October 23, 2018

Separate Account Client Letter
Third Quarter 2018

For the quarter, Broad Run's Focus Equity Separate Accounts[1] returned 2.0% net of fees[2] compared to 7.1% for the Russell 3000 Index. Year to date, the Focus Equity Separate Accounts returned 4.6% net of fees compared to 10.6% 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.

We did not add any new positions or make any notable changes to the portfolio during the third quarter. Several holdings have come under price pressure recently as concerns about rising interest rates have negatively impacted stocks in certain sectors. We have checked and rechecked our theses on these businesses, and like our investment positions in them. Importantly, we are pleased with how the businesses in the portfolio are performing (with almost all growing owner earnings per share, excluding the benefit of the tax cut, at a sustained mid-teen clip) and expect their stock prices to follow fundamentals over time. Portfolio valuation, on a next twelve month price-to-owner earnings basis, remains at a discount to the Russell 3000 Index. We take comfort in having a portfolio grounded in attractive near-term earnings multiples, in a market that appears long on enthusiasm and short on skepticism.

To further your understanding of what you own, and why, we will use this letter to describe our thinking behind Charles Schwab & Co. Inc. ("Schwab"), a top ten holding (about 6% of assets) in the portfolio at the end of the quarter. We have a long history with Schwab and believe it measures very well against our five investment criteria (high-quality business, large growth opportunity, excellent management, low tail risk, and discount valuation) as explained below.

Charles Schwab & Co.

To understand Schwab today, it is important to have some perspective on its history. Mr. Charles Schwab and two partners launched an investment newsletter for retail investors in 1963. By 1973, Mr. Schwab had bought out his two partners, renamed the company Charles Schwab & Co., and began offering traditional broker-dealer services to his newsletter subscribers. On May 1, 1975—known in the brokerage industry as "May Day"—the SEC deregulated brokerage commissions making them fully negotiable. Schwab, recognizing the challenge and opportunity in this deregulation, repositioned as a discount broker providing low priced trading to do-it-yourself retail investors.

Schwab, and other discount brokers, unencumbered by legacy cost structures, were able to undercut traditional full-service brokers on price providing tremendous savings to customers. Through the years, Schwab continually reinvested in technology to maintain its low-cost position, passing along savings to attract more customers, building its scale, and enabling further reinvestment in a virtuous cycle. For example, it was an early adopter of mainframe computing for electronic record keeping in 1979, it pioneered automated telephone trading in 1989, and it introduced web trading in 1996.

[1] 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.

By the 1980s, Schwab had evolved beyond just trading services to offer a mutual fund marketplace (1984), custody and other services to independent investment advisors (1987), equity index funds (1991), 401(k) and company stock record keeping (1995), banking services (2003), an ETF marketplace (2013), a robo-advisor (2015), and target-date ETFs (2016), among many other offerings. In each instance, Schwab saw an opportunity to provide its customer base a broader product offering and strong value proposition versus the alternatives in the marketplace. Each offering made Schwab a more complete financial partner to customers and leveraged the company's relatively fixed costs across more products and services.

Today, Schwab has approximately $3.6 trillion in client assets under custody (compared to $1.1 trillion in 2008, $0.5 trillion in 1998, and less than $0.1 trillion in 1988), with about half from direct retail clients and about half from independent registered investment advisors ("RIAs") that use Schwab for custody and other services. As of mid-2018, Schwab's operating expenses are 16 basis points of assets, about one-half the level of other discount brokers and less than one-third the level of traditional brokers. Even four decades after its founding, Schwab remains a systematic market share gainer using essentially the same low-cost, low-price business model it began with. Adding to the appeal of the business model, client assets, particularly RIA assets, are very sticky and make Schwab a powerful asset gathering machine.

Schwab's net new assets (inflows, less outflows) are averaging about 6% per annum, with market share coming from traditional brokers, discount brokers, and banks, among other places. Schwab's RIA custody business is growing more quickly than its retail business as "breakaway brokers" leave traditional brokerage firms to become independent, often choosing to custody client assets with Schwab, the clear industry leader in providing this service. In addition, Schwab benefits from appreciation of existing client assets. Given clients' asset mix, we expect about 4% long-term annual appreciation to combine with 6% net new assets for about 10% annual asset growth.

With just $3.6 trillion of a $45 trillion opportunity (inclusive of retail bank deposits), we believe this growth can continue for decades. This level of asset growth should translate to about 9% revenue growth (lower than asset growth because Schwab passes along cost savings to customers), and a similar level of operating income and net income growth. A free cash flow yield of about 4% (after funding growth) should deliver about 13% long-term EPS compounding. In addition, a one-time shift in where Schwab sweeps excess client cash balances (from money market funds to bank deposits), plus a normalization of the yield curve (aiding spread income) should, we believe, boost EPS compounding to the high teens over the next several years. Today the shares are trading at 16x next twelve month EPS, essentially in line with the market, for a world-class business with excellent growth ahead.

Over the last several years, and continuing into 2019, Schwab has been gradually changing the default sweep for cash held in client brokerage accounts. Before this transition, cash was swept into a Schwab money market fund, which paid clients a market rate of interest, less a generous fund management fee to Schwab (~40-55 bps). Under the new system, cash balances are swept into Schwab bank where they are paid rates competitive with bank checking or demand deposit accounts, which tend to be quite low. As a bank, Schwab has to hold capital to support these funds (they target 6.75% to 7.00% capital reserves), but it also earns much higher economics (~2.25% bps net interest margin ["NIM"] today) which provides a strong incremental return on equity at the bank (20%-plus). Importantly, Schwab's bank invests the vast majority of client deposits in liquid, low credit risk mortgage securities with relatively short durations (typically 2-2.5 years).

This cash sweep transition has been, and should continue to be, a big earnings driver for Schwab. Some have criticized the company for this transition because it extracts more economics from client cash than it had previously (at just the point when short-term rates are rising and clients are expecting some increased return on their cash). Schwab's defense against this criticism is that yield sensitive clients can still purchase

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higher yielding Schwab money market funds, CDs, short term bonds, etc., rather than sticking with the default cash sweep. Further, the company argues many clients like the FDIC coverage that comes with bank deposits. Of course, we also observe that most clients are focused on trading commission and fees, but are less informed about the way in which Schwab monetizes their cash balances.

Schwab views client cash in two buckets: investment cash held as part of a long-term asset allocation strategy, and transactional cash waiting to be deployed into other opportunities. Based upon experience and client surveys, the company believes about 50-65% of client cash is transactional, which is likely to remain in the bank sweep, and the remainder is investment cash that will be used to purchase higher yielding Schwab products (purchased money market funds, CDs, short term bonds).

Some of the debate around Schwab stock today is how much of the swept cash will stay at the bank, earning ~2.25% NIM versus how much will leave the bank for higher yielding alternatives where Schwab collects fees of perhaps ~35 bps (if a purchased money market fund). We think consensus estimates use a ~50% bank retention rate, at the low end of Schwab's 50-65% expectation. If, however, this estimate is wrong and bank retention is only 35% (a substantial miss), we estimate it would reduce Schwab's 2019 expected earnings by about 8%, pushing its next twelve-month earnings multiple to 17.5x from 16x; not a difference maker to the long-term investment opportunity.

Finally, Mr. Schwab still owns 10% of the company and is the Charmain of the board. He shepherds the company with a long-term mindset and deep belief in perpetuating its low-cost, low-price business model. Beyond Mr. Schwab, we are impressed with the executives at the company. In any brokerage company or large financial firm, there are many opportunities to expose the business to undue risk in pursuit of short-term profits. As outsiders, we cannot know everything that is going on inside the company. However, time after time, when we have had a chance to get a view into Schwab's inner workings and risk management, we have come away pleased that they are making prudent decisions to position the firm for success over the next 40 years.

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 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

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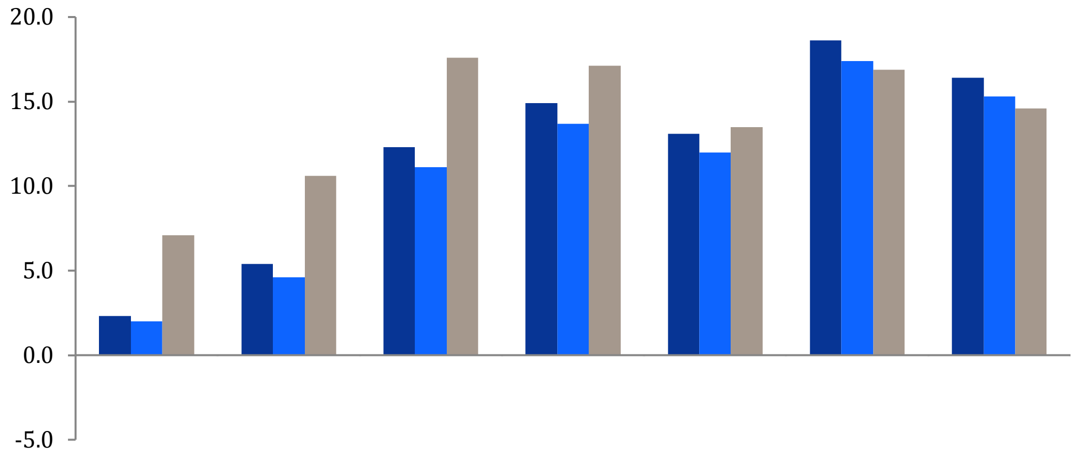
Focus Equity Separate Accounts (FE-SA) Historical Performance and Disclosures



	3Q'18	YTD	1 YEAR	3 YEARS	5 YEARS	7 YEARS	SINCE INCEPTION (09.01.09)
FE-SA *(Gross)*	2.3	5.4	12.3	14.9	13.1	18.6	16.4
FE-SA (*Net of 1% fee*)	2.0	4.6	11.1	13.7	12.0	17.4	15.3
Russell 3000® Index	7.1	10.6	17.6	17.1	13.5	16.9	14.6

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	September 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 (*09/30/18*)				
	2018 (thru 9/30)	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 (%)	4.23	21.43	8.83	4.40	11.76	37.18	18.27	5.13	26.40	8.64	10.74	12.68	11.95	17.61	15.70
Focus Equity Composite Net Return (%)	3.46	20.24	7.76	3.37	10.66	35.85	17.11	4.08	25.16	8.29	9.65	11.57	10.85	16.45	14.57
Russell 3000 Return (%)	10.57	21.13	12.74	0.48	12.56	33.55	16.24	1.03	16.93	10.34	17.58	17.07	13.46	16.86	14.64
Composite Standard Deviation [2]	9.38	10.31	12.06	11.30	9.44	12.52	16.80	- [3]	- [3]	- [3]	n.m. [4]	9.38	10.29	10.97	12.80
Russell 3000 Standard Deviation [2]	9.17	10.09	10.88	10.58	9.30	12.54	15.74	- [3]	- [3]	- [3]	n.m. [4]	9.17	9.57	10.32	12.07
Number of Portfolios	155	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)	3,016.5	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)	3,018.5	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.

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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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