Second Quarter 2012 Review

Broadleaf Partners, LLC

Growth Equity Portfolio
Second Quarter Review
June 30, 2012

Performance Commentary

	Q2 2012	YTD	Trailing 12 Months	3 Years (Annualized)	5 Years (Annualized)	Since Inception (Annualized)
Broadleaf	**-5.7%**	**10.0%**	**3.0%**	**16.0%**	**3.7%**	**5.6%**
S&P 500	-2.8%	9.5%	5.5%	16.4%	0.2%	3.8%

The stock market took a breather in the second quarter, falling 2.8%. If it hadn't been for a stronger June, the results could have been worse.

The Broadleaf Growth Equity Portfolio (BGEP) declined more than the S&P 500 as our positions in the consumer discretionary and technology sectors were pressured more than the market as a whole.

Since inception nearly seven years ago, the BGEP has gained 5.6% per year net of fees, approximately 1.8% per year more than the S&P 500 over the same time period.

(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

The stock market shifted gears in the second quarter and began to view the economy as half empty rather than half full. Having been on a six month sabbatical, issues in Europe reemerged as grave concerns among investors and the media, even though the risks in that area of the world never really went away.

After several months of solid payroll gains and declines in new unemployment claims, the data came in softer than expected during the quarter; not worse, just not as good as the gains had been beforehand. More than anything else, we believe the change in the tenor of employment releases gave investors reason to pause and question whether the United States could really outperform in the face of continued issues in Europe, a slowdown in China, and our country's own fiscal cliff on the horizon.

While the worldwide and domestic economies have been troubled for much of the last few years, corporate America has been a definite bright spot. Following a disappointing payroll release a few weeks ago, we endeavored to make ourselves feel better by looking at some recent earnings facts. This is what we found.

Companies Owned

Sector Earnings Summary	Rev Y/Y	Surprise	EPS Y/Y	Surprise
Consumer Discretionary	23%	-9%	21%	25%
Consumer Staples	9%	0%	-10%	11%
Energy	22%	1%	38%	0%
Financials	16%	2%	49%	12%
Health Care	21%	6%	6%	9%
Industrials	19%	0%	17%	4%
Information Technology	47%	4%	164%	140%
Materials	18%	12%	26%	10%
Utilities & Telecom	0%	0	0%	0%
Averages	**19%**	**2%**	**34%**	**24%**

Companies Covered

Sector Earnings Summary	Rev Y/Y	Surprise	EPS Y/Y	Surprise
Consumer Discretionary	21%	-3%	16%	24%
Consumer Staples	13%	-1%	9%	7%
Energy	10%	-4%	5%	0%
Financials	8%	-6%	25%	0%
Health Care	16%	3%	3%	5%
Industrials	15%	-6%	5%	-3%
Information Technology	34%	-6%	72%	54%
Materials	2%	5%	10%	6%
Utilities & Telecom	-1%	3%	-17%	12%
Averages	**13%**	**-2%**	**14%**	**12%**

The first box above shows the average revenue and earnings growth for all of the holdings in the BGEP, categorized by sector, as reported during the second quarter. The numbers looked very strong, pretty much across the board, with the average holding reporting earnings gains of 34% year over year on revenue gains of 19%. The second box shows the same figures for all companies that Mike and I actively cover, including those that we own. From this vantage point, covered companies grew earnings 14% year over year in the second quarter on 13% earnings gains. It is also noteworthy that the names we own outperformed our entire coverage universe by a sizeable amount.

The surprise factors are simply how much revenues or earnings for the quarter exceeded analyst estimates. We generally don't give much credence to these figures since analysts are often spoon fed the numbers by most companies, rendering them somewhat worthless, except in extreme situations. Surprises can also have dramatically different effects on a company's share price depending on the amount of analyst coverage it gets and the cyclical characteristics of the industry it is in. In general, a substantial revenue beat is more important for growth stocks than a similarly sized earnings beat, but forward guidance commentary is also key.

In any event, the data, as of three weeks ago, strongly suggested that the problems we have with the stock market weren't fundamental to the health or earnings of the corporate sector, but macroeconomic issues affecting the entire globe. It probably doesn't take a rocket scientist to point out that this has been the case for the markets over the past few years, but it can sometimes help to stop on occasion and examine the facts. It also explains, along with the rising popularity of exchange traded funds, why the markets have been so risk on/risk off lately.

Even though United States GDP growth may be slow for as far as the eyes can see, the data also shows that there are always companies that can substantially outperform those averages, often as a function of innovation. One hopes that over time, the stocks of these companies reflect their fundamental superiority, but at least in the shorter term, macro will remain an important force.

As we enter the summer months, it is now evident that we will experience a summer slowdown for the third year in a row. Unlike each of the last two years, the domestic housing market finally seems to be improving and policy is in easing mode around the globe. While these are definite positives worth considering, we are mindful that the markets can have a mind of their own.

The largest risk to our portfolio is our underweight position in energy. While this has been a good call in recent months and we believe is the correct longer term play based on a structural shift in the availability of cheap natural gas resources, it could backfire on us in the short term, especially if the Fed or ECB embark on a new QE1 style of economic stimulus.

As our readers may recall, QE1 sparked inflation across the commodity complex, hurting consumer's disposable income. Lower commodity prices in the past year have done the opposite, helping consumer disposable income levels, the performance of discretionary shares, and the market in general.

In our view credit related recessions always have longer workout periods than the garden variety type, and this most recent one is no exception. Monetary policy boards must be mindful of the dangers of deflationary forces, but at the same time, not take so much action that the workout period is simply prolonged. At the end of the day, proper healing just takes time. Investors and politicians should accept slower growth realities and invest accordingly.

Portfolio Characteristics

Top Five Portfolio Holdings

Apple
Whole Foods Market
American Tower Corp
Mastercard Inc
Google

Sector Concentrations

	Broadleaf	S&P 500
Cons. Disc.	23.4%	11.0%
Technology	18.6	19.7
Financials	14.1	14.4
Healthcare	11.3	12.0
Industrials	9.0	10.5
Cons. Staples	7.1	11.3
Materials	6.7	3.4
Energy	2.7	10.8
Utilities/Tel	0.0	6.9
Cash	7.1	

Portfolio Statistics

Avg. Market Cap.	$59.0B
Median Market Cap	$22.0B
Forward P/E Ratio	21.3x
Free Cash Flow Yield	4.4%
Consensus Growth Rate	19.2%
Return on Equity	25.1%
Beta	1.1
Portfolio Yield	0.7%

Organizational Review

Broadleaf's assets under management were $105 million at quarter end and Lipper Marketplace once again recognized our firm for its outstanding performance results for the three years ending 3/31/2012. During the quarter, we also won our largest new client since our inception, which should fund early in the third quarter.

Investment Style

The Broadleaf Growth Equity Portfolio employs a concentrated growth style of investing, holding approximately thirty 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. Currently, the portfolio has an average market capitalization of $59 billion.

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 outperform the S&P 500 index over a three to five-year time horizon or full market cycle. 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 $100,000. (Prior to 6/30/2009, the minimum account size necessary for composite inclusion had been $250,000. Historical results have not been updated retroactively to reflect this change, but will reflect the change from 6/30/09 forward.) 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 $107.1 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. The S&P 500 is a broad based index reflecting the performance of the equity market in general. The index is based on total returns which includes dividends. While we believe this is an appropriate benchmark 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 five 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.

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.

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