Growth Equity Portfolio
Third Quarter Review
September 30, 2024

				[----------Annualized	----------	----------	----------	----------]
	Q3 2024	Year to Date	Trailing 12 Months	3 Years	5 Years	10 Years	15 Years	Since Inception
Broadleaf	0.6%	25.8%	43.1%	10.3%	19.6%	16.9%	16.5%	13.1%
S&P 500	5.9%	22.1%	36.4%	11.9%	16.0%	13.4%	14.2%	10.6%

Performance Commentary

To be blunt – the third quarter was not great on a relative basis, but it was still positive in absolute terms. The BGEP continues to track above the benchmark in 2024 and for all the long-term periods we track, save for the last three years, where sustained leadership has been difficult to discern given the crazy environment. For all the talk earlier in the year of market concentration, performance broadened, resulting in a solid quarter of gains for the "average stock".

Fund Inception 8/18/05. Portfolio performance reflects Broadleaf's Growth Equity Composite, described more fully under the caption "Performance Disclosures." You are urged to read that information in its entirety in connection with any evaluation of Broadleaf's performance statistics. All figures are shown net of actual fees. Any assumed fees have been calculated on a pro forma basis, reflecting the highest fee levels that Broadleaf would charge clients per our disclosures in Part II of our Form ADV.

Market Review & Outlook - *Authored by Pete MacKay*

Well – we got off to a rough start in July, but the BGEP staged a solid absolute recovery over August and September. Oftentimes, Wall Street takes a collective vacation, comes back to their computer screens, and will frantically place trades to align their portfolios with the flavor of the week or month. Sometimes this is smart (The first weeks of 2022 forecasted a tough year), but other times this is very short-term and misguided. Shortly after July 4, 2024, we wondered whether small-cap stocks would stage a sustainable leadership rally due to lower interest rates finally becoming a reality. While the interest rate cutting cycle is in its early stages, it is interesting that small caps have not necessarily continued their leadership.

9 Aurora Street, Suite 5
Hudson, Ohio 44236

Phone: 330-650-0921
www.broadleafpartners.com

The beginning of the quarter also highlighted the risks of investing in AI companies. While it is hard to say there is a credit bubble, it is no secret that AI is the area that has most likely been the beneficiary of "fund flows gone wild". The fact that these risks are so well known keeps us optimistic that there is no current bubble, but the fact also remains that each quarter that passes gets us closer to "peak earnings". The semiconductor industry, the primary beneficiary of AI spending today, has always proven itself to be a cyclical business. This is a truth no matter where we are in the current cycle – the passage of time will likely not soothe investors' fears. Investors tend to get jumpy in the absence of news – fake or imagined narratives are common during the "Earnings Lull" – and they are powerful because they can't be proven or disproven. We suspect that some people make a lot of money peddling these stories.

Put another way - we expect that each quarter for Nvidia and the data center AI stocks will continue to be a nail-biter. At the same time, artificial intelligence is still one of the strongest growth themes in the market. We will continue to manage these high-fliers with our risk discipline, taking some gains along the way, but also recognizing that if this new age of computing is real these investments will have legs beyond any singular cycle.

I recently heard an anecdote from one of our research providers (shoutout to Chris Verrone of Strategas) who discussed going through the journal of a very famous investor. He remarked how amazing it was that the manager never seemed to discuss the current portfolio or positioning – almost all their energy was spent trying to forecast how things could change from the status quo. Perhaps this could surprise some folks, but it is a fantastic framework for managing money.

Of course, we like the stocks we own – that is what drew us to them in the first place. But ironically, a lot of our time is also spent on discussing what could go wrong with these names, and what could go right with the names and themes we don't own. We often frame these discussions with our three cycles of value creation. As the AI cycle continues, the question on our mind is what opportunities are most likely to be the next leadership cycle. Currently, our thinking is that leadership might not change, but that thinking is tested every day. Below, we give a quick summary of what is on our minds.

Economic Cycle

The decline in interest rates has begun. It appears as if Jerome Powell and Co. at the Fed have successfully landed the plane without causing a recession. Predicting how many times the Fed will cut is impossible, but it is clear that the Fed is now more focused on the employment side of its dual mandate. Lower rates seem inevitable, but their impact on the economy is less so. Now the questions are: can this soft landing continue? Will cyclicality assume leadership? And perhaps most importantly: Can the Fed prevent unemployment from becoming an issue?

We increasingly see signs that housing activity could pick up, ending a tough couple of years for the sector where existing home sales have lagged in the face of decent growth from new construction. Perhaps more than other sectors, the housing cycle feels like it is more in the "early"

stages of a recovery. Demographic tailwinds such as household formation, immigration, underbuilding, and even the trend to "Age in Place" are rather strong tailwinds for homebuilders and the housing cohort. We see employment as the biggest X factor here, and with the Fed starting to cut, we continue to feel optimistic about the economy. So long as people hold onto their jobs, they usually keep spending money.

Fiscal policy has been top of mind in an election year. A lot of the political noise is hard to drown out, but we take comfort in knowing that to date, neither political party has managed to permanently sink the American economic engine.

Credit Cycle

The availability of credit has tightened rapidly over the last 18 months, and it has become more expensive to buy anything that needs to be financed. The housing and auto industries have struggled. The sudden increase in interest rates has created a large cohort of people who are unwilling to part with their low-interest mortgages and another group of people who can't afford a home. Housing has been largely frozen, as well as other fundraising and credit activities. Many private equity firms have struggled to raise new capital while investors wait for old funds to return money. Many venture capital firms are unwilling to sell companies at a loss. Simply put, the Fed has succeeded in bringing down inflation, but a few areas of the economy caught a cold.

Now that the Fed is easing off the brakes, an employment-induced recession appears less likely. Companies considering layoffs in these weak sectors will likely think twice, as they wait for demand to perk up as rates come down. Additionally, a lot of money has been happily parked in money market funds or high-yield savings earning 5% or higher. 5% on cash certainly has a nice ring to it, especially now with lower inflation.

With interest rates coming down, investors may find that cash is a less exciting asset class, unleashing new capital that needs to find a home, and in a hurry. While it is not our base case, a market melt-up, as we saw in 2000 and 2021 has become more likely. Market melt-ups are never a good thing, and often give investors whiplash. Jerome Powell recently said that the Fed will move "over time" to a more neutral monetary policy. Take it from the Fed – rate cuts will be gradual, reducing rates slowly but surely, leading to a more prolonged and sustainable demand recovery in the affected areas.

After a few crazy years, many economic variables in the markets have started to turn in different directions. We believe that the shifts in these variables shouldn't be viewed with a negative lens, but rather as a healthy economic normalization.

Innovation Cycle

Over long periods, the innovation cycle is almost always investable. However, the burden of proof is now on AI companies to justify the enormous amounts of money being thrown at them.

Ultimately, the tech companies investing in "AI factories" need to sell products and services that enable customers to deploy AI across their organizations. As it stands, customers are finding solid use cases for AI, but the technology will have to go mainstream to justify the continued outlays over the long run.

Oftentimes, we overestimate technology in the short run and underestimate it in the long run. That is what makes disruptive innovation so powerful. In the short run, more volatile times could be ahead, as is often the case with innovation plays, as they flesh out their true addressable markets, use cases, and competitive advantages. This uncertainty leads to a bumpy ride, but one that almost always rewards investors with a long-term mindset. Amazon and Netflix are notorious for their volatility, while also being some of the best investments of the 21st century.

Ultimately, the exciting thing about AI is that it is a technology not only for tech companies but one that levels the playing field and enables workers everywhere to be more productive, in organizations big and small. For what it is worth – I am a big fan of the PowerPoint Co-Pilot, which helped me create an organized employee compliance training in just a few minutes. Some folks are also getting excited about the advent of "AI agents", which could assume responsibility for entire workflows without being prompted, as opposed to language models like ChatGPT and co-pilots that need to be initiated by someone who knows what questions to ask.

Ultimately, Artificial Intelligence should be a powerful tailwind for earnings growth over the next decade – for companies both big and small. There are always reasons for concern in any market, but we find more reasons to be optimistic. A resilient economy, an easing Fed, and a promising new technology have historically resulted in positive forward-looking stock market returns.

Portfolio Characteristics

Portfolio Statistics	
Avg. Wtd. Market Cap.	$606.7B
Median Market Cap	$149.2B
Forward P/E Ratio	36x
Median P/E Ratio	44x
Free Cash Flow Yield	2.7%
Median Return on Equity	31.4%
Beta	1.19
Portfolio Yield	.5%
3yr Avg Rev Growth	20.9%
3yr Avg EPS Growth	23.6%

Investment Style

The Broadleaf Growth Equity Portfolio employs a concentrated growth style of investing, holding approximately 25-35 equity positions from a cross section of economic sectors. Morningstar would classify us as a large cap growth manager, but we will invest in select small and midsize companies as unique opportunities avail themselves. Sector exposures are strongly influenced by our views on three determinants of investment value, which we define as the economic cycle, the innovation cycle, and the credit cycle. Individual securities are ultimately selected on the basis of their long-term growth potential, profitability, and intrinsic value as measured by their free cash flow generating characteristics. Innovative new ideas and themes are of particular interest.

Investment Objective

The portfolio's goal is to provide equity like returns and to outperform the S&P 500 over a three to five-year time horizon or full market cycle, utilizing a growth oriented investment style. The portfolio is suitable for investors seeking an exposure to a concentrated investment style which may be more volatile than the market as a whole. Investors should consider it as a portion of their investment portfolio within the context of their overall asset allocation and related investment goals.

Performance Disclosures

Results reflect the actual performance of Broadleaf's Growth Equity Composite. Performance data is shown net of advisory fees and trading costs. Broadleaf may charge different advisory fees to clients based on several factors, but primarily based on the size of a client's account. Broadleaf's basic fee schedule is available on its Form ADV, Part II. Results reflect the reinvestment of dividends and distributions, if any. Leverage has not been utilized. The U.S. Dollar is the currency used to express performance.

Broadleaf's growth Equity Composite includes all fully discretionary accounts utilizing our growth equity style of investing with a minimum initial account size of $250,000. (From firm inception to 6/30/2009 our minimum account size for composite inclusion was $250,000 and from 6/30/2009 to 6/30/2013, the minimum had been $100,000. Historical results have not been updated retroactively to reflect changes in account minimums, but are reflected on a going forward basis.) To be included in the composite, an account must have been under management for at least one full quarter. If a significant cash flow in an underlying composite account during the quarter causes it to deviate from our intended growth style, we will remove the account for the period in which the significant cash event occurred. A significant cash flow is currently defined as 10% or more.

Total firm assets at quarter end were $504 million. Prior to January 5th, 2006 the firm did not have any investment advisory clients. As a result, composite data prior to March 31st, 2006 only reflects the performance of Doug MacKay's personal retirement account.

The S&P 500 Index has been used for comparative benchmark purposes because the goal of the stated strategy is to provide equity-like returns and to outperform the S&P 500 over a three to five-year time horizon or full market cycle. The S&P 500 is a broad based index reflecting the performance of the equity market in general. The S&P 500 Index is based on total returns which includes dividends. We monitor the performance of our growth style of investing by comparing our results to those of other large cap growth peers. While we believe these are appropriate benchmarks to use for comparison purposes, it should be expected that the volatility of the Broadleaf Growth Equity Portfolio may be higher due to its concentrated nature.

Performance information since inception reflects actual performance of the composite over a period of greater than fifteen years. You are cautioned that information concerning comparative performance over this period of time may bear no relationship whatsoever to performance over other time periods. This information should not be regarded as in anyway representing the likely future performance of the portfolio in absolute terms or in comparison to the indices. Investment in securities, including mutual funds, involves risk of loss. Past performance is no guarantee of future returns.

Yield should not be used as an indication of the income that has or will be received. We do not consider yield as performance but instead as an attribute relating to the income production profile of the portfolio and its underlying assets.

Broadleaf Partners, LLC is a registered investment advisor with the Securities and Exchange Commission. The firm maintains a complete list and description of composites, which is available upon request.

Performance information contained in this document including any reference to the purchase or sale of a security, or a strategy, is not intended to constitute personalized investment advice. Personalized investment advice is always dependent on individual factors, involves risk and is not a guarantee that any investment will produce favorable results.

For Additional Information Contact:

Doug MacKay, CFA
CEO & Chief Investment Officer
(O) 330.650.0921
dmackay@broadleafpartners.com

Bill Hoover
President & COO
(O) 330.650.0921
bhoover@broadleafpartners.com