BROAD RUN
INVESTMENT MANAGEMENT, LLC

January 22, 2018

Separate Account Client Letter
Fourth Quarter 2017

For the year ended December 31, 2017, the Focus Equity Composite returned 20.2% net of fees[1] compared to 21.1% for the Russell 3000 Index. For the fourth quarter, the Composite returned 6.0% net of fees compared to 6.3% for the Russell 3000 Index. The results for your account will differ somewhat from the Composite due to variations in 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 discussed before, investment returns for equities can be broken down into three factors: growth in earnings, dividends, and change in valuation. In the short-term, change in valuation can have a meaningful impact on investment results, but longer-term, change in valuation becomes much less important as growth in earnings and dividends accumulate to drive the majority of results[2].

For this reason, as long-term investors, our analytical focus is on trying to understanding a business's future earnings and dividends. We track how these metrics develop at each business we own, in aggregate across all the businesses we own, and at the portfolio level taking into account the impact of cash. This analysis helps us understand how these businesses are performing by providing a measure of progress independent of the vicissitudes of the stock market[3]. Each year-end we report a summary of this information to give you additional perspective on your investment with us.

Please note, in this letter when we refer to "earnings" or "EPS" for our businesses, we mean earnings on a per-share basis, adjusted for certain items. We make these adjustments to get to, what we believe to be, a better measure of the true economic earnings of the businesses. Please see footnote four for additional information about our methodology[4].

2017 Business Results

In 2017 our businesses made good fundamental progress. In aggregate, we calculate they grew EPS 11% and paid a 1% dividend. This compares to 8% EPS growth and a 2% dividend for the Russell 3000 Index.

	2017 EPS Growth		2017 Dividend Yield		EPS Growth + Dividend Yield
Our Businesses	11%	+	1%	=	12%
Russell 3000 Index	8%	+	2%	=	10%

[1] Net of highest applicable fee of 1.0% per annum as described in our Form ADV, Part 2A.
[2] For more detailed discussion, please see our Second Quarter 2016 Separate Account letter.
[3] While this is not particularly useful to measuring progress at many types of investment strategies - for example, a high valuation-high growth strategy, a slow/no growth-deep value strategy, or a high turnover strategy - we do believe it is instructive for our long-term, business-focused strategy where we typically pay market-level valuations for businesses we believe have above-average growth.
[4] Earnings and EPS for the Focus Equity Strategy and its underlying holdings are based upon Broad Run's calculations/estimates, with adjustments for certain amortization expenses, excess depreciation expenses, and non-recurring charges, among other items. For balance sheet-centric companies, change in book value per share, or change in Net Asset Value per share may be used to measure fundamental progress rather than EPS. EPS for the holdings/portfolio refers to aggregated EPS of individual businesses based upon their quarter-end weightings in the Focus Equity Composite. The source for Russell 3000 Index EPS is FactSet "recurrent earnings" which include consensus adjustments to reported accounting earnings. Broad Run's calculations/estimates may differ materially from consensus. Results for the most recent year are preliminary, subject to adjustment as annual reporting is finalized. Contact us for additional detail.

EPS growth was broad-based across our holdings, with only Mistras Group, a small position, reporting a notable decline for the year. In addition, Aon plc, a large position, sold its highly profitable but noncore Benefits Outsourcing division costing us about 1% EPS growth for the year. We like the rationale for this transaction, and believe the 1% foregone portfolio growth in 2017 will translate into about 1% accelerated growth in 2018 as sale proceeds are redeployed by Aon back into its business. Further, we think the remaining Aon business is a leaner and more focused enterprise, with potential for sustained higher organic growth rates beyond 2018.

Longer-Term Business Results & Investment Performance

In the table below, we add these 2017 results to the historical EPS growth and dividend yields for the businesses owned by the portfolio (column A). In addition, we include the impact of any cash held in the portfolio (B) to bridge the gap between business level and portfolio level fundamental results (C). We include portfolio market performance (D & E), and corresponding fundamental and market performance for the Russell 3000 (F & G).

	Focus Equity Composite					**Russell 3000 Index**	
	A	B	C	D	E	F	G
Year	Business Level EPS Growth + Dividend Yield*	Impact of Cash Balance	Portfolio Level EPS Growth + Dividend Yield*	Total Return Gross of Fees	Total Return Net of 1% Fee	EPS Growth + Dividend Yield	Total Return
2010	30%	-1%	29%	26%	25%	44%	17%
2011	20%	-1%	18%	5%	4%	17%	1%
2012	17%	-2%	15%	18%	17%	9%	16%
2013	17%	-1%	16%	37%	36%	8%	34%
2014	19%	-2%	17%	12%	11%	9%	13%
2015	12%	-1%	10%	4%	3%	3%	0%
2016	7%	-1%	6%	9%	8%	3%	13%
2017	12%	-1%	11%	21%	20%	10%	21%
Cumulative:	241%		211%	232%	207%	151%	183%
Annualized:	16.6%		15.3%	16.2%	15.1%	12.2%	13.9%

** For the Focus Equity Composite, EPS growth is a Broad Run estimate based upon reported results for the first three quarters of the most recent year and projections for the final quarter of the most recent year. For prior years, EPS growth has been updated to reflect actual reported results for the year, any changes in company level methodology, and other updates, as appropriate. May not sum due to rounding.*

We believe these results continue to show that there is a fairly weak relationship between fundamental business performance and market performance in any one year, but that the relationship strengthens as the time horizon is extended. We are pleased with the absolute and relative performance of the businesses that we have owned in the portfolio over the last eight years, and believe that our long-term investment performance is largely a reflection of these long-term business results.

Business & Investment Outlook

With few exceptions, we believe the businesses in the portfolio are performing well and are compounding capital for us at attractive rates. At year-end 2017, these businesses are trading 16.6x our estimate of 2018 EPS, which assumes about 25% EPS growth, 17% due to fundamental business performance, and 8% due to the Tax Cuts and Jobs Act of 2017 (subject to some uncertainty about the full impact of the tax cuts).

As shown in the table below, despite significant market appreciation since the Great Recession, our estimate of the valuation and growth for these businesses remains largely in line with historical levels (and, we believe, with higher expected growth and similar/lower valuation than the Russell 3000), giving us a favorable long-term investment outlook.

	Focus Equity Composite		
Beginning of Year	Business Level Price to 1yr EPS Est.*	Business Level 1yr Est. EPS Growth Rate*	Business Level 5yr Est. EPS Growth Rate*
2010	14.9x	20%	mid-teens
2011	15.4x	16%	mid-teens
2012	14.1x	16%	mid-teens
2013	15.5x	17%	mid-teens
2014	17.9x	17%	mid-teens
2015	17.4x	17%	mid-teens
2016	16.6x	17%	mid-teens
2017	16.4x	14%	mid-teens
2018	16.6x	25%**	mid-teens

** Based upon Broad Run internal estimates (may differ materially from consensus estimates), weighted by position size, excluding the impact of any portfolio level cash.*

*** 17% excluding expected direct profit impact of Tax Cuts and Jobs Act of 2017.*

^ Valuation based upon prior year closing price.

Notable Updates from the Fourth Quarter

We did not make any notable changes to the portfolio during the quarter, however, two important holdings announced transformational transactions that are worth discussing.

American Woodmark Corp. (AMWD), composing about 4.7% of separate account assets, is a leading manufacturer of kitchen and bath cabinetry for remodeling and new home construction (discussed in our Fourth Quarter 2014 Separate Account letter).

During the fourth quarter, the company announced the acquisition of RSI Home Products, Inc. ("RSI") for approximately $1.1 billion, nearly doubling Woodmark's EBITDA. RSI is highly profitable, and enjoys a leading position serving the entry-level cabinet market. Woodmark's strength is serving the mid-level of the market, so RSI's products are highly complementary. In addition, Woodmark has a unique distribution and installation program that is very popular with homebuilders and other customers. Woodmark plans to extend this capability to RSI, opening up significant opportunity to cross-sell RSI products to existing customers to gain wallet share.

We believe the transaction, which closed at the end of December, will add nearly 40% to Woodmark's cash earnings per share in 2018, and enhance the value creation opportunity beyond. We believe this transaction, combined with the already attractive company specific initiatives at Woodmark, and the continued cyclical rebound in the homebuilding and remodeling markets, positions the company to compound at a very attractive rate for many years to come.

21st Century Fox (FOX / FOXA), composing about 3.5% of separate account assets, is a media conglomerate with leading positions in cable networks (Fox News, FX, National Geographic, Fox Sports, RSNs), broadcast television (Fox), movie and television studios, Hulu, and international media platforms (SKY, STAR India, etc.).

During the fourth quarter, Fox struck a deal to sell the majority of its assets to Disney in a nearly $70 billion transaction. We believe this is a financially and strategically attractive transaction for Fox, with the company getting full price for the assets it is selling to Disney, and retaining assets that are among the

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most differentiated and fastest growing in the traditional media space (Fox News, Fox Sports, Fox Broadcast). As Fox shareholders, we are due to receive Disney shares in about 12 to 18 months when the deal is forecast to close. We do not yet know if we will remain involved in Fox and/or Disney at that point, but do view Disney as well run with strong franchises and a much-enhanced ability to sell video content direct-to-consumer post acquisition.

This transaction will involve significant regulatory scrutiny, and it is far from certain the deal will be allowed to close in its proposed form. That said, we believe the antitrust concerns are manageable and the transaction will eventually clear. We view Fox as undervalued based upon the market price of Disney shares to be received, the value of the Fox assets that will remain, and the probability of the deal closing, so we continue to hold the shares.

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.

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

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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, 2017
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 (*12/31/17*)				
	2017	**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 (%)	21.43	8.83	4.40	11.76	37.18	18.27	5.13	26.40	8.64	21.43	11.33	16.16	14.81	16.65
Focus Equity Composite Net Return (%)	20.24	7.76	3.37	10.66	35.85	17.11	4.08	25.16	8.29	20.24	10.23	15.02	13.68	15.50
Russell 3000 Return (%)	21.13	12.74	0.48	12.56	33.55	16.24	1.03	16.93	10.34	21.13	11.12	15.58	13.50	14.66
Composite Standard Deviation [2]	10.31	12.06	11.30	9.44	12.52	16.80	- [3]	- [3]	- [3]	n.m. [4]	10.31	10.26	11.56	13.08
Russell 3000 Standard Deviation [2]	10.09	10.88	10.58	9.30	12.54	15.74	- [3]	- [3]	- [3]	n.m. [4]	10.09	9.67	11.02	12.29
Number of Portfolios	137	101	52	41	30	1	1	1	1					
Internal Dispersion [5]	n.m.	0.31	0.13	0.10	n.m.	n.m.	n.m.	n.m.	n.m.					
Composite Assets (USD millions)	3,309.6	2,671.8	2,266.5	1,618.5	1,454.0	781.2	672.2	772.8	812.5					
Firm Assets (USD millions)	3,311.2	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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