

April 21, 2016

**Separate Account Client Letter
First Quarter 2016**

For the quarter, the Focus Equity Composite returned 2.1% net of fees¹ compared to 1.0% for the Russell 3000 Index. The results for your account will differ somewhat from the Composite due to variations in account holdings and other client-specific circumstances. Your account's actual results are presented in an attachment. We remind you that we manage your account for long-term results, so we encourage you to evaluate its performance over a multi-year time frame. Long-term Composite performance is presented at the end of this letter.

The "Watch List"

As you know, in your portfolio we seek to own a small collection of exceptional businesses at attractive valuations, and to hold these businesses long-term allowing their growth in earnings to drive most of your investment results. It is challenging to identify businesses that meet our high hurdle for earnings growth, and rare to find them at appealing valuations. Fortunately, our concentrated and long-term oriented investment approach does not require frequent activity; on average we only need to add a few new investments each year.

A key tool in our search for these new investments is our "watch list." This is our shopping list of exceptional businesses that we would like to own if valuation and/or other circumstances allowed. This list reflects our collective knowledge after more than a decade of scouring the markets and conducting research to identify businesses that meet our five criteria (high-quality business, large growth opportunity, excellent management, low "tail risk," and discount valuation).

Some businesses have been on the watch list for just a few months, while others have been there for many years. We are continually looking to add to and refine this list, while advancing our understanding of these businesses and the industries in which they operate. Over the course of time, some development will typically occur at a watch list business spurring a fresh look and intensified consideration for its inclusion in the portfolio; perhaps the stock overacts to negative short-term news, there is a favorable industry development, or our own synthesis of information leads to a breakthrough insight. If we had not previously studied these businesses and been monitoring them, we would not be well positioned to notice the particular catalyst, nor able to intensify our research and reach an investment conclusion in as timely a manner.

During the first quarter, we established a new position in AMETEK, Inc. at a 1% initial weighting. AMETEK makes a wide variety of specialized electrical and mechanical instruments for industrial applications. AMETEK compounded earnings per share at close to 16% per annum over the last 10 years by acquiring leading niche instruments businesses and dramatically improving them using a variety of management tools (low cost sourcing, value engineering, lean manufacturing, etc.). The same people that executed this business plan in the past remain largely in place today, and we believe there is sufficient runway to continue executing this acquisition model for at least the next decade.

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

AMETEK is an idea from our watch list. We first studied AMETEK in early 2015 while making a systematic review of acquisition-oriented industrial conglomerates. AMETEK stood out from its peers for a variety of reasons so we advanced our work and added it to our watch list in the second quarter of 2015. At the time we liked the business but were concerned that falling oil prices, weakening emerging markets, and the strengthening U.S. dollar were not sufficiently reflected in consensus earnings expectations. By the first quarter of 2016, after revenue and earnings guidance were reset lower several times, we thought expectations more accurately reflected the macroeconomic challenges. Our continued research had advanced our understanding and appreciation of the business, so we initiated a small position. Over time, should our ongoing research reinforce our investment thesis, we will look to add to the position opportunistically.

Conclusion

We thank you for entrusting your capital to us. We will continue to do our best to protect and grow your investment over time.

Please let us know if there is any change to your financial circumstances that might impact how we manage your account. Additionally, please share any updates that may be necessary to keep our records current.

Sincerely,

Broad Run Investment Management, LLC

Annual Disclosure Updates: Please take notice that Broad Run's annual regulatory updates are available on our website at the following address: www.broadrunllc.com/documents/. These annual updates 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 documents and contact us if you have any questions.

Disclaimer: *The specific securities identified and discussed in this commentary pertain to the beneficial owner of this account and should not be considered a recommendation to purchase or sell any particular security. Rather, this commentary is presented solely for the purpose of illustrating Broad Run's investment philosophy and analytical approach. These commentaries contain our views and opinions at the time they were written, they do not represent a formal research report and are subject to change thereafter. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. These commentaries may include "forward looking statements" which may or may not be accurate in the long-term. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable. **Past performance is not indicative of future results. All investments involve risk and may decrease in value.***

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There is no assurance that the specific securities identified and described in this reprint are currently held in advisory client portfolios or will be purchased in the future. The reader should not assume that investments in the securities identified and discussed were or will be profitable. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients. To request a complete list of all recommendations made within the past year, contact the firm's Chief Compliance Officer 703-260-1260.

Broad Run Investment Management, LLC
Focus Equity Composite
September 1, 2009 through March 31, 2016

Year	Focus Equity Composite			Russell 3000*		Number of Portfolios	Internal Dispersion (%) ¹	Composite Assets (\$ millions)	Firm Assets (\$ millions)
	Gross Return (%)	Net Return (%)	3-Yr St Dev (%)	Return (%)	3-Yr St Dev (%)				
2016 (thru 3/31)	2.33	2.08	12.15	0.97	11.40	66	n.m.	2,366.5	2,367.0
2015	4.40	3.37	11.30	0.48	10.58	52	0.13	2,266.5	2,268.6
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 03/31/16	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	1.14	1.14	0.13	0.13	n.m.	-0.34	-0.34	n.m.
3 Years	47.45	13.82	43.13	12.70	12.15	37.30	11.15	11.40
5 Years	100.03	14.87	90.37	13.74	13.07	68.60	11.01	12.57
Since Inception	179.64	16.90	162.02	15.75	14.40	131.40	13.59	13.55

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, 2015. 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 the firm believes are high-quality growth-oriented companies trading at discounts to Broad Run's 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 invests 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 Broad Run's highest applicable annual management fee of 1.00% ("Model Net Fee"), as described in the firm's 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 million 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 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.

Reference 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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