

# BROAD RUN

INVESTMENT MANAGEMENT, LLC



## Focus Equity Strategy Q1 2023

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Our mission is to compound clients' capital at a superior rate with prudence over time.



# Firm Overview

1

one investment approach

3

person portfolio management team

10<sup>+</sup>

year investment track record

100%

employee owned

Signatory of:

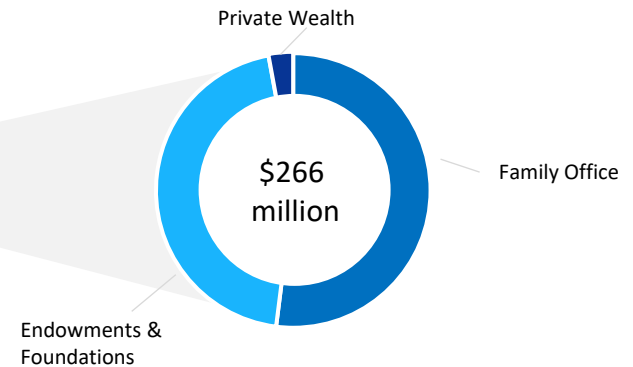


## Assets Under Management

(March 31, 2023)

	<u>\$millions</u>
Firm AUM (\$ millions)	926
Institutional Accounts	266
Sub-Advised Mutual Fund	660

## Institutional Accounts - Client Mix



# Founders / Portfolio Managers – 18+ Years Working Together



**Brian Macauley, CFA**  
Portfolio Manager, Analyst,  
Co-Founder



**David Rainey, CFA**  
Portfolio Manager, Analyst,  
Co-Founder



**Ira Rothberg, CFA**  
Portfolio Manager, Analyst,  
Co-Founder

## Professional Experience

### Broad Run Investment Management

Portfolio Manager, Analyst, Co-Founder

### FBR Asset Management

Portfolio Manager, Analyst  
*FBR Focus Fund*

### Akre Capital Management

Analyst, Member  
*FBR Focus Fund, Separate Accounts, LPs*

### Broad Run Investment Management

Portfolio Manager, Analyst, Co-Founder

### FBR Asset Management

Portfolio Manager, Analyst  
*FBR Focus Fund*

### Akre Capital Management

Senior Research Analyst, Member  
*FBR Focus Fund, Separate Accounts (Co-PM), LPs*

### Broad Run Investment Management

Portfolio Manager, Analyst, Co-Founder

### FBR Asset Management

Portfolio Manager, Analyst  
*FBR Focus Fund*

### Akre Capital Management

Analyst, Member  
*FBR Focus Fund, Separate Accounts, LPs*

**Credit Suisse First Boston**

**Wheat First Union**

**Federal National Mortgage Association**

**Student Loan Marketing Association**

**Wheat First Securities**

**Ramsey Asset Management**

University of Virginia (1997)  
*BS, McIntire School of Commerce*

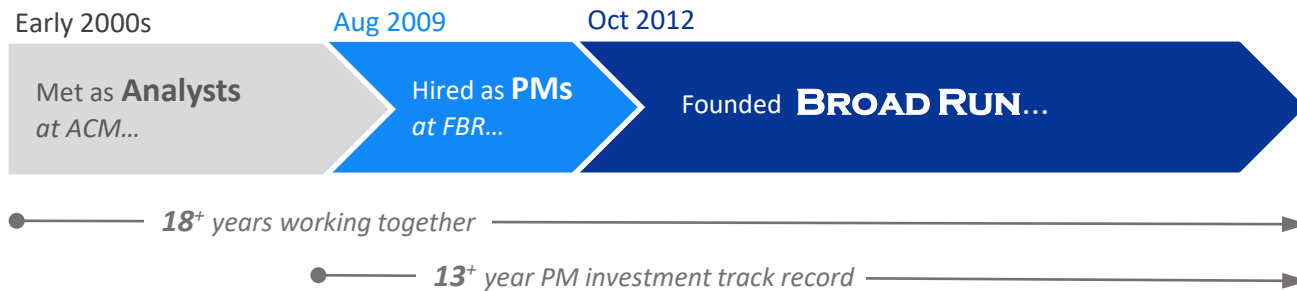
Duke University (1991)  
*MBA, Fuqua School of Business*  
University of Virginia (1986)  
*BS, McIntire School of Commerce*

University of Maryland (2002)  
*BS, Finance and Accounting*  
*BA, Economics*

## Education

# Firm History

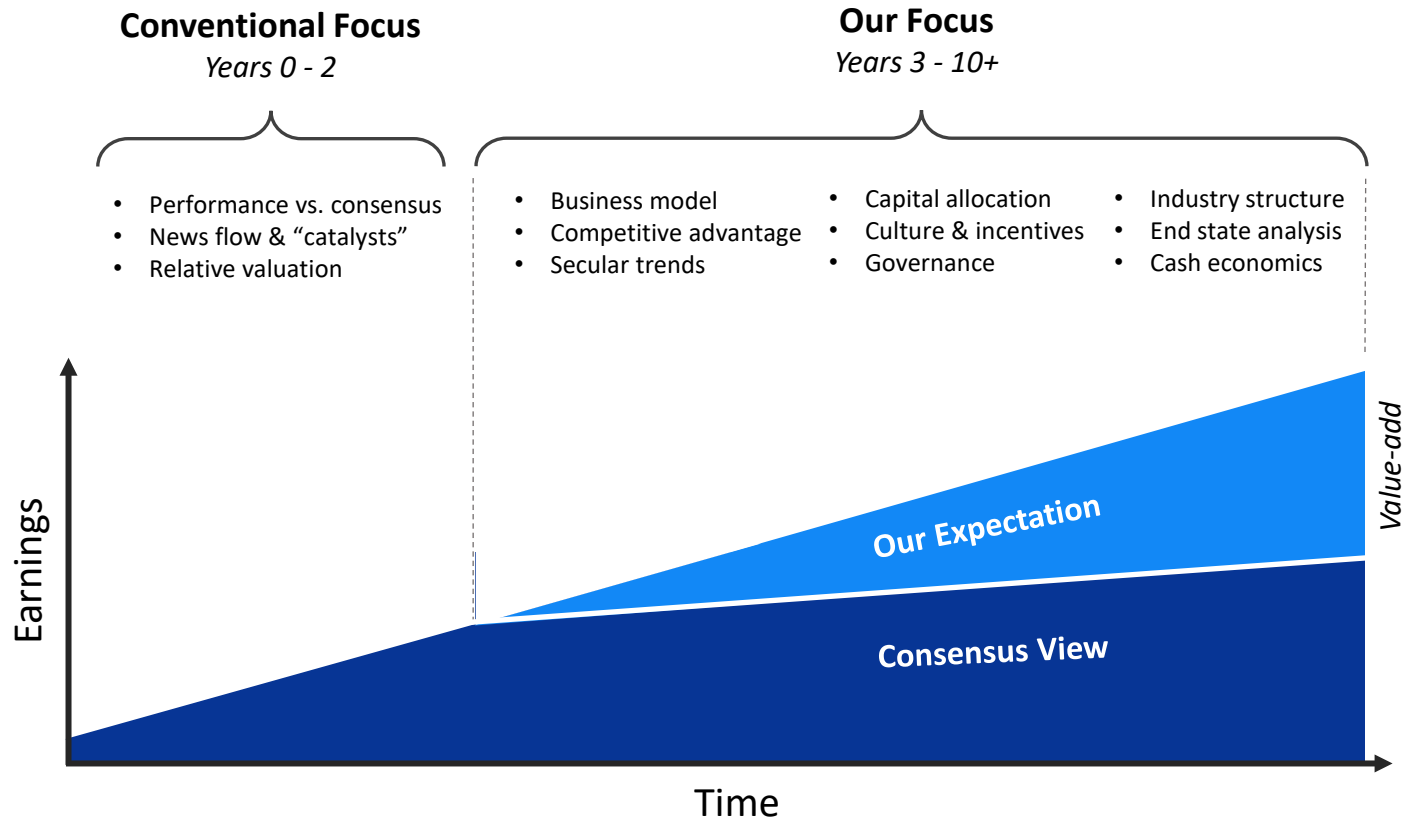
Founders / Portfolio Managers have a long history working together using the same investment approach, culminating with the founding of Broad Run in 2012.



# Investment Philosophy

We believe most market participants are focused on factors that drive short-term investment results.

By focusing intently on factors that drive long-term business results, we think we can develop unique insights and perspective enabling us to identify value creating investments.



# Investment Approach

We seek to own “**compounders**” – competitively advantaged, exceptionally run businesses that will create outsized value over the next decade or longer.

We use rigorous **fundamental research** and a **criteria driven framework** in an attempt to identify and own these businesses when they are misunderstood and mispriced by the market.

These opportunities are rare, so we **concentrate** and **conviction weight** our portfolio holdings.

## Concentrated

~20

positions

## Conviction Weighted

60-80 %

of assets in top  
ten positions

## Long Term

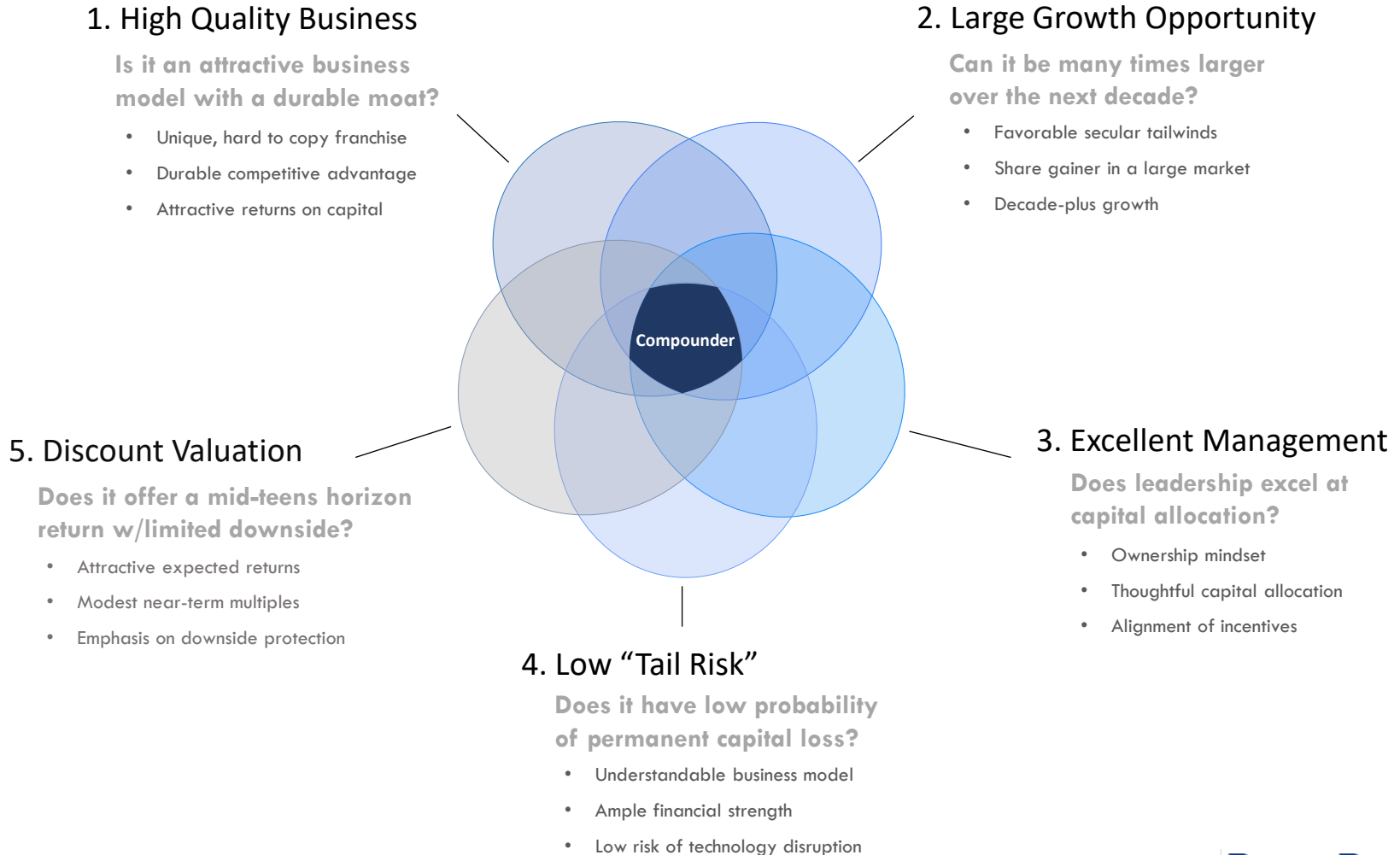
5-10 yr

expected holding  
period



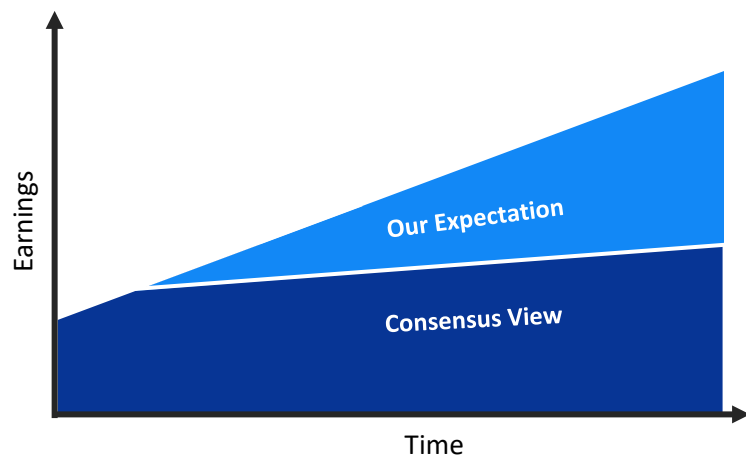
# Investment Criteria

We use five criteria to help identify compounders...



# Valuation

We employ a two-pronged valuation methodology to help identify investments with attractive expected returns and a margin-of-safety against loss of principal.



**1 Upside Participation**  
Pay little or nothing for above market growth

**2 Downside Cushion**  
Pay modest multiples of near-term earnings

## Methodology

We estimate the 5-year future value of the business by forecasting the income statement, balance sheet, and use of cash flow, then applying a conservative exit valuation.

We estimate upside / downside around our base case, and impute IRRs from today's price.

We seek mid-teens expected returns while avoiding investments with significant 5-year downside scenarios.

We evaluate near term price-to-earnings, EV/EBIT, and EV/EBITDA, among other metrics, compared to history, a comp group, and on an absolute basis.

We make adjustments where appropriate to correct for accounting distortions and temporary factors impacting company economics.

We seek to pay modest multiples of near-term earnings to provide downside protection against adverse developments.

# Investment Process - Idea Generation

1

## NARROW THE UNIVERSE

**2,500 U.S. companies**  
>\$450m Market cap

Eliminate structurally low ROE businesses, unproven businesses, and companies outside our circle of competence.

**1,200 companies**

2

## FILTER WITH CRITERIA

**Continually sift 1,200 companies for fit with five criteria**

Insights can originate from articles, industry reports, conferences, management, other investors, consumer experiences, keyword searches, screens, watch list, etc.

“Mental models” are also used to help identify compounders:

**VALUE-ADDED CONSOLIDATOR**

in fragmented industry

**BETTER MOUSETRAP**

with large market opportunity

**TOLL BOOTH**

entrenched with secular tailwinds

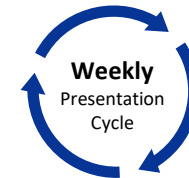
**CAPITAL ALLOCATOR**

with structural or cultural advantages

3

## ISOLATE BEST IDEAS

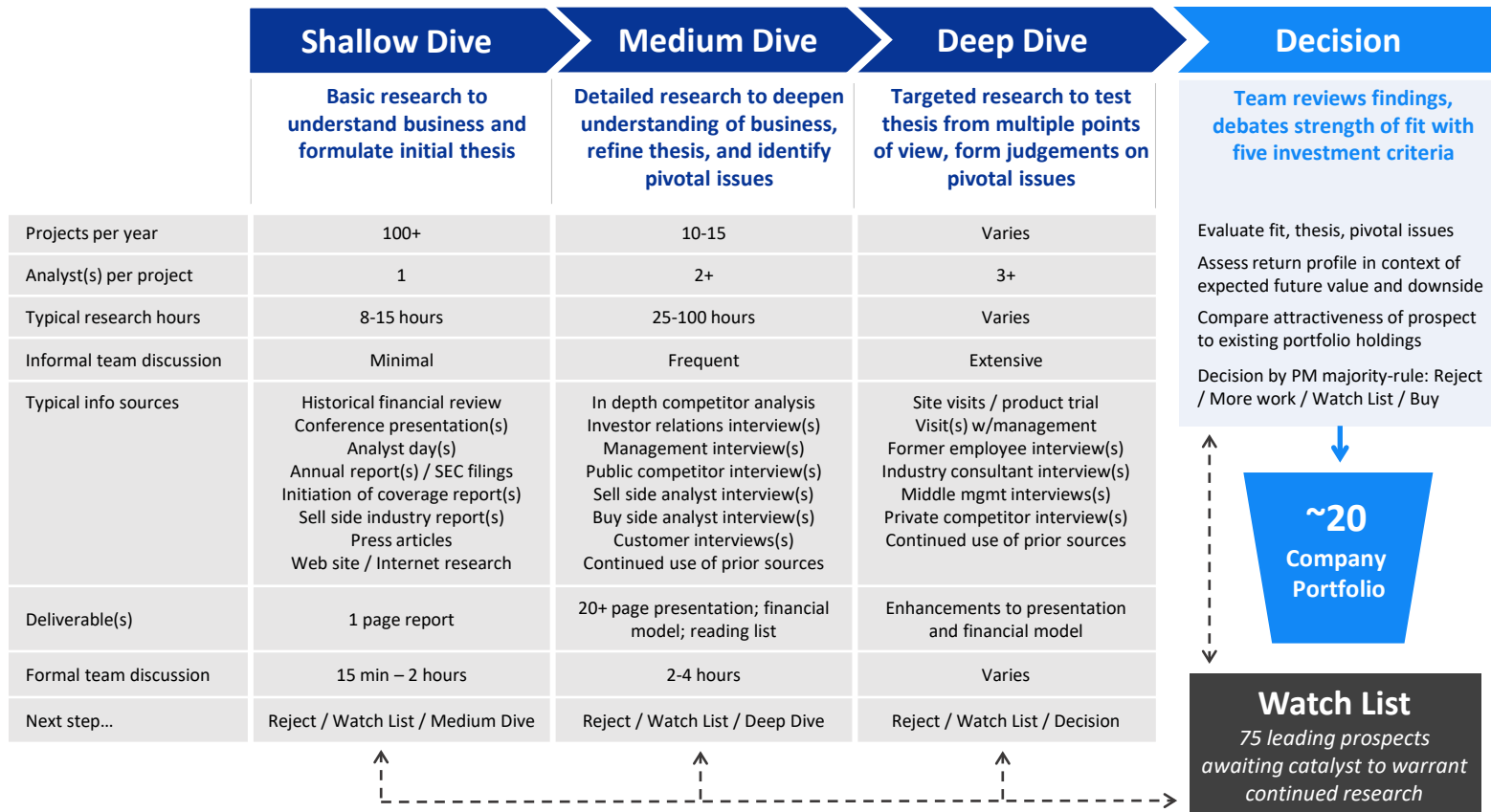
**New ideas presented weekly at research meeting**



Additional time and resources dedicated to most promising new ideas

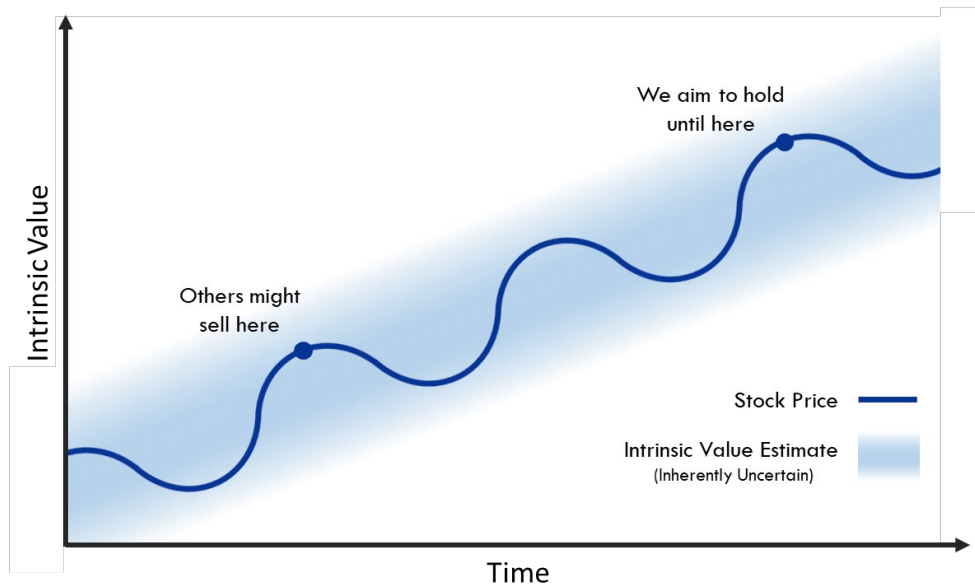
# Investment Process - Research & Decision Making

With our concentrated, low-turnover approach, we only need a few new positions per year, on average – so we are highly selective and conduct in-depth research on each idea.



# Investment Process - Sell Discipline

If a business is compounding, and continues to meet our five criteria, we tend to hold/add to the position. This means that earnings growth, rather than value arbitrage, drives most of our returns.



We sell for the following reasons:

- ① **Source of funds for better idea**
- ② **Adverse change in the business**  
*(quality, growth, management, tail risk)*
- ③ **Less than 10% expected returns**
- ④ **Portfolio risk controls**  
*(position / industry limits, factor risk, etc.)*

# Investment Process - Risk Management

*Our primary focus is on mitigating the risk of a permanent loss of capital; we do not manage price volatility or benchmark tracking error. We manage risk along four vectors:*

## BUSINESS-LEVEL Risk

Avoid businesses that suffer a permanent impairment of earnings power...

- Own profitable, competitively entrenched businesses with sound balance sheets and thoughtful leadership
- Conduct extensive independent fundamental research
- Team-based approach helps reduce analytical oversights

## PORTFOLIO-LEVEL Risk

Avoid excess cumulative exposure to any single business or factor risk...

- Own ~20 unique businesses w/different theses & growth drivers
- Thoughtfully manage overlapping risk exposures
- Largest position ~10%; Max industry weight 25%
- Prudent capacity and liquidity management

## VALUATION Risk

Manage downside; avoid overpaying for growth...

- Require large margin-of-safety compared to conservative appraisal of long-term future value of stock
- Pay modest absolute valuations based upon current earnings
- Avoid payoff profiles with large downside scenarios

## MACRO Risk

Invest as if you will hold a position through a downturn...

- Own businesses built to last through severe recession
- Manage total cyclical exposure across portfolio
- Avoid industries with potential bubble-level demand
- Focus on durable secular trends rather than macro forecasting

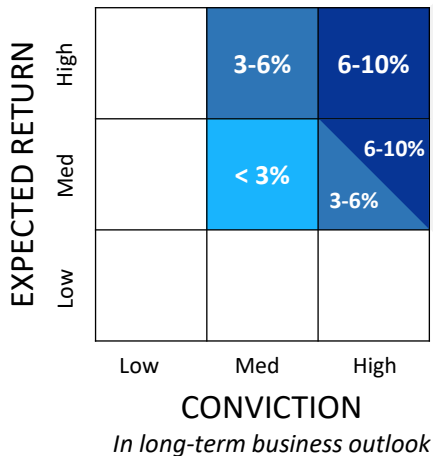
# Position Sizing & Portfolio Construction

*A concentrated portfolio with position weightings based on strength of fit with our five criteria.*

## Strategy Guidelines

Number of Holdings	~20
Percent in Top Ten:	60 - 80%
Largest Position Size:	~10%
Initial Position Size:	1 - 4%
Max Industry Weight:	25%
Turnover:	Low
Benchmark:	Agnostic
Market Capitalization:	All cap
Cash Position:	<5%

## Position Sizing



## Portfolio Construction

**Large Weights**  
6 - 10% ea.  
*Typically 6-8 positions*

**Medium Weights**  
3 - 6% ea.  
*Typically 5-7 positions*

**Small Weights**  
< 3% ea.  
*Typically 3-6 positions*

% of Assets (approximate)

# Bringing It Together

*We estimate our portfolio trades at about a market multiple, with about 1.5x market growth. If we are correct in our assessment, superior earnings growth should drive outperformance over time.*

	<u>Price to Earnings</u>	<u>Earnings Growth</u> <u>(+ Dividend Yield)</u> <sup>1</sup>	
	<u>2024</u>	<u>2024</u>	<u>Next 5 yrs</u>
Focus Equity – Separate Accounts (FE-SA) <sup>2</sup>	15.3x	17%	15%
S&P Total Market Index (TMI) <sup>3</sup>	16.6x <sup>4</sup>	15% <sup>4</sup>	8% <sup>5</sup>

1: We believe investment returns for equities can be broken down into three factors: growth in earnings, dividends, and change in valuation. In the short term, change in valuation can have a meaningful impact on investment results, but longer term, change in valuation becomes much less important as growth in earnings and dividends accumulate to drive the majority of results. For this reason, we believe earnings growth plus dividend yield is an important indicator of value creation over time. 2: The information presented for FE-SA is derived from all of the separate account portfolios in the Focus Equity Composite, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). Broad Run believes this information is most relevant to institutional separate account investors in the Focus Equity Strategy; this information is supplemental to the GIPS® Composite Report provided on page 30 of this document. The information presented for FE-SA also excludes broad market ETF securities temporarily held in client account(s) that were purchased with the proceeds from client-directed tax loss sales. Earnings for FE-SA and its underlying holdings are non-GAAP and are based upon Broad Run's calculations/estimates (which may differ materially from consensus), with adjustments for certain amortization expenses, excess depreciation expenses, and non-recurring charges, among other items. For balance sheet-centric companies, change in book value per share, or change in Net Asset Value per share may be used to measure fundamental progress rather than EPS. Broad Run makes these adjustments to get to, what it believes to be, a better measure of the true economic earnings of the businesses. The FE-SA price to earnings ratio is calculated by dividing a security's price (as of quarter end) by Broad Run's adjusted EPS estimate (as described above) for the calendar year noted. The FE-SA calendar year earnings growth + dividend yield is calculated by adding the estimated earnings growth rate (a percentage change calculated by dividing Broad Run's adjusted EPS estimate for the calendar year noted by the actual, or Broad Run's estimate if actual is not yet reported, adjusted EPS for the prior twelve months) to the forward 12 month dividend yield (as of quarter end). The 5 year figure is annualized and incorporates Broad Run's estimates for the five years subsequent to the calendar year noted. All figures are weighted based upon security position size in FE-SA. 3: The S&P Total Market Index (TMI) is designed to track the broad U.S. equity market, including large-, mid-, small-, and micro-cap stocks. The iShares Core S&P Total U.S. Market ETF is used as a proxy for the S&P TMI in these calculations. 4: EPS source: FactSet "recurrent earnings", which are non-GAAP and include consensus adjustments to reported accounting earnings. Dividend yield source: FactSet forward 12 month dividend yield (as of quarter end). 5: The trailing 15 year CAGR in recurrent earnings per share + dividend yield (as provided by FactSet) is used as a proxy for this figure (forward 5 year estimates for these statistics are not available in FactSet). Investors should understand the inherent differences between the metrics in this table.

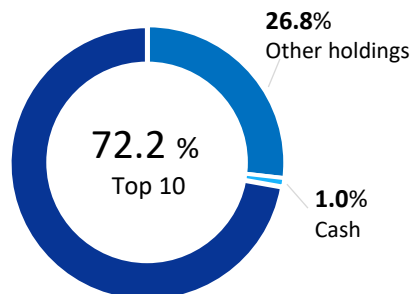


# Portfolio Snapshot

Focus Equity – Separate Accounts (FE-SA) as of 03.31.23 <sup>1</sup>

## Top Ten Positions

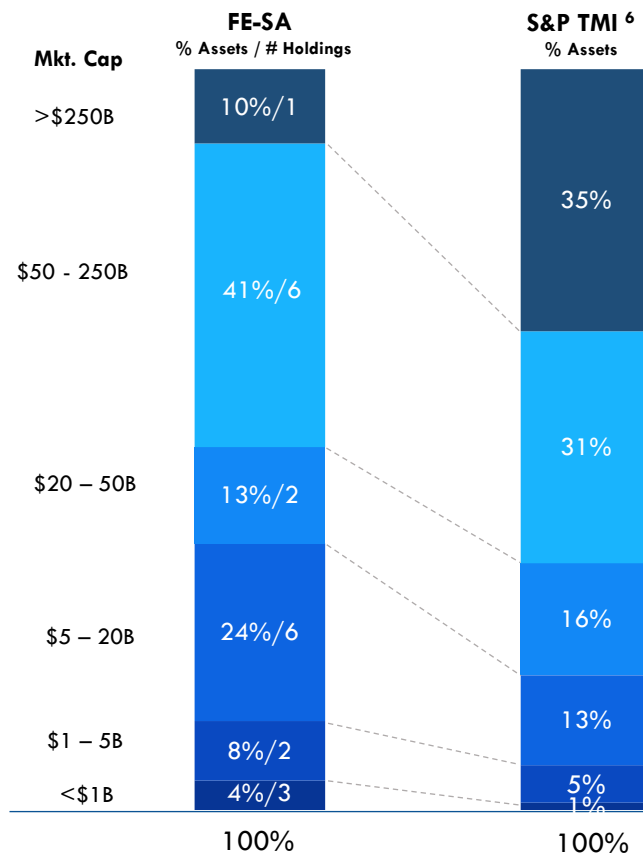
Alphabet Inc. <sup>2</sup>	9.7%
Aon plc	9.4
Ashtead Group plc. <sup>3</sup>	9.0
American Tower Corp.	7.5
Markel Corp.	7.3
Brookfield Corp.	7.2
O'Reilly Automotive, Inc.	6.4
Applied Materials, Inc.	5.6
CarMax, Inc.	5.3
Encore Capital Group, Inc.	4.8



## Portfolio Characteristics

Number of Positions	20
Turnover Rate – 5yr	15.5%
Active Share <sup>4</sup>	96.7%
Median Market Cap	\$17.6B
Price to Earnings – 2024 <sup>5</sup>	15.3x
EPS Growth Rate – 2024 <sup>5</sup>	16.2%

## Capitalization Breakdown



1: Subject to change without notice. See Important Disclosure Information. The information presented for FE-SA is derived from all of the separate account portfolios in the Focus Equity Composite, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). Broad Run believes this information is most relevant to institutional separate account investors in the Focus Equity Strategy; this information is supplemental to the GIPS® Composite Report provided on page 30 of this document. The information presented for FE-SA also excludes securities (e.g., broad market ETFs) temporarily held in client account(s) that were purchased with the proceeds from client-directed tax loss sales. 2: Includes both share classes. 3: Includes common stock and ADRs. 4: Active share measures the percentage of stock holdings in FE-SA that differ from the S&P Total Market Index (TMI), and is calculated by determining the difference in weights for all securities in either FE-SA or the Index, summing the absolute differences, and dividing by two. The iShares Core S&P Total U.S. Market ETF is used as a proxy for the S&P TMI in this calculation. 5: Earnings for FE-SA and its underlying holdings are non-GAAP and are based upon Broad Run's calculations/estimates; may differ materially from consensus estimates. See page 15 for a description of the adjustments Broad Run makes to earnings and for price to earnings and EPS growth rate calculation methodology. 6: The iShares Core S&P Total U.S. Market ETF is used as a proxy for the S&P TMI; excludes cash and cash equivalents. Other disclosures: The information provided should not be considered a recommendation to purchase or sell any security. It should not be assumed that investments in the securities identified were or will be profitable. The securities presented 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, please call: 703-260-1260.

# Sector Comparison

Focus Equity – Separate Accounts (FE-SA) as of 03.31.23<sup>1</sup>

Sector exposure is an output of our bottom-up process. We strive to maintain diversification across industries and growth drivers.

GICS Sector	Company	Business Space	Portfolio (%)	S&P Total Market Index (%)
Consumer Discretionary	CarMax, Inc.	Auto Retail	5.3	17.6
	NVR Inc.	Homebuilding	3.3	
	O'Reilly Automotive Inc.	Auto Parts Distribution	6.4	
	RH	Home Furnishings Retail	2.6	
Consumer Staples	--	--	--	6.6
Energy	--	--	--	4.6
Financials	Aon plc	Insurance Brokerage	9.4	30.4
	Brookfield Asset Management Ltd.	Asset Management	1.6	
	Brookfield Corporation	Asset Management / Real Assets	7.2	
	Encore Capital Group	Specialty Finance	4.8	
	Markel Corp.	Specialty Insurance	7.3	
Health Care	--	--	--	14
Industrials	American Woodmark Corporation	Home Building Products	1.9	10.9
	Ashtead Group plc	Equipment Rental	9.0	
Information Technology	Applied Materials, Inc.	Semiconductors Equipment	5.6	13.1
	CDW Corporation	Technology Distribution	3.9	
	SS&C Technologies Holdings, Inc.	Software	3.6	
Materials	--	--	--	2.9
Real Estate	American Tower Corporation	Communications REIT	7.5	7.5
Communication Services	Alphabet Inc.	Online Advertising	9.7	19.5
	AST SpaceMobile, Inc.	Wireless Telecommunications	0.6	
	Cogent Communications Holdings, Inc.	Wired Telecommunications	3.0	
	Shenandoah Telecommunications Company	Wired Telecommunications	1.9	
	The Walt Disney Company	Multi Media	4.3	
Utilities	--	--	--	2.7
Cash			1.0	0.0

1: Subject to change without notice. See Important Disclosure Information. The holdings presented above are from all of the separate account portfolios in the Focus Equity Composite, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). The presented holdings also exclude broad market ETF securities temporarily held in client account(s) that were purchased with the proceeds from client-directed tax loss sales. This information is supplemental to the GIPS® Composite Report provided on page 30 of this document. The information provided should not be considered a recommendation to purchase or sell any security. It should not be assumed that an investment in any of these securities was or will prove to be profitable.

# Recent Transactions

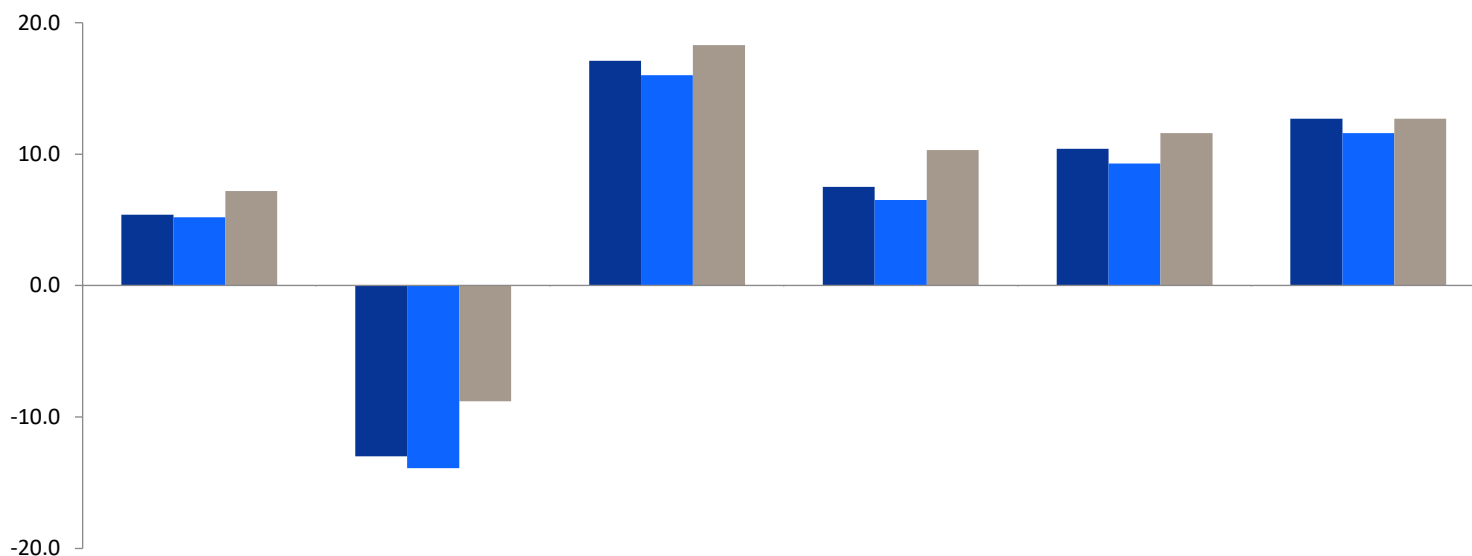
Focus Equity – Separate Accounts (FE-SA)<sup>1</sup>

	New Positions	Additions (+)	Exited Positions	Trims (-)
1Q'23		Cogent Communications Holdings	Allegiant Travel Company	
4Q'22	Cogent Communications Holdings	Applied Materials, Inc.	Drive Shack, Inc.	
3Q'22			Meta Platforms, Inc.	
2Q'22	Shenandoah Telecommunications			O'Reilly Automotive, Inc.
1Q'22		RH CDW Corporation	Marlin Business Services Corp. (Acquired) Brookfield Reinsurance Partners Ltd.	Aon plc O'Reilly Automotive, Inc.
4Q'21				
3Q'21	Applied Materials, Inc.		Fastenal Company Hexcel Corporation	
2Q'21	AST SpaceMobile, Inc.			Alphabet Inc.

1: The securities identified represent new securities purchased and sold, and additions and trims amounting to weight changes of 1% or more, for all of the separate account portfolios in the Focus Equity Composite, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). Securities entered and exited in the same quarter are excluded. This information is supplemental to the GIPS® Composite Report provided on page 30 of this document. There is no assurance that the securities are currently held in advisory client portfolios or will be purchased in the future. The information provided should not be considered a recommendation to purchase or sell any security. It should not be assumed that investments in the securities identified were or will be profitable. The securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients. To request a complete list of recommendations made within the past year, please call: 703-260-1260.

# Annualized Investment Results

Focus Equity Composite as of 03.31.23



	1Q'23 <sup>1</sup>	1 YEAR	3 YEARS	5 YEARS	10 YEARS	SINCE INCEPTION <sup>2</sup> (09.01.09)
■ Focus Equity Composite (Gross)	5.4	-13.0	17.1	7.5	10.4	12.7
■ Focus Equity Composite (Net of 1% fee)	5.2	-13.9	16.0	6.5	9.3	11.6
■ S&P Total Market Index <sup>3</sup>	7.2	-8.8	18.3	10.3	11.6	12.7

1: Not annualized. 2: Investment results for the period September 1, 2009 to October 26, 2012 were generated from an equity mutual fund which was managed by Broad Run's current portfolio management team while employed at an entity not affiliated with Broad Run. Investment results for the period after October 26, 2012 were generated by Broad Run. 3: The S&P Total Market Index is designed to track the broad U.S. equity market, including large-, mid-, small-, and micro-cap stocks.

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. All returns presented above (including the S&P Total Market Index) include the reinvestment of dividends, interest income, and capital gains. **For Composite construction and performance calculation methodology and other disclosures (including those related to the S&P Total Market Index) please see pages 30 & 31. Past performance is not indicative of future results.**

# Annualized Investment Results - Separate Accounts

We have been managing Focus Equity separate accounts (FE-SA<sup>1</sup>) since February 2013. Below we present the investment results for FE-SA next to the investment results for the full Focus Equity Composite.

## Results as of 03.31.23

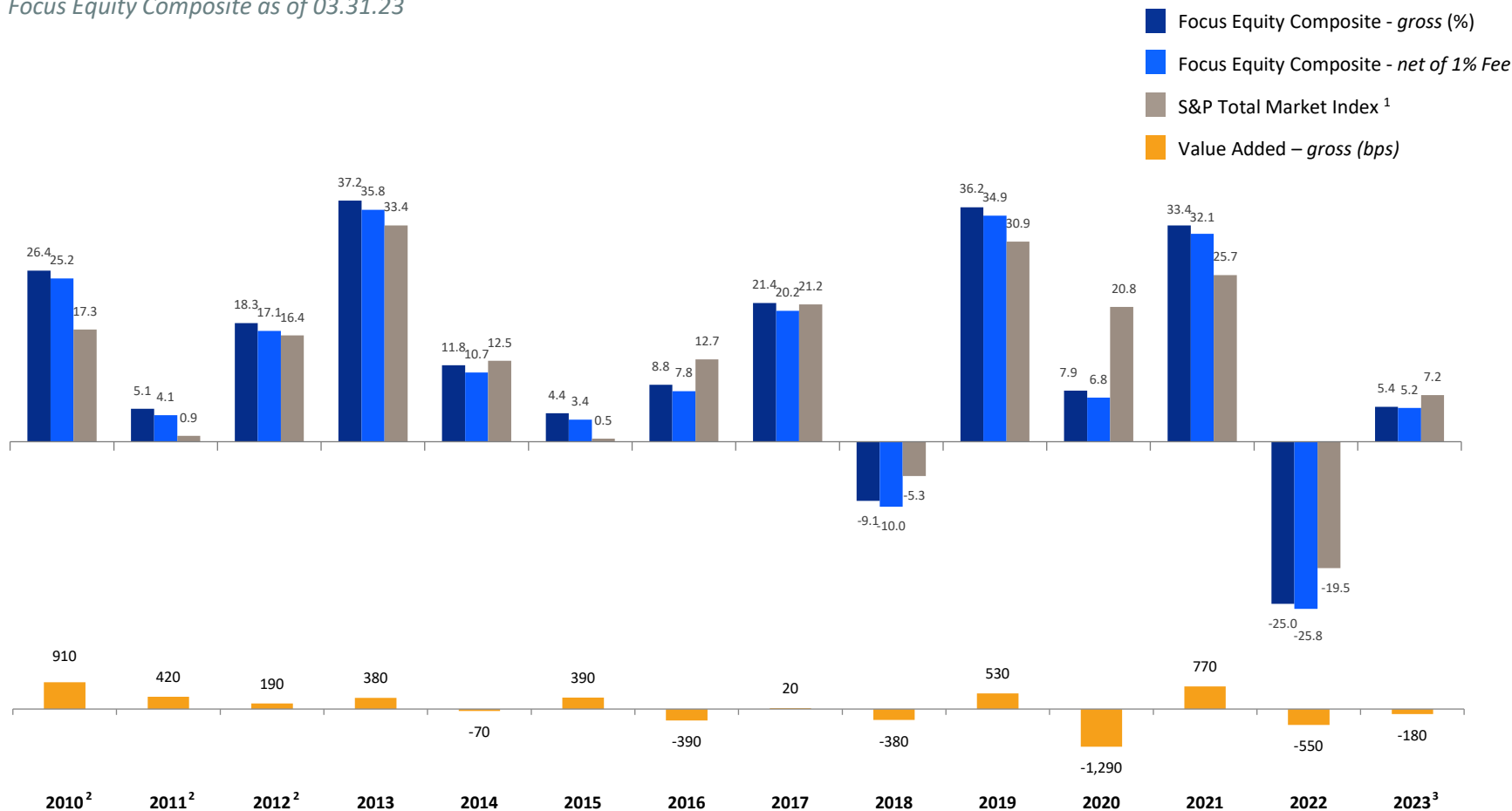
	1Q'23 <sup>2</sup>	1 YEAR	3 YEARS	5 YEARS	10 YEARS	FE-SA INCEPTION (02.28.13)	
<b>FE-SA (Gross)</b>	<b>7.0</b>	<b>-14.4</b>	<b>15.8</b>	<b>7.0</b>	<b>10.7</b>	<b>11.1</b>	
<b>FE-SA (Net of 1% fee)</b>	<b>6.7</b>	<b>-15.2</b>	<b>14.7</b>	<b>6.0</b>	<b>9.6</b>	<b>10.0</b>	
S&P Total Market Index <sup>4</sup>	7.2	-8.8	18.3	10.3	11.6	12.0	
	1Q'22 <sup>2</sup>	1 YEAR	3 YEARS	5 YEARS	10 YEARS	FE-SA INCEPTION (02.28.13)	COMPOSITE INCEPTION <sup>3</sup> (09.01.09)
<b>Focus Equity Composite (Gross)</b>	<b>5.4</b>	<b>-13.0</b>	<b>17.1</b>	<b>7.5</b>	<b>10.4</b>	<b>10.7</b>	<b>12.7</b>
<b>Focus Equity Composite (Net of 1% fee)</b>	<b>5.2</b>	<b>-13.9</b>	<b>16.0</b>	<b>6.5</b>	<b>9.3</b>	<b>9.6</b>	<b>11.6</b>
S&P Total Market Index <sup>4</sup>	7.2	-8.8	18.3	10.3	11.6	12.0	12.7

1: Returns presented for FE-SA are the aggregate returns of all of the separate account portfolios in the Focus Equity Composite, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). Broad Run believes this information is most relevant to institutional separate account investors in the Focus Equity Strategy; this information is supplemental to the GIPS® Composite Report provided on page 30 of this document. 2: Not annualized. 3: Investment results for the period September 1, 2009 to October 26, 2012 were generated from an equity mutual fund which was managed by Broad Run's current portfolio management team while employed at an entity not affiliated with Broad Run. Investment results for the period after October 26, 2012 were generated by Broad Run. 4: The S&P Total Market Index is designed to track the broad U.S. equity market, including large-, mid-, small-, and micro-cap stocks.

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. All returns presented above (including the S&P Total Market Index) include the reinvestment of dividends, interest income, and capital gains. **For Composite construction and performance calculation methodology and other disclosures (including those related to the S&P Total Market Index) please see pages 30 & 31. Past performance is not indicative of future results.**

# Yearly Investment Results

Focus Equity Composite as of 03.31.23



1: The S&P Total Market Index is designed to track the broad U.S. equity market, including large-, mid-, small-, and micro-cap stocks. 2: Investment results for the period September 1, 2009 to October 26, 2012 were generated from an equity mutual fund which was managed by Broad Run's current portfolio management team while employed at an entity not affiliated with Broad Run. Investment results for the period after October 26, 2012 were generated by Broad Run. 3: Current calendar year results are through the date noted above.

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. All returns presented above (including the S&P Total Market Index) include the reinvestment of dividends, interest income, and capital gains. **For Composite construction and performance calculation methodology and other disclosures (including those related to the S&P Total Market Index) please see pages 30 & 31. Past performance is not indicative of future results.**

# Upside / Downside vs. S&P Total Market Index

Focus Equity Composite | Since Inception (09.01.09 – 03.31.23) <sup>1</sup>



**UP**  
capture

**101 / 98%**

gross / net of 1% fee



**DOWN**  
capture

**101 / 103%**

gross / net of 1% fee

1: Investment results for the period September 1, 2009 to October 26, 2012 were generated from an equity mutual fund which was managed by Broad Run's current portfolio management team while employed at an entity not affiliated with Broad Run. Investment results for the period after October 26, 2012 were generated by Broad Run.

The up/down capture ratio is a statistical measure of an investment manager's overall performance in up/down-markets. In each of the charts above, the up/down capture ratio for the Focus Equity Composite has been presented both gross of fees and net of Broad Run's highest applicable annual management fee of 1.00%. The ratio is calculated by dividing the Focus Equity Composite total returns by the total returns of the S&P Total Market Index during the up-market or down-market, and multiplying that factor by 100. For example, an up-market capture ratio of 105 indicates that the investment manager's portfolio increased by 105% of the S&P Total Market Index's return during the specified period. A down-market capture ratio of 95 indicates that the investment manager's portfolio declined by 95% of the S&P Total Market Index's return during the specified period. **For Composite construction and performance calculation methodology and other disclosures (including those related to the S&P Total Market Index) please see pages 30 & 31. Past performance is not indicative of future results.**

# What Makes Us Different

## Consistency: People, Philosophy, Process

Our founders have worked together since 2004 applying the same investment philosophy and research process

## Long-Term Horizon

We take an unusually long-term investment horizon enabling us to gain perspective and identify opportunity

## Research Intensive

We focus our time and attention on understanding critical long-term value drivers such as competitive advantage and capital allocation

## Concentrated Portfolio

Great investments are rare, so we focus time and capital in our highest conviction positions



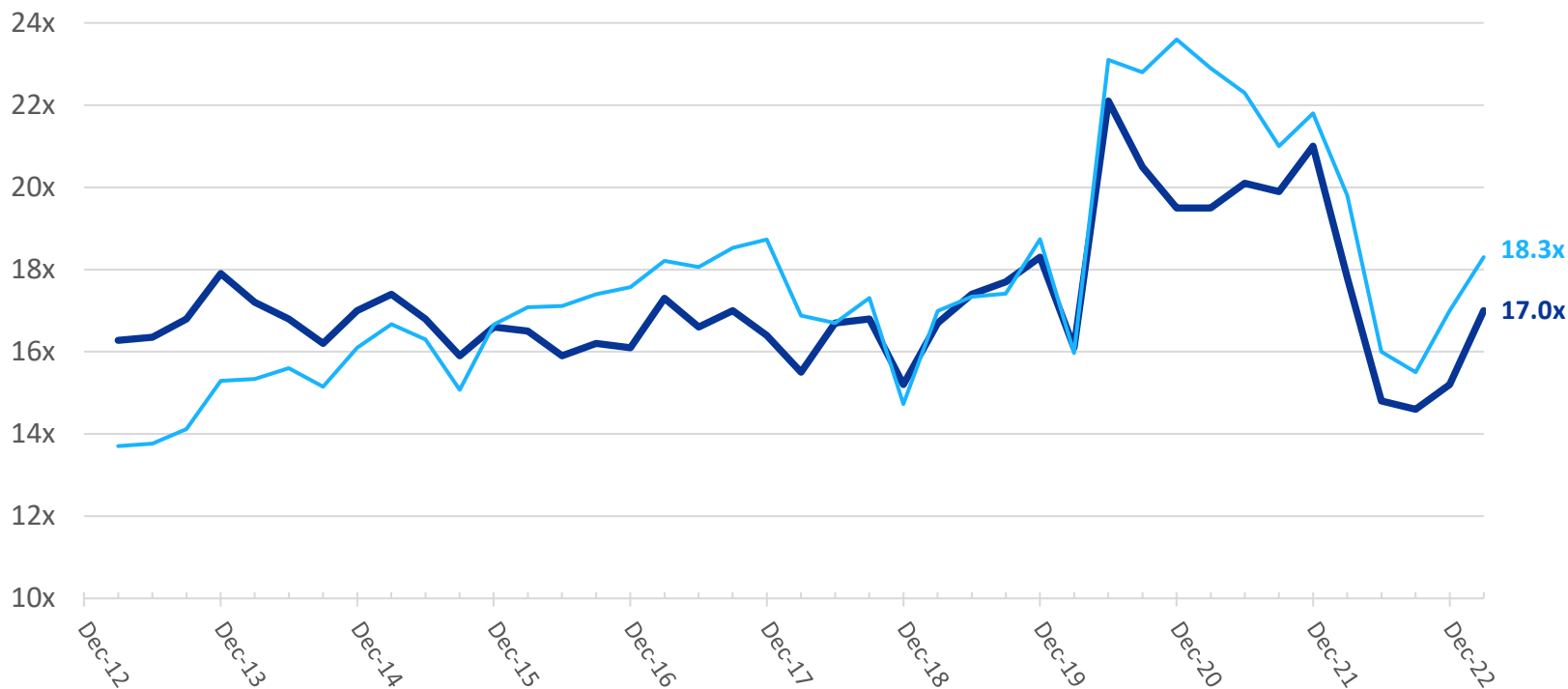
# Appendix

# Portfolio Valuation

Our portfolio trades at about a market multiple, with about 1.5x market growth.

**Focus Equity – Separate Accounts (FE-SA): Price to Earnings** <sup>1</sup> (Next 12mos.)

**S&P Total Market Index: Price to Earnings** <sup>2</sup> (Next 12mos.)



1: The information presented for FE-SA is derived from all of the separate account portfolios in the Focus Equity Composite, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). Broad Run believes this information is most relevant to institutional separate account investors in the Focus Equity Strategy; this information is supplemental to the GIPS® Composite Report provided on page 30 of this document. The information presented for FE-SA also excludes broad market ETF securities temporarily held in client account(s) that were purchased with the proceeds from client-directed tax loss sales. Earnings for FE-SA and its underlying holdings are non-GAAP and are based upon Broad Run's calculations/estimates; may differ materially from consensus estimates. See page 15 for a description of the adjustments Broad Run makes to earnings and for price to earnings calculation methodology. 2: Source: FactSet. The iShares Core S&P Total U.S. Market ETF is used as a proxy for the S&P Total Market Index. The price to earnings ratio is calculated by FactSet using "recurrent earnings" which are non-GAAP and include consensus adjustments to reported accounting earnings. Investors should understand the inherent differences between the metrics in this chart.

# Investment Case – Company A

## Business Description

March 2023

**Company A** is a top ten homebuilder doing business under several well-known brands. The Company operates in fourteen East Coast states with a concentration in the Baltimore-Washington region. The Company has a unique, capital efficient business model that has allowed it to earn ROIC nearly twice most large homebuilders, and to maintain profitability through the global financial crisis.

## Company A vs. Broad Run's Five Investment Criteria

### 1. High-Quality Business

- **Differentiated, High ROIC Business Model:** Company A's unique business model outsources the capital intensive, low return activity of land ownership and development, enabling it to earn high returns on equity and capital with less cyclicity than the average homebuilder.
- **Specialization:** By outsourcing land ownership and development, the Company has become very efficient at constructing and selling homes, e.g. it has best in class "cycle time"; it takes the Company about three months to deliver a completed home versus an industry average of about four months.
- **Local Scale:** Leading local market share in core markets enables Company A to leverage its management and marketing expense, secure attractive terms with vendors, and get good access to quality land deal flow.
- **Hard to Replicate:** Despite the obvious advantages of its business model, large homebuilders are culturally wedded to their traditional way of doing business, and small homebuilders do not have the scale required to profitably implement Company A's asset-light model.

### 2. Large Growth Opportunity

- **Penetration of Existing Markets:** The Company entered many new markets during the global financial crisis. As it further penetrates these markets, it can more than triple its current size.
- **Geographic Expansion:** Company A has +20% market share in its core markets, but just 2% market share nationwide. It has the opportunity to grow its overall market share by expanding geographically.
- **Housing Shortage:** Over the last decade the U.S. has produced new homes at a level much below historical levels. As a result, we believe the U.S. is approximately 5 million homes short of what is needed to bring the market back into equilibrium. This shortage will require many years of above average housing production, providing a strong tailwind to home builders.

### 3. Excellent Management

- **Tenured, Aligned Incentives, and a Strong Culture:** Chairman owns more than \$1 billion in stock; compensation is tied to ROIC performance; encourage promotion from within.

- **Thoughtful Capital Allocation:** Returns shareholder capital via opportunistic share repurchases. Entered new markets opportunistically during the housing downturn.

### 4. Low Tail Risk

- **Essential Product:** Housing is an essential product with virtually no disintermediation or technology risk.
- **Time-Tested Business Model:** Company A's unique homebuilding business model has survived and thrived during good times and bad over the last two housing cycles.
- **Adaptability:** In a cyclical industry, the Company's land-lite model is more adaptable to changing environments than traditional builders.
- **Financial Strength:** Maintains little to no financial leverage, and typically has a positive net cash position.

### 5. Discount Valuation

- **Lower than Market Multiple; Higher than Market Growth:** As of 03.31.23, the Company traded at 15.4x our forward earnings estimate, and we have conviction it can grow earnings per share at about mid-teens annualized rate over a full cycle.

#### Differentiated View

- Despite having around a \$18 billion market cap, Company A provides very little investor relations support or access to its executives, so it is not widely followed. We have dug deep with independent fundamental research to understand the mechanics and sustainability of its asset-light approach.
- Our long-term view allows us to focus on the near certainty of very strong housing demand over the next decade rather than getting distracted by the noise of short-term fluctuations in order and sales trends.

# Investment Case – Company B

## Business Description

March 2023

**Company B** is the largest independent owner, operator and developer of wireless communication towers in the U.S. (~43,000 sites) with substantial assets in emerging economies (~182,000 sites) and a growing data center business. The Company earns the vast majority of its revenues from leasing space on its towers to domestic wireless carriers such as AT&T, Sprint, Verizon, and T-Mobile, and internationally to Telefonica, Vodafone, Telemex, and MTN Group.

## Company B vs. Broad Run's Five Investment Criteria

### 1. High-Quality Business

- **Vertical real estate:** Many of Company B's sites in the U.S. are not replicable, new supply is limited by Not In My Backyard issues, and carrier switching costs are high, resulting in minimal churn.
- **Highly Visible Recurring Revenue:** The majority of tenants are high credit quality and enter into long initial contracts (5-10 year terms) with multiple five-year renewal options and annual escalators.
- **Attractive Tower Economics:** Fixed-cost structure allows for high single digit ROIC for towers with one tenant that increases to the high 20s with just two additional tenants.

### 2. Large Growth Opportunity

- **Skyrocketing data demand:** We believe carriers will continue to roll out new network protocols and add new equipment onto existing towers to ramp wireless capacity as global wireless data consumption increases.
- **Co-location model:** As an independent operator, Company B allows multiple carriers to locate on each structure without competitive concerns.
- **Global opportunity set:** International and emerging markets are less mature than developed markets and represent stronger and longer growth potential.
- **Further Pursuit of Consolidation:** Over the next five years, a conservative balance sheet should allow the Company to enter 2-3 new countries through accretive acquisitions and joint ventures.

### 3. Excellent Management

- **Exceptional Capital Allocation:** CEO (previously CFO) is a disciplined and patient allocator having steered the Company through three large and many smaller acquisitions.
- **Benefits of a REIT:** After two years of thoughtful analysis, management converted to a REIT structure in 2012, eliminating the double layer of taxation, and initiated a quarterly distribution, all without compromising its growth prospects.

### 4. Low Tail Risk

- **Customer Concentration:** A diverse geographic portfolio of tower assets helps mitigate the risk that a major carrier customer is acquired and no longer needs as much tower space.
- **Critical Infrastructure:** Towers are the backbone of mobile communications and a key enabler of the exponential growth of wireless data consumption.
- **Powerful secular driver:** Smartphone proliferation and wireless data consumption around the globe mean the carriers cannot escape the need to build and maintain denser cell networks to increase data capacity.

### 5. Discount Valuation

- **Visible Path to Above-Average Growth:** As of 03.31.23, Company B traded at about 20.5x our estimated growth of AFFO per share over the next 12 months. We believe the Company can compound cash earnings per share at a low-teens rate over the next five years.
- **Financial Strength:** Low leverage relative to peers and the first tower company with an investment grade rating allows for large acquisition optionality that would be accretive to our AFFO forecast.

### Differentiated View

- We believe Company B can replicate its business model in emerging markets with the right wireless growth curves, new spectrum auctions, and solid property ownership rights.
- Rational competition and non-cyclical demand driven by robust mobile data consumption makes the Company's future cash flows predictable, which supports our conviction in its long-term growth prospects.

# Why We Own – Top Ten Holdings

Focus Equity – Separate Accounts (FE-SA) as of 03.31.23<sup>1</sup>

## Alphabet

**Alphabet** is the parent company of Google and its portfolio of internet centric products and services, such as Android, Chrome, Gmail, GCP, and YouTube. The company's dominant search business has maintained a 90% global market share for over a decade as a result of superior search results, continued innovation in the search experience, and its place as the cognitive default for search in consumer's minds. Cash flows from the search franchise have been used to invest in other high-quality businesses such as YouTube and GCP as well as to fund deep research in AI (DeepMind), self-driving (Waymo), and healthcare (Verily). We expect the core search business to continue to grow revenue in the high-single-digit range over the next five years driven by continued growth of ecommerce/omnichannel shopping, continued improvements in vertical search categories, and innovation in the general search experience. Combined with the continued growth of less mature businesses such as YouTube and GCP, a net cash balance sheet, and a 6% free cash flow yield we expect Google to continue to compound its per-share value at a mid-teens or better rate



**American Tower** is the largest independent owner and operator of wireless communications sites in the U.S., and has a growing presence in select emerging and developed markets internationally. The company earns the vast majority of its revenue from leasing space on its towers to telecommunications carriers to install wireless equipment. Carriers are high credit quality tenants and contracts are long, typically five-to-10-year initial terms with multiple five-year renewal options and annual escalators. This provides recurring revenue with contractual visibility and minimal churn. American Tower's operating leverage and EBITDA margins are high. We expect the secular demand for mobile data consumption and the roll out of new network protocols (i.e., 4G and 5G equipment to supplement existing 3G networks), to drive the addition of new equipment on towers bringing incremental revenue at minimal cost. Relative to its domestic peers, American Tower has the largest international portfolio of sites (e.g., India, Brazil, Mexico, Spain and Germany) where cellular networks are less mature or less dense than in the U.S., and on balance represent an attractive growth driver over time. We believe, organically and through acquisition, it can compound per share returns at a low to mid-teens rate over the next five years through a combination of double-digit cash earnings growth, cash distributions and buybacks.



**Applied Materials** is one of the largest semiconductor capital equipment (semicap) suppliers. Applied provides deposition, implantation, process control, and other equipment which semiconductor manufacturers, such as TSMC, use in their manufacturing processes. The semicap industry is very concentrated and there are generally only one or two competitors in each submarket. This concentration is reflected in Applied's average market share of ~55% in its the submarkets in which it competes. Semiconductor manufacturing is an amazingly complex process that continues to get harder every year. Manufacturers also think of their suppliers as partners in their mission to produce ever smaller and complex semiconductors. Further, from the manufacturers point of view, it is not worthwhile to partner with a new, unproven supplier and risk falling behind competitors. We expect the semiconductor industry to continue growing at a mid-single-digit rate per annum over the long-term and that semicap suppliers such as Applied should grow ~1.5x faster driven by increasing capital intensity in the manufacturing process. Combined with margin expansion and the ability to return 6-7% of capital annually, we expect Applied to compound earnings per share at a mid-teens or better rate over a full cycle



**Aon** is a leading global provider of insurance brokerage, reinsurance brokerage, and human resource solutions including retirement, health care, and investment consulting, to medium- and large-sized corporations. These are attractive businesses with sticky customer relationships, recurring revenue, and low capital requirements. Industry consolidation has made the space more oligopolistic with only Aon, Marsh, and Willis able to service large corporations on a global basis. We view Aon's core brokerage business as a toll booth on global insurance premiums written; providing stable cash flow as clients need insurance coverage every year. The company continues to leverage its scale, data, and customer relationships to innovate and grow its insurance brokerage and human resource solutions businesses. Aon's management has a track record of making sound operational and capital allocation decisions that have strengthened its economic moat, while advancing its strategic and financial positioning. We expect mid single digit organic top-line growth combined with expense savings/margin expansion and share repurchases to drive a mid-teens earnings per share growth rate over the next five years.



**Ashtead Group plc** owns 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. The company is growing rental revenue at approximately 3x the market through share gains in existing locations, greenfield expansion, and bolt-on acquisitions. Sunbelt has about 13% market share in the highly fragmented U.S. market, and aspires to achieve 20%+ share long-term. There are important benefits to scale and this has enabled the largest operators – in particular Sunbelt and United Rentals – to gain market 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 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. We believe the company's long-term market share goals are attainable. In fact, Sunbelt already has more than 20% share in many of its more established markets. There are meaningful infill opportunities in Sunbelt's existing markets and pockets of the country where it has yet to establish its presence. If Sunbelt successfully reaches its goals, we believe the company can compound earnings per share at a mid-teens or higher rate per annum over the next decade.

1: Please see page 29 for important disclosures.

# Why We Own – Top Ten Holdings

## Brookfield

**Brookfield Corporation** is one of the largest owners and operators of a range of real assets from office and retail properties to renewable energy and infrastructure facilities. These assets tend to be long-lived and competitively protected, with stable and growing cash flow characteristics. Brookfield's global reach, access to capital, and asset-level operating capability provide a durable competitive advantage. In addition, Brookfield takes a contrarian-value investment approach to buying assets that has delivered strong returns over full-market cycles. Increasingly, the company has been investing third-party capital in exchange for management and incentive fees. We believe this is a more capital efficient and higher return business model than taking direct ownership of these assets on its balance sheet. Demand from institutional investors (e.g., pensions with 30-yr liabilities) seeking greater exposure to high-quality real assets should provide a powerful secular tailwind to growing its third-party capital under management. We believe Brookfield can grow its total assets under management at a double-digit rate over the next five years, which should translate into mid- to upper-teens growth in cash flow per share.



**CarMax** is the largest used car retailer in the U.S. The company's differentiated business model, which is based on providing a better customer experience by offering a wide selection of high-quality used vehicles at no-haggle prices, continues to gain market share. Its just rolled out omnichannel offering — providing a seamless online to offline shopping continuum — is in its early days of adoption, but should further elevate the customer experience and differentiate CarMax from its competition. With about 220 stores and four percent share of the late model used car market, CarMax should have room to more than double as it further penetrates the U.S. Its proprietary Dealer Management System builds on more than two decades of data to customize each store's inventory and dynamically adjust pricing at the local level, and the company's nationwide inventory network significantly increases the likelihood CarMax can convert a visitor into a sale by matching them with their desired vehicle; more than 30 percent of CarMax sales involve the transfer of a vehicle from one store to another. We believe the company can compound earnings per share at a mid-teens rate for many years to come through a combination of mid single digit new store openings, mid-to-high single digit same store sales growth, and share repurchases.



**Encore Capital Group** is a global specialty finance company that purchases defaulted consumer receivables at a deep discount to face value, and undertakes collection efforts to drive return on investment. Economic returns in the industry are largely determined by what a company pays for, and collects from, a portfolio of receivables (minus the cost to collect). We believe Encore is a best-in-class operator with sustainable competitive advantages that allow for better liquidation and a lower cost to collect than its peers. Encore's continuous innovation, such as the development of offshore collections centers and the development of its robust analytics for individual debtor behavior, further strengthens these advantages. Encore has built and actively grows a proprietary debtor and analytics database, which drives insights into the willingness and capacity for debtors to pay. We believe these operational and information advantages allow Encore to bid more aggressively for new receivable portfolios, taking share from its peers, while improving its collection rates. Over the next five years, we believe Encore can generate mid-teens annualized earnings per share growth driven by from improving U.S. and U.K. market conditions, increased digital collections, and opportunistic share purchases.



**Markel** is a diverse specialty insurance holding company serving a variety of niche markets with important long-term investments in public equities and control positions in private enterprises. The company's primary business is marketing and underwriting property and casualty risk in specialty markets often overlooked and ignored by traditional issuers. These markets range from insuring summer camps and daycare centers to personal equine, medical malpractice and classic automobiles. The company has benefited substantially over the years from the risk aware and long-term orientation of its management. We believe the success of its insurance operations relies on the deep experience and technical skills of its underwriting teams that provide unique and differentiated insights into profitably pricing business across the cycle in the specialty markets they serve. The discipline to not chase growth at the expense of profitability helps generate ample free cash flow that can be invested at attractive rates of return to create shareholder value in both public equities and a growing portfolio of non-insurance related operating businesses. We believe the combination of organic and inorganic growth in insurance operations coupled with attractive returns in both its public and private equity portfolios can sustain a low-teens annualized growth in book value per share over our investment horizon.



**O'Reilly Automotive** is a leading U.S. distributor and retailer of automotive aftermarket parts, tools, supplies, equipment, and accessories. Availability of parts, speed of delivery, and customer service are key factors that drive success in the parts distribution business. With more than 5,000 stores, the company has a growing nationwide footprint that allows it to effectively operate its differentiated distribution model at scale. O'Reilly pioneered a dual-market approach that allows it to strategically target and service professional commercial and retail do-it-yourself customers. We believe O'Reilly's scale and distribution infrastructure provides a significant cost advantage giving it substantial purchasing power and enabling the delivery of industry-leading SKU availability by efficiently shifting and replenishing inventory to its most productive locations in near real time. We hold O'Reilly management in high regard as they have a long history of creating value by integrating competitors acquired at attractive valuations and repurchasing shares at attractive prices. We believe O'Reilly has a long growth runway, and is positioned to benefit from industry consolidation trends, international expansion, and growth of its private label sales. Over the next five years, we expect O'Reilly to deliver annualized earnings per share growth in the low to mid-teens.

1: Opinions and holdings are subject to change without notice. See Important Disclosure Information. The information presented is from all of the separate account portfolios in the Focus Equity Composite, which excludes any equity mutual fund(s), UCITS fund(s), and private fund(s). This information is supplemental to the GIPS® Composite Report provided on page 30 of this document. This information is only intended to illustrate the type of analysis Broad Run Investment Management, LLC. (BRIM) uses. It is not intended to be a formal research report and should not, under any circumstance, be construed as an offer or recommendation to buy or sell any security nor relied upon as investment advice. It should not be assumed that investments in the securities identified were or will be profitable. The securities identified 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, please call: 703.260.1260. Company logos are used for illustrative purposes only and were obtained directly from the company websites. Company logos are trademarks or registered trademarks of their respective owners and use of a logo does not imply a connection between BRIM and the company.

# Focus Equity Composite GIPS Report

Reporting Date March 31, 2023  
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, 2022. The verification report is available upon request. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report.

Policies for valuing portfolios, calculating performance and preparing GIPS reports 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. The strategy holds a portfolio of approximately 20 securities. 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 S&P Total Market Index (TMI) is designed to track the broad U.S. equity market, including large-, mid-, small-, and micro-cap stocks. 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 data below is supplemental information. 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. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. **Past performance is not indicative of future results.**

	Focus Equity Composite			S&P Total Market Index (TMI)			Internal Dispersion <sup>5</sup>	Composite Assets (USD millions)	Firm Assets (USD millions)
	Gross Return (%)	Net Return (%)	Standard Deviation <sup>2</sup>	Return (%)	Standard Deviation <sup>2</sup>	Number of Portfolios			
<b>Calendar Year</b>									
<b>2023 (thru 3/31)</b>	5.41	5.15	23.33	7.24	19.37	179	n.m.	919.7	926.2
<b>2022</b>	-25.02	-25.79	27.40	-19.53	21.53	181	1.66	908.9	914.9
<b>2021</b>	33.37	32.07	22.68	25.66	17.95	190	0.64	1,678.2	1,757.2
<b>2020</b>	7.91	6.83	23.25	20.79	19.44	175	0.92	1,569.7	1,574.5
<b>2019</b>	36.22	34.89	11.35	30.90	12.22	170	1.16	2,576.9	2,579.0
<b>2018</b>	-9.09	-10.01	11.25	-5.30	11.21	155	0.64	2,326.8	2,330.3
<b>2017</b>	21.43	20.24	10.31	21.16	10.09	137	0.96	3,309.6	3,311.2
<b>2016</b>	8.83	7.76	12.06	12.65	10.89	101	0.31	2,671.8	2,794.1
<b>2015</b>	4.40	3.37	11.30	0.47	10.57	52	0.13	2,266.5	2,268.6
<b>2014</b>	11.76	10.66	9.44	12.46	9.32	41	0.10	1,618.5	1,619.5
<b>2013</b>	37.18	35.85	12.52	33.40	12.58	30	n.m.	1,454.0	1,459.8
<b>2012</b>	18.27	17.11	16.80	16.44	15.75	1	n.m.	781.2	781.2
<b>2011</b>	5.13	4.08	- <sup>3</sup>	0.92	- <sup>3</sup>	1	n.m.	672.2	N/A
<b>2010</b>	26.40	25.16	- <sup>3</sup>	17.30	- <sup>3</sup>	1	n.m.	772.8	N/A
<b>Sep – Dec 2009 <sup>1</sup></b>	8.64	8.29	- <sup>3</sup>	10.22	- <sup>3</sup>	1	n.m.	812.5	N/A
<b>Annualized (03/31/23)</b>									
<b>1 Year</b>	-13.01	-13.89	n.m. <sup>4</sup>	-8.77	n.m. <sup>4</sup>				
<b>3 Years</b>	17.14	15.98	23.33	18.34	19.37				
<b>5 Years</b>	7.52	6.45	23.30	10.32	19.10				
<b>10 Years</b>	10.37	9.28	18.08	11.64	15.22				
<b>Since Inception</b>	12.72	11.60	17.58	12.70	15.19				

**1:** Annual performance results reflect partial period performance. The returns presented are calculated from September 1, 2009 to December 31, 2009.

**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.

# Important Disclosure Information

**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.

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## **About our name:**

Broad Run is a bucolic stream, or “run”, in the foothills of the Blue Ridge Mountains of Virginia. It is an important tributary to the Potomac River, adding to the river’s growth and strength as it flows eastward toward Arlington, VA, and Washington, DC, and eventually on to the Chesapeake Bay.

To us, Broad Run symbolizes our journey and growth as investors – from our shared beginning as investment analysts near the headwaters of Broad Run, to our migration eastward to become portfolio managers in Arlington, VA, and eventually to the establishment of our own firm as portfolio managers and business partners.

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