

April 29, 2024

Focus Equity Client Letter Q1 - 2024

For the quarter ended March 31, 2024, Broad Run's Focus Equity Separate Accounts¹ returned 5.8% (and Broad Run's Focus Equity Composite returned 4.8%) net of fees² compared to 10.0% for the S&P Total Market Index³. 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.

Last year, our more rate-sensitive holdings, including Brookfield Corporation, CarMax, NVR, RH, and Encore Capital, faced fundamental headwinds as they adjusted to a higher interest rate environment. This year, these stocks got off to a strong start with the expectation that a Federal Reserve easing cycle would kick off by mid-year. As inflation remains stubbornly elevated, that hope is now fading. While most of these stocks have reversed their early gains, their business fundamentals are looking up. Across the board, revenues have stabilized or expanded, with many showing margin improvement due to company specific initiatives. Regardless of the Federal Reserve's timing, we believe these businesses are undervalued and positioned to lead the portfolio forward as their earnings growth returns to our expected mid-teens rate.

Our "True North"

We have had several years of difficult relative performance. While absolute returns have been reasonable, our portfolio has not been able to keep pace with the very large, fast-growing businesses that have driven outsized index performance over this period. This is disappointing, yet something we expect as an occasional consequence of our concentrated and risk-aware strategy focused on underappreciated, durable compounders. Outside of this period, our approach has delivered both solid absolute and relative returns over a long time.

At a moment like this, we believe it is helpful to step back and take measure of what we are trying to achieve and how we are trying to achieve it, to ensure we are on the right path.

Market returns are driven by "right tail" outcomes, powered by businesses that compound at a high rate for an extended period of time. As economist Hendrik Bessembinder's research has shown, just 3.4% of public companies have accounted for all value creation (in excess of risk-free Treasury Bills) over the last nearly 100 years⁴. Further, according to Bessembinder, 58.6% of public companies have created no value (in excess of risk-free Treasury Bills) over the duration of their public company lifetime.

¹ Returns presented for the Focus Equity Separate Accounts 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 6 of this document. 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.

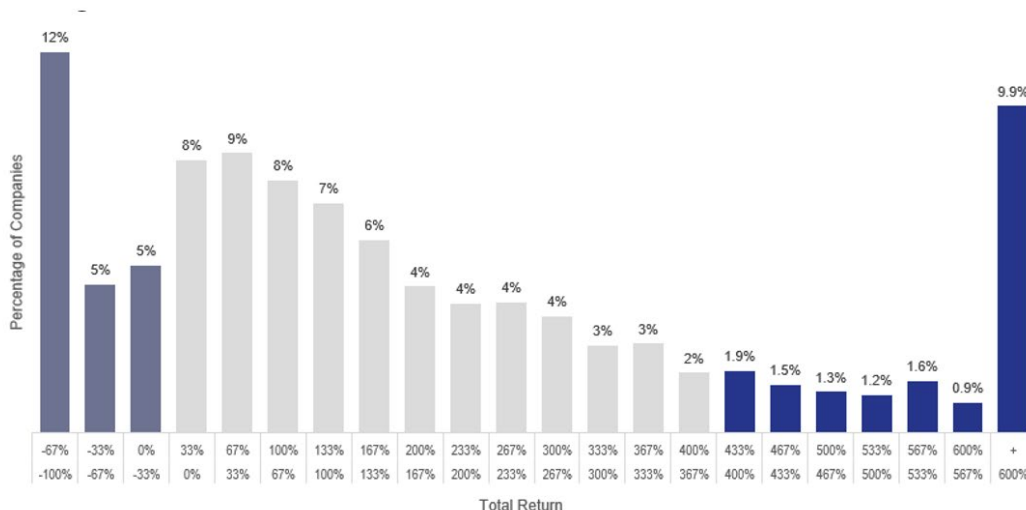
³ S&P Total Market Index is a broad market index that includes 4,272 large, mid, and small cap U.S. equities (@12/31/23).

⁴ Bessembinder, Hendrik (Hank), Shareholder Wealth Enhancement, 1926 to 2022 (June 17, 2023).

Even over a shorter period of time we can see this multimodal return pattern taking shape. We show on the next page the distribution of stock returns over the decade ending 12/31/21⁵ (the most recent period for which we compiled data). While average returns are higher than long-term history (it was a decade of high equity market returns), the presence of significant right tail and left tail outcomes is evident.

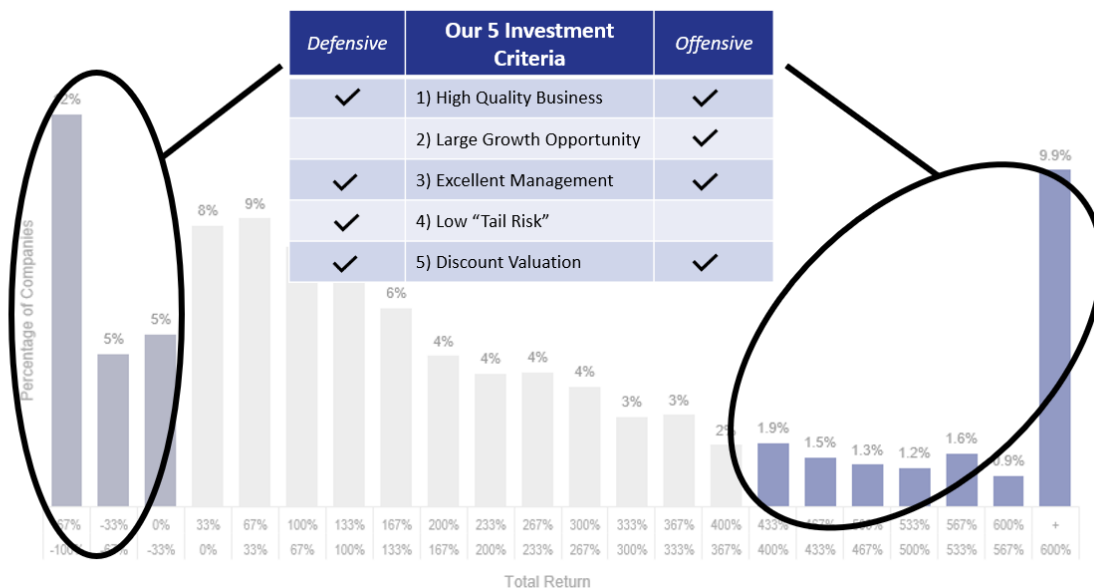
Returns are highly skewed, with many “big losers”, and few “big winners” driving results

10yr Returns for 2,936 Individual U.S. Companies Public on 12/31/11*



We have been working as a team to identify attractive investment opportunities for about 20 years. Throughout that time, we have employed an investment approach mindful of the market’s return distribution, designed to capture right tail outcomes while simultaneously avoiding left tail results. As overlaid below, our five investment criteria contain both offensive and defensive attributes to guide our investment decision making.

Our 5 Investment Criteria, informed by history, help guide our investment decisions



⁵ For companies public on 12/31/11.

Our self-assessment is that we have been good at avoiding left tail outcomes. When we have had an investment end up there, our allocation was small in size, mitigating overall portfolio impact. We have also been reasonably successful at identifying and sizing positions that end up in the right quartile of outcomes, including a few breakout performers such as O'Reilly Automotive, Ashtead Group, and Alphabet. While only one of these businesses fell in the extreme right tail, we are confident we have a formula for finding other big winners over time. Indeed, we have several positions in the portfolio today that we think have 5x or 10x potential as we look out over the next decade.

One area we think we have opportunity for improvement is in avoiding investments that are “stuck in the middle”. These are businesses that are relatively mature, and entrenched in their industry, so unlikely to go backwards. But these companies also lack the ingredients for high rates of compounding that provide opportunity to land in the right tail. We have occasionally allowed such businesses to linger in our portfolio for too long because they were “safe and cheap”, but the opportunity cost has been high. We have exited a handful of these positions in recent quarters, and will be on heightened alert for their presence in our portfolio going forward.

Conclusion

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, let us know if your contact information changes, and let us know if you would like to add or modify any reasonable restrictions to our investment advisory services.

Sincerely,

Broad Run Investment Management, LLC

Annual Disclosure Updates: Please take notice that Broad Run’s annual regulatory updates are available on our website at the following address: www.broadrunllc.com/legal-and-regulatory/. These annual updates include our Form ADV 3 (Form CRS), 1A, 2A, & 2B as well as our Privacy Policy Notice, Business Continuity Plan Notice and Proxy Voting Policy Notice. Each of these documents may be found on the Legal & Regulatory page. Please review these documents and contact us if you have any questions.

Disclaimer: *The specific securities identified and discussed in this commentary pertain to the beneficial owner of this account and should not be considered a recommendation to purchase or sell any particular security. Rather, this commentary is presented solely for the purpose of illustrating Broad Run's investment philosophy and analytical approach. These commentaries contain our views and opinions at the time they were written, they do not represent a formal research report and are subject to change thereafter. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. These commentaries may include "forward looking statements" which may or may not be accurate in the long-term. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable. **Past performance is not indicative of future results. All investments involve risk and may decrease in value.***

Additional Disclaimer: *This reprint is furnished for general information purposes in order to provide some of the thought process and analysis used by Broad Run Investment Management, LLC. It is provided for illustrative purposes only. This material 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 should information contained herein be relied upon as investment advice. Opinions and information provided are as of the date indicated and are subject to change without notice to the reader.*

There is no assurance that the specific securities identified and described in this reprint are currently held in advisory client portfolios or will be purchased in the future. The reader should not assume that investments in the securities identified and discussed were or will be profitable. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients. To request a complete list of all recommendations made within the past year, contact the firm's Chief Compliance Officer 703-260-1260.

Annualized Investment Results – Separate Accounts

We have been managing Focus Equity separate accounts (FE-SA¹) since February 2013. Below we present the investment results for FE-SA next to the investment results for the full Focus Equity Composite.

	1Q'24 ²	1 YEAR	3 YEARS	5 YEARS	10 YEARS	FE-SA INCEPTION (02.28.13)	
FE-SA (Gross)	6.0	23.4	3.7	10.4	10.8	12.1	
FE-SA (Net of 1% fee)	5.8	22.1	2.7	9.3	9.7	11.0	
S&P Total Market Index ⁴	10.0	29.4	9.6	14.2	12.2	13.4	
	1Q'24 ²	1 YEAR	3 YEARS	5 YEARS	10 YEARS	FE-SA INCEPTION (02.28.13)	COMPOSITE INCEPTION ³ (09.01.09)
Focus Equity Composite (Gross)	5.1	22.9	4.4	10.8	10.5	11.8	13.4
Focus Equity Composite (Net of 1% fee)	4.8	21.7	3.4	9.7	9.4	10.7	12.3
S&P Total Market Index ⁴	10.0	29.4	9.6	14.2	12.2	13.4	13.8

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 the following page 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. All other statistics referenced in this document for Focus Equity Separate Accounts or FE-SA were compiled using the same representative portfolios described above. **For Composite construction and performance calculation methodology and other disclosures (including those related to the S&P Total Market Index) please see the following two pages of this document. Past performance is not indicative of future results.**

Broad Run Investment Management, LLC Focus Equity Composite GIPS Report

Reporting Date March 31, 2024
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, 2023. 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. 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'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)		Number of Portfolios	Internal Dispersion ⁵	Composite Assets (USD millions)	Firm Assets (USD millions)
	Gross Return (%)	Net Return (%)	Standard Deviation ²	Return (%)	Standard Deviation ²				
Calendar Year									
2024 (thru 3/31)	5.09	4.84	21.53	10.05	17.65	166	n.m.	896.8	906.0
2023	23.25	22.04	22.08	26.06	17.53	169	0.80	826.3	835.7
2022	-25.02	-25.79	27.40	-19.53	21.53	181	1.66	908.9	914.9
2021	33.37	32.07	22.68	25.66	17.95	190	0.64	1,678.2	1,757.2
2020	7.91	6.83	23.25	20.79	19.44	175	0.92	1,569.7	1,574.5
2019	36.22	34.89	11.35	30.90	12.22	170	1.16	2,576.9	2,579.0
2018	-9.09	-10.01	11.25	-5.30	11.21	155	0.64	2,326.8	2,330.3
2017	21.43	20.24	10.31	21.16	10.09	137	0.96	3,309.6	3,311.2
2016	8.83	7.76	12.06	12.65	10.89	101	0.31	2,671.8	2,794.1
2015	4.40	3.37	11.30	0.47	10.57	52	0.13	2,266.5	2,268.6
2014	11.76	10.66	9.44	12.46	9.32	41	0.10	1,618.5	1,619.5
2013	37.18	35.85	12.52	33.40	12.58	30	n.m.	1,454.0	1,459.8
2012	18.27	17.11	16.80	16.44	15.75	1	n.m.	781.2	781.2
2011	5.13	4.08	- ³	0.92	- ³	1	n.m.	672.2	N/A
2010	26.40	25.16	- ³	17.30	- ³	1	n.m.	772.8	N/A
Sep – Dec 2009 ¹	8.64	8.29	- ³	10.22	- ³	1	n.m.	812.5	N/A
Annualized (03/31/24)									
1 Year	22.87	21.67	n.m. ⁴	29.35	n.m. ⁴				
3 Years	4.42	3.38	21.53	9.63	17.65				
5 Years	10.79	9.69	23.72	14.23	18.83				
10 Years	10.49	9.39	18.83	12.25	15.59				
Since Inception	13.38	12.26	17.67	13.76	15.14				

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.

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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