BROAD RUN
INVESTMENT MANAGEMENT, LLC

October 27, 2015

Separate Account Client Letter

Third Quarter 2015

For the quarter, the Focus Equity Composite returned -5.1% net of fees[1] compared to -7.2% for the Russell 3000 Index. Year to date, the Composite returned -0.2% net of fees compared to -5.4% 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 did not make any material changes to your portfolio holdings during the quarter. Recall that our low turnover investment strategy has historically averaged a handful of new buys and 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 search the market looking for better alternatives to what you own today, and will act when such opportunities arise.

The passage of time provides important perspective on the long-term orientation of the Focus Equity Strategy. Of the 20 positions currently held in the typical separate account, seven have been holdings in the Composite since its inception more than six years ago. Of the top 10 positions held at inception, four remain in today's top 10. This low level of turnover is consistent with our long-held belief that the best way to build wealth in the stock market is to own a carefully selected portfolio of undervalued, high quality, secular growth businesses, and to hold these businesses long-term as they compound their earnings over time.

While our long-term approach makes great sense to us, it is by no means conventional. We believe that the majority of our investment peers operate with a one or two year investment horizon, as compared to our five to ten year horizon. If your investment horizon is short-term, your research effort is likely to focus on predicting a company's short-term fundamental performance relative to consensus expectations. You likely look to develop an "edge" that gives you better insight into short-term sales trends, margins, and/or stock catalysts. Instead, with our long-term investment horizon, we conduct our research with an eye toward understanding the opportunity for a business over the next decade. We focus on evaluating those factors that we believe have the most impact on a company's investment results over the long-term: the quality of the business, its growth potential, management quality, exposure to catastrophic "tail risks", and valuation.

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

Management Quality

Of these factors, we believe that management quality – and especially management's capital allocation skill – are underanalyzed and underappreciated by most investors. We postulate that this is a direct result of the short-term investment horizons of most market participants. In the short term, capital allocation decisions typically have little impact on a stock price or business fundamentals, but like compound interest, these decisions accumulate to significant importance over time. Consider a new CEO hired to run a 100-year-old business. If that business earns a 12% return on equity today, and that ROE can be sustained, then in six years time the firm's equity base will have doubled. In just six years, the CEO will be responsible for investing 50% of all equity capital ever invested in a century old business. Over time, there is significant power to create – or destroy – shareholder value based upon what is done with a firm's profits and balance sheet.

Recognizing this, we look to invest in companies with management teams skilled at both operations and capital allocation, motivated with proper economic incentives, and possessing a long-term mindset. Assessing management quality is part art and part science. As a starting point, we review the historical financial record compiled by the management team, including trends in margins, returns on equity, and returns on capital, and how these metrics compare to other companies within their industry. As we dig deeper, we analyze the important capital allocation decisions the team has made in the past. For example, have they made large acquisitions or share repurchases, and how did those decisions turn out? As we read about the business, we stay attuned to how management discusses acquisitions, share repurchases, capital expenditures, dividends, and use of the balance sheet. When we meet with management, we query them about their capital allocation framework and how they think about creating long-term value. And of course, we evaluate their economic incentives, looking for a strong alignment of interest with the long-term equity holder.

In our experience, the most effective management teams have an unclouded view that their responsibility is to maximize long-term value per share. They understand the full set of capital allocation options in front of them, and are willing to move quickly and in size when they see an unusual opportunity. They recognize that there is a cost to acting today rather than waiting to see what opportunities are presented tomorrow, and have the internal political capital to forego short-term profits in favor of pursuing much larger, but longer-term opportunities. Unsurprisingly, we often find these characteristics in companies still run by the founder or founding family and in businesses with high insider ownership.

While capital allocation is one of the most important responsibilities of senior executives, most do not know how to allocate capital effectively. Commonly, they have advanced their careers because they exceled at sales or operations, not because of their past experience allocating capital. It is typically only after they arrive in the C-suite that their responsibilities include capital allocation. With no prior capital allocation experience, and their careers on the line, they often engage consultants and ask their institutional shareholders for their opinions. Usually, when done sorting through all the well intentioned, but conflicting advice, they remain handicapped by clouded thinking and indecision. It is the rare management team that can combine strong operating skill with excellent capital allocation ability.

While we cannot know with certainty how a management team will perform in the future, and even the best management teams can stumble, we think emphasizing management quality in our process is one factor that helps to stack the odds in our favor.

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 account information current.

Sincerely,

Broad Run Investment Management, LLC

Broad Run Investment Management, LLC
Focus Equity Composite
September 1, 2009 through September 30, 2015

Year	Focus Equity Composite Gross Return (%)	Focus Equity Composite Net Return (%)	Focus Equity Composite 3-Yr St Dev (%)	Russell 3000* Return (%)	Russell 3000* 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)[1]	Composite Assets ($ millions)	Firm Assets ($ millions)
2015 (thru 9/30)	0.53	-0.23	10.51	-5.45	9.80	46	n.m	1,990.4	1,991.6
2014	11.76	10.66	9.44	12.56	9.30	41	0.10	1,618.5	1,619.5
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 9/30/15	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	10.95	10.95	9.85	9.85	n.m.	-0.49	-0.49	n.m.
3 Years	64.50	18.05	59.70	16.89	10.51	42.49	12.53	9.80
5 Years	115.78	16.63	105.38	15.48	12.28	86.54	13.28	11.85
Since Inception	163.12	17.23	147.77	16.08	14.17	115.66	13.46	13.26

Past performance is not indicative of future results.

* Supplemental information; this is not intended to be a benchmark for the composite, and is only shown for reference purposes.

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, 2014. 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. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. A list of composite descriptions 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, 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 Russell 3000 Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market. The index is 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 index's performance returns are included to illustrate the general trend of the U.S. equity market and are 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 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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