BROAD RUN
INVESTMENT MANAGEMENT, LLC

October 24, 2014

Separate Account Client Letter

Third Quarter 2014

For the quarter, the Focus Equity Composite returned -1.9% net of fees[1] compared to 0.0% for the Russell 3000 Index. Year to date, the Composite returned 0.5% 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.

Volatility has returned to the market after a long hiatus. The S&P 500 declined about 10% from its all-time high in September, only to recover nearly all of its lost ground more recently. One moment the market appeared concerned about plummeting German exports, falling commodity prices, and a tumbling ten-year Treasury yield. The next moment the focus had shifted to the potential for an expansion of quantitative easing in Europe, a delay to the Fed's first interest rate hike, and strong corporate earnings.

All investors face the challenge of how to react to various macroeconomic concerns that emerge on a fairly regular basis. Most often these concerns prove irrelevant with the passage of time, but occasionally they manifest in damage to the real economy and corporate profits. Our general viewpoint is that it is extraordinarily difficult to make money by placing bets on macroeconomic events. The world is too complex with too many moving parts to have this be a consistently profitable exercise. Experience has taught us that we are most effective when building your portfolio one security at a time.

As long-term investors, we fully expect that your portfolio will face turbulent economic times at various points during our investment horizon. So we prepare for this eventuality, not by selling all your stocks at the first signs of trouble, nor by rotating your portfolio into more conservative sectors, but rather by owning companies with a wide "margin of safety." By this we mean companies with the business model and balance sheet to survive and thrive in many economic environments, owned at attractive valuations so that we are well protected from both company specific and macroeconomic risks.

We think your portfolio is constructed with a good margin of safety. In fact, we think that many of your holdings are well positioned to grow cash earning per share at a mid-teens rate or better over the next several years regardless of the overall U.S. economic growth rate. These companies have their own profit drivers that are largely independent of the overall economy, i.e. American Tower is driven by the adoption of data intensive smartphones and O'Reilly Automotive is driven by a unique distribution model that should allow for continued share gains in the largely non-discretionary market for aftermarket auto parts.

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

Notable Portfolio Changes

Bally Technologies (BYI) – On August 1st, Bally Technologies announced that it entered into an agreement to be acquired by Scientific Games Corporation for $83.30 per share in cash, about a 38% premium over its prior day closing price and a modest premium to the stock's all-time high set in January.

The gaming equipment supply industry (Bally, IGT, GTECH, Multimedia Games and others) has been undergoing a wave of consolidation over the last year, and rumors involving Bally circulated in June and July, but we were nonetheless a bit surprised that this particular transaction came to fruition. The rationale for the deal makes sense to us – there are significant synergies to be realized by merging the second and third largest gaming equipment manufacturers – but the combined entity will have significant financial leverage and integration risk. Post deal, Scientific Games will be leveraged about 7x Debt/EBITDA. In addition, Scientific Games just acquired WMS in October of 2013, and Bally just acquired Shuffle Master in November of 2013. Now, effectively, all four of these formerly independent public companies are going to be consolidated into one entity. We have a great deal of respect for Scientific Games CEO, Gavin Issacs (a Bally alum), but he has a challenging task ahead of him.

At the time of the deal announcement, Bally was on average a 5.7% position in separate accounts. We chose to sell your Bally shares in the weeks following the announcement rather than waiting for the projected deal closing date in the first quarter of 2015 (since amended to late fourth quarter of 2014). While we viewed the transaction as likely to close – Scientific Games has contractual commitments from banks to finance the deal – we concluded that it was a still a high risk deal with reasonable potential of the buyer or banks getting cold feet and scuttling the deal or forcing a lower price. While our decision to sell meant that we had to forgo the last few dollars of potential return in Bally, given the circumstances, we thought exiting the position was the right course of action.

This acquisition appears to bring to a close our long history with Bally (we held shares in the Focus Equity strategy since 2009, and have closely followed the company since the early 2000s). Our hats are off to CEO Dick Haddrill, and his team, for a job well done. Over the last decade, Dick transformed Bally into a leading gaming equipment manufacturer and dominant casino systems provider. More recently, he made thoughtful use of the company's free cash flow and balance sheet to shrink the share count by over 30%. Adjusted EPS increased about fivefold over the decade.

T. Rowe Price (TROW) – During the quarter, we sold T. Rowe Price from separate accounts where it was on average a 2.5% position. We held the company's shares since 2009 and have long admired the company's unique culture and strong investment track record. Over our holding period, robust equity market returns, good relative investment performance, and positive net asset inflows combined to increase the company's assets under management ("AUM") from about $300 billion to more than $700 billion.

Historically, T. Rowe and many other U.S. equity-oriented asset managers, had a powerful business model that enabled them to produce above average rates of growth in intrinsic value. Their revenue growth was driven by healthy net asset inflows from client contributions and the appreciation of existing AUM. Modest operating leverage enabled earnings growth to exceed revenue growth. Since it takes very little working capital or fixed assets to support an asset manager, most of the earnings translated into free cash flow that could be used to repurchase stock or pay dividends to further enhance shareholder returns.

However, we have increasingly come to believe that a key element of the company's business model – namely, healthy asset inflows from client contributions – has changed for the worse, giving T. Rowe and other very large U.S. equity managers a lower growth profile going forward. The primary reason for this is the accelerating shift from active to passive investment strategies. Since 2009, passive products (ETFs

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and open-end index mutual funds) have seen their share of the U.S. equity fund market expand to 37% from 27%. Recent data suggests that this trend is accelerating with passive products seeing $131 billion of net inflows over the last year compared to $63 billion of net outflows for active products[2]. For T. Rowe, despite strong short and long-term performance, its annualized net flows have decelerated from high-single digit growth five years ago to near zero in the most recent quarter.

In addition, T. Rowe has a long history of making opportunistic, value-creating share repurchases. Yet the company has been fairly inactive with repurchases since the third quarter of 2013 indicating to us that management has not seen adequate value in its own shares. This observation, along with our concerns about net flows and a share price still relatively near its all-time high, combined to provide the rationale for the sale.

We used the proceeds from the sale of T. Rowe to increase your allocation to Brookfield Asset Management.

Brookfield Asset Management (BAM) – During the quarter, we increased the Brookfield Asset Management allocation in separate accounts from about 2.1% of assets to about 5.0% of assets. For your reference, our investment thesis for Brookfield is outlined in our first quarter 2014 letter.

Over the last six months, additional research and conversations with Brookfield senior management have provided us with the conviction to increase the position's weighting in your portfolio. We now have more confidence in the power of the company's business model, asset raising momentum in its private fund business, and management's investment acumen.

While Brookfield and T. Rowe are both asset managers, contrasting their businesses was helpful to our decision to swap capital between the two positions. For example, Brookfield appears to be in the early or middle stages of a secular shift of institutional assets toward the real asset category, while the U.S. equity mutual fund business enjoyed its heyday in the 1980s and 1990s, and now appears secularly challenged by the shift toward passive public equity strategies. Brookfield is one of only a handful of firms that have the operational expertise, worldwide presence, and capital base to compete for large real asset transactions, while T. Rowe faces competition from nearly 800 fund sponsors with 9,000 mutual funds. Additionally, much of Brookfield's AUM is permanent or long-lived while T. Rowe's clients have daily liquidity.

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

[2] Source: Morningstar

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Broad Run Investment Management, LLC
Focus Equity Composite
September 1, 2009 through September 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 9/30)	1.26	0.51	11.90	6.95	10.89	41	n.m.	1,471.3	1,471.6
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 9/30/14	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	10.79	10.79	9.70	9.70	11.40	17.76	17.76	8.91
3 Years	96.09	25.16	90.39	23.94	11.90	86.44	23.08	10.89
5 Years	132.68	18.40	121.48	17.24	14.71	108.02	15.78	13.68
Since Inception	137.15	18.51	125.55	17.35	14.59	116.73	16.43	13.62

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 $5,000,000 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.

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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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