BROAD RUN
INVESTMENT MANAGEMENT, LLC

October 18, 2013

Client Letter

Third Quarter 2013

For the quarter, the Focus Equity Composite returned 7.3% net of fees compared to 5.2% for the S&P 500 Index. Year to date, the Composite returned 24.1% net of fees compared to 19.8% for the S&P 500 Index. The returns for your individual account will differ somewhat from the Composite due to variations in account holdings and other client-specific circumstances. Your account's actual performance is presented in an attachment. We remind you that we manage your portfolio for long-term results, and we encourage you to evaluate its performance over a multi-year time frame. Long-term Composite returns are presented at the end of this letter for reference.

We did not make any material changes to your account during the quarter. Recall that our low turnover investment strategy has historically averaged a handful of new buys and a handful of sells each year, so it is not unusual to have periods of no portfolio activity. We are pleased with the collection of businesses that you own and believe that they are growing their earnings power and intrinsic value at attractive rates. We continue to scour the market looking for better alternatives to what you own today, and we will pounce when such opportunities become available.

Company Updates

Encore Capital Group (ECPG) is a leading "debt collector" of unpaid U.S. consumer credit cards, and increasingly telecom, bankruptcy, property tax/tax liens, and U.K. credit card debt. The company purchases unpaid receivables at a discount to face value then undertakes collection efforts on these receivables to produce revenue and drive a return on its investment. Encore has had a particularly eventful year with two large acquisitions adding to their scale and broadening their addressable market.

While an inglorious profession, debt collectors provide an essential service in the modern financial world. In fact, Encore has advantaged itself by bringing professionalism to the debt collection industry with sophisticated systems and analytics, clean collection practices, and a consumer bill of rights.

There is a general perception that Encore is a mediocre business that faces poor earnings prospects due to a recent rise in the price of charged off credit card receivables. Reflecting this view, the stock trades at a modest valuation of 10x 2014 earnings (and was at an even lower 8x at the beginning of the third quarter).

We think that this view fails to appreciate the important favorable structural changes that have occurred since the depths of the recession. Encore has dramatically improved its efficiency and lowered its costs. They have gained market share and scale, which has further perpetuated their low cost position. While credit card receivable prices have risen quite dramatically, Encore's cost structure continues to decline which should still allow it to earn improving profits. The two most recent acquisitions should aid this process.

We believe that Encore's future remains bright with mid-teens annualized earnings per share growth likely over the next five years. Should the company perform as we expect, the stock should eventually reflect the improved quality of the business and the growth opportunity at hand.

Bally Technologies (BYI) is the leading global provider of specialized information technology systems to help casinos run their casino floor. Bally is also one of the world's leading slot machine providers with a growing 15% U.S. market share in an oligopolistic industry.

Gaming devices and software systems are heavily regulated, so much so that all new titles and systems upgrades must be independently tested and authenticated by each state before they are approved for sale or lease. The infrastructure required to maintain and garner such regulatory approvals is substantial and helps keep new competitors from entering Bally's markets. Bally's fifty years of title-development experience, software-systems leadership, and worldwide reach further strengthen its competitive position. Growth opportunities are attractive as Bally introduces innovative new systems solutions and regulated gaming expands globally.

On July 16, Bally announced that it had agreed to acquire SHFL Entertainment, Inc. for total consideration of approximately $1.3 billion. This is a significant transaction in relation to Bally's own $2.9 billion value at that time. We believe that this transaction has great strategic and financial merit. Already a leading provider of slot machines and systems, the SHFL acquisition will broaden Bally's product offering to include proprietary table games, electronic table systems, and automatic shufflers. Bally will be able to offer casinos worldwide a nearly complete solution to their equipment and gaming systems needs. We believe that once integrated, the acquisition could be more than 20% accretive to earnings per share.

Organizational Update

On the organizational front, we welcome Bryan Adkins, who joins our team as Director of Operations. In this role, Bryan will help us with many aspects of operations and client support. Bryan is a CFA charterholder and comes to Broad Run with over seven years investment operations experience. Prior to Broad Run, Bryan was employed in a similar role at a $1.4 billion investment management firm, The Edgar Lomax Company. Bryan has a B.S. in Mechanical Engineering (Summa Cum Laude) and an MBA from Virginia Polytechnic Institute (Virginia Tech).

Conclusion

We thank you for entrusting your capital to us. We take this responsibility seriously, and we will do our best to protect and grow your investment. Finally, please let us know if there is any change to your financial circumstances that might impact the manner in which we manage your account.

Sincerely,

Broad Run Investment Management, LLC

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Performance For period ending 9/30/13	Q3 2013	YTD 2013	AVERAGE ANNUAL TOTAL RETURNS			CUMULATIVE SINCE INCEPTION (8/22/09)
			1 YEAR	3 YEAR	SINCE INCEPTION (8/22/09)	
Focus Equity Composite, Gross	7.7%	25.4%	33.8%	20.6%	20.0%	111.2%
Focus Equity Composite, Net	7.3%	24.1%	32.0%	19.0%	18.3%	99.2%
S&P 500 Index	5.2%	19.8%	19.3%	16.3%	15.2%	78.7%

Composite Definition. The performance presented is for the Focus Equity Strategy Composite. The Focus Equity Strategy invests primarily in U.S equity securities and seeks long-term capital appreciation while incurring a low risk of permanent capital loss. The Strategy uses a concentrated, low turnover investment approach, and generally seeks to invest in high quality growth-oriented companies trading at discounts to intrinsic value. The inception date of the Focus Equity Strategy Composite is August 22, 2009.

Composite Construction. The Composite is comprised of all fully discretionary fee paying accounts that are managed according to Broad Run's Focus Equity Strategy. New accounts that are managed according to the Focus Equity Strategy are added at the beginning of the first full calendar month for which the account is under management. Closed account data is included in the Composite in order to eliminate survivorship bias. For the time period 8/22/09 to 10/26/12, the Composite is composed solely of an equity mutual fund. Broad Run's Managing Members served as Portfolio Managers for this equity mutual fund while employed at the fund's Advisor. For the time period 10/27/12 to 2/28/13, the Composite is composed solely of the successor equity mutual fund to the aforementioned equity mutual fund. Broad Run is engaged as the Sub-advisor of this successor equity mutual fund by its new Advisor, and Broad Run's Managing Members serve as Portfolio Managers for this successor equity mutual fund. For the time period after 2/28/13 the Composite is composed of this successor equity mutual fund and separate accounts.

Composite Performance Calculation Methodology. The Composite performance figures reflect the deduction of brokerage or other commissions and the reinvestment of dividends, interest income and capital gains. Percentage returns for the equity mutual fund and its successor are calculated monthly based upon beginning of month and end of month Investor-class NAVs per share, adjusted for distributions. Percentage returns for the separate accounts are calculated in Advent AXYS using the Modified Dietz Method with trade date accounting, daily time weighted rates of return, and cash accounting for dividends, interest income and advisory fees. Advent AXYS calculates the separate account composite return by rolling together and asset-weighting applicable separate accounts to calculate a daily composite return adjusted for inflows and outflows. These daily composite returns are then geometrically linked to create a monthly separate account composite return. The monthly equity mutual fund return and monthly separate account composite return are then asset-weighted based upon beginning of period values to compute the monthly Composite return. Monthly Composite returns are geometrically linked to calculate time-weighted rates of return for periods greater than one month and geometrically averaged to calculate average annual total returns. All returns are calculated in US dollars.

Fees. We have presented Composite returns gross of fees and net of fees. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated net of advisory fees for separate accounts and net of the Investor-class expense ratio for the equity mutual fund. For the included equity mutual fund, gross monthly returns are derived from the Investor-class net monthly returns by adding back the applicable SEC reported equity mutual fund expense ratio (which includes advisory fees and other fees) on a monthly equivalent basis. For separate account(s), gross and net monthly returns are calculated in Advent AXYS. The performance figures do not reflect the deduction of any taxes an investor might pay on distributions or redemptions. Our standard separate account fees are presented in our Form ADV Part 2A.

Other Disclosures

Index Disclosure. The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. It is a market-value weighted index. Index figures reflect the reinvestment of dividends and capital gains. Index figures do not reflect deductions for any fees, expenses, or taxes. Investors cannot invest directly in an index. The index is included to illustrate the general trend of the equity market and is not intended as a benchmark for the Composite.

Investing Involves Risk. Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results and we may not achieve the Focus Equity Strategy's objective. There may be market, economic, or other conditions which affect our performance, or the performance of the included market index. The Strategy invests in small and medium size companies. Investments in these companies, especially smaller companies, carry greater risk than is customarily associated with larger companies for various reasons such as increased volatility of earnings and business prospects, narrower markets, limited financial resources and less liquid stock. A client account invested in the Focus Equity Strategy will hold fewer securities and have less diversification across industries and sectors than a diversified portfolio. Consequently a client account and/or the Composite performance may diverge from the included market index, positively or negatively.

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