Growth Equity Portfolio
Fourth Quarter Review
December 31, 2024

			[-------------------------Annualized-------------------------]				
	Q4 2024	1 Year	3 Years	5 Years	10 Years	15 Years	Since Inception
Broadleaf	4.1%	31.0%	8.9%	17.7%	17.1%	16.3%	13.2%
S&P 500	2.4%	25.0%	8.9%	14.5%	13.1%	13.9%	10.6%

Performance Commentary

2024 was about as good as it gets in the equity markets – with the BGEP up 31% and the broader market as a whole posting double digit gains. Underneath the surface, we believe that there are three main drivers of the year's solid returns. We discuss them below in our market review and outlook.

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

1. A Bullish Backdrop

Innovation and the prospect of productivity-enhancing AI technologies have driven valuations close to record highs. The past few inflation reports had a "2-handle", and the employment picture remains strong, albeit with some potential cracks appearing underneath the surface. This year's earnings growth has been positive but not spectacular, with the fastest growth focused in a narrower set of companies and industries. Another strong economic year surprised many market participants, still expecting the recession that never came. Today, almost all market strategists are bullish, racing to see who can raise their 2025 price targets fastest.

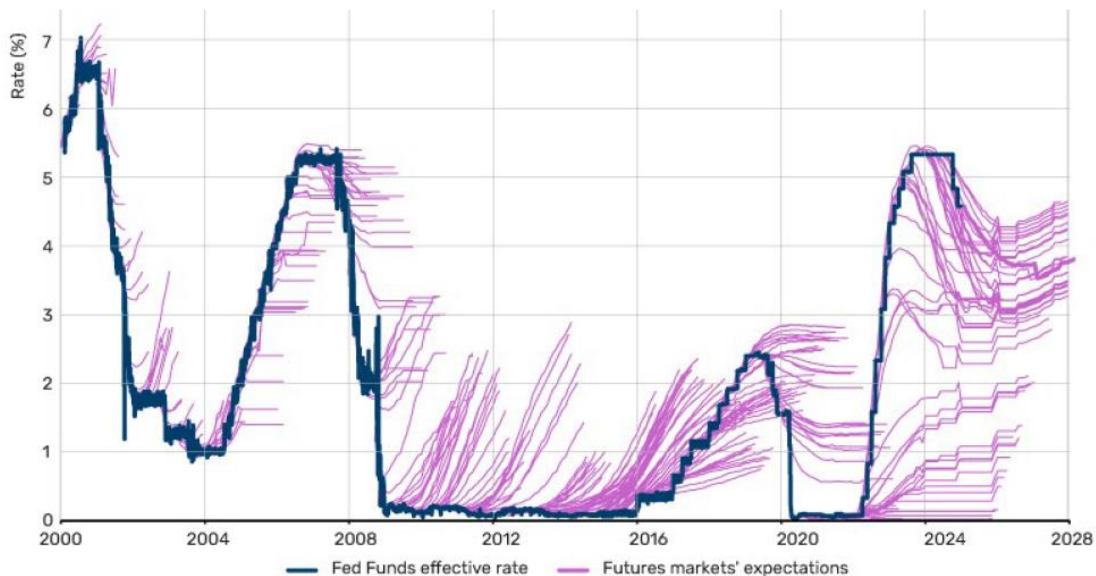
Sentiment is currently very high, and for the first time in a few years, markets will no longer have to climb a wall of worry, but rather deliver the positive results that the market now demands. We believe that strong earnings growth driven by lower inflation, a steady labor market, and solid productivity gains can help 2025 live up to high expectations.

Our general belief is that higher valuations are often warranted, and are typically signals that the future looks quite bright. While years like 2022 can follow the exuberance of 2021, it seems like investors are more often correct when they are bullish about the future. We are still on the lookout for a market melt-up, which happens when prices get disconnected from their fundamental earnings support. Predicting a market bubble in real time is pretty hard, but rather easy with the benefit of hindsight. We are currently erring on the side of bullishness, which typically rewards long-term investors.

2. The Fed Reverses Course

After a historically steep interest rate hiking cycle, the Fed finally began to lower interest rates this year. We wondered aloud in our last update whether the Fed would be able to stimulate beleaguered areas of the economy such as housing and autos. So far, it seems like the more the Fed cuts rates, the actual borrowing rates such as mortgage rates have seemed to rise.

While we could debate about why longer-term rates are moving up as the Fed reduces the short-term rates, the rate curve continues to steepen, as short-term rates fall and longer-term rates rise. The Fed's ability to bring down every day interest rates has been brought into question, with many blaming higher long-term inflation expectations, high levels of government spending, or even the tariff policy of the incoming administration. Nevertheless, it does seem like expectations for future rate changes still favor cuts this year, albeit at a slower pace than in 2024.



Source: Bloomberg, Man Group as of December 1, 2024

9 Aurora Street, Suite 5
Hudson, Ohio 44236
Phone: 330-650-0921
www.broadleafpartners.com

Note: The chart above shows the federal funds rate in blue, with the purple lines indicating the market's predictions for the future federal funds rates. Predicting future fed funds rates is hard, to say the least.

While we are tempted to say that we are in a "higher for longer" environment when it comes to rates (as the chart on the previous page might suggest), we are also reminded how hard it is to project future interest rates. We aren't going to be dying on the "higher for longer" hill any time soon and will be rather malleable with our views here as it relates to the Fed and interest rate policy, especially with the potential for AI to be a rather deflationary force.

3. A New Political Regime

Whatever your political leanings, the markets obviously liked the idea of an uncontested election with an obvious winner. We were quite relieved too, as this election was set up to be one of the most contentious in recent memory. We are glad this one is over, and think that a focus on less controversial issues is a reason to be optimistic for the future.

The market has begun to parse out the winners and losers of proposed tariff policy, de-globalization, governmental efficiency (DOGE), and deregulation. While it has been a nice honeymoon period since the election, we would caution that such a radical shift in governance rarely comes easy, which we are already starting to see.

The effect of tariffs is relatively unknown. While many experts argue that tariffs will stoke the fires of inflation, we also wonder if tariffs are more bark than bite. China has strong economic ties with many nations, and they have already started to skirt around existing tariffs. Many Chinese goods that make their way into the USA are already being sent first through Mexico, with Chinese firms investing billions of dollars into Mexican "production" facilities. We are certain that they might do the same in other countries if tariffs are levied on Mexico too. Anecdotally, it does feel like fewer goods say "Made in China" nowadays, but sometimes omitted truths are a lie all the same. While the goal of rebuilding the middle class in America is a noble one, shifts will likely be more gradual as opposed to an immediate unwind of 30+ years of globalism.

Any capitalist must admit that the government does play a role in the economy. The debate starts when discussing how big this role should be. Oftentimes, the government's main job is to serve as the backstop or fallback plan. While in an ideal world, we would get back to the era of balanced budgets, the primary concern of government is almost never efficiency. A small town probably wants to have enough snowplows to keep its streets cleared, even if these trucks remain idle most of the year.

The current government deficit is not necessarily the fault of one party, but rather the misaligned incentives of the political class seeking re-election. We are skeptical that material government budget cuts will suddenly be palatable for the party coming to power, and it remains to be seen whether significant progress can be made via the executive branch and DOGE. Finally, it is often hard to put the government genie back in the bottle, evidenced by the lasting impacts of FDR's New Deal (Social

Security) and President Johnson's Great Society (Medicare/Medicaid) social programs. Cuts to these programs are likely off the table, which doesn't leave a lot of meat on the plate for significant changes.

Of the new initiatives, we are the most bullish about deregulation. We believe that there is a lot of low-hanging fruit here, and some rules exist solely because there are bureaucrats to enforce and to write them. One of the nice things about working at a small company is that there are not many meetings. In the same vein, Doug often likes to say, "We want to manage money, not people". We believe that a simplified and more focused bureaucracy can help reduce the burden on business while focusing on providing the critical services that our economy relies on. Like the tax code, many regulations could benefit our citizens if they were written in plain English – not legalese.

In summary, we think that there are lots of reasons to be bullish in 2025. We will talk more in-depth about them in our soon to come annual playbook. We thank you for your continued support of Broadleaf and wish you a healthy and prosperous New Year.

About the Author

Pete is an Associate Portfolio Manager at Broadleaf, with a strong background in the financial services industry. He joined the firm in 2021, and has a proven track record of analyzing portfolio companies and identifying growth opportunities. Pete is a CPA and received his Chartered Financial Analyst (CFA®) designation in 2024. Pete lives in Hudson, Ohio with his wife Nicole.

Portfolio Characteristics

Portfolio Statistics	
Avg. Wtd. Market Cap.	$1.27T
Median Market Cap	$139.8B
Forward P/E Ratio	31x
Median P/E Ratio	46x
Free Cash Flow Yield	2.4%
Median Return on Equity	33.8%
Beta	1.20
Portfolio Yield	.5%
3yr Avg Rev Growth	20.9%
3yr Avg EPS Growth	26.6%

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 $509 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