April 28, 2014

Separate Account Client Letter
First Quarter 2014

For the quarter, the Focus Equity Composite returned -1.8% net of fees[1] compared to 2.0% 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 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.

Notable Portfolio Changes

Brookfield Asset Management (BAM) – During the first quarter, we established a position in Brookfield Asset Management ("BAM") at about 1% of separate account assets. BAM is one of the largest global managers of "real assets" (office and retail property, ports, transmission lines, toll roads, railroads, hydroelectric plants, wind farms, timberland) with over $174 billion under management. Real assets tend to be long-lived and provide stable and growing cash flow. Yet in the past real assets have been mostly inaccessible to passive investors. As firms like BAM buy these assets from traditional holders (utilities, corporations, governments) and make them more widely available via convenient investment products, the addressable market for their asset management services grows. To put this opportunity into context, the total value of real assets around the world exceeds $100 trillion, providing enormous potential for BAM.

BAM takes a value-oriented investment approach to this marketplace, and is among the best in the world at opportunistically buying assets and optimizing their cash flow once owned. BAM has generated excellent returns on their real asset purchases in the past, which has translated into excellent returns for BAM shareholders – the stock has returned about19% annualized over both the last ten and twenty years. While these returns benefited, to some extent, from the secular decline in interest rates, we think structural changes to BAM's business model give it the potential to continue producing similarly excellent returns in the future.

Historically, BAM used much of its own capital to buy assets, but over the last decade it has gradually transitioned to buying assets on behalf of third parties (via private equity and public investment vehicles). In April of 2013, BAM took another major step in its transition by spinning off its owned office and retail properties into a new publicly traded vehicle (Brookfield Property Partners). While BAM still owns sizeable stakes in these investment vehicles, its economics are increasingly driven by management fees and performance incentives rather than outright ownership of the assets. This approach is much less capital intensive, providing higher potential returns to BAM shareholders.

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

An important element of our investment case for Brookfield relates to its superb CEO, Bruce Flatt. Bruce took over leadership of BAM in 2002 at the age of 37 after rising rapidly through the ranks at BAM due to his uniquely savvy investment and deal making ability. When long time former CEO, Jack Cockwell was ready to retire, Bruce beat out candidates two decades his senior to take the reigns. During his tenure, Bruce has sold off the company's cyclical natural resources businesses (with uncanny timing) and repositioned the firm as an asset manager focused on real assets. He has already created significant value for BAM shareholders, and we think he has another two or three decades ahead of him. As is the case with many of our portfolio companies, Bruce and the rest of the leadership team are significant shareholders, owning approximately 20% of the shares outstanding ($5 billion worth!).

We purchased shares at about 105% of our estimate of net asset value. For a business that we believe can grow net asset value at a mid or high teens rate, this is an attractive price. Over time, we can foresee adding to the position opportunistically, making BAM a much larger position in your portfolio.

News Corporation (NWSA) - During the quarter, we sold News Corporation, which was about a 0.8% position. In June 2013, News Corporation separated its publishing business from its global portfolio of cable, broadcast, film, pay TV and satellite assets via a spin-off to shareholders. The publishing business kept the historic company moniker and the global media business was renamed Twenty-First Century Fox. We continue to own shares of Twenty-First Century Fox in client accounts.

When we first purchased shares of News Corporation in 2011, we were attracted by the cable network programming business, which generated the majority of the company's cash flow. Our view was that the cable channels would produce low double-digit revenue growth and low-teens cash flow growth over the next five years. Our appreciation for the strength of this business outweighed concern about an acceleration in the secular decline of the relatively small newspaper business. At the time, the company's shares were available at a bargain price of about 10x adjusted earnings partly on fears that a phone hacking scandal involving one of the company's British tabloids would taint other News Corp businesses.

When the separation of the publishing businesses was completed in June 2013, the market price of the new company revealed that we were not the only shareholders with a dim view for these assets. Selling pressure from uninterested shareholders caused the shares to trade at about a 40% discount to our estimate of net asset value. When this discount materially closed in the first quarter of 2014, we took the opportunity to exit the position.

Penn National Gaming (PENN) - During the quarter we sold Penn National Gaming out of separate accounts that held shares. PENN was about a 1.6% position in these accounts. For background, on November 15, 2012, PENN announced its intent to become the first gaming company to split its business into two separate publicly traded companies, a REIT focused on owning gaming real estate, and a management company focused on operating gaming properties. Almost one year later, on November 1, 2013, PENN completed the spin-off to its shareholders of Gaming and Leisure Properties (GLPI). As a result, GLPI is now a separate company, which owns the real estate associated with 21 casino facilities, and leases the vast majority of these facilities to PENN. We continue to own shares of GLPI in client accounts.

For many years, we have recognized that Penn National is a "treadmill business" where the company needs to keep running hard just to stay in the same place. While the company successfully developed new gaming properties in Ohio and Kansas, its existing gaming properties in Illinois, West Virginia, Maryland, Louisiana, and Indiana faced an onslaught of new competition. While we ordinarily invest in businesses whose existing operations we expect to appreciate with the passage of time, in this case we believed the company's management team possessed the skill and drive to overcome the strong headwinds facing the business.

In retrospect, the return in our PENN investment over the last 4½ year period has been disappointing. While absolute returns were reasonable (low double-digit rates), it lagged the overall portfolio performance by a wide margin. In the end, management did make an important difference, but it was not enough. Were it not for management's heroic efforts to help pass the Ohio Casino Amendment in November 2009, and the valuation expansion that accompanied management's REIT conversion, our return would have been lower.

UTi Worldwide (UTIW) - During the quarter, we sold UTi Worldwide, which was about a 0.7% position. UTi is a global freight forwarder, helping companies coordinate the movement of freight around the world and navigate the complex import/export rules of various nations. Freight forwarding can be a very good business with high margins, low capital needs, and attractive growth.

UTi is a company that we have followed since the mid 2000s. At that time it was performing well, but we were kept away by its high valuation and history of aggressive acquisitions. By 2008, the company was having difficulty as it became apparent that its' decade long acquisition binge had created an inefficient company with too little integration across geographies. In 2009, a new CEO, Eric Kirchner, was brought in to streamline and reposition the company. He had implemented two successful turnarounds at similar transportation logistics companies in the past, so he brought a great deal of credibility to the effort.

We first purchased shares in UTi during 2012 with the thought that the company was trading at an attractive valuation – about 15x current year earnings – and that it was three years into a five-year turnaround plan that would provide attractive margin and earnings improvement upon completion. Soon after our purchase, the entire freight forwarding industry became much more difficult with slower growth and increased pricing competition among forwarders. This was a big change for an industry that had seen twenty years of relatively uninterrupted growth and prosperity. We downgraded our earnings estimates for UTi several times, but maintained our UTi position with the belief that the company specific improvement opportunity would drive an attractive investment return.

In February of 2014, UTi revealed that its new freight forwarding IT system, which had been successfully implemented in dozens of countries in the prior twelve months, had hit a major snafu during the U.S. implementation. This stumble caused a delay in billing, which resulted in a cash shortfall and a significantly dilutive capital raise. We, and apparently most other observers, were surprised by the need to raise capital and the expensive price at which it was raised. After speaking with management, we think they raised far more capital than they needed (exacerbating the dilution). The dilution from the transaction significantly impacted our expected future value for the stock, and combined with our reduced confidence in company leadership, led us to exit the position in early March.

Our conviction in a company's business model, its leadership, and its future growth, combined with an attractive valuation, determine how we size positions in your portfolio. We maintained a small allocation to UTi because we could not develop the conviction that we needed to justify a larger allocation. This is an important element of our risk management approach. While our investment in UTi produced a loss, at just 1% of portfolio assets (at purchase price), the absolute impact on overall results was modest.

Organizational Update

On the organizational front, we are pleased to share that Lance Simpson has joined the Broad Run team as Chief Compliance Officer and Director of Finance. Lance comes to Broad Run with over seven years of Chief Compliance Officer and Principal Financial Officer experience. Prior to Broad Run, Lance worked as Chief Compliance Officer at Carson Wealth Management, a $1 billion wealth management firm, and before that, he was the Controller and Chief Compliance Officer of at Roxbury Capital Management, a $2 billion institutional asset management firm. Lance has a B.S. in Accounting from California Lutheran University and an MBA from the University of La Verne.

<u>Conclusion</u>

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

Annual Disclosure Updates: Each year at about this time Broad Run will notify you that its annual regulatory updates are available on our website at the following address: www.broadrunllc.com/documents/. These annual updates will include our Form ADV 1A, 2A & 2B as well as our Privacy Policy Notice, Business Continuity Plan Notice and Proxy Voting Policy Notice. Each of these documents is in PDF format and may be found under the Legal & Regulatory heading on the Documents page. Please review these and contact us with any questions.

Broad Run Investment Management, LLC
Focus Equity Composite
September 1, 2009 through March 31, 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 3/31)	-1.54	-1.79	12.77	1.97	12.87	33	n.m.	1,518.3	1,518.9
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 3/31/14	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	21.59	21.59	20.40	20.40	8.81	22.61	22.61	9.54
3 Years	64.94	18.15	60.13	16.99	12.77	50.56	14.61	12.87
Since Inception	130.59	19.99	120.40	18.82	14.73	106.64	17.16	14.08

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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