

REFINITIV

# DELTA REPORT

## 10-Q

DHIL - DIAMOND HILL INVESTMENT G  
10-Q - JUNE 30, 2024 COMPARED TO 10-Q - MARCH 31, 2024

The following comparison report has been automatically generated

TOTAL DELTAS	503
<div>CHANGES</div>	219
<div>DELETIONS</div>	120
<div>ADDITIONS</div>	164

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

Form 10-Q

(Mark One)



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

For the quarterly period ended **March 31, 2024** **June 30, 2024**

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

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DIAMOND HILL INVESTMENT GROUP, INC.

(Exact name of registrant as specified in its charter)

Ohio	65-0190407
(State of	(I.R.S. Employer
incorporation)	Identification No.)

**325 John H. McConnell Blvd., Suite 200, Columbus, Ohio 43215**  
(Address of principal executive offices) (Zip Code)

**(614) 255-3333**  
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Shares, no par value	DHIL	The Nasdaq Stock Market

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: x 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 x 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	<input type="checkbox"/>	Accelerated filer	x
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

As of May 7, 2024 July 30, 2024, the registrant had 2,772,890 2,751,023 outstanding common shares.

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PART I: FINANCIAL INFORMATION

ITEM 1: Financial Statements

Diamond Hill Investment Group, Inc.  
Consolidated Balance Sheets

	3/31/2024	12/31/2023
	6/30/2024	12/31/2023
	(Unaudited)	(Unaudited)
ASSETS		
Cash and cash equivalents		
Cash and cash equivalents		
Cash and cash equivalents		
Investments		
Accounts receivable		
Prepaid expenses		
Income taxes receivable		
Property and equipment, net of depreciation		
Deferred taxes		
Total assets		
LIABILITIES AND SHAREHOLDERS' EQUITY		

Liabilities
Liabilities
Liabilities
Accounts payable and accrued expenses
Accounts payable and accrued expenses
Accounts payable and accrued expenses
Accrued incentive compensation
Income taxes payable
Deferred compensation
Deferred compensation
Deferred compensation
Total liabilities
Permanent shareholders' equity
Permanent shareholders' equity
Permanent shareholders' equity
Common shares, no par value: 7,000,000 shares authorized; 2,804,668 issued and outstanding at March 31, 2024 (inclusive of 247,481 unvested shares); 2,823,076 issued and outstanding at December 31, 2023 (inclusive of 190,172 unvested shares)
Common shares, no par value: 7,000,000 shares authorized; 2,804,668 issued and outstanding at March 31, 2024 (inclusive of 247,481 unvested shares); 2,823,076 issued and outstanding at December 31, 2023 (inclusive of 190,172 unvested shares)
Common shares, no par value: 7,000,000 shares authorized; 2,804,668 issued and outstanding at March 31, 2024 (inclusive of 247,481 unvested shares); 2,823,076 issued and outstanding at December 31, 2023 (inclusive of 190,172 unvested shares)
Common shares, no par value: 7,000,000 shares authorized; 2,751,331 issued and outstanding at June 30, 2024 (inclusive of 192,694 unvested shares); 2,823,076 issued and outstanding at December 31, 2023 (inclusive of 190,172 unvested shares)
Common shares, no par value: 7,000,000 shares authorized; 2,751,331 issued and outstanding at June 30, 2024 (inclusive of 192,694 unvested shares); 2,823,076 issued and outstanding at December 31, 2023 (inclusive of 190,172 unvested shares)
Common shares, no par value: 7,000,000 shares authorized; 2,751,331 issued and outstanding at June 30, 2024 (inclusive of 192,694 unvested shares); 2,823,076 issued and outstanding at December 31, 2023 (inclusive of 190,172 unvested shares)
Preferred shares, undesignated, 1,000,000 shares authorized and unissued
Deferred equity compensation
Retained earnings
Total permanent shareholders' equity
Total liabilities and shareholders' equity

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

**Diamond Hill Investment Group, Inc.**  
**Consolidated Statements of Income (unaudited)**

	Three Months Ended March 31,		Three Months Ended March 31,		Three Months Ended March 31,	
	Three Months Ended June 30,		Six Months Ended June 30,			
	2024	2023	2024	2023	2024	2023
<b>REVENUES:</b>						
Investment advisory						
Investment advisory						
Investment advisory						
Mutual fund administration, net						
Total revenue						

<b>OPERATING EXPENSES:</b>
Compensation and related costs, excluding deferred compensation expense
Compensation and related costs, excluding deferred compensation expense
Compensation and related costs, excluding deferred compensation expense
Deferred compensation expense
Compensation and related costs, excluding deferred compensation expense (benefit)
Compensation and related costs, excluding deferred compensation expense (benefit)
Compensation and related costs, excluding deferred compensation expense (benefit)
Deferred compensation expense (benefit)
General and administrative
Sales and marketing
Mutual fund administration
Total operating expenses
<b>NET OPERATING INCOME</b>
<b>NON-OPERATING INCOME</b>
Investment income, net
Investment income, net
Investment income, net
Total non-operating income
Investment income (loss), net
Investment income (loss), net
Investment income (loss), net
Total non-operating income (loss)
<b>NET INCOME BEFORE TAXES</b>
Income tax expense
<b>NET INCOME</b>
Net income attributable to redeemable noncontrolling interest
<b>NET INCOME ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>
Earnings per share attributable to common shareholders
Basic
Basic
Basic
Diluted
Weighted average shares outstanding
Basic
Basic
Basic
Diluted

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 (unaudited)**

	Three Months Ended March 31, 2024					Three Months Ended June 30, 2024					
	Shares Outstanding	Shares Outstanding	Common Shares	Deferred Equity Compensation	Retained Earnings	Total	Shares Outstanding	Common Shares	Deferred Equity Compensation	Retained Earnings	Total
Balance at December 31, 2023											
Balance at March 31, 2024											
Issuance of restricted stock grants											
Amortization of restricted stock grants											

Issuance of common shares related to employee stock purchase plan  
 Issuance of common shares related to employee stock purchase plan  
 Issuance of common shares related to employee stock purchase plan

Shares withheld related to employee tax withholding

Forfeiture of restricted stock grants

Repurchase of common shares (inclusive of accrued excise tax of \$126,747)

Repurchase of common shares (inclusive of accrued excise tax of \$35,343)

Cash dividends paid

Net income

Balance at March 31, 2024

Balance at March 31, 2024

Balance at March 31, 2024

Balance at June 30, 2024

	Three Months Ended June 30, 2023						Redeemable Noncontrolling Interest
	Shares Outstanding	Common Shares	Deferred Equity Compensation	Retained Earnings	Total		
Balance at March 31, 2023	3,027,738	\$ 55,690,092	\$ (23,568,556)	\$ 137,125,818	\$ 169,247,354	\$	17,332,798
Issuance of restricted stock grants	6,585	1,080,755	(1,080,755)	—	—		—
Amortization of restricted stock grants	—	—	2,996,166	—	2,996,166		—
Issuance of common shares related to 401(k) plan match	53	8,501	—	—	8,501		—
Issuance of common shares related to employee stock purchase plan	415	71,089	—	—	71,089		—
Shares withheld related to employee tax withholding	(18,479)	(3,041,274)	—	—	(3,041,274)		—
Forfeiture of restricted stock grants	(3,464)	(565,519)	565,519	—	—		—
Repurchase of common shares (inclusive of accrued excise tax of \$44,436)	(62,584)	(10,340,094)	—	—	(10,340,094)		—
Cash dividends paid	—	—	—	(4,433,156)	(4,433,156)		—
Net income	—	—	—	9,432,479	9,432,479		736,470
Net subscriptions of Consolidated Funds	—	—	—	—	—		4,674,730
Balance at June 30, 2023	2,950,264	\$ 42,903,550	\$ (21,087,626)	\$ 142,125,141	\$ 163,941,065	\$	22,743,998

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

	Three Months Ended March 31, 2023						Redeemable Noncontrolling Interest
	Shares Outstanding	Common Shares	Deferred Equity Compensation	Retained Earnings	Total		
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	49,099	9,400,986	(9,400,986)	—	—		—
Amortization of restricted stock grants	—	—	2,843,574	—	2,843,574		—
Issuance of common shares related to 401k plan match	46	7,843	—	—	7,843		—
Issuance of common shares related to employee stock purchase plan	1,963	323,070	—	—	323,070		—
Shares withheld related to employee tax withholding	(6,121)	(1,132,507)	—	—	(1,132,507)		—
Repurchase of common shares (inclusive of accrued excise tax of \$27,805)	(27,706)	(4,597,931)	—	—	(4,597,931)		—
Cash dividends paid	—	—	—	(4,576,492)	(4,576,492)		—
Net income	—	—	—	12,707,552	12,707,552		1,395,495
Net subscriptions of Consolidated Fund	—	—	—	—	—		1,811,105
Balance at March 31, 2023	3,027,738	\$ 55,690,092	\$ (23,568,556)	\$ 137,125,818	\$ 169,247,354	\$	17,332,798

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

	Six Months Ended June 30, 2024				
	Shares Outstanding	Common Shares	Deferred Equity Compensation	Retained Earnings	Total
Balance at December 31, 2023	2,823,076	\$ 22,164,410	\$ (15,392,418)	\$ 153,544,816	\$ 160,316,808
Issuance of restricted stock grants	77,056	11,818,825	(11,818,825)	—	—
Amortization of restricted stock grants	—	—	6,222,428	—	6,222,428
Issuance of common shares related to employee stock purchase plan	1,975	300,636	—	—	300,636
Shares withheld related to employee tax withholding	(28,974)	(4,539,691)	—	—	(4,539,691)
Forfeiture of restricted stock grants	(1,753)	(302,716)	302,716	—	—
Repurchase of common shares (inclusive of accrued excise tax of \$162,090)	(120,049)	(18,525,386)	—	—	(18,525,386)
Cash dividends paid	—	—	—	(8,380,253)	(8,380,253)
Net income	—	—	—	21,141,773	21,141,773
Balance at June 30, 2024	2,751,331	\$ 10,916,078	\$ (20,686,099)	\$ 166,306,336	\$ 156,536,315

	Six Months Ended June 30, 2023					
	Shares Outstanding	Common Shares	Deferred Equity Compensation	Retained Earnings	Total	Redeemable Noncontrolling Interest
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	55,684	10,481,741	(10,481,741)	—	—	—
Amortization of restricted stock grants	—	—	5,839,740	—	5,839,740	—
Issuance of common shares related to 401k plan match	99	16,344	—	—	16,344	—
Issuance of common shares related to employee stock purchase plan	2,378	394,159	—	—	394,159	—
Shares withheld related to employee tax withholding	(24,600)	(4,173,781)	—	—	(4,173,781)	—
Forfeiture of restricted stock grants	(3,464)	(565,519)	565,519	—	—	—
Repurchase of common shares (inclusive of accrued excise tax of \$72,241)	(90,290)	(14,938,025)	—	—	(14,938,025)	—
Cash dividends paid	—	—	—	(9,009,648)	(9,009,648)	—
Net income	—	—	—	22,140,031	22,140,031	2,131,965
Net subscriptions of Consolidated Fund	—	—	—	—	—	6,485,835
Balance at June 30, 2023	2,950,264	\$ 42,903,550	\$ (21,087,626)	\$ 142,125,141	\$ 163,941,065	\$ 22,743,998

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

**Diamond Hill Investment Group, Inc.**
**Consolidated Statements of Cash Flows (unaudited)**

	Three Months Ended March 31,		Six Months Ended June 30,	
	2024	2023	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income				
Net income				
Net income				
Adjustments to reconcile net income to net cash used in operating activities:				

Adjustments to reconcile net income to net cash provided by (used in) operating activities:
Depreciation
Depreciation
Depreciation
Share-based compensation
Increase in accounts receivable
Change in current income taxes
Change in deferred income taxes
Net gains on investments
Net change in securities held by Consolidated Fund
Decrease in accrued incentive compensation
Increase in deferred compensation
Other changes in assets and liabilities
Net cash used in operating activities
Net cash provided by (used in) operating activities
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>
Purchase of property and equipment
Purchase of property and equipment
Purchase of property and equipment
Purchase of Company sponsored investments
Proceeds from sale of Company sponsored investments
Net cash provided by (used in) investing activities
Net cash provided by (used in) investing activities
Net cash provided by (used in) investing activities
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>
Value of shares withheld related to employee tax withholding
Value of shares withheld related to employee tax withholding
Value of shares withheld related to employee tax withholding
Value of common shares withheld related to employee tax withholding
Value of common shares withheld related to employee tax withholding
Value of common shares withheld related to employee tax withholding
Payment of dividends
Net subscriptions received from redeemable noncontrolling interest holders
Repurchases of common shares
Proceeds received under employee stock purchase plan
Net cash used in financing activities
<b>CASH AND CASH EQUIVALENTS</b>
Net change during the period
Net change during the period
Net change during the period
At beginning of period
At end of period
<b>Supplemental cash flow information:</b>
Income taxes paid
Income taxes paid
Income taxes paid

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

**Diamond Hill Investment Group, Inc.**



## Notes to Consolidated Financial Statements (unaudited)

### Note 1 Business and Organization

Diamond Hill Investment Group, Inc., an Ohio corporation ("DHIL" and, collectively with its subsidiaries, the "Company"), derives its consolidated revenues 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. DHCM is the investment adviser and administrator for the Diamond Hill Funds (the "Funds"), a series of open-end mutual funds. DHCM also provides investment advisory services to 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.

### Note 2 Significant Accounting Policies

#### Basis of Presentation

The accompanying unaudited, condensed, and consolidated financial statements of the Company as of **March 31, 2024** **June 30, 2024** and December 31, 2023, and for the three-month and six-month periods ended **March 31, 2024** **June 30, 2024** and 2023, have been prepared in accordance with United States ("U.S.") generally accepted accounting principles ("GAAP"), the instructions to Form 10-Q, and Article 10 of Securities and Exchange Commission ("SEC") Regulation S-X. Accordingly, the accompanying financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of the Company's management ("management"), all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement of the financial condition and results of operations as of the dates, and for the interim periods, presented, have been included. The accompanying unaudited, condensed, and consolidated financial statements and these footnotes should be read in conjunction with the audited consolidated financial statements of the Company included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "2023 Form 10-K"), as filed with the SEC.

Operating results for the three-month and six-month period ended **March 31, 2024** **June 30, 2024**, are not necessarily indicative of the results the Company may expect for any fiscal quarter, the full fiscal year ending December 31, 2024, or any subsequent period.

For further information regarding the risks to the Company's business, refer to the consolidated financial statements and notes thereto in the 2023 Form 10-K, including "Part I – Item 1A. – Risk Factors" of the 2023 Form 10-K, the "Cautionary Note Regarding Forward-Looking Statements" in "Part I – Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q (this "Form 10-Q"), and "Part II – Item 1A. – Risk Factors" of this Form 10-Q.

#### Use of Estimates

The preparation of the accompanying unaudited, condensed, and 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 unaudited, condensed, and 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, and 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 and **March 31, 2024** **June 30, 2024**, the Company had not consolidated any of the Funds. During the **three months** **three- and six-month periods** ended **March 31, 2023** **June 30, 2023**, the Company consolidated the Diamond Hill International Fund. **The Fund(s)** Each Fund consolidated during the applicable period **are** is referred to as **the a "Consolidated Fund(s)" Fund**.

DHCM is the investment **advisor** **adviser** to 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 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 and DHCM** 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 investment in DHMF 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 Fund. 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 as 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 has amounts on deposit in excess of the insured limits. As of March 31, 2024 June 30, 2024, the Company had \$1.4 million \$2.5 million and \$16.2 million \$20.9 million in demand deposits and money market mutual funds, respectively. As of December 31, 2023, the Company had \$2.8 million and \$44.2 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 March 31, 2024 June 30, 2024, or December 31, 2023. Accounts receivable from the Funds were \$9.8 million \$9.4 million as of March 31, 2024 June 30, 2024, and \$9.1 million as of December 31, 2023.

#### 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 Fund, 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. 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 assets under management ("AUM"), are recorded as revenue as services are performed. In addition to fixed fees based on a percentage of AUM, certain client accounts also provide periodic performance-based fees.

Revenue from contracts with clients that was earned during the three months ended **March 31, 2024** **June 30, 2024** and 2023 include:

Three Months Ended March 31, 2024						
Three Months Ended March 31, 2024						
Three Months Ended March 31, 2024						
Three Months Ended June 30, 2024						
Investment advisory	Investment advisory	Mutual fund administration, net	Total revenue	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds						
Separately managed accounts						
Other pooled vehicles						
Other pooled vehicles						
Other pooled vehicles						
Collective investment trusts						
Model delivery						
\$						

Three Months Ended June 30, 2023			
Three Months Ended June 30, 2023			
Three Months Ended June 30, 2023			
	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds			
Separately managed accounts			
Other pooled vehicles			
Other pooled vehicles			
Other pooled vehicles			
Model delivery			
Collective investment trusts			
	\$		

Three Months Ended March 31, 2023			
	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds	\$ 21,383,543	\$ 1,948,044	\$ 23,331,587
Separately managed accounts	6,264,361	—	6,264,361
Other pooled vehicles	2,131,681	—	2,131,681
Model delivery	1,361,753	—	1,361,753
Collective investment trusts	901,121	—	901,121
	\$ 32,042,459	\$ 1,948,044	\$ 33,990,503

Revenue from contracts with clients that was earned during the six months ended **June 30, 2024** and 2023, include:

Six Months Ended June 30, 2024			
	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds	\$ 44,654,558	\$ 3,763,345	\$ 48,417,903
Separately managed accounts	13,385,128	—	13,385,128
Other pooled vehicles	5,644,416	—	5,644,416
Collective investment trusts	2,965,395	—	2,965,395
Model delivery	2,543,421	—	2,543,421
	\$ 69,192,918	\$ 3,763,345	\$ 72,956,263
Six Months Ended June 30, 2023			

	Investment advisory	Mutual fund administration, net	Total revenue
Diamond Hill Funds	\$ 42,304,966	\$ 3,798,238	\$ 46,103,204
Separately managed accounts	12,502,872	—	12,502,872
Other pooled vehicles	4,334,704	—	4,334,704
Model delivery	2,663,144	—	2,663,144
Collective investment trusts	1,737,216	—	1,737,216
	<u>\$ 63,542,902</u>	<u>\$ 3,798,238</u>	<u>\$ 67,341,140</u>

#### 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** **change** 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** **are** 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 assets under advisement ("AUA") in the program.

#### Revenue Recognition – Performance-Based Fees

DHCM manages a client account that pays performance-based fees. These fees are calculated based on the client's 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. The Company did not record any performance-based fees during the three-month **period and six-month periods ended March 31, 2024** **June 30, 2024** or the three-month **period and six-month periods ended March 31, 2023** **June 30, 2023**. **After** **Since the completion of** the initial five-year contract measurement term, the performance-based fee **is** **has been** calculated annually based on the client investment results over the **most** recently completed five-year period. The Company's next performance measurement period will be the 12 months ending September 30, 2024. AUM subject to performance-based fees **was** **were** approximately **\$574.6 million** **\$552.8 million** as of **March 31, 2024** **June 30, 2024**.

#### 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 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 are excluded from revenue until the AUM on which DHCM bills the Funds **is** **are** 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:

	Three Months Ended March 31,		Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023	2024	2023
Mutual fund administration:						
Administration revenue, gross						
Administration revenue, gross						
Administration revenue, gross						
Fund related expense						

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 8**.

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 9**.

Recently Adopted Accounting Guidance

The Company did not adopt any new accounting guidance during the **three** **six** months ended **March 31, 2024** **June 30, 2024** 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 **March 31, 2024** **June 30, 2024** and December 31, 2023:

	As of	
	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Fair value investments:		
Company sponsored investments		
Company sponsored investments		
Company sponsored investments		
Company sponsored equity method investments		
Total Investments		

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

	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended March 31,	
	Three Months Ended June 30,	Six Months Ended June 30,

	2024	2024	2023	2024	2023	2024	2023
Realized gains							
Realized gains (losses)							
Change in unrealized							
Dividends							
Other							
Other							
Other							
Investment income, net							
Investment (loss) income, net							

#### Company-Sponsored Equity Method Investments

As of **March 31, 2024** **June 30, 2024**, 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 these investments was 84%, 43%, and **46%** **45%**, respectively. The Company's ownership in DHMF, the Diamond Hill International Fund, and the Diamond Hill Large Cap Concentrated Fund includes **\$7.8 million** **\$7.7 million** of investments held in the Deferred Compensation Plans (as defined in **Note 6**).

The following table includes the condensed summary financial information from the Company's equity method investments as of, and for the three-month **period and six-month periods** ended, **March 31, 2024** **June 30, 2024**:

	As of	
	March 31, 2024	
Total assets	\$	191,222,441
Total liabilities		4,685,754
Net assets		186,536,687
DHCM's portion of net assets	\$	91,077,301

	For the Three Months Ended	
	March 31, 2024	
Investment income	\$	1,134,941
Expenses		386,493
Net realized gains		2,154,065
Change in unrealized		9,688,596
Net income		12,591,109
DHCM's portion of net income	\$	6,274,620

	As of	
	June 30, 2024	
Total assets	\$	195,843,131
Total liabilities		8,241,975
Net assets		187,601,156
DHCM's portion of net assets	\$	90,702,962

  

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2024		June 30, 2024	
Investment income	\$	1,441,947	\$	2,576,888
Expenses		434,129		820,622
Net realized gains		1,038,400		3,192,465
Change in unrealized		(2,764,350)		6,924,246
Net (loss) income		(718,132)		11,872,977
DHCM's portion of net (loss) income	\$	(374,341)	\$	5,900,279

The Company's investments at **March 31, 2024** **June 30, 2024** 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 **\$19.5 million** **\$19.3 million** as of **March 31, 2024** **June 30, 2024**.

Note 4 Fair Value Measurements

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 indicative 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 (excluding investments classified as equity method investments) determined based upon the differing levels as of March 31, 2024 June 30, 2024:

	Level 1	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents									
Fair value investments:									
Company-sponsored investments									
Company-sponsored investments									
Company-sponsored investments									

Changes to fair values of the investments are recorded in the Company's consolidated statements of income as investment (loss) income, 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 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 three six months ended March 31, 2024 June 30, 2024, and no borrowings were outstanding as of March 31, 2024 June 30, 2024.

Note 6 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 DHIL common shares of DHIL in various forms of equity awards. As of March 31, 2024 June 30, 2024, there were 163,182 158,589 DHIL common shares of DHIL 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 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 employees upon hire restricted stock grants that cliff vest after five years of employment with the Company. 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.

Restricted stock grants are valued based upon the fair market value of the DHIL common shares on the applicable grant date. The restricted stock grants are recorded as deferred compensation in the equity section of the balance sheet on the grant date and then recognized as compensation expense on a straight-line basis over the vesting period of the respective grant. The Company's policy is to adjust compensation expense for forfeitures as they occur.

The following table represents a roll-forward of outstanding restricted stock and related activity for the three six months ended March 31, 2024 June 30, 2024:

Shares	Shares	Weighted-Average Grant Date Price per Share	Shares	Weighted-Average Grant Date Price per Share

Outstanding restricted stock as of December 31, 2023
Grants issued
Grants vested
Grants forfeited
Total outstanding restricted stock as of March 31, 2024
Total outstanding restricted stock as of June 30, 2024

[illegible]

Under the Diamond Hill Investment Group, Inc. Employee Stock Purchase Plan (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 generally coincides with the Company's fiscal quarters. During the **three-month six-month period ended March 31, 2024 June 30, 2024**, ESPP participants purchased **1,688 1,975** DHIL common shares for **\$0.2 \$0.3** million, and the Company recorded **\$0.1** million of share-based payment expense related to the discount to fair market value for these purchases. During the **three-month six-month period ended March 31, 2023 June 30, 2023**, ESPP participants purchased **1,963 2,378** DHIL common shares for **\$0.3** million and the Company recorded **\$0.1** million of share-based payment expense related to these purchases.

The Company sponsors a 401(k) plan in which all 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 DHIL common shares. Employees vest ratably in the matching contributions over a five-year period.

The Company sponsors the Diamond Hill Fixed Term Deferred Compensation Plan and the Diamond Hill Variable Term Deferred Compensation Plan (together, the “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 then contributes 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 \$37.5 million \$36.7 million and \$36.1 million as of March 31, 2024 June 30, 2024 and December 31, 2023, respectively.

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

The following table summarizes the total lease and operating expenses for the three-month and six-month periods ended March 31, 2024, June 30, 2024, and 2023:

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



Nine Months Remaining In																	
Six Months Remaining In																	
2024																	
2024																	
2024							Total										
\$																	

In July 2024, the Company entered into an amendment to its lease agreement related to this office space. See **Note 11** for further information regarding this amendment.

## Note 8 Income Taxes

The Company has determined its interim tax provision projecting an estimated annual effective tax rate.

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

		Three Months Ended March 31,		Six Months Ended June 30,	
		2024	2024	2023	2024
Statutory U.S. federal income tax rate	Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %	21.0 %
State and local income taxes, net of federal benefit	State and local income taxes, net of federal benefit	4.8 %	4.8 %	4.8 %	4.8 %
Internal revenue code section 162 limitations	Internal revenue code section 162 limitations	1.3 %	1.5 %	1.4 %	2.1 %
Other	Other	(0.8) %	0.6 %	0.3 %	0.6 %
Unconsolidated effective income tax rate	Unconsolidated effective income tax rate	26.3 %	27.9 %	27.5 %	28.5 %
Impact attributable to redeemable noncontrolling interest <sup>(a)</sup>	Impact attributable to redeemable noncontrolling interest <sup>(a)</sup>	— %	(2.0) %	— %	(1.9) %
Effective income tax rate	Effective income tax rate	26.3 %	25.9 %	27.5 %	26.6 %

(a) The provision for income taxes includes the impact of the operations of the Consolidated Fund, which is not subject to federal income taxes. Accordingly, a portion of the Company's earnings are not subject to corporate tax levels.

The Company's actual effective tax rate for the fiscal year ending December 31, 2024 could be materially different from the projected rate as of **March 31, 2024** **June 30, 2024**.

The net temporary differences incurred to date will reverse in future periods as the Company generates taxable earnings. The Company believes that 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 **March 31, 2024** **June 30, 2024** and 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 de-recognition, 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 **March 31, 2024** **June 30, 2024** or December 31, 2023.

The Company did not recognize any interest and penalties during the **three** **six** months ended **March 31, 2024** **June 30, 2024**.

## Note 9 Earnings Per Share

Basic and diluted EPS are calculated under the two-class method and are computed by dividing net income attributable to common shareholders by the weighted average number of DHIL common shares outstanding for the period, including unvested restricted shares. For the periods reported, DHIL did not have any dilutive common shares outstanding. DHIL has not issued any preferred shares. The following table sets forth the computation for basic and diluted EPS:

	Three Months Ended		Three Months Ended		Six Months Ended	
	March 31,		June 30,		June 30,	
	2024	2023	2024	2023	2024	2023
Net income						
Less: Net income attributable to redeemable noncontrolling interest						
Net income attributable to common shareholders						
Weighted average number of outstanding shares - Basic						
Weighted average number of outstanding shares - Basic						
Weighted average number of outstanding shares - Basic						
Weighted average number of outstanding shares - Diluted						
Earnings per share attributable to common shareholders						
Earnings per share attributable to common shareholders						
Earnings per share attributable to common shareholders						
Basic						
Basic						
Basic						
Diluted						

#### Note 10 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 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 the Company's financial condition, results of operations, and/or 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 11 Subsequent Events

On **May 8, 2024** **July 31, 2024**, DHIL's board of directors ("Board") approved a quarterly cash dividend of \$1.50 per share, payable on **June 14, 2024** **September 13, 2024**, to shareholders of record as of the close of business on **June 3, 2024** **August 29, 2024**. This dividend is expected to reduce shareholders' equity by approximately **\$4.2 million** **\$4.1 million**.

On July 15, 2024, the Company entered into an amendment to its office space lease agreement, which will extend the rental term for its current office space by an additional 10 years to March 31, 2035. The approximate future minimum lease payments under the amended lease agreement are approximately \$9.2 million over the additional ten-year period.

## ITEM 2: Management's Discussion and Analysis of Financial Condition and Results of Operations

### Cautionary Note Regarding Forward-Looking Statements

This Form 10-Q, the documents incorporated herein by reference and statements, whether oral or written, made from time to time by representatives of the Company 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 AUM or AUA, 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 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 the Company's 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 the Company's actual results or experiences to differ materially from results discussed in forward-looking statements include, but are not limited to: (i) any reduction in the Company's AUM or 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; (xviii) the continuing economic uncertainty in various parts of the world; (xix) 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 (xxi) other risks identified from time-to-time in the Company's public documents on file with the SEC.

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 "Part I – Item 1A. – Risk Factors" of the 2023 Form 10-K, and in the in the Company's 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 or otherwise, except as required by law, 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.

## General

The Company derives its consolidated revenue and net income from investment advisory and fund administration services provided by DHCM. DHCM is a registered investment adviser under the 1940 Act, and is the investment adviser and administrator for the Funds. DHCM also provides investment advisory and related services to DHMF, a private fund, as well as separately managed accounts, 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 the Company's 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 fees 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. The Company 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, 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 the three-month and six-month periods ended March 31, 2024, June 30, 2024 and 2023:

Assets Under Management and Assets Under Advisement						Assets Under Management and Assets Under Advisement					
As of March 31,						As of June 30,					
(in millions, except percentages)	(in millions, except percentages)	2024	2023	% Change	(in millions, except percentages)	2024	2023	% Change	(in millions, except percentages)	2024	2023
Diamond Hill Funds	Diamond Hill Funds	\$17,262	\$14,943	16	Diamond Hill Funds	\$16,938	\$15,414	10	Diamond Hill Funds	\$16,938	\$15,414
Separately managed accounts	Separately managed accounts	7,092	6,303	13	Separately managed accounts	6,657	6,467	3	Separately managed accounts	6,657	6,467
Collective investment trusts	Collective investment trusts	1,675	1,052	59	Collective investment trusts	1,857	975	90	Collective investment trusts	1,857	975

Other pooled vehicles	Other pooled vehicles	3,950	2,629	2,629	50	50	% Other pooled vehicles	3,839	3,210	3,210	20	20 %
Total AUM	Total AUM	29,979	24,927	24,927	20	20	% Total AUM	29,291	26,066	26,066	12	12 %
Total AUA	Total AUA	1,940	1,776	1,776	9	9	% Total AUA	1,843	1,788	1,788	3	3 %
Total AUM and AUA	Total AUM and AUA	\$31,919	\$26,703		20	20	% Total AUM and AUA	\$31,134	\$27,854		12	12 %

Assets Under Management												
by Investment Strategy							As of March 31,					
(in millions, except percentages)	(in millions, except percentages)	2024	2023	% Change	(in millions, except percentages)	2024	2023	% Change	(in millions, except percentages)	2024	2023	% Change

#### U.S. Equity

Large Cap	Large Cap	\$18,937	\$15,993	18	18	%	\$17,917	\$16,834	6	6	%
Small-Mid Cap	Small-Mid Cap	2,639	2,664	(1)	(1)	%	2,409	2,701	2,701	(11)	(11) %
Mid Cap	Mid Cap	1,108	861	29	29	%	1,046	942	942	11	11 %
Select	Select	678	417	63	63	%	697	480	480	45	45 %
Small Cap	Small Cap	268	315	(15)	(15)	%	250	310	310	(19)	(19) %
Large Cap Concentrated	Large Cap Concentrated	115	79	46	46	%	118	86	86	37	37 %
Micro Cap	Micro Cap	23	17	35	35	%	23	19	19	21	21 %
Total U.S. Equity	Total U.S. Equity	23,768	20,346	17	17	%	22,460	21,372	21,372	5	5 %

#### Alternatives

#### Alternatives

#### Alternatives

Long-Short	Long-Short	1,844	1,784	3	3	%	1,834	1,752	1,752	5	5 %
Total Alternatives	Total Alternatives	1,844	1,784	3	3	%	1,834	1,752	1,752	5	5 %

#### International Equity

#### International Equity

#### International Equity

International	International	132	58	58	128	128	%	134	65	65	106	106 %
Total International Equity	Total International Equity	132	58	58	128	128	%	134	65	65	106	106 %

#### Fixed Income

#### Fixed Income

#### Fixed Income

Short Duration Securitized Bond	Short Duration Securitized Bond
---------------------------------	---------------------------------

Short Duration Securitized Bond		2,196	1,672	1,672	31		31	%	2,809	1,675	1,675	68	68	%
Core Fixed Income	Core Fixed Income	2,024	1,041	1,041	94		94	%	2,039	1,185	1,185	72	72	%
Long Duration Treasury	Long Duration Treasury	25	35	35	(29)		(29)	%	25	26	26	(4)	(4)	%
Total Fixed Income	Total Fixed Income	4,245	2,748	2,748	54		54	%	4,873	2,886	2,886	69	69	%
Total-All Strategies														
Total-All Strategies														
Total-All Strategies		29,989	24,936	24,936	20		20	%	29,301	26,075	26,075	12	12	%
(Less: Investments in affiliated funds) <sub>(a)</sub>	(Less: Investments in affiliated funds) <sub>(a)</sub>	(10)	(9)	(9)	NM		NM	(a)	(10)	(9)	(9)	NM		
Total AUM	Total AUM	29,979	24,927	24,927	20		20	%	29,291	26,066	26,066	12	12	%
Total AUA <sub>(b)</sub>	Total AUA <sub>(b)</sub>	1,940	1,776	1,776	9		9	%	1,843	1,788	1,788	3	3	%
Total AUM and AUA	Total AUM and AUA	\$31,919	\$26,703	\$26,703	20		20	%	\$31,134	\$27,854	\$27,854	12	12	%

(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 the Company's Large Cap and Select strategies.

	Change in Assets Under Management
	Change in Assets Under Management
	Change in Assets Under Management
	For the Three Months Ended June 30,
	For the Three Months Ended June 30,
	For the Three Months Ended June 30,
(in millions)	
(in millions)	
(in millions)	
AUM at beginning of the period	
AUM at beginning of the period	
AUM at beginning of the period	
Net cash inflows (outflows)	
Net cash inflows (outflows)	
Net cash inflows (outflows)	
Diamond Hill Funds	
Diamond Hill Funds	
Diamond Hill Funds	
Separately managed accounts	
Separately managed accounts	
Separately managed accounts	
Collective investment trusts	

Collective investment trusts	
Collective investment trusts	
Other pooled vehicles	
Other pooled vehicles	
Other pooled vehicles	
	229
	229
	229
Net market appreciation (depreciation) and income	
Net market appreciation (depreciation) and income	
Net market appreciation (depreciation) and income	
Increase (decrease) during the period	
Increase (decrease) during the period	
Increase (decrease) during the period	
AUM at end of the period	
AUM at end of the period	
AUM at end of the period	
AUA at end of period	
AUA at end of period	
AUA at end of period	
Total AUM and AUA at end of period	
Total AUM and AUA at end of period	
Total AUM and AUA at end of period	
Average AUM during the period	
Average AUM during the period	
Average AUM during the period	
Average AUA during the period	
Average AUA during the period	
Average AUA during the period	
Total Average AUM and AUA during the period	
Total Average AUM and AUA during the period	
Total Average AUM and AUA during the period	

(in millions)

(in millions)

(in millions)

AUM at beginning of the period
AUM at beginning of the period
AUM at beginning of the period
Net cash inflows (outflows)
Net cash inflows (outflows)
Net cash inflows (outflows)
Diamond Hill Funds
Diamond Hill Funds
Diamond Hill Funds
Separately managed accounts
Separately managed accounts
Separately managed accounts
Collective investment trusts
Collective investment trusts
Collective investment trusts

Other pooled vehicles	
Other pooled vehicles	
Other pooled vehicles	
	118
	118
	118
	347
	347
	347
Net market appreciation and income	
Net market appreciation and income	
Net market appreciation and income	
Increase during the period	
Increase during the period	
Increase during the period	
AUM at end of the period	
AUM at end of the period	
AUM at end of the period	
AUA at end of period	
AUA at end of period	
AUA at end of period	
Total AUM and AUA at end of period	
Total AUM and AUA at end of period	
Total AUM and AUA at end of period	
Average AUM during the period	
Average AUM during the period	
Average AUM during the period	
Average AUA during the period	
Average AUA during the period	
Average AUA during the period	
Total Average AUM and AUA during the period	
Total Average AUM and AUA during the period	
Total Average AUM and AUA during the period	

	Net Cash Inflows (Outflows) Further Breakdown	
	For the Three Months Ended	
	March 31,	
	2024	2023
(in millions)		
Net cash inflows (outflows)		
Equity	\$ (378)	\$ (479)
Fixed Income	496	563
	\$ 118	\$ 84

	Net Cash Inflows (Outflows) Further Breakdown			
	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2024	2023	2024	2023
(in millions)				
Net cash inflows (outflows)				

Equity	\$	(345)	\$	(237)	\$	(722)	\$	(716)
Fixed Income		574		134		1,069		698
	\$	229	\$	(103)	\$	347	\$	(18)

AUM increased \$2.6 billion decreased \$0.7 billion during the three months ended March 31, 2024 June 30, 2024, due primarily to market declines, partially offset by net inflows into the Company's strategies. Net fixed income inflows were primarily into the Company's Short Duration Securitized Bond strategy. These inflows were partially offset by equity outflows, primarily out of the Company's Large Cap and Small-Mid Cap and strategies.

AUM increased \$1.9 billion during the six months ended June 30, 2024, due to appreciation in the financial markets and net inflows into the Company's strategies. Net fixed income inflows were primarily into the Company's Core Bond and Short Duration Securitized Bond strategies. Those inflows were partially offset by equity outflows, primarily out of the Company's Large Cap and Small-Mid Cap strategies.

AUM increased \$0.2 billion during the three months ended March 31, 2023, due to appreciation in the financial markets and net inflows into the Company's strategies. Fixed income net inflows during the period were into the Company's Core Bond and Short Duration Securitized Bond strategies, while net equity outflows were primarily out of the Company's Large Cap strategy.

## Consolidated Results of Operations

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

		Three Months Ended March 31,				Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands, except per share amounts and percentages)	(in thousands, except per share amounts and percentages)	2024	2023		% Change	2024	2023		% Change	2024	2023		% Change
Total revenue	Total revenue	\$36,295	\$33,991	7%	7%	\$36,661	\$33,351	10%	10%				
Net operating income	Net operating income	8,303	10,942	(24)%	(24)%	12,133	7,786	56%	56%				
Adjusted net operating income <sup>(a)</sup>	Adjusted net operating income <sup>(a)</sup>	11,493	11,786	(2)%	(2)%	11,264	9,879	14%	14%				
Investment income, net		9,366	8,083	16%									
Investment income (loss), net		(655)	6,277	NM		8,711	14,359	(39)%					
Income tax expense	Income tax expense	4,653	4,921	(5)%	(5)%	3,352	3,894	(14)%	(14)%				
Net income attributable to common shareholders	Net income attributable to common shareholders	13,016	12,708	2%	2%	8,126	9,432	(14)%	(14)%				
Earnings per share attributable to common shareholders (diluted)	Earnings per share attributable to common shareholders (diluted)	\$4.62	\$4.20	10%	10%	\$2.93	\$3.18	(8)%	(8)%				
Adjusted earnings per share attributable to common shareholders (diluted) <sup>(a)</sup>	Adjusted earnings per share attributable to common shareholders (diluted) <sup>(a)</sup>	\$3.00	\$2.81	7%	7%	\$2.88	\$2.35	23%	23%				



Net  
operating  
profit margin

Adjusted net operating  
profit margin<sup>(a)</sup>

Adjusted net operating  
profit margin<sup>(a)</sup>

Adjusted net operating  
profit margin<sup>(a)</sup>

(a) Adjusted net operating income, adjusted EPS 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-Q 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 - Three Months Ended March 31, 2024 June 30, 2024, compared with Three Months Ended March 31, 2023 June 30, 2023

Revenue for the three months ended March 31, 2024 June 30, 2024 increased \$2.3 million \$3.3 million, or 7% 10%, compared to revenue for the same period in 2023, primarily due to a 10% 16% increase in total average AUM and AUA. The average advisory fee rate decreased from 0.48% 0.47% for the three months ended March 31, 2023 June 30, 2023 to 0.46% 0.45% for the three months ended March 31, 2024 June 30, 2024.

Operating profit margin was 33% for the three months ended June 30, 2024, and 23% for the three months ended March 31, 2024, and 32% for the three months ended March 31, 2023 June 30, 2023. The decrease increase in operating profit margin was primarily driven by deferred compensation expense (6% benefit (9% of the 9% 10% margin decline), compensation, and related costs, excluding deferred compensation expense (2% of the 9% margin decline), and general and administrative expenses (1% of the 9% margin decline) increase).

Adjusted operating profit margin was 32% 31% for the three months ended March 31, 2024 June 30, 2024, and 35% 30% for the three months ended March 31, 2023 June 30, 2023. Adjusted operating profit margin excludes the impact of market movements on the deferred compensation liability and related economic hedges, and the impact of the Consolidated Fund in 2023. See the "Non-GAAP Financial Measures and Reconciliation" section within this Form 10-Q.

The Company expects that its operating profit margin will fluctuate period over 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 \$9.4 million \$0.7 million in investment income losses due to market appreciation declines for the three months ended March 31, 2024 June 30, 2024, compared to investment income of \$8.1 million \$6.3 million due to strong market returns for the three months ended March 31, 2023 June 30, 2023.

Income tax expense decreased \$0.3 million \$0.5 million for the three months ended March 31, 2024 June 30, 2024, compared to the three months ended March 31, 2023 June 30, 2023. The decrease in income tax expense was primarily due to the decrease in the Company's income before taxes period over period.

The Company generated net income attributable to common shareholders of \$13.0 million \$8.1 million (\$4.62 2.93 per diluted share) for the three months ended March 31, 2024 June 30, 2024, compared with net income attributable to common shareholders of \$12.7 million \$9.4 million (\$4.20 3.18 per diluted share) for the same period in 2023. The increase decrease in net income attributable to common shareholders period over period was primarily due to increased revenues and investment income amounts for losses during the three months ended March 31, 2024 June 30, 2024 compared to investment income during the three months ended March 31, 2023, partially offset by increased operating expenses period over period.

June 30, 2023.

Revenue

(in thousands, except percentages)	Three Months Ended		
	March 31,		
	2024	2023	% Change
Investment advisory	\$ 34,352	\$ 32,042	7 %
Mutual fund administration, net	1,943	1,949	— %
Total	\$ 36,295	\$ 33,991	7 %

(in thousands, except percentages)	Three Months Ended June 30,		
	2024		
	2024	2023	% Change
Investment advisory	\$ 34,841	\$ 31,501	11 %
Mutual fund administration, net	1,820	1,850	(2)%
Total	\$ 36,661	\$ 33,351	10 %

**Investment Advisory Fees.** Investment advisory fees for the three months ended **March 31, 2024** **June 30, 2024** increased **\$2.3 million** **\$3.3 million**, or **7%** **11%**, compared to the three months ended **March 31, 2023** **June 30, 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 increase in investment advisory fees was primarily due to an increase in total average AUM and AUA of **10%** **16%**, partially offset by a decrease in the average advisory fee rate from **0.48%** **0.47%** to **0.46%** **0.45%** period over period.

The average advisory fee rate for equity assets decreased from **0.51%** **0.49%** during the three months ended **March 31, 2023** **June 30, 2023** to 0.48% during the three months ended **March 31, 2024** **June 30, 2024**, and the average fee rate for fixed income assets remained unchanged at 0.30%. The decrease in the total average advisory fee rate was due to growth in the lower fee fixed income assets, which increased from 10% of AUM and AUA during the three months ended June 30, 2023, to 14% during the three months ended June 30, 2024. The average advisory fee rate is calculated by dividing investment advisory revenues by total average AUM and AUA during the period (annualized for all periods less than one year).

**Mutual Fund Administration Fees.** Mutual fund administration fees for the three months ended June 30, 2024 decreased by less than \$0.1 million compared to the three months ended June 30, 2023. Mutual fund administration fees include administration fees received from the Funds, which are calculated as a percentage of the Funds' average AUM.

## Expenses

(in thousands, except percentages)	Three Months Ended June 30,		% Change
	2024	2023	
Compensation and related costs, excluding deferred compensation expense (benefit)	\$ 18,331	\$ 17,399	5 %
Deferred compensation expense (benefit)	(869)	1,983	NM
General and administrative	4,291	3,638	18 %
Sales and marketing	1,892	1,721	10 %
Mutual fund administration	884	823	7 %
Total	\$ 24,529	\$ 25,564	(4)%

**Compensation and Related Costs, Excluding Deferred Compensation Expense (Benefit).** Employee compensation and related costs (excluding deferred compensation expense (benefit)) increased by \$0.9 million, or 5%, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023. This increase was due to an increase in accrued incentive compensation of \$0.5 million and an increase in salary and related benefits of \$0.4 million. Incentive compensation expense can fluctuate significantly period over period as the Company evaluates investment performance, individual performance, Company performance and other factors. Employee compensation and related costs (excluding deferred compensation expense (benefit)) as a percentage of total revenue was 50% for the three months ended June 30, 2024, compared to 52% for the three months ended June 30, 2023.

**Deferred Compensation Expense (Benefit).** Deferred compensation benefit was \$0.9 million for the three months ended June 30, 2024, compared to an expense of \$2.0 million for the three months ended June 30, 2023, primarily due to market returns on the Deferred Compensation Plans' investments period over period.

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 \$0.7 million, or 18%, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023. This increase was due to a \$0.6 million increase in expenses to support improvements to our research management system, cloud data platform and overall technology support, and an increase in other software expenses of \$0.1 million.

**Sales and Marketing.** Sales and marketing expenses increased by \$0.2 million, or 10%, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023. The increase was due to a \$0.1 million increase in payments made to third party intermediaries as a result of the increase in the Funds' average AUM period over period and a \$0.1 million increase in client event sponsorships.

**Mutual Fund Administration.** Mutual fund administration expenses increased by less than \$0.1 million, or 7%, for the three months ended June 30, 2024, compared to the three months ended June 30, 2023. Mutual fund administration expenses consist of both variable and fixed expenses. The increase was primarily due to the increase in the Funds' average AUM period over period.

## Summary Discussion of Consolidated Results of Operations - Six Months Ended June 30, 2024, compared with Six Months Ended June 30, 2023

Revenue for the six months ended June 30, 2024 increased \$5.6 million, or 8%, compared to revenue for the same period in 2023, primarily due to a 13% increase in total average AUM and AUA. The average advisory fee rate decreased from 0.47% for the six months ended June 30, 2023 to 0.46% for the six months ended June 30, 2024.

Operating profit margin was 28% for both the six months ended June 30, 2024, and the six months ended June 30, 2023, respectively.

The Company generated net income attributable to common shareholders of \$21.1 million (\$7.57 per diluted share) for the six months ended June 30, 2024, compared with net income attributable to common shareholders of \$22.1 million (\$7.39 per diluted share) for the same period in 2023. The decrease in net income attributable to common shareholders period over period was primarily due to decreased investment income and increased operating expenses for the six months ended June 30, 2024, compared to the six months ended June 30, 2023, partially offset by increased revenues period over period.

	Six Months Ended		
	June 30,		
(in thousands, except percentages)	2024	2023	% Change
Investment advisory	\$ 69,193	\$ 63,543	9 %
Mutual fund administration, net	3,763	3,798	(1)%
Total	\$ 72,956	\$ 67,341	8 %

The average advisory fee rate for equity assets decreased from 0.49% during the six months ended June 30, 2023 to 0.48% during the six months ended June 30, 2024, and the average fee rate for fixed income assets remained unchanged at 0.30%. The decrease in the total average advisory fee rate was due to growth in the lower fee fixed income assets, which increased from 9% of AUM and AUA during the three six months ended March 31, 2023 June 30, 2023, to 13% 14% during the three six months ended March 31, 2024 June 30, 2024. The average advisory fee rate is calculated by dividing investment advisory revenues by total average AUM and AUA during the period (annualized for all periods less than one year).

**Mutual Fund Administration Fees.** Mutual fund administration fees for the **three six months ended March 31, 2024** **June 30, 2024** decreased by less than \$0.1 million compared to the **three six months ended March 31, 2023** **June 30, 2023**. Mutual fund administration fees include administration fees received from the Funds, which are calculated as a percentage of the Funds' average AUM.

		Three Months Ended March 31,				Six Months Ended June 30,							
(in thousands, except percentages)													
(in thousands, except percentages)													
(in thousands, except percentages)													
		2024		2023		% Change		2024		2023		% Change	
Compensation and related costs, excluding deferred compensation expense	Compensation and related costs, excluding deferred compensation expense	\$18,148	\$	\$16,363	11	11	%	Compensation and related costs, excluding deferred compensation expense	\$36,478	\$	\$33,762	8	8 %
Deferred compensation expense	Deferred compensation expense	3,190	745	745	328	328	%	Deferred compensation expense	2,321	2,727	2,727	(15)	(15) %

General and administrative	General and administrative	4,140	3,506	3,506	18	18	% administrative	8,432	7,144	7,144	18	18 %
Sales and marketing	Sales and marketing	1,689	1,653	1,653	2	2	% Sales and marketing	3,581	3,374	3,374	6	6 %
Mutual fund administration	Mutual fund administration	825	782	782	5	5	% administration	1,709	1,606	1,606	6	6 %
Total	Total	\$27,992	\$	\$23,049	21	21	% Total	\$ 52,521	\$	\$48,613	8	8 %

**Compensation and Related Costs, Excluding Deferred Compensation Expense.** Employee compensation and related costs (excluding deferred compensation expense) for the three six months ended March 31, 2024 June 30, 2024 increased by \$1.8 million \$2.7 million, compared to the three six months ended March 31, 2023 June 30, 2023. This increase was due to an increase in salary and related benefits of \$0.8 million \$1.3 million, increases in accrued incentive compensation of \$0.5 million \$1.0 million, and an increase in restricted stock expense of \$0.5 million \$0.4 million. Incentive compensation expense can fluctuate significantly period over period as the Company evaluates investment performance, individual performance, Company performance, and other factors. Employee compensation and related costs (excluding deferred compensation expense (benefit)) as a percentage of total revenue was 50.0% for both the six months ended June 30, 2024 and the six months ended June 30, 2023.

**Deferred Compensation Expense.** Deferred compensation expense was \$3.2 million \$2.3 million for the three six months ended March 31, 2024 June 30, 2024, compared to \$0.7 million \$2.7 million for the three six months ended March 31, 2023 June 30, 2023, primarily due to market returns on the Deferred Compensation Plans' investments period over period.

The gain loss on the Deferred Compensation Plans' investments increases decreases deferred compensation expense and is included in operating income. Deferred compensation expense 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 expense expenses for the three six months ended March 31, 2024 June 30, 2024, increased by \$0.6 million \$1.3 million, or 18%, compared to the three six months ended March 31, 2023 June 30, 2023. The increase was primarily due to a \$0.3 million \$0.9 million increase in consulting expenses to support improvements to our research management system, cloud data platform and overall technology support, a \$0.2 million increase in other software expenses, a \$0.1 million increase in investment research expenses, a \$0.1 million increase in recruiting expenses, and a \$0.1 million increase in software recruiting expenses.

**Sales and Marketing.** Sales and marketing expense expenses for the three six months ended March 31, 2024 June 30, 2024, increased by less than \$0.1 million \$0.2 million, or 2% 6%, compared to the three six months ended March 31, 2023 June 30, 2023. The increase was primarily due to a \$0.1 million increase in payments made to third-party intermediaries as a result of the increase in the Funds' average AUM period over period. period and a \$0.1 million increase in various marketing expenses.

**Mutual Fund Administration.** Mutual fund administration expenses for the three six months ended March 31, 2024 June 30, 2024, increased by less than \$0.1 million, or 5% 6%, compared to the three six months ended March 31, 2023 June 30, 2023. Mutual fund administration expenses consist of both variable and fixed expenses. The increase was primarily due to the increase 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 \$159.5 million \$164.2 million and \$181.8 million of total assets as of March 31, 2024 June 30, 2024 and December 31, 2023, 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.

### 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 the appropriate uses of any such excess capital, including share repurchases and/or the payment of dividends.

### Share Repurchases

DHIL repurchased 85,108 120,049 common shares during the three six months ended March 31, 2024 June 30, 2024 for a total of \$13.2 million \$18.4 million. As of March 31, 2024 June 30, 2024, \$13.3 million \$8.1 million remains available for repurchases under the 2023 Repurchase Program, as defined and further discussed in "Part II - Item 2 -

Unregistered Sales of Equity Securities and Use of Proceeds" of this Form 10-Q.

#### Dividends

Subject to Board approval and compliance with applicable law, DHIL expects to pay a regular quarterly dividend of \$1.50 per share. A summary of cash dividends paid during the **three six** months ended **March 31, 2024** **June 30, 2024**, is presented below:

Dividend	Declaration Date	Date Paid	Dividend Amount (in millions)
First quarter - \$1.50 per share	February 29, 2024	March 22, 2024	\$ 4.2
Second quarter - \$1.50 per share	May 08, 2024	June 14, 2024	4.2
Total			\$ 8.4

On **May 8, 2024** **July 31, 2024**, the Board approved a regular quarterly dividend for the **second third** quarter of 2024 of \$1.50 per share which will be paid on **June 14, 2024** **September 13, 2024**, to shareholders of record as of the close of business on **June 3, 2024** **August 29, 2024**. The **second third** quarter dividend is expected to reduce shareholders' equity by approximately **\$4.2 million** **\$4.1 million**.

#### Working Capital

As of **March 31, 2024** **June 30, 2024**, the Company had working capital of approximately **\$146.2 million** **\$144.4 million**, compared to \$146.1 million as of December 31, 2023. Working capital includes cash and cash equivalents, accounts receivable, investments, and other current assets of DHCM, net of accounts payable and accrued expenses, accrued incentive compensation, deferred compensation and other current liabilities of DHCM.

Below is a summary of investments as of **March 31, 2024** **June 30, 2024** and December 31, 2023.

	As of	
	March 31, 2024	December 31, 2023
	June 30, 2024	December 31, 2023
Corporate Investments:		
Diamond Hill International Fund		
Diamond Hill International Fund		
Diamond Hill International Fund		
Diamond Hill Core Bond Fund		
Diamond Hill Large Cap Concentrated Fund		
Diamond Hill Micro Cap Fund, LP		
Total Corporate Investments		
Deferred Compensation Plans' Investments in the Funds		
Total Investments		

#### 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.

For the **three six** months ended **March 31, 2024** **June 30, 2024**, net cash **used in provided by** operating activities totaled **\$12.3 million** **\$6.9 million**. Cash **used in provided by** operating activities **were was** primarily driven by net income of \$21.1 million, non-cash adjustments added back to net income consisting of share-based compensation of \$6.3 million and depreciation of \$0.6 million. These inflows were partially offset by a **\$22.7 million** **\$14.9 million** decrease in the incentive compensation accrual due to the annual incentive compensation payment made in the first quarter of 2024, and the cash impact of timing differences in the settlement of other assets and liabilities of \$6.2 million. **These outflows were partially offset by net income of \$13.0 million, and non-cash adjustments added back to net income consisting of share-based compensation of \$3.3 million and depreciation of \$0.3 million.**

For the **three six** months ended **March 31, 2023** **June 30, 2023**, net cash used in operating activities totaled **\$13.8 million** **\$1.9 million**. Cash used in operating activities **were was** primarily driven by a **\$26.0 million** **\$18.8 million** decrease in the incentive compensation accrual due to the annual incentive compensation payment made in the first quarter of 2023, the net change in securities held by the Consolidated **Fund Funds** of **\$1.3 million** **\$4.0 million**, and the cash impact of timing differences in the settlement of other assets and liabilities of **\$3.8 million** **\$10.0 million**. These outflows were partially offset by net income of **\$14.1 million** **\$24.3 million**, and non-cash adjustments added back to net income consisting of share-based compensation of **\$2.9 million** **\$5.9 million**, and depreciation of **\$0.3 million** **\$0.7 million**. Net cash used in operating activities of **\$13.8 million** **\$1.9 million** is inclusive of **\$1.2 million** **\$5.8 million** of cash used in operations by the Consolidated **Fund Funds**.

## Cash Flows from Investing Activities

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

Cash flows provided by investing activities totaled **\$1.1 million** **\$0.6 million** for the **three six** months ended **March 31, 2024** **June 30, 2024**. Cash flows provided by investing activities were driven by proceeds from the sale of **Company-sponsored Deferred Compensation Plan** investments totaling **\$4.7 million** **\$9.4 million**, partially offset by purchases of **Company-sponsored Deferred Compensation Plan** investments of **\$3.5 million** **\$8.7 million** and the purchase of property and equipment of \$0.1 million. **During the three months ended March 31, 2024, all purchases and sales of investments were in the Deferred Compensation Plans.**

Cash flows used in investing activities totaled **\$0.9 million** **\$1.4 million** for the **three six** months ended **March 31, 2023** **June 30, 2023**. Cash flows used in investing activities were driven by purchases of **Company-sponsored Deferred Compensation Plan** investments of **\$5.3 million** **\$5.8 million**, which were partially offset by proceeds from the sale of **Company-sponsored Deferred Compensation Plan** investments totaling \$4.4 million. **During the three months ended March 31, 2023, all purchases and sales of investments were in the Company's Deferred Compensation Plans.**

## 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, shares withheld related to employee tax withholding, proceeds received under the ESPP, and distributions to, or contributions from, redeemable noncontrolling interest holders.

For the **three six** months ended **March 31, 2024** **June 30, 2024**, net cash used in financing activities totaled **\$18.2 million** **\$31.0 million**, consisting of cash outflows for repurchases of DHIL's common shares of **\$13.2 million** **\$18.4 million**, the payment of quarterly dividends totaling **\$4.2 million** **\$8.4 million**, and the value of shares withheld to cover employee tax withholding obligations of **\$1.0 million** **\$4.5 million**. These cash outflows were partially offset by proceeds received under the ESPP of **\$0.2 million** **\$0.3 million**.

For the **three six** months ended **March 31, 2023** **June 30, 2023**, net cash used in financing activities totaled **\$8.2 million** **\$21.2 million**, consisting of cash outflows for repurchases of **the Company's DHIL's** common shares of **\$4.6 million** **\$14.9 million**, the payment of quarterly dividends totaling **\$4.6 million** **\$9.0 million**, and the value of shares withheld to cover employee tax withholding obligations of **\$1.1 million** **\$4.2 million**. These cash outflows were partially offset by net subscriptions received in the Consolidated **Fund Funds** from redeemable noncontrolling interest holders of **\$1.8 million** **\$6.5 million** and proceeds received under the ESPP of \$0.3 million.

## Non-GAAP Financial Measures and Reconciliation

As supplemental information, 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 and non-GAAP financial measures for the three-month **and six-month** periods ended **March 31, 2024** **June 30, 2024** and 2023, respectively.

Three Months Ended March 31, 2024							
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense <sup>(4)</sup>	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	
						Net operating profit margin	
<b>GAAP Basis</b>	\$ 27,992	\$ 8,303	\$ 9,366	\$ 4,653	\$ 13,016	\$ 4.62	23 %
Non-GAAP Adjustments:							
Deferred compensation liability <sup>(1)</sup>	(3,190)	3,190	(3,190)	—	—	—	9 %
Other investment income <sup>(3)</sup>	—	—	(6,176)	(1,624)	(4,552)	(1.62)	—
<b>Adjusted Non-GAAP basis</b>	<b>\$ 24,802</b>	<b>\$ 11,493</b>	<b>\$ —</b>	<b>\$ 3,029</b>	<b>\$ 8,464</b>	<b>\$ 3.00</b>	<b>32 %</b>
Three Months Ended March 31, 2023							
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense <sup>(4)</sup>	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	
						Net operating profit margin	
<b>GAAP Basis</b>	\$ 23,049	\$ 10,942	\$ 8,083	\$ 4,921	\$ 12,708	\$ 4.20	32 %
Non-GAAP Adjustments:							
Deferred compensation liability <sup>(1)</sup>	(745)	745	(745)	—	—	—	3 %
Consolidated Fund <sup>(2)</sup>	—	99	(5,024)	(985)	(2,544)	(0.84)	—

Other investment income <sup>(3)</sup>	—	—	(2,314)	(646)	(1,668)	(0.55)	—
<b>Adjusted Non-GAAP basis</b>	<b>\$ 22,304</b>	<b>\$ 11,786</b>	<b>\$ —</b>	<b>\$ 3,290</b>	<b>\$ 8,496</b>	<b>\$ 2.81</b>	<b>35 %</b>

Three Months Ended June 30, 2024							
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense <sup>(4)</sup>	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	Net operating profit margin
<b>GAAP Basis</b>	\$ 24,529	\$ 12,133	\$ (655)	\$ 3,352	\$ 8,126	\$ 2.93	33 %
Non-GAAP Adjustments:							
Deferred compensation liability <sup>(1)</sup>	869	(869)	869	—	—	—	(2)%
Other investment income <sup>(3)</sup>	—	—	(214)	(62)	(152)	(0.05)	—
<b>Adjusted Non-GAAP basis</b>	<b>\$ 25,398</b>	<b>\$ 11,264</b>	<b>\$ —</b>	<b>\$ 3,290</b>	<b>\$ 7,974</b>	<b>\$ 2.88</b>	<b>31 %</b>
Three Months Ended June 30, 2023							
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense <sup>(4)</sup>	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	Net operating profit margin
<b>GAAP Basis</b>	\$ 25,564	\$ 7,786	\$ 6,277	\$ 3,894	\$ 9,432	\$ 3.18	23 %
Non-GAAP Adjustments:							
Deferred compensation liability <sup>(1)</sup>	(1,983)	1,983	(1,983)	—	—	—	7 %
Consolidated Funds <sup>(2)</sup>	—	110	(2,393)	(452)	(1,095)	(0.37)	—
Other investment income <sup>(3)</sup>	—	—	(1,901)	(555)	(1,346)	(0.46)	—
<b>Adjusted Non-GAAP basis</b>	<b>\$ 23,581</b>	<b>\$ 9,879</b>	<b>\$ —</b>	<b>\$ 2,887</b>	<b>\$ 6,991</b>	<b>\$ 2.35</b>	<b>30 %</b>
Six Months Ended June 30, 2024							
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense <sup>(4)</sup>	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	Net operating profit margin
<b>GAAP Basis</b>	\$ 52,521	\$ 20,435	\$ 8,711	\$ 8,005	\$ 21,142	\$ 7.57	28 %
Non-GAAP Adjustments:							
Deferred compensation liability <sup>(1)</sup>	(2,321)	2,321	(2,321)	—	—	—	3 %
Other investment income <sup>(3)</sup>	—	—	(6,390)	(1,757)	(4,633)	(1.66)	—
<b>Adjusted Non-GAAP basis</b>	<b>\$ 50,200</b>	<b>\$ 22,756</b>	<b>\$ —</b>	<b>\$ 6,248</b>	<b>\$ 16,509</b>	<b>\$ 5.91</b>	<b>31 %</b>
Six Months Ended June 30, 2023							
(in thousands, except percentages and per share data)	Total operating expenses	Net operating income	Total non-operating income (loss)	Income tax expense <sup>(4)</sup>	Net income attributable to common shareholders	Earnings per share attributable to common shareholders - diluted	Net operating profit margin
<b>GAAP Basis</b>	\$ 48,613	\$ 18,728	\$ 14,359	\$ 8,815	\$ 22,140	\$ 7.39	28 %
Non-GAAP Adjustments:							



Deferred compensation liability <sup>(1)</sup>	(2,727)	2,727	(2,727)	—	—	—	4 %
Consolidated Funds <sup>(2)</sup>	—	209	(7,418)	(1,447)	(3,630)	(1.21)	—
Other investment income <sup>(3)</sup>	—	—	(4,214)	(1,201)	(3,013)	(1.01)	—
<b>Adjusted Non-GAAP basis</b>	<b>\$ 45,886</b>	<b>\$ 21,664</b>	<b>\$ —</b>	<b>\$ 6,167</b>	<b>\$ 15,497</b>	<b>\$ 5.17</b>	<b>32 %</b>

<sup>(1)</sup> 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.

<sup>(2)</sup> This non-GAAP adjustment removes the impact that the Consolidated Fund has 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 Fund. The adjustment to net operating income represents the operating expenses of the Consolidated Fund, 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 Fund, net of redeemable non-controlling interests. The Company believes removing the impact of the Consolidated Fund helps readers understand its core operating results and improves comparability from period to period.

<sup>(3)</sup> 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.

<sup>(4)</sup> The income tax expense impacts were calculated and resulted in the overall non-GAAP effective tax rates of **26.3%** **29.2%** for the three months ended **March 31, 2024** **June 30, 2024**, and **27.9%** **29.2%** for the three months ended **March 31, 2023** **June 30, 2023**, **27.5%** for the six months ended **June 30, 2024**, and **28.5%** for the six months ended **June 30, 2023**.

### Critical Accounting 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, judgments, 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.

For a summary of the critical accounting policies important to understanding the condensed consolidated financial statements, please see Note 2, Significant Accounting Policies, in "Part I - Item 1 - Financial Statements" of this Form 10-Q, and Note 2, Significant Accounting Policies, in "Part II - Item 8 - Financial Statements and Supplementary Data" in the 2023 Form 10-K.

There have been no material changes to the Company's critical accounting estimates during the quarter ended **March 31, 2024** **June 30, 2024**, as compared to the critical accounting estimates disclosed in "Part II - Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations" in the 2023 Form 10-K.

### ITEM 3: Quantitative and Qualitative Disclosures About Market Risk

For information regarding the Company's exposure to certain market risks, see "Part II - Item 7A - Quantitative and Qualitative Disclosures About Market Risk" in the 2023 Form 10-K. Except as described in "Part I - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q, there have been no significant changes in the Company's market risk exposures since the Company's December 31, 2023 year end.

### ITEM 4: 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) under the Exchange Act) as of the end of the period covered by this Form 10-Q (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. In designing and evaluating the disclosure controls and procedures, the



Company's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and in reaching a reasonable level of assurance, the Company's management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

#### Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal controls over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the quarter ended **March 31, 2024** **June 30, 2024**, that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

## PART II: OTHER INFORMATION

### ITEM 1: Legal Proceedings

From time to time, the Company is party to ordinary, routine litigation that is incidental to its business. There are currently no such matters pending that the Company believes could have a material adverse effect on its consolidated financial statements.

### ITEM 1A: Risk Factors

There have been no material changes to the Company's risk factors from the information disclosed in "Part I - Item 1A - Risk **Factprs**" **Factors**" of the 2023 Form 10-K.

### ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds

During the quarter ended **March 31, 2024** **June 30, 2024**, DHIL did not sell any common shares that were not registered under the Securities Act. The following table sets forth information regarding repurchases of DHIL common shares during the quarter ended **March 31, 2024** **June 30, 2024**:

<u>Period</u>	Total Number of Common Shares Purchased <sup>(a)</sup>	Average Price Paid Per Common Share	Total Number of Common Shares Purchased as part of Publicly Announced Plans or Programs <sup>(b)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(b)</sup>
Jan. 1, 2024 through Jan. 31, 2024	15,483	\$ 162.02	9,111	\$ 24,987,018
Feb. 1, 2024 through Feb. 29, 2024	32,148	155.30	32,148	19,994,459
Mar. 1, 2024 through Mar. 31, 2024	43,849	153.01	43,849	13,285,092
<b>Total</b>	<b>91,480</b>	<b>\$ 155.34</b>	<b>85,108</b>	<b>\$ 13,285,092</b>

<u>Period</u>	Total Number of Common Shares Purchased <sup>(a)</sup>	Average Price Paid Per Common Share	Total Number of Common Shares Purchased as part of Publicly Announced Plans or Programs <sup>(b)</sup>	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(b)</sup>
Apr 1, 2024 through Apr 30, 2024	29,550	\$ 153.08	6,948	\$ 12,246,142
May. 1, 2024 through May 31, 2024	9,416	148.88	9,416	10,844,318
June. 1, 2024 through June 30, 2024	18,577	148.96	18,577	8,077,166
<b>Total</b>	<b>57,543</b>	<b>\$ 151.06</b>	<b>34,941</b>	<b>\$ 8,077,166</b>

(a) The Company regularly withholds common shares for tax payments due upon the vesting of employee restricted stock. Common shares withheld to cover tax withholding obligations in connection with the vesting of employee restricted stock are treated as common share repurchases for purposes of this table. **Those withheld** **The** common shares **withheld** are not considered repurchases of DHIL common shares under any authorized common share repurchase plan or program. During the quarter ended **March 31, 2024** **June 30, 2024**, the Company withheld **6,372** **22,602** DHIL common shares for employee tax withholding obligations at an average price paid per share of **\$165.59**, **\$154.17**.

- (b) On May 10, 2023, the Board approved a repurchase plan, authorizing management to repurchase up to \$50 million DHIL common shares in the open market and in private transactions in accordance with applicable securities laws (the "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 plan. The Rule 10b5-1 trading plan is intended to qualify for the safe harbor under Rule 10b5-1 of the Exchange Act. A Rule 10b5-1 trading plan allows a company to purchase its stock 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 the DHIL's Rule 10b5-1 trading plan are subject to specified parameters and certain price, timing, and volume restraints specified in the plan, there is no guarantee as to the exact number of common shares that will be repurchased or that there will be any repurchases at all pursuant to the plan. Purchases under the 2023 Repurchase Program may be made in the open market or through privately negotiated transactions. Purchases in the open market are intended to comply with Rule 10b-18 under the Exchange Act.

**ITEM 3: Defaults Upon Senior Securities**

None.

**ITEM 4: Mine Safety Disclosures**

Not applicable.

**ITEM 5: Other Information**

During the quarter ended **March 31, 2024** **June 30, 2024**, no director or Section 16 officer (as defined under Rule 16a-1 of the Exchange Act) adopted or terminated any Rule 10b5-1 trading arrangement or any non-Rule 10b5-1 trading arrangement (in each case, as defined in Item 408(a) of Regulation S-K).

**ITEM 6: Exhibits**

- |         |   |
|---------|---|
| 3.1     | <a href="#"><u>Amended and Restated Articles of Incorporation of DHIL (incorporated by reference from Exhibit 3.1 to the Annual Report on Form 10-K filed with the SEC on February 29, 2024).</u></a> |
| 3.2     | <a href="#"><u>Amended and Restated Code of Regulations of DHIL (incorporated by reference from Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on April 28, 2017).</u></a>          |
| 31.1    | <a href="#"><u>Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) (filed herewith).</u></a>  |
| 31.2    | <a href="#"><u>Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) (filed herewith).</u></a>  |
| 32.1    | <a href="#"><u>Section 1350 Certification (filed herewith).</u></a>   |
| 101.INS | XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.                                       |
| 101.SCH | XBRL Taxonomy Extension Schema Document.  |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document.  |
| 101.DEF | XBRL Taxonomy 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).  |

**DIAMOND HILL INVESTMENT GROUP, INC.**

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DIAMOND HILL INVESTMENT GROUP, INC.

Date	Title	Signature
May 8, July 31, 2024	Chief Executive Officer and President (Principal Executive Officer)	/s/ Heather E. Brilliant Heather E. Brilliant
May 8, July 31, 2024	Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)	/s/ Thomas E. Line Thomas E. Line

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CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q

I, Heather E. Brilliant, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 June 30, 2024 of Diamond Hill Investment Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.
- Date: May 8, 2024 July 31, 2024
- /s/ Heather E. Brilliant

Heather E. Brilliant

Chief Executive Officer and President
- CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q
- I, Thomas E. Line, certify that:
- REFINITIV CORPORATE DISCLOSURES | [www.refinitiv.com](http://www.refinitiv.com) | Contact Us

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REFINITIV

1. I have reviewed this Quarterly Report on Form 10-Q for the quarterly period ended **March 31, 2024** **June 30, 2024** of Diamond Hill Investment Group, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: **May 8, 2024** **July 31, 2024**

/s/ Thomas E. Line

Thomas E. Line

Chief Financial Officer and Treasurer

**CERTIFICATIONS PURSUANT TO  
TITLE 18, UNITED STATES CODE, SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Diamond Hill Investment Group, Inc. (the "Company") on Form 10-Q for the quarterly period ended **March 31, 2024** **June 30, 2024** as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Heather E. Brilliant, Chief Executive Officer and President of the Company, and Thomas E. Line, Chief Financial Officer and Treasurer of the Company, certify, pursuant to Title 18, United States Code, Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of each such officer's knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Heather E. Brilliant

Print Name: Heather E. Brilliant

Title: Chief Executive Officer and President

Date: **May 8, 2024** **July 31, 2024**

/s/ Thomas E. Line

Print Name: Thomas E. Line

Title: Chief Financial Officer and Treasurer

Date: **May 8, 2024** **July 31, 2024**



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