January 23, 2017

Separate Account Client Letter
Fourth Quarter 2016

For the year ended December 31, 2016, the Focus Equity Composite returned 7.8% net of fees[1] compared to 12.7% for the Russell 3000 Index. For the fourth quarter, the Composite returned 2.8% net of fees compared to 4.2% 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. 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.

As we have mentioned before, we monitor the earnings growth at each of the businesses we own, and in aggregate at the portfolio level. For our investment approach (low turnover, modest valuations), we believe earnings growth (plus dividend yield) provides a good approximation of intrinsic value created[2]. Of course the market is forward looking, but past earnings levels are typically a good baseline for future earnings prospects. Market price is the ultimate arbiter of value, but price and value can diverge for extended periods of time so earnings growth is the key fundamental measure we use to evaluate long-term progress.

In our second quarter letter, we presented portfolio earnings growth and value metrics, and committed to updating them on at least an annual basis. Provided below is that updated information, with some related commentary. We plan to include this as a regular part of our fourth quarter review going forward.

Please note, when we refer to "earnings" in this letter, we are referring to earnings on a per-share basis, adjusted for certain items[3]. When we refer to earnings of the portfolio, we are referring to the aggregated earnings of the individual businesses based upon their weightings in the Focus Equity Composite (measured at the end of each calendar quarter).

2016 Business Performance

Our businesses made steady fundamental progress in 2016. Earnings for the portfolio grew 11% driving an estimated 12% increase in intrinsic value (inclusive of a 1% dividend yield). While this is somewhat below our "mid-teens" objective, we are content with the results considering the difficult overall environment for U.S. corporate profit growth. In comparison, the businesses in the Russell 3000 Index grew earnings 1% driving an estimated 3% increase in intrinsic value (inclusive of a 2% dividend yield).

	2016 Earnings Growth		2016 Dividend Yield		Implied Δ in Intrinsic Value
Focus Equity Composite	11%	+	1%	=	12%
Russell 3000 Index	1%	+	2%	=	3%

[1] Net of highest applicable fee of 1.0% per annum as described in our Form ADV, Part 2A.
[2] For further discussion, please see our Second Quarter 2016 Separate Account letter.
[3] Earnings for the Focus Equity Strategy and its underlying holdings are based upon Broad Run's calculations/estimates, with adjustments for certain amortization expenses (net of tax), non-recurring charges, and excess depreciation expenses, among other items. Broad Run's earnings calculations/estimates for the Focus Equity Strategy and its underlying holdings may differ materially from consensus. Russell 3000 Index earnings and estimates are FactSet "recurrent earnings". Contact Broad Run for additional details.

2016 Business Performance vs. Initial Expectations

At the beginning of 2016, our expectation was for about 17% earnings growth from the portfolio, compared to the 11% that was reported. For the Russell 3000 Index, the consensus estimate was for 8% earnings growth, compared to the 1% that was reported[4].

	2016 Earnings Growth		
	Initial Forecast	Actual Results	Variance
Focus Equity Composite	17%	11%	(6%)
Russell 3000 Index	8%	1%	(7%)

We believe there were two macroeconomic culprits to these earnings shortfalls: a disappointing 2% GDP growth rate (including continued recessionary conditions in energy and industrial markets), and strengthening of the U.S. dollar which reduced the value of overseas profits for U.S. corporations. All but two of the business we owned this year had earnings growth, and those two laggards had significant energy and industrial market exposure. In addition, we held four businesses that generated more than 40% of their revenue outside the U.S. Three of those four businesses underperformed our earnings expectations for the year, due largely to foreign currency headwinds. To the extent these macro variables stabilize or even reverse, earnings prospects for our portfolio and the overall market would improve.

Long-Term Historical Business & Investment Performance

Our analysis of earnings growth is meant to provide an approximation, rather than a precise measure, of intrinsic value growth. As shown in the table below, there is a weak relationship between earnings growth (plus dividend yield) and price performance in any given year, but over longer time horizons there is a fairly strong relationship. We have updated the table for 2016 results.

	Focus Equity Composite			Russell 3000 Index*	
Year	Earnings Growth + Dividend Yield	Total Return Gross of Fees	Total Return Net of 1% Fee	Earnings Growth + Dividend Yield*	Total Return*
2010	29%	26%	25%	44%	17%
2011	19%	5%	4%	17%	1%
2012	17%	18%	17%	9%	16%
2013	18%	37%	36%	8%	34%
2014	19%	12%	11%	9%	13%
2015	12%	4%	3%	3%	0%
2016	12%	9%	8%	3%	13%
Cumulative:	187%	174%	156%	127%	134%
Annualized:	16.3%	15.5%	14.3%	12.4%	12.9%

** Source: FactSet*

Business & Investment Outlook

With few exceptions, we believe the businesses in the portfolio are performing well and compounding capital for us at attractive rates. The portfolio is trading 16.4x our estimate of 2017 earnings, with earnings expected to rise 14% over 2016. This expected earnings growth rate, while attractive, is somewhat lower than prior years, a reflection of the continued difficult macroeconomic profit environment. However, valuation (based on price-to-earnings) of the portfolio is better than prior years, as shown in the next table. For comparison, the Russell 3000 Index is trading 17.5x earnings, with an expected 12.8% growth rate[4].

[4] Source: Broad Run internal estimates for Focus Equity Composite, FactSet for Index estimates; Valuation based upon 12/31 prices.

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	Focus Equity Composite	
Year	Price-to-NTM Earnings Estimate*	Estimated Earnings Growth*
2010	14.9x	20%
2011	15.4x	16%
2012	14.1x	16%
2013	15.5x	17%
2014	17.9x	17%
2015	17.4x	17%
2016	16.6x	17%
2017	16.4x	14%

** Based upon Broad Run's internal estimates (may differ materially from consensus estimates); weighted by position size.*

Despite significant market appreciation since the Great Recession, our estimates for the portfolio's growth and valuation still remain largely in line with historical levels (with higher expected growth and lower valuation than the Russell 3000), leaving us with a favorable long-term outlook.

Notable Portfolio Changes in the Fourth Quarter

Diamond Hill Investment Group (*DHIL)* - During quarter, we sold Diamond Hill from separate accounts where it was on average a 1.6% position. We held the company's shares since 2010 and have long admired the company's management, investment culture, and solid investment track record. Over our holding period, robust equity market returns and strong net asset inflows combined to increase the company's assets under management ("AUM") from about $6.5 billion to more than $19 billion. As AUM nearly tripled, the company's operating margin expanded from the low 30s to 45%. As an asset light business, most of the earnings translated into free-cash flow that was used to pay special dividends and seed new strategies.

You may recall that we substantially reduced our Diamond Hill position in the fourth quarter of 2015 and exited our position in another U.S equity-oriented asset manager, T. Rowe Price, in the third quarter of 2014. In both cases, we were concerned that the accelerating shift from active to passive investment strategies substantially reduced the forward growth profile and our margin of safety. We were willing to maintain a reduced position in Diamond Hill as the company had a number of relatively concentrated strategies with strong long-term track records, limited capacity, and substantial net-inflow momentum that we thought could more than offset industry headwinds for some time to come.

Due to Diamond Hill's success, capacity issues arrived faster than we anticipated. Over just the last two years, three strategies representing nearly half of Diamond Hill's AUM were closed to new investors (Long-Short, Small-Mid Cap, and Small Cap). Today the firm's Large Cap strategy represents more than 85% of the AUM invested in strategies open to new investors and about 45% of firm wide AUM. While the Large Cap strategy has generated benchmark-beating returns since inception, the strategy's 3-, 5-, and 10-year numbers are less impressive. Furthermore, the CEO and CFO that led the company over much of our holding period have transitioned management responsibilities to the next generation and substantially reduced their personal holdings. Recognizing that Diamond Hill now has to fight the shift from active to passive with one hand tied behind its back, we exited the position in separate accounts.

In closing

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

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Please let us know if there has been any change to your contact information, any change to your financial circumstances or investment objectives that might impact how we manage your account, or if you would like to add or modify any reasonable restrictions to our investment advisory services.

Sincerely,

Broad Run Investment Management, LLC

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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Broad Run Investment Management, LLC
Focus Equity Composite Disclosure Presentation

Composite Name	Focus Equity Composite
Reference Index	Russell 3000 Index
Reporting Date	December 31, 2016
Composite Inception	September 1, 2009

GIPS Compliance and Verification Status. 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, 2016. 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.

Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request. A list of composite descriptions is available upon request.

Firm Information. 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.

Composite Description. 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. The Focus Equity Composite was created in October 2012; its inception date is September 1, 2009. From 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. From 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.

Fee Schedule. 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.

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.

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.

Other. All returns presented in the table below (including the reference index) include the reinvestment of dividends, interest income, and capital gains. Valuations are computed and performance is reported in U.S. dollars.

	Calendar								Annualized (*12/31/16*)				
	2016	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**Sep-Dec 2009** [1]	**1 YR**	**3 YR**	**5 YR**	**7 YR**	**Since Inception**
Focus Equity Composite Gross Return (%)	8.83	4.40	11.76	37.18	18.27	5.13	26.40	8.64	8.83	8.29	15.55	15.47	16.01
Focus Equity Composite Net Return (%)	7.76	3.37	10.66	35.85	17.11	4.08	25.16	8.29	7.76	7.22	14.42	14.34	14.87
Russell 3000 Return (%)	12.74	0.48	12.56	33.55	16.24	1.03	16.93	10.34	12.74	8.43	14.67	12.92	13.81
Composite Standard Deviation [2]	12.06	11.30	9.44	12.52	16.80	- [3]	- [3]	- [3]	n.m. [4]	12.06	10.78	13.93	13.87
Russell 3000 Standard Deviation [2]	10.88	10.58	9.30	12.54	15.74	- [3]	- [3]	- [3]	n.m. [4]	10.88	10.56	13.07	13.02
Number of Portfolios	101	52	41	30	1	1	1	1					
Internal Dispersion [5]	0.31	0.13	0.10	n.m.	n.m.	n.m.	n.m.	n.m.					
Composite Assets (USD millions)	2,671.8	2,266.5	1,618.5	1,454.0	781.2	672.2	772.8	812.5					
Firm Assets (USD millions)	2,794.1	2,268.6	1,619.5	1,459.8	781.2	N/A	N/A	N/A					

Past performance is not indicative of future results.

1: Annual Performance Results reflect partial period performance. The returns are calculated from September 1, 2009 to December 31, 2009 for the Focus Equity Composite. **2:** Standard deviation measures the variability of the gross returns of the composite and the reference index. All standard deviation figures are calculated using monthly gross performance numbers. Figures presented for calendar year and YTD periods are three-year annualized standard deviations. **3:** The three-year annualized standard deviation is not shown due to having less than 36 months of composite returns. **4:** n.m. - Not statistically meaningful for periods less than 3 years. **5:** 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; not statistically meaningful (n.m.) for periods less than one year, or when there are five or fewer accounts in the composite for the entire year.

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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.

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. Therefore, it should not be assumed that the future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended and/or undertaken by Broad Run Investment Management, LLC) made reference to directly or indirectly in this commentary will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. 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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