

## FIRM PROFILE

- SEC registered investment adviser
- Located in Arlington, Virginia
- \$2.3 billion in AUM (as of 12/31/15)
- Independent; 100% employee-owned
- Manage a single strategy

## PORTFOLIO MANAGERS

These professionals have worked together since 2004 applying the same investment approach.

### David S. Rainey, CFA

29 years of investment experience

### Brian E. Macauley, CFA

15 years of investment experience

### Ira M. Rothberg, CFA

13 years of investment experience

## INVESTMENT PHILOSOPHY

We approach investing in a common stock with the mindset that we are taking a long-term ownership position in the underlying business. We seek to own secular growth businesses at discount valuations. Over our 5 to 10 year investment horizon, we expect the growth in earnings power at the business to be the primary driver of our return in a stock. We believe that rigorous fundamental research can help identify such wealth creating businesses. We concentrate capital in our best ideas while seeking to maintain prudent exposure limits to any one industry or business driver. Our risk control efforts are focused on trying to protect against the permanent loss of capital - we do this by seeking to own fundamentally sound businesses trading at modest valuations.

## Objective

The Focus Equity Strategy seeks long-term capital appreciation while incurring a low risk of permanent capital loss.

## Approach<sup>1</sup>

- Concentrated portfolio: 20-30 companies that in our view have:
  - Strong competitive positions
  - Large growth opportunities
  - Excellent management
- Conviction-weighted:
  - 60-80% of assets in top 10 positions
  - Largest position size typically 8-10%
- Low turnover: about 15% average annual

This Strategy uses fundamental research in an effort to identify high quality, well run growth companies trading at discounts to intrinsic value. The Strategy is long-term oriented and invests with an expectation of owning a company for at least 5 years. Portfolios are concentrated with about 20 to 30 holdings, and investments are conviction-weighted in the portfolio managers' best ideas. The Strategy seeks investments from a diversity of industries but does not factor benchmark index weightings into its process.

## Strategy Overview

- U.S. Equity; Long-Only
- Composite inception: 9/1/09
- Strategy AUM: \$2.3 billion
- Vehicles: separate accounts; mutual fund (sub-advised)

Composite Performance <sup>2</sup> For period ending 12/31/15	YTD 2015	AVERAGE ANNUAL TOTAL RETURNS				CUMULATIVE SINCE INCEPTION (9/1/09)
		1 YEAR	3 YEAR	5 YEAR	SINCE INCEPTION (9/1/09)	
Gross of Fees	4.40%	4.40%	16.98%	14.76%	17.19%	173.27%
Net of 1.0% Fee	3.37%	3.37%	15.83%	13.63%	16.04%	156.69%
Russell 3000 Index	0.48%	0.48%	14.74%	12.18%	13.98%	129.18%

## Summary Statistics from a representative separate account (12/31/15)<sup>3</sup>

Metrics		Top 10 Equity Holdings	% of Assets
Number of Holdings	19	American Tower Corp.	9.5
Market Cap (median)	\$8.3B	Markel Corp.	9.4
Market Cap (wtd avg)	\$58.4B*	O'Reilly Automotive, Inc.	9.4
Price-to-Est. Cash Earnings (wtd avg; using 2016 Broad Run est.)	16.6x	Alphabet Inc.*	7.3
Est. Cash EPS Growth Rate (wtd avg; using 2016 Broad Run est.)	17.5%	Carmax, Inc.	6.3
		Aon plc	6.3
		Brookfield Asset Management	5.7
		The Charles Schwab Corp.	5.7
		Encore Capital Group, Inc.	4.6
		Hexcel Corp.	4.2
		<b>Top 10 Total</b>	<b>68.4</b>
		*Includes holdings in Class A and Class C shares.	

\*\$19.3B excluding position in Alphabet Inc.

## THE BROAD RUN DIFFERENCE

**Consistency: People, Philosophy, Process...** The firm's founders have worked together since 2004 using the same approach

**Concentrated...** We believe great investments are rare, so we focus time and capital in our highest conviction ideas

**Long-Term Horizon...** With so many others focused on the short-term, a long-term horizon provides perspective and opportunity

**Proprietary Research...** With a concentrated, low turnover portfolio, we can put more research time into each idea

**Cost Efficiency...** Over the long-term, our low turnover approach should provide lower trading costs and more tax-efficient portfolios

<sup>1</sup> The approach as described is the general approach of Broad Run Investment Management, LLC ("Broad Run" or "we"). We reserve the right to change elements of our approach given market conditions, client restrictions and/or other factors.

Year	Focus Equity Composite			Russell 3000*		Number of Portfolios	Internal Dispersion (%) <sup>1</sup>	Composite Assets (USD millions)	Firm Assets (USD millions)
	Gross Return (%)	Net Return (%)	3-Yr St Dev (%)	Return (%)	3-Yr St Dev (%)				
2015	4.40	3.37	11.30	0.48	10.58	52	0.13	2,266.6	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	<sup>3</sup>	1.03	<sup>3</sup>	1	n.m.	672.2	N/A
2010	26.40	25.16	<sup>3</sup>	16.93	<sup>3</sup>	1	n.m.	772.8	N/A
Sep - Dec 2009 <sup>2</sup>	8.64	8.29	<sup>3</sup>	10.34	<sup>3</sup>	1	n.m.	812.5	N/A

### 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.

**Jurisdiction.** This publication is intended only for clients and interested investors residing in jurisdictions in which Broad Run is notice-filed or exempted by law to provide investment advisory services. Please contact Broad Run at 703-260-1260 to find out if Broad Run is notice-filed or exempted to provide investment advisory services in jurisdictions where you reside or are domiciled. This publication is not intended, nor shall it be construed as, the provision of personalized investment advice or advisory services. Consult an investment professional before acting on any information contained herein. To the maximum extent permitted by law, Broad Run disclaims any and all liability in the event any information, analysis, opinions and/or recommendations in this publication proves to be inaccurate, incomplete or unreliable, or result in any investment or other losses.

Separate accounts and related investment advisory services are provided by Broad Run, Investment Management, LLC an SEC registered investment adviser. Registration does not imply that the SEC has recommended or approved Broad Run or its abilities or qualifications.

Period Ending 12/31/15	Focus Equity Composite					Russell 3000*		
	Gross Cumulative Return (%)	Gross Annualized Return (%)	Net Cumulative Return (%)	Net Annualized Return (%)	St Dev (%) <sup>4</sup>	Cumulative Return (%)	Annualized Return (%)	St Dev (%) <sup>4</sup>
1 Year	4.40	4.40	3.37	3.37	n.m.	0.48	0.48	n.m.
3 Years	60.06	16.98	55.56	15.83	11.30	51.04	14.74	10.58
5 Years	99.01	14.76	89.40	13.63	12.59	77.64	12.18	11.98
Since Inception	173.27	17.19	156.69	16.04	14.23	129.18	13.98	14.23

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:

- 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.
- 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.
- Valuations are computed and performance is reported in U.S. dollars.
- 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.
- 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.
- 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.
- 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.
- 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.

<sup>1</sup> n.m. - Not statistically meaningful for periods less than one year, or when five or less accounts in composite for the entire year.

<sup>2</sup> Annual Performance Results reflect partial period performance. The returns are calculated from September 1, 2009 to December 31, 2009 for the Focus Equity Composite.

<sup>3</sup> The 3-year annualized standard deviation is not shown due to having less than 36 months of composite returns.

<sup>4</sup> n.m. - This statistical analysis is based on monthly gross performance numbers and is not statistically meaningful for periods less than 3 years.

<sup>3</sup> Unless otherwise indicated, all data provided is as of the date cited. Information provided is from a representative Broad Run client account invested in the Focus Equity Strategy. This information is supplemental to the GIPS compliant presentation, which is provided with this report. The methodology for selecting the representative client account is described in Broad Run's Performance Measurement Policies & Procedures, which is available upon request. The price-to-estimated cash earnings ratio is calculated by dividing a security's price (as of the date cited in the Summary Statistics chart) by Broad Run's estimate of cash EPS for the calendar year noted. Individual security price-to-estimated cash earnings ratios are weighted based upon security position size in the account to determine the cited price-to-estimated cash earnings ratio. Estimated cash EPS growth rate is a percentage change calculated by dividing Broad Run's estimate of a security's cash EPS (for the calendar year noted), by the actual (or Broad Run's estimate if actual is not yet reported) cash EPS for the twelve months prior to the noted period. Individual security estimated cash EPS growth rates are weighted based upon security position size in the account to determine the cited estimated cash EPS growth rate.