certain positions that the Company has taken or may implement changes in tax policy, which may result in the assessment of additional taxes on the Company. The Company regularly assesses the appropriateness of its tax positions and reporting. The Company cannot provide assurances, however, that tax authorities will agree with the positions it has taken, or that the Company will accurately predict the outcomes of audits, and the actual outcomes of these audits could be unfavorable.

The Company's 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 its results of operations and financial condition.

The Company's business is subject to a variety of federal securities laws, including the Advisers Act, the 1940 Act, the Securities Act, the Exchange Act, the Sarbanes-Oxley Act of 2002, the U.S. PATRIOT Act of 2001, and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, each as amended. In addition, the Company is subject to significant regulation and oversight by the SEC. Changes in legal, regulatory, accounting, tax, and compliance requirements could have a significant effect on the Company's operations and results, including, but not limited to, increased expenses and reduced investor interest in certain funds and other investment products that the Company offers. The Company continually monitors legislative, tax, regulatory, accounting, and compliance developments that could impact its business. The Company and its 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 the Company, which could negatively affect its financial condition and results of operations, as well as divert management's attention from its operations.

General Risk Factors

The Company's insurance policies may not cover all losses and costs to which it may be exposed.

The Company carries insurance in amounts and under terms that it believes are appropriate. The Company's insurance may not cover all liabilities and losses to which it may be exposed. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As the Company's insurance policies come up for renewal, it may need to assume higher deductibles or pay higher premiums, which could have an adverse impact on its results of operations and financial condition.

Natural disasters, global pandemics, and other unpredictable events could adversely affect the Company's operations.

Natural disasters, outbreaks of epidemics or pandemics, terrorist attacks, extreme weather events or other unpredictable events could adversely affect the Company's revenues, expenses, and net income by:

- Decreasing investment valuations in, and returns on, the investment portfolios that the Company manages and its corporate investments, thus, causing reductions in revenue;
- Causing disruptions in national or global economies that decrease investor confidence and make investment products generally less attractive;
- Reducing the availability of key personnel necessary to conduct the Company's business activities;
- Interrupting the Company's business operations or those of critical service providers;
- Triggering technology delays or failures; and/or

- Requiring substantial capital expenditures and operating expenses to restore the Company's operations.

The Company has developed various backup systems and contingency plans but cannot be assured that those preparations will be adequate in all circumstances that could arise, or that material interruptions and disruptions will not occur. The Company also relies to varying degrees on outside vendors for service delivery in addition to technology and disaster contingency support. There is a risk that these vendors will not be able to perform in an adequate and timely manner. If the Company loses the availability of employees, or if it is unable to respond adequately to such an event in a timely manner, revenues, expenses, and net income could be negatively impacted.

Specifically, the effects of the outbreak of the novel coronavirus (COVID-19) in early 2020 negatively affected the global economy, the U.S. economy, and the global financial markets, and demonstrated that pandemics may disrupt the Company's operations, which could have an adverse effect on the Company's business, financial condition, and results of operations. Although the long-term effects of the pandemic cannot be predicted, previous occurrences of other pandemic and epidemic diseases had an adverse effect on the economies of those countries in which they were most prevalent. A recurrence of an outbreak of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the Company's business, financial condition and operations.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 1C. Cybersecurity

The Company is subject to several material risks related to cybersecurity threats. A cybersecurity attack could prevent the Company from managing client portfolios, cause the unauthorized disclosure of sensitive or confidential client or employee information, and/or result in misappropriation of information or funds, which individually or collectively could severely harm its business.

The Company has an Information Security Committee (the "Committee") to identify, assess, and manage cybersecurity risks and to implement necessary policies and procedures to mitigate those risks. The Committee also coordinates employee education efforts throughout the year. The Managing Director of Information Technology serves as the Committee chair and the day-to-day manager of the Company's information security management systems. The Committee is comprised of members having expertise in information technology infrastructure, data security, risk management, compliance, and business continuity and recovery efforts. The Committee identifies and assesses risks by understanding and evaluating the Company's systems, processes, data, and controls. This information is then augmented through participation by certain Committee members in industry threat intelligence groups designed to share best practices and emerging threats related to cybersecurity. The Committee also completes a full cybersecurity risk assessment annually, which drives the implementation of policies and procedures as well as the scope of third-party testing. The Committee has implemented a comprehensive set of cybersecurity policies and procedures that follows standards established by the International Organization for Standardization ("ISO 27001"). Included are policies and procedures to oversee, identify, and mitigate the Company's cybersecurity risks as well as cybersecurity risks to the Company associated with its significant service providers and vendors. The Company's cybersecurity policies and procedures have been independently certified by a third-party as compliant with the ISO 27001 standard. The Committee engages multiple third-party experts to perform penetration tests on a periodic basis, and to assess whether these policies and procedures are designed appropriately and operating effectively.

Cybersecurity oversight forms part of the Board's risk oversight of the Company. The Board oversees efforts by management to manage the cybersecurity risks to which the Company may be exposed. The Board receives at least annual reports and meets periodically with the Chief Compliance Officer and the Managing Director of Information Technology, both of whom serve on the Committee. From its review of these reports and discussions with the Committee and management, the Board ensures it has sufficient awareness of the material cybersecurity risks to which the Company is exposed, enabling a dialogue about how management manages and mitigates those risks. The Board currently has three members who have obtained certifications in cybersecurity oversight.

ITEM 2. Properties

The Company leases office space and conducts its general operations at one location, the address of which is 325 John H. McConnell Boulevard, Suite 200, Columbus, Ohio 43215. The Company does not own any real estate or interests in real estate.

ITEM 3. Legal Proceedings

There are currently no pending legal proceedings that the Company believes will have a material adverse effect on its consolidated financial statements.

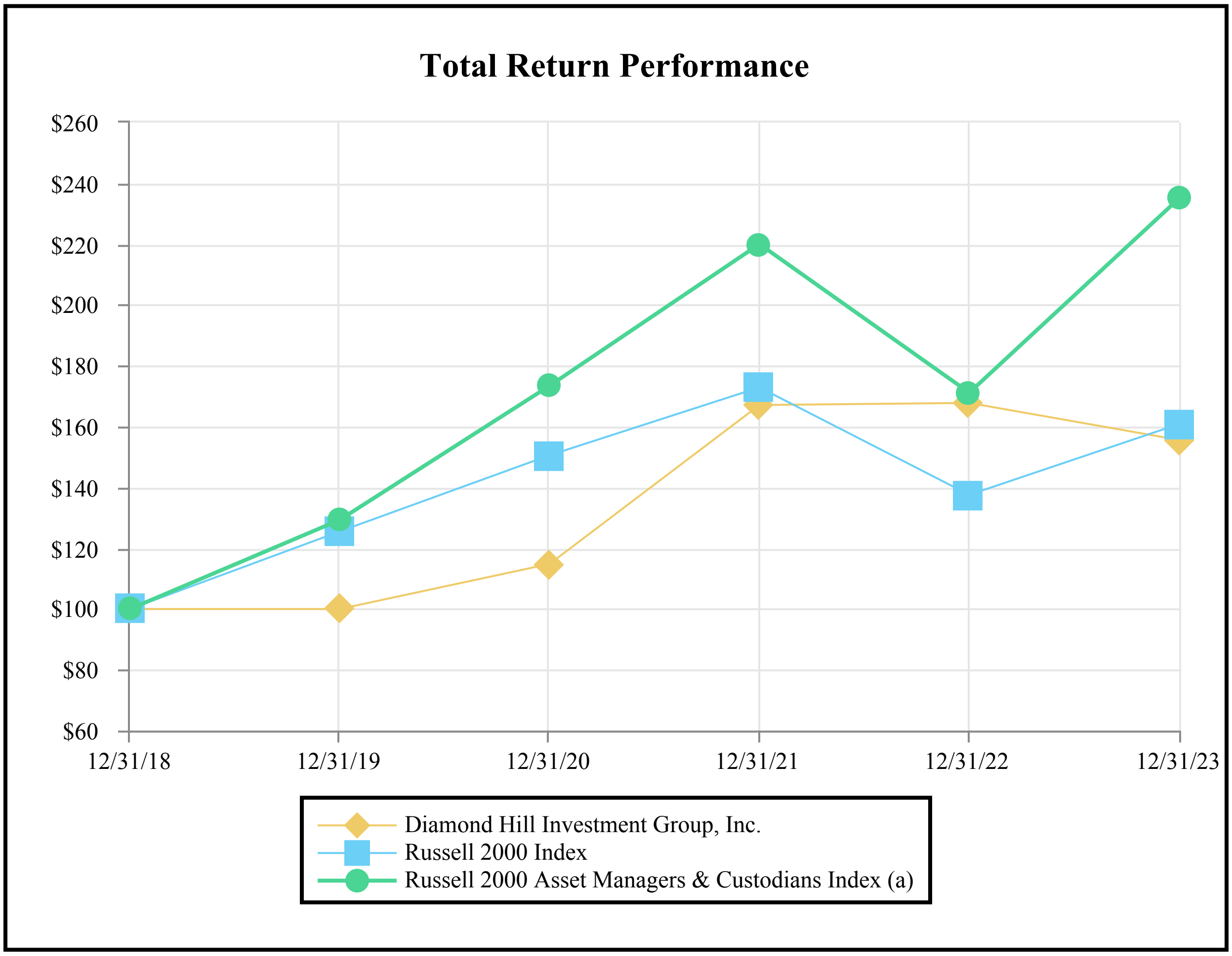
ITEM 4. Mine Safety Disclosures

Not applicable.

PART II

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

The following performance graph compares the cumulative total shareholder return of an investment in DHIL common shares to that of the Russell 2000 Index and the Russell 2000 Asset Managers & Custodians Index (the "R2000 A&C Index") for the five-year period ended December 31, 2023. The graph assumes that the value of the investment in DHIL common shares and each index was $100 on December 31, 2018. Total return includes reinvestment of all dividends. The Russell 2000 Index measures the performance of approximately 2,000 small-cap U.S. equities, and was selected as a broad equity market index comprised of companies with comparable market capitalization to DHIL. The R2000 A&C Index is comprised of the Asset Managers & Custodians subsector of the Russell 2000 Index, and provides a comparison to companies with comparable market capitalization to DHIL that operate in the same industry as the Company. The historical information set forth below is not necessarily indicative of future performance. The Company does not make or endorse any predictions as to future share performance.



	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	Cumulative 5 Year Total Return
Diamond Hill Investment Group, Inc.	$100	$100	$115	$167	$168	$156	56 %
Russell 2000 Index	$100	$126	$151	$173	$138	$161	61 %
Russell 2000 Asset Managers & Custodians Index[(a)]	$100	$129	$173	$220	$171	$235	135 %

[a] The R2000 A&C Index used to calculate the returns includes the following companies:

AlTi Global, Inc.[1]	Cowen Inc.	Patria Investments Ltd.[1]
Altisource Portfolio Solutions S.A.	Diamond Hill Investment Group, Inc.	Perella Weinberg Partners
Ares Management Corporation	Federated Hermes, Inc.	PJT Partners, Inc.
Arlington Asset Investment Corp.	Focus Financial Partners, Inc.	Pzena Investment Management, Inc.
Artisan Partners Asset Management, Inc.	GAMCO Investors, Inc.	Sculptor Capital Management, Inc.
Ashford Inc.	GCM Grosvenor, Inc.	Silvercrest Asset Management Group Inc.
AssetMark Financial Holdings, Inc.	Greenhill & Co., Inc.	StepStone Group, Inc.
Associated Capital Group, Inc.	Hamilton Lane Incorporated	Victory Capital Holdings, Inc.
Avantax, Inc.	Manning & Napier, Inc.	Virtus Investment Partners, Inc.
B. Riley Financial, Inc.	MMA Capital Holdings, Inc.	Waddell & Reed Financial, Inc.
BrightSphere Investment Group, Inc.	Morgan Group Holding Co.	Westwood Holdings Group, Inc.
Brookfield Business Corp.	Oppenheimer Holdings Inc.	WisdomTree, Inc.
Cohen & Steers, Inc.	P10, Inc.[1]	

[1] Added to the R2000 A&C Index in 2023.

Financial Engines, Inc. and Medley Management, Inc. were removed from the R2000 A&C Index in 2023.

DHIL's common shares trade on The Nasdaq Global Select Market under the ticker symbol DHIL. The following table sets forth the high and low daily close prices during each quarter of 2023 and 2022:

	2023				2022			
	High Price	Low Price	Quarterly Dividend Per Share	Special Dividend Per Share	High Price	Low Price	Quarterly Dividend Per Share	Special Dividend Per Share
Quarter ended:								
March 31	$ 191.47	$ 158.38	$ 1.50	—	$ 206.90	$ 174.42	$ 1.50	—
June 30	$ 178.18	$ 156.32	$ 1.50	—	$ 192.73	$ 166.54	$ 1.50	—
September 30	$ 187.24	$ 161.40	$ 1.50	—	$ 196.00	$ 163.40	$ 1.50	—
December 31	$ 171.99	$ 147.81	$ 1.50	—	$ 195.99	$ 161.51	$ 1.50	$ 4.00

Due to the relatively low trading volume of DHIL's common 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 2023 and 2022, approximately 3,143,990 and 2,472,866, of DHIL's common shares were traded, respectively.

Each fiscal quarter, the Board determines whether to approve and pay a regular quarterly dividend. In addition to the regular quarterly dividends, in the fourth quarter of each fiscal year, the Board decides whether to approve and pay a special dividend. Although DHIL currently expects to pay regular quarterly dividends, depending on the circumstances and the Board's judgment, DHIL may not pay quarterly or special dividends.

The approximate number of record holders of DHIL common shares as of February 28, 2024 was 71. The approximate number of beneficial holders of DHIL common shares held by brokers, banks, and other intermediaries was greater than 8,000 as of February 28, 2024.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table sets forth information regarding repurchases of DHIL common shares during the quarter ended December 31, 2023:

Period	Total Number of Shares Purchased[(a)]	Average Price Paid Per Share	Total Number of Shares Purchased as part of Publicly Announced Programs[(b)]	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Programs[(b)]
October 1, 2023 through October 31, 2023	40,329	$ 155.20	39,419	$ 35,235,719
November 1, 2023 through November 30, 2023	47,130	160.36	47,130	27,677,936
December 1, 2023 through December 31, 2023	7,657	$ 161.61	7,657	26,440,462
Total	95,116		94,206	$ 26,440,462

(a) The Company regularly withholds common shares for tax payments due upon the vesting of employee restricted shares. During the quarter ended December 31, 2023, the Company withheld 910 DHIL common shares for employee tax withholding obligations at an average price paid per share of $168.57.

(b) On May 10, 2023, the Board approved a repurchase plan, authorizing management to repurchase up to $50.0 million DHIL common shares in the open market and in private transactions in accordance with applicable securities laws ("2023 Repurchase Program"). The 2023 Repurchase Program will expire on May 10, 2025, or upon the earlier completion of all authorized purchases under the program.

In connection with the 2023 Repurchase Program, DHIL entered into a Rule 10b5-1 trading arrangement. The Rule 10b5-1 trading arrangement is intended to qualify for the safe harbor under Rule 10b5-1 of the Exchange Act. A Rule 10b5-1 trading arrangement allows a company to purchase its shares at times when it would not ordinarily be in the market because of its trading policies or the possession of material nonpublic information. Because repurchases under a Rule 10b5-1 trading arrangement are subject to specified parameters and certain price, timing, and volume restraints specified in the arrangement, there is no guarantee as to the exact number of common shares that will be repurchased or that there will be any repurchases at all pursuant to the arrangement. Purchases in the open market are intended to comply with Rule 10b-18 under the Exchange Act. As of December 31, 2023, $26.4 million remained available for repurchases under the 2023 Repurchase Program.

Sale of Unregistered Securities

During the quarter ended December 31, 2023, DHIL did not sell any common shares that were not registered under the Securities Act.

ITEM 6. [Reserved]

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

In this Item 7, the Company discusses and analyzes its consolidated results of operations for the past three fiscal years and other factors that may affect its future financial performance. This discussion should be read in conjunction with the Company's consolidated financial statements and notes to consolidated financial statements contained in this Form 10-K.

Certain statements the Company makes under this Item 7 constitute "forward-looking statements" under the PSLR Act. See "Cautionary Note Regarding Forward-Looking Statements" in Part I, Item 1. You should also consider the Company's forward-looking statements in light of the risks discussed Part I, Item 1A, as well as our consolidated financial statements, related notes and other financial information appearing elsewhere in this Form 10-K and our other filings with the SEC.

Business Environment[1]

The performance of the U.S. and international equity markets, as well as the U.S. fixed income market, have a direct impact on the Company's operations and financial position. A significant portion of the year's gains in equities came in the final two months. The MSCI All Country World Index advanced 6.75% through the end of October but finished the year with a 22.20% return. Non-U.S. developed markets rose 18% for the year (as measured by the MSCI EAFE Index) and emerging markets were up 10% (as measured by the MSCI EM Index). U.S. stocks outpaced their developed market counterparts, rising 26% (as measured by the Russell 3000 Index). For the year, small-cap stocks were up nearly 17%, mid-cap stocks delivered just over 17%, and large-cap stocks were up a resounding 27% (all returns as measured by the respective Russell indices). Fixed income returns were similarly back-end loaded.The Bloomberg U.S. Corporate Bond Index returned 8.50% in the fourth quarter, compared to the full-year return of 8.52%. The Bloomberg U.S. Aggregate Bond Index finished 2023 with a return of 5.53%, the best calendar year return since 2020 (7.51%). The Bloomberg U.S. Securitized Index ended the year with a 5.08% return, the sector's best return since 2019 (6.44%).

Despite positive market returns in 2023, combined mutual fund and exchange traded fund ("ETFs") flows were a modest + $70B. This is up from 2022 which saw $369 billion in outflows but marks the third lowest total flows over the past 20 years. Passively managed funds had inflows of $527 billion while actively managed funds had outflows of $458 billion. Investors favored ETFs over mutual funds as ETFs brought in $580 billion compared to outflows of $510 billion in mutual funds. These flow trends have persisted for a number of years, resulting in 2023 becoming the first year in which total assets in passive products exceeded those of actively managed products.

U.S. equity products saw $24 billion in aggregate net outflows. All nine U.S. Equity Morningstar Categories saw active product net outflows, while large value products saw net outflows from both actively managed and passively managed large value funds. This followed meaningful outperformance of the Russell 1000 Growth Index (+42.68%) versus the Russell 1000 Value Index (up 11.46%) driven by the results of a small number of companies with large weightings in the growth index. Despite these overall flow trends, actively managed U.S. equity funds with a five-star Morningstar RatingTM had positive flows, a reminder that investors have continued to select the best performing actively managed investment strategies.

Taxable bond funds in aggregate brought in $223 billion, $161 billion of which was into passively managed ETFs. Flows were led by the intermediate core bond category, which had inflows of $123 billion. Within this category, ETFs share of total assets has increased from 15% to 20% from 2019 to 2023.

There were nearly 400 new actively managed ETF products introduced to the market in 2023. While actively managed ETF assets represent only 6% of total ETF assets, the $118 billion of actively managed ETF inflows represented 20% of total ETF flows. We expect continued ETF product development in the industry including actively managed and fully transparent offerings. Today, ETFs do not allow managers to limit the capacity of their offerings, which limits the applicability of this vehicle for many of the Company's strategies.

The Company continues to pursue ways to partner with clients to deliver its intellectual property, including through model-delivery, separately managed accounts ("SMAs"), and other investment vehicles. Active mutual funds have lost share within intermediary investors asset allocations to SMAs, ETFs, and models. SMAs and model delivery have advantages over ETFs by enabling clients to further personalize portfolios to their unique preferences and tax situations. Other vehicles with non-daily redemptions may see growing demand among investors seeking investment strategies focused on less liquid securities. These strategies and private market investments are a meaningful and increasing share of institutional investors asset allocations and search activity.

[1] All net asset and flow data stated in this Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations are sourced from Morningstar, Inc.

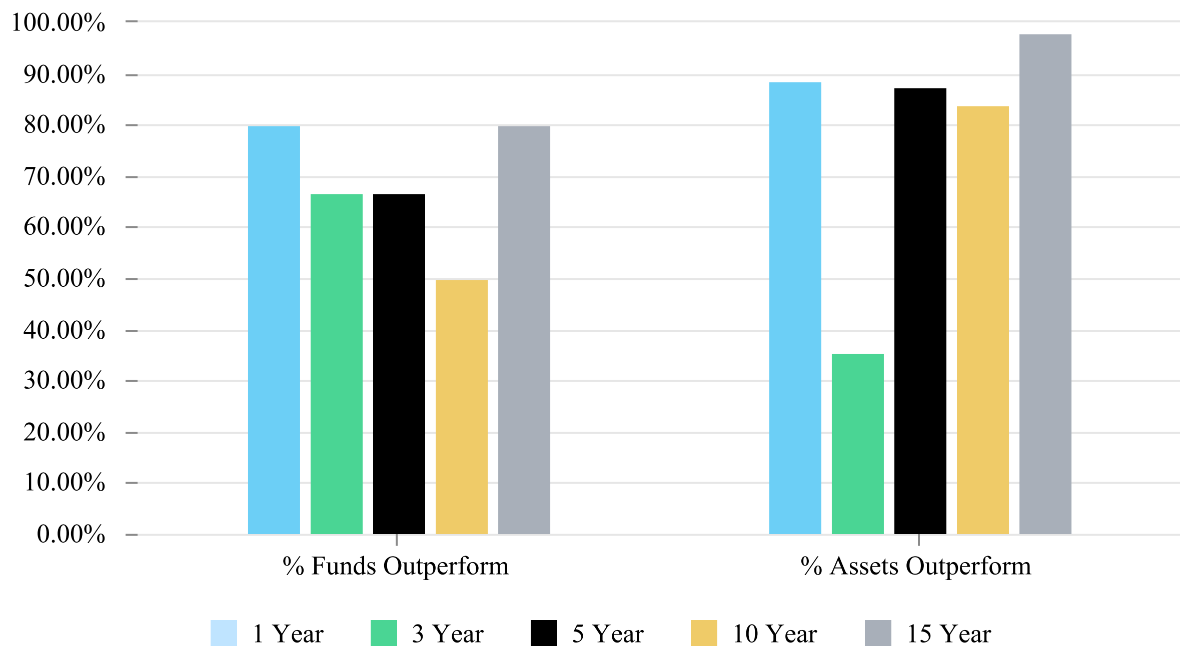
Investment Results

It is imperative that the Company generate strong long-term investment results. Strong investment performance is the key driver of long-term success and meaningfully influences the Company’s ability to attract and retain clients.

The strategies offered by the Company have generally tended to fare well compared to their peers in the relevant Morningstar categories. Relative returns versus core benchmarks have been more challenging, as many valuation-sensitive investors have struggled to keep pace with core benchmarks.

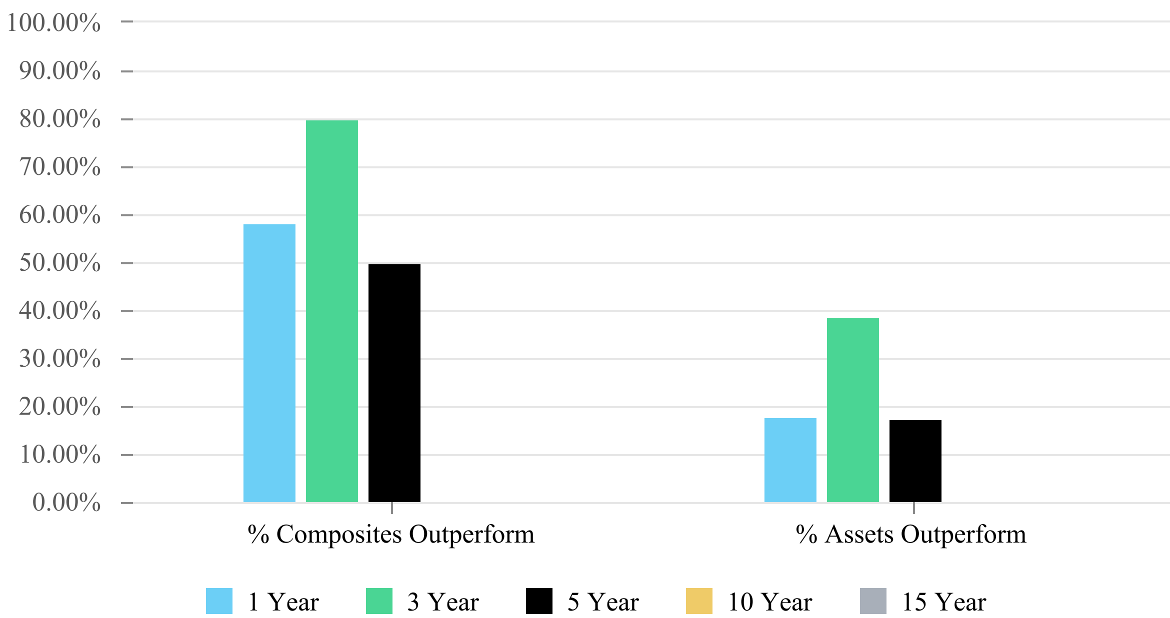
Below is a summary of the performance of the Funds compared to their respective Morningstar categories and the Company’s investment strategy composite returns compared to their respective benchmarks. Note that a number of the Company's strategies do not yet have a 10-year or 15-year track record. To see more detail, a table is included below these illustrations which provides information on inception date, performance since inception, and the U.S. equity strategies' performance relative to the Core and Value benchmarks.

Percentage of Diamond Hill Funds and Fund Assets vs Morningstar Category Average



Total number of funds included in the 1-, 3-, 5-, 10-, and 15-year periods are 10, 9, 9, 6, and 5, respectively. Percentage of Fund assets that outperform is based on the Fund assets as of December 31, 2023. Total fund assets for the 1-, 3-, 5-, 10-, and 15-year periods are $15.9B, $15.9B, $15.9B, $12.6B, and $12.5B, respectively, which represents between 45% and 60% of total Company assets for each period.

Percentage of Diamond Hill Composites and Composite Assets vs Benchmark



The percentage of the Company's composites that outperform their benchmark includes all our composites (excluding Long-Duration Treasury) vs. the primary benchmark for each composite, except for the Long-Short Composite which uses a blended index that is a 60%/40% weighted blend of the Russell 1000 Index and the Bloomberg U.S. Treasury Bills 1-3 Month Index as of December 31, 2023. The percentage of composite assets that outperform is based on total Company composite assets as of December 31, 2023, excluding wrap fee accounts and restricted accounts. Composite net returns are calculated using the highest applicable standard separate account fee schedule. Total composite assets for the 1-, 3-, 5-, 10-, and 15-year periods are $24.0B, $23.8B, $23.8B, $20.5B, and $19.4B, respectively, which represents between 70% and 88% of total Company assets for each period. None of the Company's composites and composite assets outperformed their benchmarks for both the 10- and 15-year periods.

While the Company's equity-focused strategies use core benchmarks to evaluate investment performance over full market cycles, many clients also compare results to value benchmarks. The following is a summary of the investment returns for each of the Company's strategies as of December 31, 2023, relative to their respective core and value indices, as applicable.

		As of December 31, 2023				
U.S. Equity Composites	Inception	1 Year	3 Year	5 Year	10 Year	Since Inception
Diamond Hill Large Cap	**6/30/2001**	**13.68 %**	**7.39 %**	**12.35 %**	**9.42 %**	**9.01 %**
Russell 1000 Index		26.53 %	8.97 %	15.52 %	11.80 %	8.44 %
Russell 1000 Value Index		11.46 %	8.86 %	10.91 %	8.40 %	7.31 %
Diamond Hill Large Cap Concentrated	**12/31/2011**	**16.62 %**	**8.67 %**	**13.02 %**	**9.97 %**	**12.00 %**
Russell 1000 Index		26.53 %	8.97 %	15.52 %	11.80 %	13.83 %
Russell 1000 Value Index		11.46 %	8.86 %	10.91 %	8.40 %	10.97 %
Diamond Hill Mid Cap	**12/31/2013**	**9.88 %**	**7.86 %**	**9.20 %**	**7.12 %**	**7.12 %**
Russell Midcap Index		17.23 %	5.92 %	12.68 %	9.42 %	9.42 %
Russell Midcap Value Index		12.71 %	8.36 %	11.16 %	8.26 %	8.26 %
Diamond Hill Small-Mid Cap	**12/31/2005**	**11.50 %**	**8.15 %**	**10.39 %**	**7.20 %**	**8.32 %**
Russell 2500 Index		17.42 %	4.24 %	11.67 %	8.36 %	8.64 %
Russell 2500 Value Index		15.98 %	8.81 %	10.79 %	7.42 %	7.69 %
Diamond Hill Small Cap	**12/31/2000**	**23.35 %**	**11.86 %**	**11.23 %**	**6.43 %**	**9.90 %**
Russell 2000 Index		16.93 %	2.22 %	9.97 %	7.16 %	7.87 %
Russell 2000 Value Index		14.65 %	7.94 %	10.00 %	6.76 %	8.46 %
Diamond Hill Select	**6/30/2000**	**30.60 %**	**13.02 %**	**16.73 %**	**10.76 %**	**10.51 %**
Russell 3000 Index		25.96 %	8.54 %	15.16 %	11.48 %	7.34 %
Russell 3000 Value Index		11.66 %	8.81 %	10.84 %	8.28 %	7.54 %
Alternative Composites						
Diamond Hill Long-Short	**6/30/2000**	**13.25 %**	**7.92 %**	**9.39 %**	**6.50 %**	**7.32 %**
60% Russell 1000 Index / 40% BofA ML U.S. T-Bill 0-3 Month Index		17.82 %	6.60 %	10.34 %	7.77 %	5.33 %
International Composites						
Diamond Hill International	**12/31/2016**	**18.29 %**	**4.95 %**	**8.90 %**	**N/A**	**8.78 %**
MSCI ACWI ex USA Index		15.62 %	1.55 %	7.08 %	N/A	6.33 %
Fixed Income Composites						
Diamond Hill Short Duration Securitized Bond	**7/31/2016**	**8.98 %**	**2.70 %**	**3.23 %**	**N/A**	**3.31 %**
Bloomberg Barclays U.S. 1-3 Yr. Gov./Credit Index		4.61 %	0.09 %	1.51 %	N/A	1.30 %
Diamond Hill Core Bond	**7/31/2016**	**6.75 %**	**(2.24)%**	**1.79 %**	**N/A**	**1.67 %**
Bloomberg Barclays U.S. Aggregate Index		5.53 %	(3.31)%	1.10 %	N/A	0.78 %

- Composite returns are net of fees.
- Index returns do not reflect any fees.

Key Financial Performance Indicators

There are a variety of key performance indicators that the Company monitors to evaluate its 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,		
	2023	2022	2021
Ending AUM and AUA (in millions)	$ 29,164	$ 26,565	$ 33,126
Average AUM and AUA (in millions)	27,321	29,551	32,045
Net cash inflows (outflows) (in millions)	(494)	(2,241)	2,123
Total revenue (in thousands)	136,716	154,496	182,194
Net operating income	35,504	64,331	76,258
Adjusted net operating income[(a)]	$ 41,434	$ 60,352	$ 83,680
Average advisory fee rate	0.47 %	0.49 %	0.53 %
Average advisory fee rate, excluding performance fees	0.47 %	0.48 %	0.49 %
Net operating profit margin	26 %	42 %	42 %
Adjusted net operating profit margin[(a)]	30 %	39 %	46 %

(a) Adjusted net operating income and adjusted net operating profit margin are non-GAAP financial measures. See the "Non-GAAP Financial Measures and Reconciliation" section in Part II, Item 7 in this Form 10-K for the definitions of "GAAP" and "non-GAAP" as well as a reconciliation of non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Assets Under Management

The Company derives revenue primarily from DHCM's investment advisory and administration fees. Investment advisory and administration fees paid to DHCM are generally based on the value of the investment portfolios it manages and fluctuate with changes in the total value of its AUM. The Company, through DHCM, recognizes revenue when DHCM satisfies its performance obligations under the terms of a contract with a client.

Model Delivery Programs - Assets Under Advisement

DHCM provides strategy-specific model portfolios to sponsors of model delivery programs. DHCM is paid for its services by the program sponsor at a pre-determined rate based on AUA in the model delivery programs. DHCM does not have discretionary investment authority over individual client accounts in model delivery programs, and therefore, the AUA is not included in the Company's AUM.

The Company's revenues are highly dependent on both the value and composition of AUM and AUA. The following is a summary of the Company's AUM by product and investment objective, a roll-forward of the change in AUM, and a summary of AUA for the years ended December 31, 2023, 2022, and 2021:

	Assets Under Management and Assets Under Advisement As of December 31,		
(in millions)	2023	2022	2021
Diamond Hill Funds	$ 15,879	$ 14,745	$ 19,786
Separately managed accounts	6,617	6,220	7,232
Collective investment trusts	1,359	1,040	603
Other pooled vehicles	3,563	2,758	3,407
Total AUM	27,418	24,763	31,028
Total AUA	1,746	1,802	2,098
Total AUM and AUA	$ 29,164	$ 26,565	$ 33,126

(in millions)	Assets Under Management by Investment Strategy As of December 31, 2023	2022	2021
U.S. Equity			
Large Cap	$ 17,307	$ 16,478	$ 21,285
Small-Mid Cap	2,588	2,646	3,183
Mid Cap	1,023	899	1,165
Select	593	392	438
Small Cap	255	306	597
Large Cap Concentrated	98	99	64
Micro Cap	21	15	16
Total U.S. Equity	21,885	20,835	26,748
Alternatives			
Long-Short	1,725	1,752	1,998
Total Alternatives	1,725	1,752	1,998
International Equity			
International	109	52	56
Total International Equity	109	52	56
Fixed Income			
Short Duration Securitized Bond	1,948	1,308	1,613
Core Fixed Income	1,735	792	622
Long Duration Treasury	26	33	51
Total Fixed Income	3,709	2,133	2,286
Total-All Strategies	27,428	24,772	31,088
(Less: Investments in affiliated funds)[a]	(10)	(9)	(60)
Total AUM	27,418	24,763	31,028
Total AUA[b]	1,746	1,802	2,098
Total AUM and AUA	$ 29,164	$ 26,565	$ 33,126

[a] Certain of the Funds own shares of the Diamond Hill Short Duration Securitized Bond Fund. The Company reduces the total AUM of each Fund that holds such shares by the AUM of the investments held in this affiliated Fund.
[b] AUA is primarily comprised of Large Cap and Select strategies.

(in millions)	Change in Assets Under Management For the Year Ended December 31, 2023	2022	2021
AUM at beginning of the year	$ 24,763	$ 31,028	$ 26,411
Net cash inflows (outflows)			
Diamond Hill Funds	(599)	(2,433)	1,994
Separately managed accounts	(416)	(73)	168
Collective investment trusts	153	486	182
Other pooled vehicles	368	(221)	(221)
	(494)	(2,241)	2,123
Sale of High Yield-Focused Advisory Contracts	—	—	(3,456)
Net market appreciation (depreciation) and income	3,149	(4,024)	5,950
Increase (decrease) during the year	2,655	(6,265)	4,617
AUM at end of the year	27,418	24,763	31,028
AUA at end of the year	1,746	1,802	2,098
Total AUM and AUA at end of year	$ 29,164	$ 26,565	$ 33,126
Average AUM during the year	$ 25,552	$ 27,599	$ 30,297
Average AUA during the year	1,769	1,952	1,748
Total Average AUM and AUA during the year	$ 27,321	$ 29,551	$ 32,045

(in millions)	Net Cash Inflows (Outflows) Further Breakdown For the Year Ended December 31, 2023	2022	2021
Net cash inflows (outflows)			
Equity	$ (1,865)	$ (2,247)	$ 958
Fixed Income	1,371	6	1,165
	$ (494)	$ (2,241)	$ 2,123

2023 Discussion of Net Cash Outflows

Flows out of the Company’s equity strategies were largely driven by flows out of its Large Cap strategy, which experienced net outflows of $1.4 billion. Net outflows from the Company’s other equity strategies totaled approximately $0.5 billion. Outflows from the equity strategies were partially offset by fixed income net inflows of $1.4 billion into the Company’s fixed income strategies.

2022 Discussion of Net Cash Outflows

Flows out of the Company’s equity strategies were largely driven by flows out of its Large Cap strategy, which experienced net outflows of $1.9 billion. The Large Cap strategy was soft closed during 2022. The strategy was fully reopened on February 28, 2023. Net outflows from the Company’s other equity strategies totaled approximately $0.3 billion. The Company’s fixed income strategies saw mixed results with net flows of $0.3 billion into its Core Bond strategy offsetting outflows from its Short Duration Securitized Bond Fund of $0.2 billion. The Company also saw growth in its CIT offerings. In addition to new clients, some larger plans moved from the Funds into the CITs.

2021 Discussion of Net Cash Inflows

Both the Company’s equity and fixed income strategies experienced net inflows during 2021. Flows in the Company’s equity strategies were largely driven by its Large Cap strategy, which experienced net inflows of $2.1 billion. These net inflows were partially offset by net outflows from the Company’s other equity strategies totaling approximately $1.2 billion. The Company’s fixed income strategies, including the High Yield-Focused Advisory Contracts prior to their sale, had net positive flows of $1.2 billion during 2021.

Consolidated Results of Operations

The following is a table and discussion of the Company's consolidated results of operations.

(in thousands, except per share amounts and percentages)	2023	2022	% Change	2022	2021	% Change
Total revenue	$ 136,716	$ 154,496	(12)%	$ 154,496	$ 182,194	(15)%
Net operating income	35,504	64,331	(45)%	64,331	76,258	(16)%
Adjusted net operating income [(a)]	41,434	60,352	(31)%	60,352	83,680	(28)%
Investment income (loss), net	23,071	(20,187)	NM	(20,187)	16,381	NM
Gain on sale of High Yield-Focused Advisory Contracts	—	6,814	(100)%	6,814	9,000	(24)%
Income tax expense	15,490	14,088	10%	14,088	26,050	(46)%
Net income attributable to common shareholders	42,226	40,434	4%	40,434	74,201	(46)%
Earnings per share attributable to common shareholders (diluted)	$ 14.32	$ 13.01	10%	$ 13.01	$ 23.34	(44)%
Adjusted earnings per share attributable to common shareholders (diluted)[(a)]	$ 10.28	$ 14.40	(29)%	$ 14.40	$ 19.48	(26)%
Net operating profit margin	26 %	42 %	NM	42 %	42 %	NM
Adjusted net operating profit margin [(a)]	30 %	39 %	NM	39 %	46 %	NM

(a) Adjusted net operating income, adjusted earnings per share attributable to common shareholders (diluted), and adjusted net operating profit margin are non-GAAP financial measures. See the "Non-GAAP Financial Measures and Reconciliation" section within this Form 10-K for the definition of "non-GAAP" and a reconciliation of the non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP.

Summary Discussion of Consolidated Results of Operations - 2023 Compared to 2022

Revenue for 2023 decreased $17.8 million compared to 2022, primarily due to a 7.5% decrease in total average AUM and AUA, as well as a decrease in the average advisory fee rate (excluding performance-based fees) from 0.48% in 2022 to 0.47% in 2023. Refer to the "Revenue" section below in Part II, Item 7 of this Form 10-K for further details on the decrease in the average advisory fee rate. The Company recognized $1.2 million of performance-based fees during 2023 compared to $1.5 million of performance-based fees during 2022.

Net operating profit margin was 26% for 2023 and 42% for 2022. Adjusted net operating profit margin was 30% for 2023 and 39% for 2022. The decrease in net operating profit margin is primarily due to a 12% decrease in revenues while compensation and related costs (excluding deferred compensation) increased approximately $0.2 million (less than 1%) period-over-period. In addition, the investment gains on the Company's deferred compensation investments increased deferred compensation expense during the current period, decreasing the current period operating margin by 4%. Adjusted net operating profit margin excludes the impact of market movements on the deferred compensation liability and related economic hedges, and the impact of the Diamond Hill International Fund and the Diamond Hill Large Cap Concentrated Fund (the "Consolidated Fund(s)"). Refer to Note 2 to the consolidated financial statements for a detailed description of the funds that are consolidated in each year. Refer to the "Non-GAAP Financial Measures and Reconciliation" section below in Part II, Item 7 of this Form 10-K for further details on adjusted net operating profit margin.

The Company expects that its operating margin will fluctuate from period to period based on various factors, including revenues, investment results in the strategies the Company manages, employee performance, staffing levels, and gains and losses on investments held in the Diamond Hill Fixed Term Deferred Compensation Plan and the Diamond Hill Variable Term Deferred Compensation Plan (together, the "Deferred Compensation Plans").

The Company had $23.1 million in investment income due to market appreciation in 2023, compared to $20.2 million in investment loss due to market declines in 2022.

The Company recorded a gain of $6.8 million from the final payment on the sale of its High Yield-Focused Advisory Contracts during 2022.

Income tax expense increased $1.4 million for 2023, compared to 2022. The increase in income tax expense was primarily due to an increase in the Company's income before taxes, which was partially offset by a decrease in its effective tax rate from 27.6% to 26.4% year-over-year. The decrease in the Company's effective tax rate in 2023 was primarily due to the benefit attributable to redeemable noncontrolling interests.

The Company generated net income attributable to common shareholders of $42.2 million ($14.32 per diluted share) for 2023, compared to $40.4 million ($13.01 per diluted share) for 2022. The year-over-year increase in net income attributable to common shareholders was primarily due to investment income in 2023 compared to investment loss in 2022 due to the market environment. The increase in investment income in 2023 was partially offset by a decline of revenues as a result of decreased average AUM and AUA, while the investment losses in 2022 were partially offset by the recognition during 2022 of a $6.8 million gain from the final payment on the sale of the High Yield-Focused Advisory Contracts.

Summary Discussion of Consolidated Results of Operations - 2022 Compared to 2021

Revenue for 2022 decreased $27.7 million compared to 2021, primarily due to a 9% decrease in average AUM and $1.5 million in performance-based fees earned in 2022 compared to $11.9 million of performance-based fees in 2021. A significant performance-based agreement reached its first five-year measurement term on September 30, 2021. Since the initial five-year measurement period ended, the performance-based fee has been calculated annually based on the client investment results over the recently completed five-year period. The average advisory fee rate (excluding performance-based fees) remained unchanged at 0.52% year-over-year.

Net operating profit margin was 42% for both 2022 and 2021 respectively. Adjusted net operating profit margin was 39% for 2022 and 46% for 2021. Adjusted net operating profit margin excludes the impact of market movements on the deferred compensation liability and related economic hedges, and the impact of the Diamond Hill International Fund and the Diamond Hill Large Cap Concentrated Fund (together, the "Consolidated Funds"). See the "Non-GAAP Financial Measures and Reconciliation" section below in Part II, Item 7 of this Form 10-K.

The Company expects that its operating margin will fluctuate from period to period based on various factors, including revenues, investment results in the strategies the Company manages, employee performance, staffing levels, and gains and losses on investments held in the Deferred Compensation Plans.

The Company had $20.2 million in investment losses due to market declines for 2022 compared to $16.4 million in investment income due to market appreciation for 2021.

The Company recorded a gain of $6.8 million from the final payment on the sale of its High Yield-Focused Advisory Contracts during 2022, and a gain of $9.0 million from the initial payment on the sale of its High Yield-Focused Advisory Contracts during 2021.

Income tax expense decreased $12.0 million for 2022, compared to 2021. The decrease in income tax expense was primarily due to a decrease in the Company's income before taxes, which was partially offset by an increase in its effective tax rate from 25.6% to 27.6% year-over-year. The increase in the Company's effective tax rate in 2022 was primarily due to the benefit attributable to redeemable noncontrolling interests.

The Company generated net income attributable to common shareholders of $40.4 million ($13.01 per diluted share) for 2022, compared to $74.2 million ($23.34 per diluted share) for 2021. The year-over-year decrease in net income attributable to common shareholders was primarily due to the decline of revenues as a result of decreased AUM, the decrease in performance-based fees, and investment losses in 2022 due to the market environment.

Revenue

(in thousands, except percentages)	2023	2022	% Change	2022	2021	% Change
Investment advisory	$ 129,180	$ 144,326	(10)%	$ 144,326	$ 170,138	(15)%
Mutual fund administration, net	7,536	10,170	(26)%	10,170	12,056	(16)%
Total	$ 136,716	$ 154,496	(12)%	$ 154,496	$ 182,194	(15)%

Revenue - 2023 Compared to 2022

Investment Advisory Fees. Investment advisory fees decreased by $15.1 million, or 10%, from 2022 to 2023. 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 decrease in investment advisory fees was primarily due to a decrease in total average AUM and AUA of 7.5% and a decrease in the average advisory fee rate (excluding performance-based fees) from 0.48% to 0.47% period over period. The average advisory fee rate (excluding performance-based fees) for equity assets decreased from 0.50% in 2022 to 0.49% in 2023, and the average advisory fee rate for fixed income assets decreased from 0.31% in 2022 to 0.30% in 2023. The decrease in the total average advisory fee rate was due to the growth in fixed income assets, which increased from 8% of total average AUM and AUA in 2022, to 11% in 2023. The average advisory fee rate is calculated by dividing investment advisory revenues by total average AUM and AUA during the period. Also, the Company recognized $1.2 million of performance-based fees during 2023, compared to $1.5 million of performance-based fees during 2022.

Mutual Fund Administration Fees. Mutual fund administration fees decreased $2.6 million, or 26%, from 2022 compared to 2023. Mutual fund administration fees include administration fees received from the Funds, which are calculated as a percentage of the Funds' average AUM. This decrease was primarily due to the impact of a 13% decrease in the Funds' average AUM from 2022 compared to 2023, and an increase in administration fees paid on behalf of the Funds as a percentage of average Fund AUM.

Revenue - 2022 Compared to 2021

Investment Advisory Fees. Investment advisory fees decreased by $25.8 million, or 15%, from 2021 to 2022. 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 Company recognized $1.5 million of performance-based fees in 2022 compared to $11.9 million of performance-based fees recognized in 2021. A significant performance-based agreement reached the end of its first five-year measurement period on September 30, 2021. Since the initial five-year measurement period ended, the performance-based fee has been calculated annually based on the client investment results over the recently completed five-year period.

The remaining decrease in investment advisory fees was due to a decrease of 9% in average AUM year over year. The average advisory fee rate (excluding performance-based fees) was 0.52% for both 2022 and 2021.

Mutual Fund Administration Fees. Mutual fund administration fees decreased $1.9 million, or 16%, from 2021 compared to 2022. Mutual fund administration fees include administration fees received from the Funds, which are calculated as a percentage of the Funds' average AUM. This decrease was primarily due to the impact of a 14% decrease in the Funds' average AUM from 2021 compared to 2022.

Expenses

(in thousands, except percentages)	2023	2022	% Change	2022	2021	% Change
Compensation and related costs, excluding deferred compensation expense (benefit)	$ 70,731	$ 70,505	—%	$ 70,505	$ 73,591	(4)%
Deferred compensation expense (benefit)	5,600	(4,402)	NM	(4,402)	7,082	NM
General and administrative	14,935	13,607	10%	13,607	14,021	(3)%
Sales and marketing	6,684	7,160	(7)%	7,160	7,659	(7)%
Mutual fund administration	3,262	3,295	(1)%	3,295	3,582	(8)%
Total	$ 101,212	$ 90,165	12%	$ 90,165	$ 105,935	(15)%

Expenses - 2023 Compared to 2022

Compensation and Related Costs, Excluding Deferred Compensation Expense (Benefit). Employee compensation and related costs (excluding deferred compensation benefit) increased by $0.2 million in 2023. This increase is primarily due to an increase in salary and related benefits of $1.3 million, and an increase in restricted stock expense of $1.0 million, partially offset by a decrease in incentive compensation of $2.4 million. On average, the Company had 129 employees in 2023 and 2022.

Incentive compensation expense can fluctuate significantly period over period as the Company evaluates investment performance, individual performance, its own performance, and other factors.

Deferred Compensation Expense (Benefit). Deferred compensation expense was $5.6 million for 2023 compared to a benefit of $4.4 million for 2022, primarily due to market appreciation on the Deferred Compensation Plans' investments in 2023 compared to market declines in 2022.

The gain (loss) on the Deferred Compensation Plans' investments increases (decreases) deferred compensation expense (benefit) and is included in operating income. Deferred compensation expense (benefit) is offset by an equal amount in investment income (loss) below net operating income on the consolidated statements of income, and thus, has no impact on net income attributable to the Company.

General and Administrative. General and administrative expenses increased by $1.3 million, or 10%, from 2022 compared to 2023. This increase was primarily due to an increase in investment research-related expenses of $0.6 million, an increase in consulting expenses of $0.4 million, and an increase in recruiting expenses of $0.3 million.

Sales and Marketing. Sales and marketing expenses decreased by $0.5 million, or 7%, from 2022 compared to 2023. The decrease was primarily due to a reduction in payments made to third party intermediaries as a result of the decrease in the Funds' average AUM period over period.

Mutual Fund Administration. Mutual fund administration expenses decreased by less than $0.1 million, or 1%, from 2022 compared to 2023. Mutual fund administration expenses consist of both variable and fixed expenses. The variable expenses are based on Fund AUM levels and the number of shareholder accounts. The decrease was due to a reduction in variable expenses as a result of the decrease in the Funds' average AUM period over period.

Expenses - 2022 Compared to 2021

Compensation and Related Costs, Excluding Deferred Compensation Expense (Benefit). Employee compensation and benefits decreased by $3.1 million, or 4%, from 2021 compared to 2022. This decrease is due to a decrease in accrued incentive compensation of $6.2 million and a decrease in other compensation expense of $0.7 million, which was partially offset by an increase in restricted stock expense of $3.3 million related to restricted stock grants issued in February of 2022 under the Company's long-term incentive program, and an increase in salary and related benefits of $0.5 million. On average, the Company had 129 employees in 2022 and 126 in 2021. Incentive compensation expense can fluctuate significantly period over period as the Company evaluates investment performance, individual performance, its own performance, and other factors.

Deferred Compensation Expense (Benefit). Deferred compensation benefit was $4.4 million for 2022 compared to an expense of $7.1 million for 2021.

The gain (loss) on the Deferred Compensation Plans' investments increases (decreases) deferred compensation expense (benefit) and is included in operating income. Deferred compensation expense (benefit) is offset by an equal amount in investment income (loss) below net operating income on the consolidated statements of income, and thus, has no impact on net income attributable to the Company.

General and Administrative. General and administrative expenses for 2022 decreased by $0.4 million, or 3%, compared to 2021. This decrease was primarily due to a decrease of $0.7 million in consulting fees and $0.5 million of proxy solicitation fees related to the sale of the High Yield-Focused Advisory Contracts in 2021. That decrease was partially offset by a $0.5 million increase in investment research and related conference fees, a $0.1 million increase in insurance expense, and a $0.2 million increase in IT staffing, hardware, and software expenses.

Sales and Marketing. Sales and marketing expenses for 2022 decreased by $0.5 million, or 7%, compared to 2021. The decrease was primarily due to decreases of $0.9 million in payments made to third-party intermediaries related to the sale of the Funds on their platforms, and $0.2 million related to its distribution technology platform and related external data costs. The decrease was partially offset by an increase of $0.6 million in sales-related travel expenses.

Mutual Fund Administration. Mutual fund administration expenses for 2022 decreased by $0.3 million, or 8%, compared to 2021. Mutual fund administration expenses consist of both variable and fixed expenses. The variable expenses are based on Fund AUM levels and the number of shareholder accounts. The decrease was due to a reduction in variable expenses as a result of the decrease in the Funds' average AUM period-over-period.

Liquidity and Capital Resources

Sources of Liquidity

The Company's current financial condition is liquid, with a significant amount of its assets comprised of cash and cash equivalents, investments, accounts receivable, and other current assets. The Company's 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 $181.8 million and $182.9 million of total assets as of December 31, 2023, and 2022, respectively. The Company believes that these sources of liquidity, as well as its continuing cash flows from operating activities, will be sufficient to meet its current and future operating needs for the next 12 months.

Uses of Liquidity

The Company anticipates that its main uses of cash will be for operating expenses and seed capital to fund new and existing investment strategies. The Board and management regularly review various factors to determine whether the Company has capital in excess of that required for its business and what are the appropriate uses of any such excess capital, including share repurchases and/or the payment of dividends.

Share Repurchases

On May 10, 2023, the Board approved the 2023 Repurchase Program. The 2023 Repurchase Program authorizes management to repurchase up to $50.0 million of DHIL's common shares in the open market and in private transactions in accordance with applicable securities laws. The 2023 Repurchase Program will expire on May 10, 2025, or upon the earlier completion of all authorized purchases under the program. As of December 31, 2023, $26.4 million remained available for repurchases under the 2023 Repurchase Program. Prior to the approval of the 2023 Repurchase Program, the Company repurchased shares under similar prior repurchase programs.

The authority to repurchase shares may be exercised from time to time as market conditions warrant and is subject to regulatory constraints. The timing, amount, and other terms and conditions of any repurchases will be determined by management in its discretion based on a variety of factors, including the market price of such shares, corporate considerations, general market and economic conditions, and applicable legal requirements.

The following table summarizes the Company's annual share repurchase transactions:

Year	Total Number of Shares Purchased	Average Price Paid Per Share Purchased	Purchase Price of Shares Purchased
2023	212,638	$ 162.81	$ 34,619,944
2022	217,009	178.45	38,726,007
2021	45,727	171.02	7,820,315
Total	475,374	$ 157.65	$ 81,166,266

Dividends

Fiscal 2023 was the 16th consecutive year that the Company paid a dividend.

A summary of cash dividends paid during the years ended December 31, 2023, 2022, and 2021 is presented below:

Year	Regular Dividend Per Share	Regular Dividend Total	Special Dividend Per Share	Special Dividend Total	Total Dividend Per Share	Total Dividends
2023	$ 6.00	$ 17,676,364	$ —	$ —	$ 6.00	$ 17,676,364
2022	$ 6.00	18,637,238	$ 4.00	12,059,669	$ 10.00	30,696,907
2021	$ 4.00	12,700,876	$ 19.00	60,260,100	$ 23.00	72,960,976
Total		$ 49,014,478		$ 72,319,769		$ 121,334,247

On February 28, 2024, the Board approved a regular quarterly dividend for the first quarter of 2024 of $1.50 per share to be paid on March 22, 2024, to shareholders of record as of March 11, 2024. This dividend is expected to reduce shareholders' equity by approximately $4.3 million. Subject to Board approval and compliance with applicable law, the Company expects to pay a regular quarterly dividend of $1.50 per share in 2024.

In addition to the regular quarterly dividends, the Board will decide whether to approve and pay an additional special dividend in the fourth quarter of each fiscal year. After assessing the current market environment, the level of share repurchases during the year, as well as the regular dividend paid during 2023, the Company decided not to issue a special dividend in 2023. Although the Company currently expects to continue to pay regular quarterly dividends, depending on the circumstances and the Board's judgment, the Company may not pay quarterly or special dividends as described.

Working Capital

As of December 31, 2023, the Company had working capital of approximately $146.1 million, compared to $144.9 million as of December 31, 2022. Working capital includes cash and cash equivalents, accounts receivable, investments (excluding those held in the Company's Deferred Compensation Plans), and other current assets of DHCM, net of accounts payable and accrued expenses, accrued incentive compensation, and other current DHCM liabilities.

The Company had no debt and the Company believes its available working capital is sufficient to cover current expenses and presently anticipated capital expenditures.

Below is a summary of investments as of December 31, 2023 and 2022:

	As of December 31,	
	2023	2022
Corporate Investments:		
Diamond Hill International Fund	$ 52,763,714	$ 36,084,204
Diamond Hill Core Bond Fund	34,003,006	41,315,982
Diamond Hill Micro Cap Fund, LP	12,482,396	9,690,916
Diamond Hill Large Cap Concentrated Fund	12,402,576	10,571,463
Total Corporate Investments	111,651,692	97,662,565
Deferred Compensation Plan Investments in the Funds	36,087,170	30,744,990
Total investments held by DHCM	147,738,862	128,407,555
Redeemable noncontrolling interest in the Consolidated Fund	—	17,268,156
Total investments	$ 147,738,862	$ 145,675,711

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. The Company expects that cash flows provided by operating activities will continue to serve as its primary source of working capital in the near future.

In 2023, net cash provided by operating activities totaled $34.7 million. Cash provided by operating activities was primarily driven by net income of $43.1 million as well as non-cash adjustments added back to net income consisting of share-based compensation of $11.7 million and depreciation of $1.3 million. These cash inflows were partially offset by the net change in securities held by the Consolidated Funds of $10.9 million and the cash impact of timing differences in the settlement of other assets and liabilities of $10.5 million. Net cash provided by operating activities of $34.7 million was inclusive of $9.8 million of cash used in operations by the Consolidated Funds.

In 2022, net cash provided by operating activities totaled $39.5 million. Cash provided by operating activities was primarily driven by net income of $36.9 million, and the add backs of net losses on investments of $24.5 million, share-based compensation of $10.7 million, and market declines of $1.4 million. These cash inflows were partially offset by the net change in securities held by the Consolidated Funds of $14.0 million, the cash impact of timing differences in the settlement of other assets and liabilities of $13.2 million, and the adjustment to net income of $6.8 million for the gain on sale of the High Yield-

Focused Advisory Contracts. Net cash provided by operating activities of $39.5 million was inclusive of $9.5 million of cash used in operations by the Consolidated Funds.

In 2021, net cash provided by operating activities totaled $26.3 million. Cash provided by operating activities was primarily driven by net income of $75.6 million, the add back of share-based compensation of $7.4 million, depreciation of $1.3 million, and the cash impact of timing differences in the settlement of assets and liabilities of $12.3 million. These cash inflows were partially offset by net securities purchased by the Consolidated Funds of $50.4 million, net gains on investments of $10.9 million, and the adjustment to net income of $9.0 million for the gain on sale of the High Yield-Focused Advisory Contracts. Net cash provided by operating activities of $26.3 million was inclusive of $50.3 million of cash used in operations by the Consolidated Funds.

Cash Flows from Investing Activities

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

Cash flows used in investing activities totaled $4.2 million in 2023. Cash flows used in investing activities were driven by purchases of Company-sponsored investments of $19.5 million, partially offset by proceeds from the sale of Company-sponsored investments totaling $15.3 million.

Cash flows provided by investing activities totaled $6.0 million in 2022. The cash provided was due to proceeds from the sale of Company-sponsored investments totaling $6.9 million and $6.8 million of proceeds received from the final payment for the sale of the High Yield-Focused Advisory Contracts. These proceeds were partially offset by purchases of Company-sponsored investments of $7.6 million and property and equipment purchases of $0.1 million.

Cash flows provided by investing activities totaled $27.3 million in 2021. The cash provided was due to proceeds from the sale of Company-sponsored investments totaling $40.8 million and $9.0 million of proceeds received from the sale of the High Yield-Focused Advisory Contracts. These proceeds were partially offset by purchases of Company-sponsored investments of $21.4 million and property and equipment purchases (primarily capitalized software) of $1.1 million.

Cash Flows from Financing Activities

The Company's cash flows from financing activities consist primarily of the repurchase of DHIL common shares, dividends paid on DHIL common shares, DHIL common shares withheld related to employee tax withholding proceeds received under the Diamond Hill Investment Group, Inc. Employee Stock Purchase Plan ("ESPP"), and distributions to, or contributions from, redeemable noncontrolling interest holders.

In 2023, net cash used in financing activities totaled $46.7 million, consisting of repurchases of DHIL's common shares of $34.6 million, the payment of dividends of $17.7 million, and the value of shares withheld to cover employee tax withholding obligations of $5.2 million. These cash outflows were partially offset by net subscriptions received in the Consolidated Funds from redeemable non-controlling interest holders of $10.4 million and proceeds received under the ESPP of $0.4 million.

In 2022, net cash used in financing activities totaled $62.9 million, consisting of repurchases of DHIL's common shares of $38.7 million, the payment of dividends of $30.7 million, and the value of shares withheld to cover employee tax withholding obligations of $3.4 million. These cash outflows were partially offset by net subscriptions received in the Consolidated Funds from redeemable non-controlling interest holders of $9.5 million and proceeds received under the ESPP of $0.5 million.

In 2021, net cash used in financing activities totaled $71.5 million, consisting of the payment of dividends of $73.0 million, repurchases of DHIL's common shares of $7.8 million, and $1.6 million of shares withheld related to employee tax withholding obligations. These cash outflows were partially offset by net subscriptions received in the Consolidated Funds from redeemable non-controlling interest holders of $10.3 million and proceeds received under the ESPP of $0.6 million.

Supplemental Consolidated Cash Flow Statement

The following table summarizes the condensed cash flows for 2023, 2022, and 2021 that are attributable to the Company and to the Consolidated Funds, and the related eliminations required in preparing the consolidated financial statements.

	Year Ended December 31, 2023			
	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 (loss)	$ 42,226,422	$ 3,818,572	$ (2,959,446)	$ 43,085,548
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,289,315	—	—	1,289,315
Share-based compensation	11,691,890	—	—	11,691,890
Net (gains) losses on investments	(15,677,551)	(3,818,572)	2,959,446	(16,536,677)
Net change in securities held by Consolidated Funds	—	(10,930,911)	—	(10,930,911)
Other changes in assets and liabilities	4,959,742	1,110,217	—	6,069,959
Net cash provided by (used in) operating activities	44,489,818	(9,820,694)	—	34,669,124
Net cash used in investing activities	(3,675,461)	—	(530,163)	(4,205,624)
Net cash provided by (used in) financing activities	(57,017,780)	$ 9,820,694	$ 530,163	(46,666,923)
Net change during the year	(16,203,423)	—	—	(16,203,423)
Cash and cash equivalents at beginning of year	63,195,302	—	—	63,195,302
Cash and cash equivalents at end of year	$ 46,991,879	—	—	$ 46,991,879

	Year Ended December 31, 2022			
	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 (loss)	$ 40,434,107	$ (11,739,448)	$ 8,176,103	$ 36,870,762
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,377,610	—	—	1,377,610
Share-based compensation	10,660,673	—	—	10,660,673
Gain on sale of High Yield-Focused Advisory Contracts	(6,813,579)	—	—	(6,813,579)
Net (gains) losses on investments	21,552,322	11,739,448	(8,819,876)	24,471,894
Net change in securities held by Consolidated Funds	—	(14,039,687)	—	(14,039,687)
Other changes in assets and liabilities	(17,563,539)	4,518,501	—	(13,045,038)
Net cash provided by (used in) operating activities	49,647,594	(9,521,186)	(643,773)	39,482,635
Net cash provided by investing activities	5,330,622	—	703,249	6,033,871
Net cash provided by (used in) financing activities	(72,333,307)	$ 9,521,186	$ (59,476)	(62,871,597)
Net change during the year	(17,355,091)	—	—	(17,355,091)
Cash and cash equivalents at beginning of year	80,550,393	—	—	80,550,393
Cash and cash equivalents at end of year	$ 63,195,302	—	—	$ 63,195,302

	Year Ended December 31, 2021			
	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 (loss)	$ 74,200,609	$ 5,851,988	$ (4,463,058)	$ 75,589,539
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation	1,281,420	—	—	1,281,420
Share-based compensation	7,415,170	—	—	7,415,170
Gain on sale of High Yield-Focused Advisory Contracts	(9,000,000)	—	—	(9,000,000)
Net (gains) losses on investments	(7,599,548)	(5,851,988)	2,572,878	(10,878,658)
Net change in securities held by Consolidated Funds	—	(50,430,607)	—	(50,430,607)
Other changes in assets and liabilities	12,209,848	125,525	—	12,335,373
Net cash provided by (used in) operating activities	78,507,499	(50,305,082)	(1,890,180)	26,312,237
Net cash provided by (used in) investing activities	(14,631,872)	—	41,896,371	27,264,499
Net cash provided by (used in) financing activities	(81,803,436)	$ 50,305,082	$ (40,006,191)	(71,504,545)
Net change during the year	(17,927,809)	—	—	(17,927,809)
Cash and cash equivalents at beginning of year	98,478,202	—	—	98,478,202
Cash and cash equivalents at end of year	$ 80,550,393	—	—	$ 80,550,393

Material Cash Commitments

The Company's material cash commitments consist of its obligations under its Deferred Compensation Plans, lease obligations, and other contractual amounts that will be due for the purchase of goods and services to be used in its operations. Some of these contractual amounts may be cancellable under certain conditions and may involve termination fees. The Company expects to fund these cash commitments with future cash flow from operations and its Deferred Compensation Plans' investments in the Funds.

Its obligations under the Deferred Compensation Plans are disclosed on the consolidated balance sheets with more information included in Note 7 to the consolidated financial statements. Its lease obligations are disclosed in Note 8 to the consolidated financial statements. The Company's other material cash commitments for goods and services used in operations primarily consist of obligations related to long-term software licensing and maintenance contracts.

Non-GAAP Financial Measures and Reconciliation

As a supplement to information calculated and presented in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company is providing certain financial measures that are based on methodologies other than GAAP ("non-GAAP"). Management believes the non-GAAP financial measures below are useful measures of the Company's core business activities, are important metrics in estimating the value of an asset management business, and help facilitate comparisons to Company operating performance across periods. These non-GAAP financial measures should not be used as a substitute for financial measures calculated in accordance with GAAP and may be calculated differently by other companies. The following schedules reconcile the differences between financial measures calculated in accordance with GAAP to non-GAAP financial measures for the years ended December 31, 2023, 2022, and 2021, respectively.

	Year Ended December 31, 2023						
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating income	Income tax expense(5)	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	Net operating profit margin
GAAP Basis	$ 101,212	$ 35,504	$ 23,071	$ 15,490	$ 42,226	$ 14.32	26 %
Non-GAAP Adjustments:							
Deferred compensation liability(1)	(5,600)	5,600	(5,600)	—	—	—	4 %
Consolidated Funds(2)	—	330	(4,148)	(793)	(2,166)	(0.73)	—
Other investment income(4)	—	—	$ (13,323)	(3,571)	(9,752)	(3.31)	—
Adjusted Non-GAAP Basis	$ 95,612	$ 41,434	—	$ 11,126	$ 30,308	$ 10.28	30 %

	Year Ended December 31, 2022						
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating loss	Income tax expense(5)	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	Net operating profit margin
GAAP Basis	$ 90,165	$ 64,331	$ (13,373)	$ 14,088	$ 40,434	$ 13.01	42 %
Non-GAAP Adjustments:							
Deferred compensation liability(1)	4,402	(4,402)	4,402	—	—	—	(3)%
Consolidated Funds(2)	—	423	11,317	2,113	6,063	1.95	—
Gain on sale of High Yield-Focused Advisory	—	—	(6,814)	(1,761)	(5,053)	(1.63)	—
Other investment income(4)	—	—	$ 4,468	1,155	3,313	1.07	—
Adjusted Non-GAAP Basis	$ 94,567	$ 60,352	—	$ 15,595	$ 44,757	$ 14.40	39 %

(in thousands, except percentages and per share data)	Year Ended December 31, 2021 Total operating expenses	Net operating income	Total non-operating income	Income tax expense[5]	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	Net operating profit margin
GAAP Basis	$ 105,936	$ 76,258	$ 25,381	$ 26,050	$ 74,201	$ 23.34	42 %
Non-GAAP Adjustments:							
Deferred compensation liability[1]	(7,082)	7,082	(7,082)	—	—	—	4 %
Consolidated Funds[2]	—	340	(6,192)	(1,160)	(3,304)	(1.04)	— %
Gain on sale of High Yield-Focused Advisory	—	—	(9,000)	(2,339)	(6,661)	(2.10)	— %
Other investment income[4]	—	—	$ (3,107)	(808)	(2,299)	(0.72)	— %
Adjusted Non-GAAP Basis	$ 98,854	$ 83,680	—	$ 21,743	$ 61,937	$ 19.48	46 %

(1) This non-GAAP adjustment removes the compensation expense resulting from market valuation changes in the Deferred Compensation Plans' liability and the related net gains/losses on investments designated as an economic hedge against the related liability. Amounts deferred under the Deferred Compensation Plans are adjusted for appreciation/depreciation of investments chosen by participants. The Company believes it is useful to offset the non-operating investment income or loss realized on the hedges against the related compensation expense and remove the net impact to help readers understand the Company's core operating results and to improve comparability from period to period.

(2) This non-GAAP adjustment removes the impact that the Consolidated Funds have on the Company's GAAP consolidated statements of income. Specifically, the Company adds back the operating expenses and subtracts the investment income of the Consolidated Funds. The adjustment to net operating income represents the operating expenses of the Consolidated Funds, net of the elimination of related management and administrative fees. The adjustment to net income attributable to common shareholders represents the net income of the Consolidated Funds, net of redeemable non-controlling interests. The Company believes removing the impact of the Consolidated Funds helps readers understand its core operating results and improves comparability from period to period.

(3) This non-GAAP adjustment removes the impact of the gain on the sale of the High Yield-Focused Advisory Contracts. The sale of the High Yield-Focused Advisory Contracts was a discrete transaction, thus, the Company believes that removing the impact of the gain helps readers understand the Company's core operating results and improves comparability period to period.

(4) This non-GAAP adjustment represents the net gains or losses earned on the Company's non-consolidated investment portfolio that are not designated as economic hedges of the Deferred Compensation Plans' liability, non-consolidated seed investments, and other investments. The Company believes adjusting for these non-operating income or loss items helps readers understand the Company's core operating results and improves comparability from period to period.

(5) The income tax expense impacts were calculated and resulted in an overall non-GAAP effective tax rate of 26.8% for 2023, 25.8% for 2022 and 26.0% for 2021.

Critical Accounting Policies and Estimates

The preparation of financial statements requires management to make estimates, judgments, and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosures of contingent assets and liabilities. The Company evaluates such estimates, judgments, and assumptions on an ongoing basis, and bases its estimates, judgements, and assumptions on historical experiences, current trends, and various other factors that it believes to be reasonable under the circumstances. By their nature, these estimates, judgments, and assumptions are subject to uncertainty, and actual results may differ materially from these estimates.

Consolidation. The Company consolidates all subsidiaries and certain investments in which the Company has a controlling interest. The Company is generally deemed to have a controlling interest when it owns the majority of the voting interest of a voting rights entity ("VRE") 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 any entity whose equity holders do not have defined power to direct the activities of the entity normally associated with an equity investment. The Company's analysis to determine whether an entity is a VIE or a VRE involves judgment and considers several factors, including an entity's legal organization, equity structure, the rights of the investment holders, the Company's ownership interest in the entity, and its contractual involvement with the entity. The Company continually reviews and reconsiders its VIE or VRE conclusions upon the occurrence of certain events, such as changes to its ownership interest, or amendments to contract documents.

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

Revenue Recognition on Performance-Based Advisory Contracts. DHCM has certain investment advisory contracts in which a portion of the fees are based on investment performance achieved in the respective client portfolio in excess of a specified hurdle rate. These fees are calculated based on client investment results over rolling five-year periods. The Company records performance-based fees at the end of the contract measurement period because the performance-based fees earned are constrained based on movements in the financial markets.

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 considers 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 appropriate 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 its AUM. Accordingly, declines in financial market values directly and negatively impact its investment advisory revenues and net income.

The Company invests in its investment strategies, which are market risk sensitive financial instruments. These investments have inherent market risk in the form of price risk due to 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 the Company's market risks as of December 31, 2023, and shows the effects of a hypothetical 10% increase and decrease in investments.

	Fair Value as of December 31, 2023	Fair Value Assuming a Hypothetical 10% Increase	Fair Value Assuming a Hypothetical 10% Decrease
Equity investments	$ 110,296,156	$ 121,325,772	$ 99,266,540
Fixed Income investments	37,442,706	41,186,977	33,698,435
Total	$ 147,738,862	$ 162,512,749	$ 132,964,975

ITEM 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

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, 2023 and 2022, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2023, 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, 2023, 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 29, 2024 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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the assets under management data used in the calculation of investment advisory fee revenue for separately managed accounts (excluding performance-based fees), collective investment trusts and other pooled vehicles.

As discussed in Note 2 to the consolidated financial statements, the Company recognizes investment advisory revenue for its separately managed accounts (excluding performance-based fees), collective investment trusts and other pooled vehicles based on a percentage of its assets under management (AUM). The Company recognized $38.0 million in investment advisory fees related to separately managed accounts (excluding performance-based fees), collective investment trusts and other pooled vehicles during the year ended December 31, 2023. AUM is an input to the calculation of the investment advisory fee revenue. Specifically, as it pertains to these accounts, the inputs to the AUM calculation and the calculated AUM value are transmitted through multiple information technology (IT) systems used in the calculation of investment advisory fee revenue.

We identified the evaluation of the AUM data used in the calculation of separately managed accounts (excluding performance-based fees), collective investment trusts and other pooled vehicles investment advisory fee revenue as a critical audit matter. There is a high degree of auditor judgment required to perform procedures to address the Company's use of multiple IT systems to maintain the AUM data, including the use of professionals with specialized skills and knowledge to test the AUM data processed through multiple IT systems.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the critical audit matter. This included controls related to the inputs to the AUM calculation, as well as controls that reconcile AUM between IT systems. We involved IT professionals with specialized skills and knowledge, who assisted in the testing of application and related general IT controls relevant to the IT systems used to maintain AUM data. We compared AUM used in the calculation of investment advisory fees to the source IT systems for a selection of accounts.

/s/ KPMG LLP

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

Columbus, Ohio
February 29, 2024

Diamond Hill Investment Group, Inc.
Consolidated Balance Sheets

	December 31,	
	2023	2022
ASSETS		
Cash and cash equivalents	$ 46,991,879	$ 63,195,302
Investments	147,738,862	145,675,711
Accounts receivable	18,051,241	17,329,034
Prepaid expenses	3,509,460	3,435,269
Income taxes receivable	1,620,864	1,463,547
Property and equipment, net of depreciation	2,591,604	4,348,341
Deferred taxes	11,590,438	14,374,206
Total assets	$ 232,094,348	$ 249,821,410
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Accounts payable and accrued expenses	$ 6,190,370	$ 9,177,977
Accrued incentive compensation	29,500,000	32,100,000
Deferred compensation	36,087,170	30,744,990
Total liabilities	71,777,540	72,022,967
Redeemable noncontrolling interest	—	14,126,198
Permanent Shareholders' Equity		
Common shares, no par value: 7,000,000 shares authorized; 2,823,076 issued and outstanding at December 31, 2023 (inclusive of 190,172 unvested shares); 3,010,457 issued and outstanding at December 31, 2022 (inclusive of 219,459 unvested shares)	22,164,410	51,688,631
Preferred stock, undesignated, 1,000,000 shares authorized and unissued	—	—
Deferred equity compensation	(15,392,418)	(17,011,144)
Retained earnings	153,544,816	128,994,758
Total permanent shareholders' equity	160,316,808	163,672,245
Total liabilities and shareholders' equity	$ 232,094,348	$ 249,821,410

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,		
	2023	2022	2021
REVENUES:			
Investment advisory	$ 129,179,500	$ 144,325,517	$ 170,137,609
Mutual fund administration, net	7,536,871	10,170,502	12,056,228
Total revenue	136,716,371	154,496,019	182,193,837
OPERATING EXPENSES:			
Compensation and related costs, excluding deferred compensation expense (benefit)	70,730,640	70,505,216	73,591,327
Deferred compensation expense (benefit)	5,599,880	(4,402,265)	7,082,153
General and administrative	14,935,033	13,606,922	14,020,836
Sales and marketing	6,684,410	7,159,686	7,659,423
Mutual fund administration	3,262,421	3,294,983	3,581,960
Total operating expenses	101,212,384	90,164,542	105,935,699
NET OPERATING INCOME	35,503,987	64,331,477	76,258,138
NON-OPERATING INCOME (LOSS)			
Investment income (loss), net	23,071,441	(20,186,511)	16,381,216
Gain on sale of High Yield-Focused Advisory Contracts	—	6,813,579	9,000,000
Total non-operating income (loss)	23,071,441	(13,372,932)	25,381,216
NET INCOME BEFORE TAXES	58,575,428	50,958,545	101,639,354
Income tax expense	(15,489,880)	(14,087,783)	(26,049,815)
NET INCOME	43,085,548	36,870,762	75,589,539
Net loss (income) attributable to redeemable noncontrolling interest	(859,126)	3,563,345	(1,388,930)
NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ 42,226,422	$ 40,434,107	$ 74,200,609
Earnings per share attributable to common shareholders			
Basic	$ 14.32	$ 13.01	$ 23.34
Diluted	$ 14.32	$ 13.01	$ 23.34
Weighted average shares outstanding			
Basic	2,948,625	3,107,604	3,179,497
Diluted	2,948,625	3,107,604	3,179,497

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 Shares	Deferred Equity Compensation	Retained Earnings	Total	Redeemable Noncontrolling Interest
Balance at December 31, 2020	3,168,823	$ 80,810,946	$ (14,748,118)	$118,017,925	$ 184,080,753	$ 9,372,333
Issuance of restricted stock grants	69,879	11,105,508	(11,105,508)	—	—	—
Amortization of restricted stock grants	—	—	7,182,299	—	7,182,299	—
Common shares issued as incentive compensation	3,681	529,806	—	—	529,806	—
Issuance of common shares related to 401(k) plan match	506	87,667	—	—	87,667	—
Issuance of common shares related to employee stock purchase plan	4,278	748,472	—	—	748,472	—
Shares withheld related to employee tax withholding obligations	(10,057)	(1,625,413)	—	—	(1,625,413)	—
Forfeiture of restricted stock grants	(19,847)	(3,402,622)	3,402,622	—	—	—
Repurchases of common shares	(45,727)	(7,820,315)	—	—	(7,820,315)	—
Cash dividends paid of $23.00 per share	—	—	—	(72,960,976)	(72,960,976)	—
Net income	—	—	—	74,200,609	74,200,609	1,388,930
Net subscriptions of consolidated funds	—	—	—	—	—	10,298,891
Net deconsolidations of Company sponsored investments	—	—	—	—	—	(3,303,818)
Balance at December 31, 2021	3,171,536	$ 80,434,049	$ (15,268,705)	$119,257,558	$ 184,422,902	$ 17,756,336
Issuance of restricted stock grants	76,143	13,436,439	(13,436,439)	—	—	—
Amortization of restricted stock grants	—	—	10,530,486	—	10,530,486	—
Common shares issued as incentive compensation	2,743	487,870	—	—	487,870	—
Issuance of common shares related to 401(k) plan match	211	37,313	—	—	37,313	—
Issuance of common shares related to employee stock purchase plan	3,392	619,159	—	—	619,159	—
Shares withheld related to employee tax withholding obligations	(19,302)	(3,436,678)	—	—	(3,436,678)	—
Forfeiture of restricted stock grants	(7,257)	(1,163,514)	1,163,514	—	—	—
Repurchases of common shares	(217,009)	(38,726,007)	—	—	(38,726,007)	—
Cash dividends paid of $10.00 per share	—	—	—	(30,696,907)	(30,696,907)	—
Net income (loss)	—	—	—	40,434,107	40,434,107	(3,563,345)
Net deconsolidations of Company sponsored investments	—	—	—	—	—	(9,528,503)
Net subscriptions of consolidated funds	—	—	—	—	—	9,461,710
Balance at December 31, 2022	3,010,457	$ 51,688,631	$ (17,011,144)	$128,994,758	$ 163,672,245	$ 14,126,198
Issuance of restricted stock grants	59,578	11,131,853	(11,131,853)	—	—	—
Amortization of restricted stock grants	—	—	11,603,239	—	11,603,239	—
Issuance of common shares related to 401(k) plan match	99	16,344	—	—	16,344	—
Issuance of common shares related to employee stock purchase plan	2,904	482,097	—	—	482,097	—
Shares withheld related to employee tax withholding obligations	(30,204)	(5,131,262)	—	—	(5,131,262)	—
Forfeiture of restricted stock grants	(7,120)	(1,147,340)	1,147,340	—	—	—
Repurchases of common shares (inclusive of accrued excise tax of $255,969)	(212,638)	(34,875,913)	—	—	(34,875,913)	—
Cash dividends paid of $6.00 per share	—	—	—	(17,676,364)	(17,676,364)	—
Net income	—	—	—	42,226,422	42,226,422	859,126
Net deconsolidations of Company sponsored investments	—	—	—	—	—	(25,336,181)
Net subscriptions of consolidated funds	—	—	—	—	—	$ 10,350,857
Balance at December 31, 2023	2,823,076	$ 22,164,410	$ (15,392,418)	$153,544,816	$ 160,316,808	—

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,		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 43,085,548	$ 36,870,762	$ 75,589,539
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	1,289,315	1,377,610	1,281,420
Share-based compensation	11,691,890	10,660,673	7,415,170
Increase (decrease) in accounts receivable	(3,393,686)	3,107,409	(2,666,551)
Change in current income taxes	(157,317)	(2,265,287)	1,058,278
Change in deferred income taxes	2,783,768	(4,526,654)	(1,410,106)
Gain on sale of High Yield-Focused Advisory Contracts	—	(6,813,579)	(9,000,000)
Net loss (gain) on investments	(16,536,677)	24,471,894	(10,878,658)
Net change in securities held by Consolidated Funds	(10,930,911)	(14,039,687)	(50,430,607)
Increase (decrease) in accrued incentive compensation	(2,600,000)	(4,647,548)	9,365,224
Increase (decrease) in deferred compensation	5,342,180	(6,603,304)	4,106,342
Other changes in assets and liabilities	4,095,014	1,890,346	1,882,186
Net cash provided by operating activities	34,669,124	39,482,635	26,312,237
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(21,705)	(101,454)	(1,104,981)
Purchase of Company sponsored investments	(19,469,955)	(7,606,958)	(21,395,411)
Proceeds from sale of Company sponsored investments	15,286,036	6,928,704	40,764,891
Proceeds from sale of High Yield-Focused Advisory Contracts	—	6,813,579	9,000,000
Net cash provided by (used in) investing activities	(4,205,624)	6,033,871	27,264,499
CASH FLOWS FROM FINANCING ACTIVITIES:			
Value of shares withheld related to employee tax withholding obligations	(5,131,262)	(3,436,678)	(1,625,413)
Payment of dividends	(17,676,364)	(30,696,907)	(72,960,976)
Net subscriptions received from redeemable noncontrolling interest holders	10,350,857	9,461,710	10,298,891
Repurchase of common shares	(34,619,944)	(38,726,007)	(7,820,315)
Proceeds received under employee stock purchase plan	409,790	526,285	603,268
Net cash used in financing activities	(46,666,923)	(62,871,597)	(71,504,545)
CASH AND CASH EQUIVALENTS			
Net change during the year	(16,203,423)	(17,355,091)	(17,927,809)
At beginning of year	63,195,302	80,550,393	98,478,202
At end of year	$ 46,991,879	$ 63,195,302	$ 80,550,393
Supplemental cash flow information:			
Income taxes paid	$ 12,863,429	$ 20,879,724	$ 26,401,643
Supplemental disclosure of non-cash transactions:			
Common stock issued as incentive compensation	—	$ 487,870	$ 529,806
Charitable donation of corporate investments	—	—	$ 366,555

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

Note 1 Business and Organization

DHIL derives its consolidated revenues and net income from investment advisory and fund administration services provided by DHCM. DHCM is a registered investment adviser. DHCM is the investment adviser and administrator for the Funds. DHCM also provides investment advisory services to DHMF, a private fund, separately managed accounts, CITs, other pooled vehicles including sub-advised funds, and model delivery programs.

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 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, 2023 and 2022, and results of operations for the years ended December 31, 2023, 2022 and 2021.

Use of Estimates

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 as of the date of the financial statements as well as the reported amounts of revenue and expense during the reporting period. Estimates have been prepared based on the most current and best available information, but actual results could differ materially from those estimates.

Principles of Consolidation

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

DHCM holds certain investments in the Funds and DHMF 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"). The Trust is an open-end investment company registered under the Investment Company Act of 1940, as amended (the "1940 Act"). Each individual Fund represents a separate share class of a legal entity organized under the Trust. DHMF is organized as a Delaware limited partnership and is exempt from registration under the 1940 Act.

DHIL consolidates those subsidiaries and investments over which it has a controlling interest. The Company is generally deemed to have a controlling interest when it owns the majority of the voting interest of a voting rights entity ("VRE") or is 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 any entity whose equity holders do not have defined power to direct the activities of the entity normally associated with an equity investment. The Company's analysis to determine whether an entity is a VIE or a VRE involves judgment and consideration of several factors, including an entity's legal organization, equity structure, the rights of the investment holders, the Company's ownership interest in the entity, and the Company's contractual involvement with the entity. The Company continually reviews and reconsiders its controlling interest, VIE or VRE conclusions upon the occurrence of certain events, such as changes to its ownership interest, or amendments to contract documents.

The Company performs its consolidation analysis at the individual Fund level and has concluded that the Funds are VREs because the structure of the Funds is such that the shareholders are deemed to have the power through voting rights to direct the activities that most significantly impact each Fund's economic performance. The Funds are consolidated if DHIL 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%. As of December 31, 2023, the Company has not consolidated any of the Funds. As of December 31, 2022, the Company consolidated the Diamond Hill International Fund. As of December 31, 2021, the Company consolidated the Diamond Hill International Fund and the Diamond Hill Large Cap Concentrated Fund. The Company deconsolidated the Diamond Hill International Fund during the year ended December 31, 2023 and deconsolidated the Diamond Hill Large Cap Concentrated Fund during the year ended December 31, 2022, as the Company's ownership declined to less than 50% during each of these years. The Company also deconsolidated the Diamond Hill Global Fund during the year ended December 31, 2021, as the Fund was liquidated on December 17, 2021. The Fund(s) consolidated during the applicable period are referred to as the "Consolidated Fund(s)."

DHCM is the investment advisor of DHMF and is the managing member of Diamond Hill Fund GP, LLC (the "General Partner"), which is the general partner of DHMF. DHCM is wholly-owned by, and consolidated with, DHIL. Further, through its control of the General Partner, DHCM has the power to direct DHMF's economic activities and the right to receive investment advisory fees from DHMF that may be significant. DHMF commenced operations on June 1, 2021, and its underlying assets consist primarily of marketable securities.

The Company concluded DHMF was a VIE given that: (i) DHCM has disproportionately less voting interest than economic interest, and (ii) DHMF's limited partners have full power to remove the General Partner (which is controlled by DHCM, which is controlled by DHIL) due to the existence of substantive kick-out rights. In addition, substantially all of DHMF's 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 DHMF as it lacks the power to control DHMF, since DHMF's limited partners have single-party kick-out rights and can unilaterally remove the General Partner without cause. DHCM's investments in DHMF are reported as a component of the Company's investment portfolio and valued at DHCM's respective share of DHMF's net income or loss.

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

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 a single business segment, which is providing investment advisory and related services to clients through pooled vehicles, including the Funds and DHMF, separately managed accounts, CITs, other pooled vehicles including sub-advised funds, and model delivery programs. Therefore, the Company does not present disclosures relating to operating segments in annual or interim financial statements.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and money market mutual funds held by DHCM. The Company considers all highly liquid temporary cash instruments with an original maturity of three months or less to be cash equivalents. The Company places its cash on deposit with U.S. financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. The Company's credit risk in the event of failure of these financial institutions is represented by the difference between the FDIC limit and the total amount on deposit. Management monitors the financial institutions' creditworthiness in conjunction with balances on deposit to minimize risk. The Company from time to time may have amounts on deposit in excess of the insured limits. As of December 31, 2023, the Company had $2.8 million and $44.2 million in demand deposits and money market mutual funds, respectively. As of December 31, 2022, the Company had $2.8 million and $60.4 million in demand deposits and money market mutual funds, respectively.

Accounts Receivable

The Company records accounts receivable when they are due and presents them 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 individual or entity that owes the receivable. No allowance for doubtful accounts was deemed necessary at either December 31, 2023 or 2022. Accounts receivable from the Funds were $9.1 million and $9.3 million as of December 31, 2023 and 2022, respectively.

Investments

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

Company sponsored investments, where the Company has neither the 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 20% to 50% of the outstanding voting interests in the entity or where 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 (loss) in the Company's consolidated statements of income.

Property and Equipment

Property and equipment, consisting of leasehold improvements, right-of-use lease assets, computer equipment, capitalized software, furniture, and fixtures are carried at cost less accumulated depreciation. Accumulated depreciation was $10.2 million and $8.9 million as of December 31, 2023 and 2022, respectively. Depreciation is calculated using the straight-line method over the estimated lives of the assets.

Implementation costs incurred to develop or obtain internal-use software, including hosting arrangements, are capitalized and expensed on a straight-line basis over either the estimated useful life of the respective software or the term of the hosting arrangement.

Property and equipment is tested for impairment when there is an indication that the carrying amount of an asset may not be recoverable. When an asset is determined to not be recoverable, the impairment loss is measured based on the excess, if any, of the carrying value of the asset over its fair value.

Revenue Recognition – General

The Company recognizes revenue when DHCM satisfies performance obligations under the terms of a contract with a client. The Company earns substantially all of its revenue from DHCM investment advisory and fund administration contracts. Investment advisory and fund administration fees, generally calculated as a percentage of 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 performance-based fees.

Revenue from contracts with clients that was earned during the years ended December 31, 2023, 2022 and 2021 include:

	Year Ended December 31, 2023		
	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds	$ 84,810,452	$ 7,536,871	$ 92,347,323
Separately managed accounts, excluding performance-based fees	24,898,695	—	24,898,695
Performance-based fees	1,176,351	—	1,176,351
Other pooled vehicles	9,261,533	—	9,261,533
Model delivery	5,211,113	—	5,211,113
Collective investment trusts	3,821,356	—	3,821,356
	$ 129,179,500	$ 7,536,871	$ 136,716,371

	Year Ended December 31, 2022		
	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds	$ 98,873,571	$ 10,170,502	$ 109,044,073
Separately managed accounts, excluding performance-based fees	26,200,724	—	26,200,724
Performance-based fees	1,500,225	—	1,500,225
Other pooled vehicles	9,410,541	—	9,410,541
Model delivery	5,910,061	—	5,910,061
Collective investment trusts	2,430,395	—	2,430,395
	$ 144,325,517	$ 10,170,502	$ 154,496,019

	Year Ended December 31, 2021		
	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds	$ 113,602,317	$ 12,056,228	$ 125,658,545
Separately managed accounts, excluding performance-based fees	27,882,488	—	27,882,488
Performance-based fees	11,860,051	—	11,860,051
Other pooled vehicles	10,166,928	—	10,166,928
Model delivery	4,977,234	—	4,977,234
Collective investment trusts	1,648,591	—	1,648,591
	$ 170,137,609	$ 12,056,228	$ 182,193,837

Revenue Recognition – Investment Advisory Fees

DHCM's investment advisory contracts with clients have a single performance obligation because the contracted services are not separately identifiable from other obligations in the contracts, and therefore, are not distinct. All obligations to provide investment advisory services are satisfied over time by DHCM.

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

DHCM also provides its strategy model portfolios and related services to sponsors of model delivery programs. For its services, DHCM is paid a model delivery fee by the program sponsor at a pre-determined rate based on the amount of AUA in the program.

Revenue Recognition – Performance-Based Fees

DHCM manages certain client accounts that pay performance-based fees. These fees are calculated based on client investment results over rolling five-year periods. The Company records performance-based fees when it is probable that a significant reversal of the revenue will not occur. During the years ended December 31, 2023, 2022, and 2021, the Company recorded $1.2 million, $1.5 million, and $11.9 million, respectively, in performance-based fees. The Company recorded $11.9 million of performance-based fees during the year ended December 31, 2021, as a significant performance-based agreement reached the end of its first five-year measurement period on September 30, 2021. After the initial five-year contract measurement term, the performance-based fee is calculated annually based on the client investment results over the recently completed five-year period. The Company's next performance measurement period will be the twelve months ending September 30, 2024. AUM subject to performance-based fees was approximately $518.9 million as of December 31, 2023.

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 such as mutual fund administration, fund accounting, transfer agency, and other related functions. These services are performed concurrently under DHCM's agreement with the Funds, all performance obligations to provide these administrative services are satisfied over time, and the Company recognizes the related revenue as time progresses. Each Fund pays DHCM a fee for performing these services, which is calculated using an annual rate multiplied by the average daily net assets of each respective Fund share class. These fees are thereby constrained and represent variable consideration, and they are excluded from revenue until the AUM on which DHCM bills 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. In fulfilling a portion of its role under the administration and transfer agency services agreement with the Funds, DHCM acts as agent and pays for these services on behalf of the Funds. Each vendor is independently responsible for fulfillment of the services it has been engaged to provide and negotiates its fees and terms directly with the Funds' management and board of trustees. Each year, the Funds' board of trustees reviews the fee that each Fund pays to DHCM, and specifically considers 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.

Mutual fund administration gross and net revenue are summarized below:

	Year Ended December 31,		
	2023	2022	2021
Mutual fund administration:			
Administration revenue, gross	$ 21,597,721	$ 25,188,386	$ 29,635,451
Fund related expense	(14,060,850)	(15,017,884)	(17,579,223)
Mutual fund administration revenue, net	$ 7,536,871	$ 10,170,502	$ 12,056,228

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 materially from actual payments or assessments. The Company regularly assesses its positions 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 Financial Accounting Standards

Board ("FASB") Accounting Standards Codification ("ASC") 740, Income Taxes. The Company records interest and penalties within income tax expense on the income statement. See Note 9.

Earnings Per Share

Basic and diluted earnings per share ("EPS") are computed by dividing net income attributable to common shareholders by the weighted average number of DHIL common shares outstanding for the period, which includes unvested restricted shares. See Note 10**.**

Recently Adopted Accounting Guidance

The Company did not adopt any new accounting guidance during the year ended December 31, 2023 that had a material effect on its financial position or results of operations.

Newly Issued But Not Yet Adopted Accounting Guidance

In December 2023, the FASB issued Accounting Standards Update ("ASU") No. 2023-09, "Improvements to Income Tax Disclosures." This update requires certain revisions to income tax disclosures, primarily disclosures related to rate reconciliation and income taxes paid. ASU 2023-09 is effective for financial statements issued for annual periods beginning after December 15, 2024. The Company does not believe that adoption of ASU 2023-09 will materially impact its financial statements.

Note 3 Investments

The following table summarizes the carrying value of the Company's investments as of December 31, 2023 and 2022:

	As of December 31,	
	2023	2022
Fair value investments:		
Securities held in Consolidated Funds[a]	—	$ 54,740,993
Company-sponsored investments	$ 63,208,573	66,828,910
Company-sponsored equity method investments	84,530,289	24,105,808
Total Investments	$ 147,738,862	$ 145,675,711

(a) Of the securities held in the Consolidated Funds as of December 31, 2022, DHCM directly held $37.5 million and non-controlling shareholders held $17.2 million.

As of December 31, 2023, the Company did not consolidate any of the Funds. As of December 31, 2022, the Company consolidated the Diamond Hill International Fund. The Company deconsolidated the Diamond Hill International Fund during the year ended December 31, 2023, as the Company's ownership declined to less than 50%.

The components of net investment income (loss) are as follows:

	For the Year Ended December 31,		
	2023	2022	2021
Realized gains (losses)	$ 39,096	$ (118,408)	$ 15,676,405
Change in unrealized	15,690,012	(24,082,672)	(2,352,649)
Dividends	7,517,393	4,193,792	3,221,448
Other loss	(175,060)	(179,223)	(163,988)
Investment income (loss), net	$ 23,071,441	$ (20,186,511)	$ 16,381,216

Company-Sponsored Equity Method Investments

As of December 31, 2023, the Company's equity method investments consisted of DHMF, the Diamond Hill International Fund, and the Diamond Hill Large Cap Concentrated Fund. The Company's ownership percentage in each of these investments was 85%, 49%, and 47%, respectively. The Company's ownership in DHMF, the Diamond Hill International Fund, and the Diamond Hill Large Cap Concentrated Fund includes $6.9 million of investments held in the Deferred Compensation Plans (as defined in Note 7).

As of December 31, 2022, the Company's equity method investments consisted of DHMF and the Diamond Hill Large Cap Concentrated Fund, and the Company's ownership percentage in each of these investments was 85% and 48%, respectively. The Company's ownership in DHMF and the Diamond Hill Large Cap Concentrated Fund includes $3.8 million of investments from the Deferred Compensation Plans.

As of December 31, 2021, the Company's only equity method investment was DHMF, which commenced operations on June 1, 2021. The Company's ownership percentage in DHMF as of December 31, 2022 was 87%.

The following table includes the condensed summary financial information from the Company's equity method investments as of December 31, 2023 and 2022, and for the years ended December 31, 2023, 2022, and 2021:

	As of December 31,	
	2023	2022
Total assets	$ 162,145,182	$ 38,828,388
Total liabilities	4,551,099	278,675
Net assets	157,594,083	38,549,713
DHCM's portion of net assets	$ 84,530,289	$ 24,105,808

	For the Year Ended December 31,		
	2023	2022	2021
Investment income	$ 1,349,183	$ 413,528	$ 106,440
Expenses	460,670	134,478	37,820
Net realized gains	311,950	378,476	—
Change in unrealized	15,879,847	(402,230)	977,920
Net income	17,080,310	255,296	1,046,540
DHCM's portion of net income (loss)	$ 9,728,056	$ (405,393)	$ 914,855

The Company's investments at December 31, 2023 and 2022 include its interest in DHMF, an unconsolidated VIE, as the Company is not deemed the primary beneficiary. The Company's maximum risk of loss related to its involvement with DHMF is limited to the carrying value of its investment which was $17.7 million and $13.1 million as of December 31, 2023 and 2022, respectively.

Note 4 <u>Fair Value Measurements</u>

The Company determines the fair value of its 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. The Company does 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 the Company's consolidated balance sheet using fair value measurements (excludes investments classified as equity method investments) determined based upon the differing levels as of December 31, 2023 and 2022:

December 31, 2023	Level 1	Level 2	Level 3	Total
Cash equivalents	$ 44,171,397	—	—	$ 44,171,397
Fair value investments				
Company-sponsored investments	63,208,573	—	—	63,208,573
December 31, 2022				
Cash equivalents	60,412,001	—	—	60,412,001
Fair value investments				
Securities held in Consolidated Funds[(a)]	21,542,950	$ 33,198,043	—	54,740,993
Company-sponsored investments	$ 66,828,910	—	—	$ 66,828,910

(a) Of the securities held in the Consolidated Funds as of December 31, 2022, the Company directly held $37.5 million and non-controlling shareholders held $17.2 million.

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

Note 5 Line of Credit

The Company has a committed Line of Credit Agreement (the "Credit Agreement") with a commercial bank that matures on December 12, 2024, which permits the Company to borrow up to $25.0 million. Borrowings under the Credit Agreement bear interest at a rate equal to the Secured Overnight Financing Rate plus 1.10%. The Company pays a commitment fee on the unused portion of the facility, accruing at a rate per annum of 0.10%.

The proceeds of the Credit Agreement may be used by the Company and its subsidiaries for ongoing working capital needs, to seed new and existing investment strategies, and for other general corporate purposes. The Credit Agreement contains customary representations, warranties, and covenants.

The Company did not borrow under the Credit Agreement during the year ended December 31, 2023, and no borrowings were outstanding as of December 31, 2023.

Note 6 Capital Stock

Common Shares

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

Authorization of Preferred Shares

DHIL'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 Board. The Board 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 preferred shares issued or outstanding as of either December 31, 2023, or 2022.

Note 7 Compensation Plans

Share-Based Payment Transactions

The Company maintains the shareholder-approved Diamond Hill Investment Group, Inc. 2022 Equity and Cash Incentive Plan (the "2022 Plan"), which authorizes the issuance of 300,000 common shares of DHIL in various forms of equity awards. As of December 31, 2023, there were 234,952 common shares available for grants under the 2022 Plan. Previously, the Company issued equity awards under the Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan (the "2014 Plan").

There are no longer any DHIL common shares available for issuance under the 2014 Plan, although certain grants previously made under the 2014 Plan remain issued and outstanding.

Restricted stock grants represent common shares issued and outstanding upon grant subject to vesting restrictions. The Company issues restricted stock grants that cliff vest after five years to all new Company employees upon hire and additional awards annually to key Company employees in the form of three-year graded vesting stock grants.

Restricted stock grants represent DHIL common shares issued and outstanding upon grant that remain subject to restrictions until specified vesting conditions are satisfied. The Company issues to all new Company employees upon hire restricted stock grants that cliff vest after five years. After the end of each year, the Company also issues to certain key employees restricted stock grants that vest ratably on an annual basis over three years.

Compensation and related costs, excluding deferred compensation expense (benefit) includes expenses related to restricted stock grants of $11.6 million, $10.5 million, and $7.2 million, for the years ended December 31, 2023, 2022, and 2021, respectively.

The following table represents a roll-forward of outstanding restricted stock and related activity for the year ended December 31, 2023:

	Shares	Weighted-Average Grant Date Price per Share
Outstanding Restricted Stock as of December 31, 2022	219,459	$ 165.62
Grants issued	59,578	186.85
Grants vested	(81,745)	183.64
Grants forfeited	(7,120)	161.14
Outstanding Restricted Stock as of December 31, 2023	190,172	$ 164.69

The weighted-average grant date price per share of restricted stock issued during the years ended December 31, 2022 and 2021 was $176.46 and $158.92, respectively. The total fair value of restricted stock vested, as of their respective vesting dates, during the years ended December 31, 2023, 2022, and 2021 was $13.8 million, $9.1 million, and $5.2 million, respectively.

Total deferred equity compensation related to unvested restricted stock grants was $15.4 million as of December 31, 2023. The recognition of compensation expense related to deferred compensation over the remaining vesting periods is as follows:

2024	2025	2026	2027	2028	Thereafter	Total
$ 8,956,756	$ 4,603,980	$ 1,299,220	$ 366,417	$ 165,854	$ 191	$ 15,392,418

Employee Stock Purchase Plan

Under the ESPP, eligible employees may purchase DHIL common shares at 85% of the fair market value on the last day of each offering period. Each offering period is approximately three months, which coincides with the Company's fiscal quarters. During the year ended December 31, 2023, ESPP participants purchased 2,904 DHIL common shares for $0.4 million and the Company recorded $0.1 million of share-based payment expense related to these purchases. During the year ended December 31, 2022, ESPP participants purchased 3,392 DHIL common shares for $0.5 million and the Company recorded $0.1 million of share-based payment expense related to these purchases.

As of December 31, 2023, 89,426 DHIL common shares were reserved for future issuance through the ESPP.

Share Grant Transactions

The following table represents DHIL common shares issued as part of the Company's incentive compensation program during the years ended December 31, 2023, 2022, and 2021:

	Shares Issued	Grant Date Value
December 31, 2023	—	—
December 31, 2022	2,743	$ 487,870
December 31, 2021	3,681	$ 529,806

401(k) Plan

The Company sponsors a 401(k) plan in which all Company employees are eligible to participate. Company employees may contribute a portion of their compensation subject to certain limits based on federal tax laws. The Company matches employee contributions equal to 250.0% of the first 6.0% of an employee's compensation contributed to the plan. The Company may settle the 401(k) plan matching contributions in cash or common shares of the Company. After June 1, 2023, the Company made all matching contributions in cash. Employees vest ratably in the matching contributions over a five year period. The following table summarizes the Company's expenses attributable to the 401(k) plan during the years ended December 31, 2023, 2022 and 2021:

	Shares Issued	Share Contributions	Cash Contributions	Total Company Contributions
December 31, 2023	99	$ 16,344	$ 3,067,630	$ 3,083,974
December 31, 2022	211	37,313	2,910,156	2,947,469
December 31, 2021	506	$ 87,667	$ 2,779,641	$ 2,867,308

Deferred Compensation Plans

Under the Deferred Compensation Plans, participants may elect to voluntarily defer, for a minimum of five years (subject to an earlier distribution in the case of the participant's death or disability or a change in control of DHIL), certain incentive compensation that the Company may contribute into the Deferred Compensation Plans. Participants are responsible for designating investment options for the assets they contribute, and the distribution paid to each participant reflects any gains or losses on the assets realized in connection with the Deferred Compensation Plans. Assets held in the Deferred Compensation 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 $36.1 million and $30.7 million as of December 31, 2023 and 2022, respectively.

Note 8 Operating Leases

The Company currently leases office space of approximately 37,829 square feet at one location.

As of December 31, 2023 and December 31, 2022, the carrying value of this right-of-use asset, which is included in property and equipment, was approximately $0.6 million and $1.1 million, respectively, net of deferred rent on the consolidated balance sheets. As of December 31, 2023 and December 31, 2022, the carrying value of the lease liability was approximately $0.8 million and $1.4 million, respectively, which is included in accounts payable and accrued expenses on the consolidated balance sheets.

The following table summarizes the total lease and the related operating expenses for the years ended December 31, 2023, 2022 and 2021:

For the year ended December 31,		
2023	2022	2021
$ 908,516	$ 918,496	$ 932,637

Lease expense and the related operating expenses are recorded in general and administrative expenses on the consolidated statements of income.

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

Future Minimum Lease Payments by Year			
2024	2025	Thereafter	Total
$ 624,179	$ 156,044	$ —	$ 780,223

In addition to the above lease payments, the Company is also responsible for normal operating expenses of the property. These annual operating expenses were approximately $0.4 million in each of 2023, 2022, and 2021.

Note 9 Income Taxes

The provision for income taxes consists of:

	For the year ended December 31, 2023	2022	2021
Current federal income tax provision	$ 9,974,451	$ 14,494,857	$ 20,987,801
Current state and local income tax provision	2,731,661	4,119,580	6,472,120
Deferred income tax expense (benefit)	2,783,768	(4,526,654)	(1,410,106)
Provision for income taxes	$ 15,489,880	$ 14,087,783	$ 26,049,815

The following table reconciles the statutory federal income tax rate to the Company's effective income tax rate:

	2023	2022	2021
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal benefit	4.7	4.7	4.8
Internal revenue code section 162 limitations	1.3	1.5	0.9
Excess tax deficit on vesting of restricted stock	0.3	0.1	0.1
Income tax benefit from dividends paid on restricted stock	(0.5)	(0.9)	(1.0)
Other	—	(0.6)	0.2
Unconsolidated effective income tax rate	26.8 %	25.8 %	26.0 %
Impact attributable to redeemable noncontrolling interest (a)	(0.4)	1.8	(0.4)
Effective income tax rate	26.4 %	27.6 %	25.6 %

(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.

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 as of December 31, 2023 and 2022:

	2023	2022
Stock-based compensation	$ 2,778,585	$ 3,416,038
Accrued compensation	10,715,239	9,297,425
Unrealized (gains) losses	(1,487,350)	2,362,688
Property and equipment	(422,062)	(712,794)
Other assets and liabilities	6,026	10,849
Net deferred tax assets	$ 11,590,438	$ 14,374,206

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, 2023, no valuation allowance was deemed necessary.

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. The Company did not record an accrual for tax-related uncertainties or unrecognized tax positions as of December 31, 2023 and 2022, respectively. The Company does not expect a change to the reserve for uncertain tax positions within the next twelve months that would have a material impact on the consolidated financial statements.

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, 2019 through 2023.

Note 10 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. The following table sets forth the computation for basic and diluted EPS and reconciliation between basic and diluted shares outstanding:

	Year Ended December 31,		
	2023	2022	2021
Net income	$ 43,085,548	$ 36,870,762	$ 75,589,539
Less: Net loss (income) attributable to redeemable noncontrolling interest	(859,126)	3,563,345	(1,388,930)
Net income attributable to common shareholders	$ 42,226,422	$ 40,434,107	$ 74,200,609
Weighted average number of outstanding shares - Basic	2,948,625	3,107,604	3,179,497
Weighted average number of outstanding shares - Diluted	2,948,625	3,107,604	3,179,497
Earnings per share attributable to common shareholders			
Basic	$ 14.32	$ 13.01	$ 23.34
Diluted	$ 14.32	$ 13.01	$ 23.34

Note 11 Commitments and Contingencies

The Company indemnifies its directors, officers, and certain employees for certain liabilities that may arise from the performance of their duties to the Company. From time to time, the Company and its subsidiaries may be involved in legal matters incidental to its business. There are currently no such legal matters pending that the Company believes will have a material adverse effect on its consolidated financial statements. However, litigation involves an element of uncertainty, and future developments could cause legal actions or claims to have a material adverse effect on our financial condition, results of operations, and liquidity.

Additionally, in the normal course of business, the Company enters into agreements that contain a variety of representations and warranties and that provide indemnification obligations. 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 full or partial coverage against certain of these liabilities.

Note 12 Sale of the High Yield-Focused Investment Advisory Contracts

DHCM entered into an asset purchase agreement dated February 2, 2021 (the "Purchase Agreement") with Brandywine Global, a specialist investment manager of Franklin Resources, Inc. The transaction closed on July 30, 2021, at which time Brandywine Global acquired the High Yield-Focused Advisory Contracts. After the closing, the Corporate Credit Fund and the High Yield Fund were renamed as the BrandywineGLOBAL Corporate Credit Fund and the BrandywineGLOBAL High Yield Fund (the "High Yield-Focused Funds").

DHCM determined the gain on this transaction in accordance with FASB ASC 610-20, *Gains and Losses from the Derecognition of Nonfinancial Assets*. DHCM received an initial cash payment at closing of $9.0 million, which was included in gain on sale of High Yield-Focused Advisory Contracts in the consolidated statements of income during the third quarter of 2021.

Under the terms of the Purchase Agreement, DHCM received an additional payment of $6.8 million based on the net revenue of the High Yield-Focused Funds on July 30, 2022, effectively closing the transaction. The additional payment was included in gain on sale of High Yield-Focused Advisory Contracts in the consolidated statements of income during the third quarter of 2022.

Note 13 Subsequent Events

On February 28, 2024, the Board approved a quarterly cash dividend of $1.50 per share, payable on March 22, 2024, to shareholders of record as of March 11, 2024.

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

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure 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) as of the end of the period covered by this 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 were 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.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2023 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

The Company's management 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.

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, 2023 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2023.

The Company's independent registered public accounting firm, KPMG LLP, has audited the Company's 2023 and 2022 consolidated financial statements included in this Form 10-K and the Company's internal control over financial reporting as of December 31, 2023, and has issued its Report of Independent Registered Public Accounting Firm on Consolidated Financial Statements and the Company's internal control over financial reporting, which is included in this Form 10-K.

Inherent Limitations on Effectiveness of Controls

There are inherent limitations in the effectiveness of any control system, including the potential for human error and the possible circumvention or overriding of controls and procedures. Additionally, judgments in decision-making may be faulty and breakdowns may occur because of a simple error or mistake. An effective control system can provide only reasonable, not absolute, assurance that the control objectives of the system are adequately met. Accordingly, management, including the Chief Executive Officer and Chief Financial Officer, does not expect that the control system can prevent or detect all errors or fraud. 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.

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. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2023, 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, 2023, 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, 2023 and 2022, 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, 2023, and the related notes (collectively, the consolidated financial statements), and our report dated February 29, 2024 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. 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 29, 2024

ITEM 9B. Other Information

During the quarter ended December 31, 2023, no director or officer (as defined under Rule 16a-1 of the Exchange Act) adopted or terminated any Rule 10b5-1 trading arrangements or any non-Rule 10b5-1 trading arrangements (in each case, as defined in Item 408(a) of Regulation S-K).

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

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 2024 annual meeting of shareholders, which will be filed with the SEC no later than 120 days after December 31, 2023, pursuant to Regulation 14A of the Exchange Act (the “2024 Proxy Statement”), under the captions: “Delinquent Section 16(a) Reports”, “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 Compensation”.

ITEM 11. Executive Compensation

Information required by this Item 11 is incorporated herein by reference from the 2024 Proxy Statement under the captions: “Proposal 1 - Election of Directors - The Board of Directors and Committees”, “Proposal 1 - Election of Directors - Corporate Governance”, and “Executive Compensation” (excluding the information under the subheadings “Pay Versus Performance Table,” “Tabular List of Important Financial Performance Measures” and “Analysis of Information Presented in the Pay Versus Performance Table”).

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

The following table sets forth certain information concerning the Company's equity compensation plans at December 31, 2023:

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	—	—	234,952 [1]

[1] This amount reflects the common shares that may be issued under the 2022 Plan.

The other information required by this Item 12 is incorporated herein by reference from the 2024 Proxy Statement under the captions: “Security Ownership of Certain Beneficial Owners and Management” and “Proposal 1 – Election of Directors – Executive Compensation.”

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

Information required by this Item 13 is incorporated herein by reference from the 2024 Proxy Statement under the caption: “Proposal 1 – Election of Directors – Director Independence” and “Proposal 1 – Election of Directors – Corporate Governance”.

ITEM 14. Principal Accountant Fees and Services

Information required by this Item 14 is incorporated herein by reference from the 2024 Proxy Statement under the caption: “Proposal 2 – Ratification of the Appointment of Independent Registered Public Accounting Firm”.

PART IV

ITEM 15. Exhibit and Financial Statement Schedules

(a) (1) Financial Statements: See "Index to the Consolidated Financial Statements" within 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 DHIL.
3.2	Amended and Restated Code of Regulations of the Company (incorporated by reference from Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on April 28, 2017; File No. 000-24498).
4.1	Description of DHIL Capital Stock (incorporated by reference from Exhibit 4.1 to the Annual Report on Form 10-K filed on February 27, 2020; 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*	Diamond Hill Investment Group, Inc. 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*	Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan Form of Restricted Stock Award Agreement - Employee New Hire (incorporated by reference from Exhibit 10.4 to the Annual Report on Form 10-K filed with the SEC on February 21, 2019; File No. 000-24498).
10.5*	Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan Form of Restricted Stock Award Agreement - Employee Long-Term Incentive (incorporated by reference from Exhibit 10.14 to the Annual Report on Form 10-K filed with the SEC on February 25, 2022; File No. 000-24498).
10.6*	Diamond Hill Investment Group, Inc. 2014 Equity and Cash Incentive Plan Form of Restricted Stock Award Agreement - Director (incorporated by reference from Exhibit 10.15 to the Annual Report on Form 10-K filed with the SEC on February 25, 2022; File No. 000-24498).
10.7*	Diamond Hill Investment Group, Inc. 2022 Equity and Cash Incentive Plan (incorporated by reference from Exhibit 99.1 to the Registration Statement on Form S-8 filed with the SEC on June 14, 2022; File No 333-265582).
10.8*	2022 Equity and Cash Incentive Plan Form of Restricted Stock Award Agreement - Employee New Hire (incorporated by reference from Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on July 28, 2022; File No. 000-24498).
10.9*	2022 Equity and Cash Incentive Plan Form of Restricted Stock Award Agreement - Employee Long-Term Incentive (incorporated by reference from Exhibit 10.2 to the Quarterly Report on Form 10-Q filed with the SEC on July 28, 2022; File No. 000-24498).
10.10*	2022 Equity and Cash Incentive Plan Form of Restricted Stock Award Agreement - Director (incorporated by reference from Exhibit 10.3 to the Quarterly Report on Form 10-Q filed with the SEC on July 28, 2022; File No. 000-24498).
10.11*	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).
10.12*	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).
10.13*	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).

10.14*	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).
10.15*	Second Amendment to the Diamond Hill Variable Term Deferred Compensation Plan.
10.16*	Third Amendment to the Diamond Hill Variable Term Deferred Compensation Plan.
10.17*	Employment Agreement between Heather E. Brilliant and Diamond Hill Capital Management, Inc., dated October 26, 2021 (incorporated by reference from Exhibit 10.1 to the Quarterly Report on Form 10-Q, filed with the SEC on October 26, 2021; File No. 000-24498).
10.18*	Amendment to Employment Agreement for Heather E. Brilliant, dated March 31, 2023 (incorporated by reference from Exhibit 10.1 to the Quarterly Report on Form 10-Q, filed with the SEC on May 10, 2023; File No. 000-24498).
10.19*	Amendment No. 2 to Employment Agreement between Heather E. Brilliant and Diamond Hill Capital Management, Inc. dated November 14, 2023.
10.20*	Diamond Hill Investment Group, Inc. Employee Stock Purchase Plan (incorporated by reference from Exhibit 10.3 to the Quarterly Report on Form 10-Q filed with the SEC on October 27, 2020; File No. 000-24498).
10.21*	Asset Purchase Agreement By and Between Brandywine Global Investment Management, LLC and Diamond Hill Capital Management, Inc. (incorporated by reference from Exhibit 10.1 to the Quarterly Report on Form 10-Q filed with the SEC on April 26, 2021; File No. 000-24498).
10.22*	Form of Diamond Hill Investment Group, Inc. Executive Officer and Director Indemnification Agreement.
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 February 27, 2020; File No. 000-24498).
21.1	Subsidiaries.
23.1	Consent of Independent Registered Public Accounting Firm, KPMG LLP.
31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a).
31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a).
32.1	Section 1350 Certifications.
97	Diamond Hill Investment Group, Inc. Executive Officer Compensation Recoupment and Restitution Policy.
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.
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101).

* 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, as amended, 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/ Heather E. Brilliant

Heather E. Brilliant, Chief Executive Officer and President

February 29, 2024

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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/ Heather E. Brilliant Heather E. Brilliant	Chief Executive Officer and President (Principal Executive Officer)	February 29, 2024
/s/ Thomas E. Line Thomas E. Line	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	February 29, 2024
Richard S. Cooley* Richard S. Cooley	Director	February 29, 2024
James F. Laird* James F. Laird	Director	February 29, 2024
Paula R. Meyer* Paula R. Meyer	Director	February 29, 2024
Nicole R. St. Pierre* Nicole R. St. Pierre	Director	February 29, 2024
L'Quentus Thomas* L'Quentus Thomas	Director	February 29, 2024

* By /s/ Thomas E. Line

Thomas E. Line

Executed by Thomas E. Line

on behalf of those indicated pursuant to Powers of Attorney

OFFICERS

Heather E. Brilliant

Chief Executive Officer and President

Thomas E. Line

Chief Financial Officer

Jo Ann Quinif

President and Chief Client Officer,
Diamond Hill Capital Management, Inc.

BOARD OF DIRECTORS

Heather E. Brilliant

Chief Executive Officer and President,
Diamond Hill Investment Group, Inc.

Director since 2019

Richard S. Cooley

Teaching Fellow, The University of Chicago

Chair of the Board

Director since 2020

James F. Laird

Retired Chief Financial Officer, Diamond Hill
Capital Management, Inc.

Director since 2011

Paula R. Meyer

Retired President, RiverSource Funds

Chair of the Nominating and Governance
Committee

Director since 2019

Nicole R. St. Pierre

Retired Managing Director, Head of Client
Services and Business Platform & Americas
Regional Lead, J.P. Morgan

Chair of the Compensation Committee

Director since 2019

L'Quentus Thomas

Senior Managing Director, Stonehenge Capital

Chair of the Audit Committee

Director since 2021

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 Equiniti Trust Company. Shareholders who wish to transfer their stock or change the name in which the shares are registered should contact:

Equiniti Trust Company
PO Box 64874
St. Paul, MN 55164-0874
800.401.1957

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:

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