July 25, 2014

Separate Account Client Letter

Second Quarter 2014

For the quarter, the Focus Equity Composite returned 4.3% net of fees[1] compared to 4.9% for the Russell 3000 Index. Year to date, the Composite returned 2.4% net of fees compared to 6.9% for the Russell 3000 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 your portfolio's composition is significantly different from the broad market indices, so your performance will inevitably deviate from these indices, especially over shorter time periods. 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.

We remain generally pleased with the performance of the companies underlying the stocks in your portfolio. As a group, they continue to grow their earnings at an attractive rate, and remain undervalued relative to our estimate of their true worth. The market's significant rise in 2013, and continued rise in 2014 have made it more difficult to identify deeply undervalued companies. But we continue to like the prospects for your holdings and are finding select opportunities to upgrade your portfolio, as discussed below.

Notable Portfolio Changes

Simpson Manufacturing (SSD) – During the quarter we sold Simpson Manufacturing from separate accounts, where it was about a 2.4% position. We have a long history with Simpson and admire its strong business franchise in structural "connectors". Connectors are engineered steel plates that provide structural support for wood frame buildings, especially in U.S. and Canadian earthquake and hurricane exposed regions. Simpson has come to dominate this market over the last 15 years, and today enjoys about 70% market share.

During the 2000's, gradual market share gains and increasing product content per new home drove attractive rates of growth for Simpson, but this secular growth has slowed in recent years as the company faced reinvigorated competition and natural limits to its own market share. Recognizing the maturation of its core connector business, Simpson used its prodigious cash flow to move organically and through acquisition into adjacent markets: it has expanded geographically into Europe and Asia, and broadened its product offerings to include fastener systems, shearwalls, and structural masonry repair products. While a reasonable strategy, the effort has taken significant investment and produced disappointing returns on capital.

Most recently, Simpson moved aggressively into roof truss plate manufacturing. This maneuver is a competitive response to the recent acquisition of its largest connector competitor (USP) by the largest

[1] Net of highest applicable fee of 1.0% per annum as described in our Form ADV, Part 2A

truss plate manufacturer (Mitek, owned by Berkshire Hathaway). There is significant customer and distributor overlap between connectors and truss plates, so Mitek-USP has focused its sights on gaining market share in connectors while Simpson is now focused on truss plates. Our view is that it is going to be a long and expensive endeavor for Simpson to gain any meaningful market share in truss plates. To sell truss plates, a manufacturer needs its own roof truss design software to be used by the truss plate buyer. Truss plates buyers only want to learn and use one truss plate software system, so the incumbent truss plate provider has an entrenched position. While Simpson may be a good truss plate manufacturer, developing competitive software and displacing the incumbent is a challenging task.

Simpson, despite repeated attempts, has not demonstrated an ability to grow profitably outside its maturing core franchise. Cash flow from the connector business is being invested into these new markets at low rates of return, producing subpar growth in intrinsic value. With the recent move into truss plates, we expect this pattern to continue, with the added challenge of a reinvigorated competitor (USP) in connectors. By our calculation, we sold Simpson at a valuation that incorporated a fairly robust continued rebound in new home construction, and some reasonable success with truss plates and other new markets.

Micros Systems (MCRS) – In late June, Micros announced that it had entered into a definitive agreement to be acquired by Oracle at a price of $68.00 per share. We believe that Oracle's offer represents a full price to Micros shareholders and decided to exit the position in separate accounts (except in those accounts where it was prudent to wait for long-term capital gains tax treatment). Micros was about a 4.0% position in separate accounts at the time of sale.

We established the Micros position in the fourth quarter of 2012 while the shares were under pressure from slowing sales growth due to a weak European hotel market and restrained U.S. restaurant capital spending. Along with this slowing growth, investors began to worry about competition from low cost tablet based solutions. A CEO transition announced in December 2012 added to the uncertainty.

Our judgment at the time was that sales weakness would abate as the European economy stabilized and enthusiasm built for new versions of Micros' products. We also believed that the new CEO's impressive track record and strong technology and sales background would ultimately benefit Micros. We purchased shares at about 14x our estimate of adjusted earnings, and believed that - after a transition period - the business would return to its historical earnings growth rate in the mid teens.

Recently, Micros had begun to show signs of fundamental improvement, including a reacceleration of growth. In its latest reported quarterly results, sales grew 11% year-over-year with even stronger growth in earnings. While we believe that Micros would have continued to demonstrate steady progress, in our judgment the all cash offer proposed by Oracle provides full value for the shares, so we felt clients were justly compensated.

We used the proceeds from the sale of Micros and Simpson to increase the allocation to Diamond Hill and to make less significant increases to a handful of other portfolio holdings.

Diamond Hill Investment Group (DHIL) – During the quarter, we increased the Diamond Hill allocation in separate accounts from about 1.4% of assets to about 3.0% of assets. Diamond Hill is an investment management firm based in Columbus, Ohio, that provides services to institutions and individuals through mutual funds, separate accounts, and limited partnerships. While a relatively small firm based on its assets under management ("AUM"), we believe Diamond Hill has the ingredients (culture/people, philosophy, and process) to grow to be many times its current size.

Diamond Hill's strategies are rooted in the teachings of Graham and Buffett, emphasizing fundamental research, margin of safety, and a long-term investment horizon. The company's long-term view is reinforced by compensation, which is largely based on rolling five-year performance results. The company has an investment culture, rather than marketing culture, and the interest of clients, shareholders, and employees are well aligned. Employees may only invest for equity exposure in Diamond Hill's mutual funds or stock, and employee turnover has been very low.

Long-term investment performance has been good. Seven of the company's nine strategies have outperformed their benchmarks since inception, while the management team, led by CEO Ric Dillon, has taken AUM from $50 million in 2000 to $14.2 billion today. An improvement in investment performance after several years of average results has enabled annualized net flows to increase at a high-teens rate through the first half of this year.

We first purchased shares of Diamond Hill for the strategy in 2010 when the company had about $6.5 billion in AUM and operating margins in the low 30s. We paid about 12x our adjusted EPS estimates (excluding cash and investments) at that time. Since then, AUM has increased to $14.2 billion, operating margins have expanded to the high 30s, and the company has paid out significant special dividends. Yet for this recent Diamond Hill purchase, we only paid about 13x our current EPS estimate (excluding cash and investments). We think the business is stronger today than in 2010, and it is beginning to get traction with Tier 1 investment consultants that can help drive significant AUM growth over the next several years.

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.

Please let us know if there is any change to your financial circumstances that might impact the manner in which we manage your account. In addition, please let us know if there are any updates that we should make to our records to keep your personal and account information current.

Sincerely,

Broad Run Investment Management, LLC

Broad Run Investment Management, LLC
Focus Equity Composite
September 1, 2009 through June 30, 2014

Year	Focus Equity Composite			Russell 3000*		Number of Portfolios	Internal Disperson (%)[1]	Composite Assets ($ millions)	Firm Assets ($ millions)
	Gross Return (%)	Net Return (%)	3-Yr St Dev (%)	Return (%)	3-Yr St Dev (%)				
2014 (thru 6/30)	2.93	2.42	12.91	6.94	12.68	36	n.m.	1,532.6	1,534.6
2013	37.18	35.85	12.52	33.55	12.54	30	n.m.	1,454.0	1,459.8
2012	18.27	17.11	16.80	16.42	15.74	1	n.m.	781.2	781.2
2011	5.13	4.08	-[3]	1.03	-[3]	1	n.m.	672.2	N/A
2010	26.40	25.16	-[3]	16.93	-[3]	1	n.m.	772.8	N/A
Sep - Dec 2009[2]	8.64	8.29	-[3]	10.34	-[3]	1	n.m.	812.5	N/A

Period Ending 6/30/14	Focus Equity Composite					Russell 3000*		
	Gross Cumulative Return (%)	Gross Annualized Return (%)	Net Cumulative Return (%)	Net Annualized Return (%)	St Dev (%)[4]	Cumulative Return (%)	Annualized Return (%)	St Dev (%)[4]
1 Year	21.28	21.28	20.09	20.09	9.46	25.22	25.22	9.18
3 Years	71.40	19.68	66.40	18.50	12.91	57.94	16.46	12.68
Since Inception	141.05	19.97	129.83	18.79	14.48	116.71	17.35	13.74

Past performance is not indicative of future results.

* Supplemental information; this is not intended to be a benchmark.

Broad Run Investment Management, LLC ("Broad Run") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Broad Run has been independently verified for the periods October 27, 2012 through December 31, 2013. The verification report is available upon request. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Notes:

A. Broad Run is an investment advisor registered with the U.S. Securities and Exchange Commission under the Investment Advisers Act of 1940, as amended. Broad Run is defined as an independent investment advisor that is not affiliated with any parent organization. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations is available upon request.

B. The Focus Equity Composite contains all fee-paying, discretionary accounts that are managed according to Broad Run's Focus Equity Strategy. The Focus Equity Strategy invests primarily in U.S equity securities—regardless of capitalization—and seeks long-term capital appreciation while incurring a low risk of permanent capital loss. The Strategy uses a concentrated and low turnover investment approach, and generally seeks to invest in what we believe are high quality growth-oriented companies trading at discounts to our assessment of their intrinsic value. Broad Run has determined that no appropriate benchmark for the Composite exists because the Focus Equity Strategy has minimal exposure to a number of sectors and is invested across the market capitalization spectrum.

C. Valuations are computed and performance is reported in U.S. dollars.

D. The Focus Equity Composite was created in October 2012; its inception date is September 1, 2009. For the time period September 1, 2009 to October 26, 2012, 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 October 27, 2012 to February 28, 2013, the Composite is composed solely of the successor equity mutual fund to the aforementioned equity mutual fund. Broad Run is engaged as the sole Sub-advisor of the successor equity mutual fund (managing 100% of its assets) by its new Advisor, and the firm's Managing Members serve as Portfolio Managers for the successor equity mutual fund. Broad Run has met the GIPS portability requirements to link the returns of the equity mutual fund and the successor equity mutual fund. For the time period after February 28, 2013, the Composite is composed of the successor equity mutual fund and separate accounts. Currently, the assets in the mutual fund comprise a significant majority of the Composite's assets.

E. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Net of fees returns are calculated by deducting the monthly-equivalent amount of our highest applicable annual management fee of 1.00% ("Model Net Fee"), as described in our Form ADV, Part 2A (without the benefit of breakpoints) from the monthly composite gross return. All returns presented in the above tables (including the reference index) include the reinvestment of dividends, interest income, and capital gains.

F. The annual composite dispersion presented is a dollar-weighted standard deviation of the gross returns for all accounts in the composite for the entire year, using beginning of period values.

G. The three-year annualized standard deviation measures the variability of the gross returns of the composite and the reference index over the preceding 36-month period.

H. Broad Run's standard annual asset based management fee schedule is 1% of the account's total assets on the first $5,000,00 and 0.85% thereafter. Gross performance results do not reflect the deduction of Broad Run's investment advisory fee, which will affect a client's total return.

[1] n.m. - Not statistically meaningful for periods less than one year, or when five or less accounts in composite for the entire year.
[2] Annual Performance Results reflect partial period performance. The returns are calculated from September 1, 2009 to December 31, 2009 for the Focus Equity Strategy Composite.
[3] The 3-year annualized standard deviation is not shown due to having less than 36 months of composite returns.
[4] n.m. - This statistical analysis is based on monthly gross performance numbers and is not statistically meaningful for periods less than 3 years.

Other Disclosures

Additional Composite Details. The Focus Equity Composite includes a mutual fund for which we charge a sub-advisory fee that is lower than the Model Net Fee. However, the mutual fund's total operating expenses, which are not applicable to you, are in excess of the Model Net Fee. Therefore, the actual performance of the mutual fund in the Composite on a net fee basis will be different, and will normally be lower, than the Model Net Fee performance. However, the Model Net Fee performance is intended to provide the most appropriate example of the impact management fees would have by applying management fees relevant to you to the gross performance of the Composite. Actual fees and expenses in client accounts may differ from those reflected in this Composite presentation and would cause actual performance to differ. The performance figures do not reflect the deduction of any taxes an investor might pay on distributions or redemptions.

Index Disclosure. The S&P 500 Index is an unmanaged index of 500 common stocks chosen for market size, liquidity, and industry group representation. The Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. Both indexes are market-value weighted. 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 indices' performance returns are included to illustrate the general trend of the U.S. equity market and are not intended as benchmarks for the Composite.

Investing Involves Risk. Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results and client accounts may not achieve the Focus Equity Strategy's investment objective. There may be market, economic, or other conditions that affect client account performance, or the performance of the referenced 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, such as a portfolio based on an index. Consequently a client account and/or the Composite performance may diverge significantly from the referenced market index, positively or negatively.

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