July 16, 2015

Separate Account Client Letter

Second Quarter 2015

For the quarter, the Focus Equity Composite returned -0.2% net of fees[1] compared to 0.1% for the Russell 3000 Index. Year to date, the Composite returned 5.2% net of fees compared to 1.9% 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 your portfolio's composition is significantly different from the broad market indices, so your performance will inevitably deviate from these indices, especially over shorter time periods. 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.

In the first quarter, we established new positions in Ashtead Group and Hexcel Corporation, each at about 1% of separate account assets. In the second quarter, additional research increased our conviction in the long-term prospects for both of these businesses, so we added to the positions on stock price weakness. Ashtead is now about 3% of separate account assets, and Hexcel is about 2%. We sold Roadrunner Transportation, which was about a 2% position, to facilitate these purchases. We discuss Ashtead, Hexcel, and Roadrunner in more detail below.

Notable Portfolio Changes

Ashtead Group (AHT-LN) – Ashtead is the owner of Sunbelt Rentals, the second largest equipment rental business in the U.S. Sunbelt rents a full range of equipment – forklifts, backhoes, aerial work platforms, scaffolding, generators, etc. – to construction contractors, industrial facilities, and other customers.

For most users, renting equipment is a better economic proposition than outright ownership because it eliminates a large capital expense, converts a fixed cost into a variable cost, and removes the need for burdensome regulatory record keeping. The rental industry is in a period of secular growth as these benefits become better known, and rental adoption increases. Today, equipment rental makes up about 53% of the overall U.S. market, up from about 42% in 2005 and 15% in 1996. In many other developed countries, equipment rental rates are 75% or more, suggesting significant remaining opportunity for growth in the U.S.

In addition, the U.S. equipment rental industry remains quite fragmented. United Rentals is the largest operator with 12% market share, Sunbelt is second with 6% share, Hertz is third with 4% share, and Home Depot and Blueline Rentals round out the top five with 1-2% share each. Beyond the top five, none have more than 1% share, and nearly half of the industry remains in the hands of thousands of small operators, each with less than $10 million of equipment inventory. Yet there are important benefits to scale and this has enabled the largest operators – in particular Sunbelt and United Rentals – to gain share. Rental customers value equipment availability, quality, and timeliness of delivery because if equipment arrives late to a job site, or breaks down, construction stops. The more sites and inventory a rental

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

company has in a local area, the more likely it is to have the particular piece of equipment needed by the customer. The larger the rental company is overall, the better it can service regional and national customers and the more buying power it has over equipment manufacturers.

Leveraging these advantages, Sunbelt has grown from just 2% market share in 2002 to 6% share today. It has accomplished this largely through organic growth supplemented by small acquisitions. In contrast, United Rentals has been more active with large acquisitions, including almost doubling its size with the purchase of RSC in 2012. Sunbelt's approach has translated into industry leading returns on capital and uniform systems, processes, and culture. In recent years its cohesive store network and conservative balance sheet have enabled Sunbelt to service customers well and ramp up capacity while many others have been hamstrung by balance sheet constraints, tough acquisition integration, or self inflicted operating issues.

Sunbelt's goal is to achieve 12% U.S. market share in the medium-term, and 20% share long-term. We have come to believe that these objectives are quite achievable. In fact, Sunbelt already has more than 15% share in many of its more established markets. There are meaningful infill opportunities in Sunbelt's existing markets, and large pockets of the country where it does not yet have a presence. If Sunbelt is successful achieving its goals, the company could compound earnings per share at a mid-teens or higher rate per annum over the next decade. We paid about 13x our estimate of forward earnings per share, a reasonable price in our judgment, for a company with this growth potential. However, the company is quite cyclical, which factors into our 3% position weighting. While we believe that we are only in the fourth inning of an extended commercial construction cycle, and we have confidence in Ashtead's long-term prospects, we are more guarded when sizing positions in cyclical businesses.

Hexcel Corporation (HXL) – Hexcel is a leading producer of carbon fiber and other advanced materials designed for high-performance aerospace and industrial applications.

We believe that Hexcel has excellent growth prospects as Boeing and Airbus compete to make lighter, more durable, and more fuel-efficient airplanes. These aerospace customers are increasingly using carbon fiber (a man-made engineered material with a superb strength-to-weight ratio) and other advanced materials instead of aluminum, which is growing Hexcel's addressable content per plane. The latest generation wide body aircraft (Boeing's 787 and Airbus' A350) are over 50% composite content by weight compared to 10-15% on previous generation aircraft. On the A350, Hexcel's content per plane is about $5 million compared to about $1 million on previous generation aircraft.

We think of Hexcel as a "tollbooth" business; once Hexcel product gets designed into a new aircraft model it is almost certain to retain that supplier position for a multi-decade period. Airbus and Boeing have record order backlogs today driven in large part by demand for these next generation aircraft. As production of these new models ramp up, Hexcel's figurative tollbooth should see a significant increase in traffic, driving double-digit sales growth for at least the next five years.

Hexcel operates in a global oligopoly providing carbon fiber to the aerospace industry. Scale requirements, intellectual property, aerospace qualifications, and very high customer switching costs create barriers to entry, and limit aggressive pricing behavior by incumbents. This translates into attractive returns on capital for Hexcel and improving economics as the business scales.

We believe that Hexcel's double-digit sales growth should translate into mid-teens annualized earnings per share growth over the next five years. With its strong growth and revenue visibility, high return on invested capital, and the potential for its technology to be applied to additional end markets (carbon fiber is increasingly being used in high-end automotive applications), Hexcel should trade at a substantial premium to other aerospace suppliers and the overall market. Yet, at less than 18x our 2016 EPS estimate, Hexcel trades at a reasonable valuation and just a modest premium to its peers and the market.

Roadrunner Transportation Systems (RRTS) – Roadrunner provides a broad range of trucking and other transportation services to small and medium sized businesses. Roadrunner was formed through the rollup of regional less-than-truckload ("LTL") carriers in the mid-2000s. When we first became involved with the business in 2010, we were attracted to its position as the only national, asset-light LTL operator. It was our belief that this unique LTL model would allow the company to continue gaining market share from traditional high cost LTL providers, while using its free cash flow to make thoughtful acquisitions that would add further value.

Since 2010, the company has purchased truckload, refrigerated, drayage, brokerage and a host of related services businesses on the theory that a broad service menu would allow it to be a one-stop shop to its small and medium sized customers. While the service menu has broadened, it is not clear to us that there has been any meaningful cross-selling success. The LTL business has been diluted by these acquisitions and we have become increasingly skeptical that the acquisitions are providing adequate returns on capital. Add to this some recent operating missteps and senior management turnover, and Roadrunner became a source of capital for the purchase of additional Ashtead and Hexcel shares.

Conclusion

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 account information current.

Sincerely,

Broad Run Investment Management, LLC

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 June 30, 2015

Year	Focus Equity Composite Gross Return (%)	Focus Equity Composite Net Return (%)	Focus Equity Composite 3-Yr St Dev (%)	Russell 3000* Return (%)	Russell 3000* 3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)[1]	Composite Assets ($ millions)	Firm Assets ($ millions)
2015 (thru 6/30)	5.68	5.16	9.55	1.94	8.60	46	n.m	1,882.2	1,882.6
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 6/30/15	Focus Equity Composite Gross Cumulative Return (%)	Focus Equity Composite Gross Annualized Return (%)	Focus Equity Composite Net Cumulative Return (%)	Focus Equity Composite Net Annualized Return (%)	Focus Equity Composite St Dev (%)[4]	Russell 3000* Cumulative Return (%)	Russell 3000* Annualized Return (%)	Russell 3000* St Dev (%)[4]
1 Year	14.76	14.76	13.63	13.63	n.m.	7.29	7.29	n.m.
3 Years	80.60	21.78	75.35	20.59	9.55	63.19	17.73	8.60
5 Years	166.80	21.68	153.98	20.49	13.03	124.30	17.54	12.38
Since Inception	176.62	19.06	161.15	17.89	14.09	132.52	15.56	13.09

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, 2014. 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 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, 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. 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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