July 20, 2018

Separate Account Client Letter
Second Quarter 2018

For the quarter, Broad Run's Focus Equity Separate Accounts[1] returned 4.1% net of fees[2] compared to 3.9% for the Russell 3000 Index. Year to date, the Focus Equity Separate Accounts returned 2.5% net of fees compared to 3.2% for the Russell 3000 Index. The performance for your account will differ somewhat from these reported results 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 performance is presented at the end of this letter.

During the quarter, we established new positions in Metro Bank plc and Facebook, Inc., each at about 2% of separate account assets. We believe both companies are undervalued, high quality, secular growth businesses – "compounders" – that we can likely hold for the long-term. Over time, should our continuing research reinforce our investment theses, we will look to add to the positions opportunistically. The new investments were funded with proceeds from the sale of Gaming and Leisure Properties, Inc., Mistras Group, Inc., and Henry Schein, Inc., the portfolio holdings we believed offered the least attractive risk-adjusted returns.

New Position: Metro Bank plc (MTRO-LN)

Metro Bank is a new entrant in the U.K. banking market, providing a customer value proposition very different from the incumbent banks. Metro opened its first branch in 2010, and today it has 56 branches in greater London.

Metro Bank was founded by Vernon Hill, one of the most successful U.S. bankers of the last 40 years. Hill was the founder, CEO, and Chairman of Commerce Bank, which he grew from one location with $1.5 million in shareholders' equity in 1973, to over 450 locations and an $8.5 billion market value at the time of its sale to TD Bank in 2007. Key to Commerce's success was a business model based upon fanatical customer service, making for happy customers and robust low-cost deposit growth. Metro is essentially the Commerce business model exported to the U.K.

Importantly, the U.K. is hungry for a better banking experience. The U.K. has one of the most concentrated and ossified banking industries in the western world. The top five banks have about 80% deposit share with only about 300 banks and building societies nationwide, while the top five banks in the U.S. have about 40% deposit share with about 11,000 banks and credit unions nationwide. This U.K. concentration has stilted competition and fostered abusive business practices; customer service ratings for banks are among the worst of any industry in the U.K. Amazingly, when Metro received its bank charter in 2010, it was the first new high street bank in more than 100 years!

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[1] Beginning this period, we have transitioned to reporting Focus Equity Separate Account results in the opening paragraph of this letter (rather than Composite results) because they should more closely reflect the performance of your individual account. See the end of this letter for historical performance and important disclosures.
[2] Net of highest applicable fee of 1.0% per annum as described in our Form ADV, Part 2A.

Metro's points of differentiation are numerous, but to illustrate just a few: Metro has first rate facilities in prime locations, often with two-story glass windows and an open floor plan (most other bank branches are dark, old, and poorly maintained), branches are open 76 hours a week, including Saturdays and Sundays (most other bank branches are open just 35 hours a week), opening a new account takes less than an hour (most other banks take about a week), and call centers are based in London (not offshore) with calls answered by a live person (not an automated phone tree).

The reception from the British public and business community has been spectacular. Deposit growth is averaging £75 million per branch per year. Even branches over three-years old continue to grow at this rate (a 30%-plus comp!). These deposit growth numbers are unprecedented and are more than three times the pace Commerce delivered in the U.S. Metro has attracted deposits using virtually no advertising and paying below market interest rates; favorable press and word of mouth are driving these results.

Of course, incumbent banks can mimic some of Metro's points of differentiation, but it will be difficult for them to match its deeply ingrained customer service culture and modern technology platform. We have not seen any "fast followers" replicating Metro's business model yet, and our tours of London bank branches have confirmed just how much difference there remains between Metro and the incumbents - even eight years after its arrival.

Metro appeals to customers who are more interested in getting great service than a great interest rate on their deposits. By attracting deposits at a below market rate, Metro can take a conservative approach to lending (and still achieve its financial objectives). For example, Metro targets a modest 85-90% loan-to-deposit ratio, and its loan-to-value ratio on secured loans is just 59%. As a result, credit losses have been minimal so far, and we expect them to stay low relative to other banks over time.

Metro is growing quickly. Over the next five years we expect it to double or triple its branch count and quadruple its U.K. deposit share from ½% to about 2%. Metro is still scaling and just turned profitable last year, so profitability should expand rapidly as branches mature and overhead expenses are leveraged (just how rapidly remains unclear). Further, Metro's regulatory capital requirements are likely to be reduced in 2019 (just how significantly remains unclear). Making certain assumptions about these factors, and other variables, we conclude that Metro will achieve an ROE between 14% and 18% in 2023, and EPS of between £4.00 and £5.00. At that point, Metro should have significant growth opportunity remaining so we think shares can trade 13x to 16x earnings (a premium to other U.K. banks), or £52 to £80. At the midpoint, we would get about a doubling in the stock from our recent purchase price.

Viewed another way, we paid about 19% of estimated year end 2018 deposits for Metro. Commerce Bank's equity traded for many years at 15-20% of deposits (the company was sold to TD Bank for about 17% of deposits), and recent transactions of some specialty banks in the U.K. have been valued around 15% of deposits. Further, we paid about 2.5x year end 2018 book value, a healthy multiple for a bank, but a bargain if what we believe will transpire comes to pass. Finally, we purchased Metro at the lowest multiple of book value, deposits, and forward earnings (~25x) that it has traded at since it went public in 2016.

So why traverse the ocean for this investment? As we hope we communicated above, this is a unique combination of a proven U.S. business model being exported abroad by an outstanding U.S. banker into a large market with bureaucratic competition. Results to date have been excellent, with solid operational execution and enormous organic deposit growth. We think it will be difficult to replicate what Metro has built (and no one yet appears to be trying), and not particularly effective for competitors to simply mimic a few of its business practices. While Metro has not reached scale, there are good reasons to believe that a high teens ROE is attainable. With just ½% deposit share, Metro could plausibly be 10, 15, or even 20 times larger over the next two decades, providing a very long runway for potential compounding from what appears to us to be a sensible entry valuation.

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New Position: Facebook, Inc. (FB)

Facebook is the largest social network in the world with 2.20 billion monthly active users (MAUs) and 1.45 billion daily active users. On average, Facebook's daily active users spend more than 40 minutes per day in app. In addition to the core Facebook platform, Facebook owns social network Instagram (>1.0 billion MAUs), messenger services WhatsApp (>1.5 billion MAUs) and Facebook Messenger (>1.3 billion MAUs), and virtual reality platform Oculus.

From time to time, negative news flow creates an opening for us to invest in an exceptional business at a discount price. Shares of Facebook came under pressure in late March when the press reported that Cambridge Analytica had harvested private information from the profiles of more than 50 million users. The negative headlines kept coming as the #deletefacebook campaign went viral and the Federal Trade Commission confirmed that it was investigating Facebook's privacy practices. The unwanted attention reached its crescendo in April with CEO Mark Zuckerberg's testimony before Congress.

The market feared a loss of users, advertiser boycotts, and diminished ad targeting resulting from increased regulation. As the dust settled, investors observed that the behavior of Facebook's users and advertisers was virtually unaffected by the negative news flow. In fact, comScore data suggests that Facebook's U.S. user growth and time spent in app actually increased in the wake of the scandal. Numerous surveys of advertisers and ad pricing data from the platform show continued strong growth in spending. This is no surprise, as we believe that on average Facebook advertising still continues to provide a return on ad spend of about 2x the next best alternative. For now, Congress does not seem to have any appetite for new regulations. Future regulation, should it look similar to the European Union's General Data Protection Regulation, would likely advantage Facebook, relative to smaller publishers and ad tech vendors since securing consent to target advertising is much easier for Facebook than those who do not have a direct relationship with users. In short, Facebook appears to have emerged stronger from the privacy scandal.

Looking forward, Facebook should grow faster than the global digital ad market as it is well positioned to benefit from the growth in mobile, programmatic, and video advertising. Continuous improvements in ad formats (e.g. Stories) and targeting combined with the already high return on ad spend should provide a strong tailwind to ad pricing. Improved monetization of Instagram, WhatsApp and Facebook Messenger should supercharge already robust revenue growth from the Facebook app.

We believe Facebook should generate about 20% annualized revenue and earnings per share growth over the next five years. Importantly, Facebook has a number of assets that are extremely valuable but are not major contributors to earnings yet. WhatsApp and Facebook Messenger are the world's two largest messaging services but produce minimal revenue today. Facebook acquired WhatsApp for $19 billion in 2014 (and we believe it is worth comfortably more today). Additionally, the company holds $44 billion of cash and investments. When we adjust Facebook for this cash and the purchase price of WhatsApp, we believe we paid just 17x 2019 earnings for the core Facebook/Instagram business. In our view, the world's quintessential network effect business deserves to trade for much more than this slight premium to the market multiple.

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 have been any changes to your financial circumstances or investment objectives that might impact how we manage your account, any change to your contact information, 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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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.

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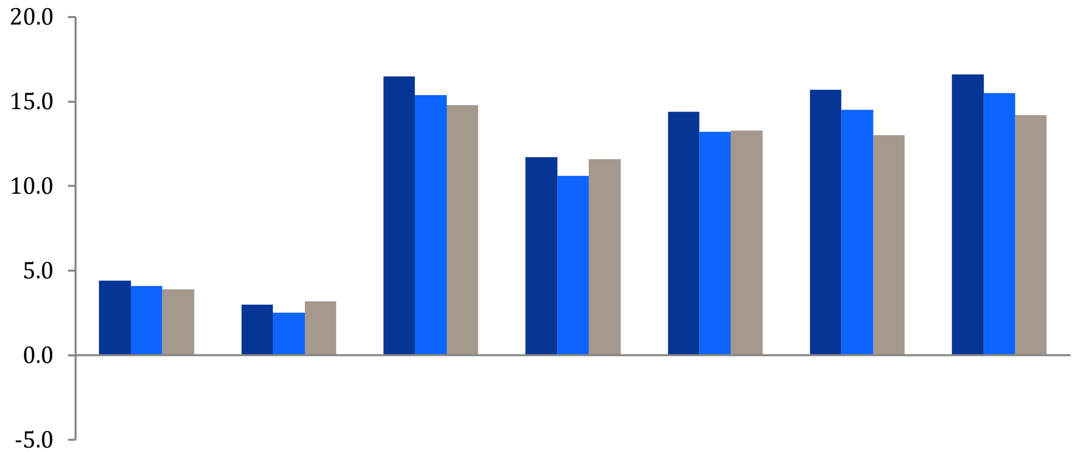
Focus Equity Separate Accounts (FE-SA) Historical Performance and Disclosures



	2Q'18	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	SINCE INCEPTION (09.01.09)
FE-SA *(Gross)*	4.4	3.0	16.5	11.7	14.4	15.7	16.6
FE-SA (*Net of 1% fee*)	4.1	2.5	15.4	10.6	13.2	14.5	15.5
Russell 3000® Index	3.9	3.2	14.8	11.6	13.3	13.0	14.2

FE-SA Disclosures: *Broad Run presents these investment results (a subset of the Focus Equity Composite results) because it believes they are most relevant to institutional separate account investors in the Focus Equity Strategy; this information is supplemental to the GIPS® compliant presentation provided on the following page of this document. Returns presented consist of representative portfolios from the Focus Equity Composite. The representative portfolios are: (i) for the period September 1, 2009 to February 28, 2013 the sole portfolio in the composite, which is a single equity mutual fund; and (ii) for the period after February 28, 2013 (Broad Run accepted its first separate account in February of 2013) all of the separate account portfolios, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). Broad Run believes this supplemental presentation approximates the return stream an investor in a Focus Equity separate account would have achieved for the period presented (data supporting this assertion is available upon request). 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 gross returns. Other Disclosures: Returns for time periods greater than one year are annualized. All results presented above (including the Russell 3000 Index) include the reinvestment of dividends, interest income, and capital gains.* ***Past performance is not indicative of future results.***

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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	June 30, 2018
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, 2017. 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 (*06/30/18*)				
	2018 (thru 6/30)	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 (%)	1.53	21.43	8.83	4.40	11.76	37.18	18.27	5.13	26.40	8.64	13.50	9.85	13.03	14.67	15.84
Focus Equity Composite Net Return (%)	1.03	20.24	7.76	3.37	10.66	35.85	17.11	4.08	25.16	8.29	12.38	8.76	11.91	13.54	14.70
Russell 3000 Return (%)	3.22	21.13	12.74	0.48	12.56	33.55	16.24	1.03	16.93	10.34	14.78	11.58	13.29	13.01	14.19
Composite Standard Deviation [2]	10.18	10.31	12.06	11.30	9.44	12.52	16.80	- [3]	- [3]	- [3]	n.m. [4]	10.18	10.48	11.73	12.95
Russell 3000 Standard Deviation [2]	10.16	10.09	10.88	10.58	9.30	12.54	15.74	- [3]	- [3]	- [3]	n.m. [4]	10.16	9.87	11.21	12.19
Number of Portfolios	152	137	101	52	41	30	1	1	1	1					
Internal Dispersion [5]	n.m.	0.96	0.31	0.13	0.10	n.m.	n.m.	n.m.	n.m.	n.m.					
Composite Assets (USD millions)	3,019.0	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)	3,033.5	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.

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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