August 5, 2016

Separate Account Client Letter
Second Quarter 2016

For the quarter, the Focus Equity Composite returned -0.1% net of fees[1] compared to 2.6% for the Russell 3000 Index. Year to date, the Composite returned 1.7% net of fees compared to 3.6% 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. Your account's actual results are presented in an attachment. 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.

We did not take any notable portfolio actions during the second quarter, so we will use this letter to highlight a few concepts we employ in managing your portfolio, and to introduce a table at the end of this letter that we plan to update for you at least once per year going forward.

Deconstructing long-term equity returns

Investment returns for the stock market, for a portfolio, or for individual equities, can be broken down in to three factors: earnings per share (EPS) growth, change in valuation, and dividend yield.

The table below deconstructs investment returns for the S&P 500 over the last 50 years using these three factors. Over this period, annualized price performance of 6.4% closely tracked annualized EPS growth of 6.2%. Change in valuation—from a starting P/E of 17.7x to an ending P/E of 19.3x—had almost no discernable impact on returns. Dividend distributions averaged 3.0% per annum, and if reinvested back into the Index would have resulted in a 9.6% annualized total return.

S&P 500 Index: 50 Year Returns (1966 to 2015)

	EPS Growth*	Valuation Change	Market Performance	Dividend Yield	Total Return
Annualized^	6.2%	0.1%	6.4%	3.0%	9.6%
Cumulative	21x	na	22x	na	98x

** Excludes non operating charges in 2015* *Data source: Robert J. Schiller, Factset*
^ May not sum to total due to rounding and the effects of compounding

Targeting mid-teens value creation

At Broad Run, we seek to produce long-term investment results that are well above those of the major market indices. We do this by constructing a portfolio of businesses that we believe will produce mid-teens, or higher, EPS growth over an extended period of time. We attempt to purchase / own these businesses at around a market multiple so that it is primarily earnings growth that drives our returns rather than change in valuation. Dividends are typically a small contributor to our total returns because most business we own tend to retain their earnings to reinvest back into growth initiatives.

Our simple logic is that if we can buy / own businesses that grow value (EPS growth + dividend yield) at

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

nearly twice the rate of the overall market, at valuations similar to the market, then this higher growth should translate into higher absolute and relative investment returns over time. While some businesses we own will certainly fall short of our expectations, we believe enough of the others we own will meet or exceed our expectations to produce an attractive portfolio level result.

"Owner Earnings"

With our long-term investment horizon, we focus on what we believe to be the true underlying economics of a business rather than GAAP accounting numbers that may or may not provide a good measure of economic reality. Our preferred metric is "owner earnings," a term coined by Warren Buffett in his 1986 Berkshire Hathaway annual shareholder letter. Owner earnings is the amount an owner of a business could take out of the business each year without diminishing the competitive position or future earnings power of that business. In some cases owner earnings are the same as GAAP net income, but in other cases adjustments are required to get to the real economics of the business. For example, in certain situations, we believe book value per share growth at a financial institution, AFFO at a real estate intensive business, or amortization-adjusted earnings at an acquisitive software company are better measures of economic profits and progress than GAAP accounting earnings.

Tracking portfolio progress

We monitor owner earnings per share, and growth in owner earnings per share at each business we own and at the portfolio level. We believe that these metrics provide a good measure of intrinsic value growth for the strategy. Of course, market price is the ultimate arbiter of value and investment results, but price and value can diverge for long periods of time so having a yardstick based upon business fundamentals is helpful.

In the table below, in column "A" we present our calculation of growth in owner earnings per share plus dividend yield for the Focus Equity Composite. In columns "B" and "C" we present total return for the Composite, both gross and net of a 1% fee. For perspective, in column "D" we present EPS growth plus dividend yield for the Russell 3000 Index. As illustrated in the discussion of 50-year S&P 500 results, we believe that EPS growth plus dividend yield is a good measure of value creation for an index. In column "E" we present total return for the Russell 3000 Index. Cumulative and annualized numbers are presented in the boxes at the bottom of the table, both including 2010, and excluding 2010 to remove the effect of the large earnings rebound from the Great Recession.

	Focus Equity Composite			**Russell 3000 Index***	
	A	**B**	**C**	**D**	**E**
Year	Owner Earnings Per Share Growth + Dividend Yield**	Total Return Gross of Fees	Total Return Net of 1% Fee	EPS 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%
Cumulative:	181%	152%	137%	121%	108%
Annualized:	18.8%	16.6%	15.5%	14.2%	13.0%
Cumulative (ex 2010):	118%	99%	89%	54%	78%
Annualized (ex 2010):	16.9%	14.8%	13.6%	9.1%	12.2%

** Russell 3000 Index EPS growth and dividend yield estimated using Factset data for ishares Russell 3000 ETF.*

*** Based upon Broad Run's calculations; weighted by position size.*

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From this table we share several observations:

- In any given year, fundamental business performance (column A / column D) and investment performance (columns B & C / column E) have differed significantly. However, when measured over several years, these differences narrow (see cumulative returns).
- Our calculation of intrinsic value growth for the Focus Equity Composite (column A) has comfortably exceeded Russell 3000 Index EPS growth plus dividends (column D).
- Total return for the Focus Equity Composite (columns B & C) has exceeded total return for the Russell 3000 Index (column E), but by less than we would expect based upon the business fundamentals in columns A and D.

We would also note that the strategy, since its inception almost seven years ago, has achieved our objective of mid-teens compounding of owner earnings per share / intrinsic value. We plan to update this chart for you at least annually, and suspect that it will become more instructive with the passage of time.

Owner earnings-based valuation

It is important to view owner earnings and intrinsic value growth in the context of valuation. Presented below is our internal estimate of owner earnings per share growth for the portfolio, and the forward price-to-owner earnings ratio for the portfolio at the beginning of each of the last seven years. As the table illustrates, despite significant market appreciation since the Great Recession, our estimates for portfolio growth and valuation remain largely inline with historical levels, leaving us with a favorable long-term outlook for the portfolio.

	Focus Equity Composite	
Year	Price-to-NTM OE Estimate*	Growth Rate in OE/shr Estimate*
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%

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

A brief firm update

We are pleased to share that Broad Run has recently relocated. Our new office is in the same building as our old office, but on a different floor. We are enjoying a modest upgrade in finishes, with some additional square footage to accommodate growth. Our lease was struck with local office vacancy rates at 30-year highs, so rest assured that our keen sense for value remains firmly in place. Our new mailing address is:

Broad Run Investment Management, LLC
1530 Wilson Blvd., Suite 530
Arlington, VA 22209

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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 is any change to your financial circumstances that might impact how we manage your account. Additionally, please share any updates that may be necessary to keep our records current.

Sincerely,

Broad Run Investment Management, LLC

Disclosure Update: Please take notice that Broad Run's Form ADV 1A, 2A & 2B and our Privacy Policy Notice, Business Continuity Plan Notice and Proxy Voting Policy Notice have been updated to reflect the address change discussed above. These documents are available on our website at the following address: www.broadrunllc.com/documents/. Each of these documents is in PDF format and may be found under the Legal & Regulatory heading on the Documents page. Please review these documents and contact us if you have any questions.

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Broad Run Investment Management, LLC
Focus Equity Composite
September 1, 2009 through June 30, 2016

Year	Focus Equity Composite Gross Return (%)	Net Return (%)	3-Yr St Dev (%)	Russell 3000* Return (%)	3-Yr St Dev (%)	Number of Portfolios	Internal Dispersion (%)[1]	Composite Assets ($ millions)	Firm Assets ($ millions)
2016 (thru 6/30)	2.18	1.67	12.21	3.62	11.31	75	n.m.	2,458.7	2,474.4
2015	4.40	3.37	11.30	0.48	10.58	52	0.13	2,266.5	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	-[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 06/30/16	Focus Equity Composite Gross Cumulative Return (%)	Gross Annualized Return (%)	Net Cumulative Return (%)	Net Annualized Return (%)	St Dev (%)[4]	Russell 3000* Cumulative Return (%)	Annualized Return (%)	St Dev (%)[4]
1 Year	0.94	0.94	-0.07	-0.07	n.m.	2.14	2.14	n.m.
3 Years	40.48	12.00	36.36	10.89	12.21	37.23	11.13	11.31
5 Years	98.54	14.70	88.95	13.57	13.13	73.08	11.60	12.46
Since Inception	179.22	16.21	160.98	15.07	14.21	137.49	13.49	13.31

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:

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 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.

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. 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.

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 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.

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 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.

[1] n.m. - Not statistically meaningful for periods less than one year, or when 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 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.

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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.

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.

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