Broadleaf Partners, LLC

Growth Equity Portfolio
Second Quarter Review
July 2, 2013

Performance Commentary

	Q2 2013	Trailing 12 Months	3 Years (Annualized)	5 Years (Annualized)	Since Inception (Annualized)
Broadleaf	**0.4%**	**13.0%**	**15.2%**	**5.4%**	**6.5%**
S&P 500	2.9%	20.6%	18.5%	7.0%	5.8%

The Broadleaf Growth Equity Portfolio (BGEP) generated a slight gain during the quarter but lagged the indices' more impressive results for the second quarter in a row. In general, our portfolio is geared to outperform in a more cyclically driven market environment than the defensive one largely experienced this year. The portfolio began to gain some relative ground in the second quarter, but talk of Fed tapering at the end of May was a wet blanket, smothering enthusiasm for nearly all asset classes in the financial markets.

While our three and five year performance results are right in line with our large cap growth peers, there is no doubting the fact that the past six months have been unremarkable. Investment managers, like baseball players, go through occasional slumps. As long as you haven't given up on our investment process or your ball player's inherent athletic ability, slumps can prove to be among the most rewarding of buying opportunities.

Of course, we'd never advocate buying something simply on the basis of recent performance. In the following Market Review and Outlook, we will provide a deeper look at some of the details supporting our investment positioning and why we believe the market will ultimately move towards our line of thinking.

(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

At the beginning of the year, we stated our base case for the economy, in which we thought we would finally move beyond the long, drawn out recovery experienced over the past few years and into expansion territory. Technically, this means we've believed that corporate margins and profits would move beyond their prior 2007 highs and that the overall stock market would follow suit. On this front, just six months into the year, our forecast has proven reasonably accurate, with all three measures exceeding their prior level highs.

Unfortunately, not everyone is convinced that the economy has improved, as employment gains have remained subpar as far as recoveries are concerned and corporate America has remained reluctant to spend, returning cash to shareholders through stock buybacks and dividends in lieu of new growth initiatives. Many investors who have missed the recovery rally of the last few years believe the gains are nothing but smoke and mirrors, a reality they believe will be exposed for what it is once the Fed steps out of the way.

Their chance at redemption got its first opportunity at the end of May when the Fed hinted that it would begin tapering its bond buying activity if the economy continued to improve, perhaps as early as the third quarter. Bond vigilantes immediately seized control of the bond market, sending interest rates substantially higher and almost overnight, causing the media to question the durability of the recovery and, in particular, the housing industry.

While there is no doubt in our mind that interest rates will naturally rise absent Fed policy intervention, we also strongly believe that the Fed will only allow that to occur if they firmly believe the economy is on sound footing and no longer in need of training wheels. In particular, we doubt the Fed would want rapidly rising mortgage rates to immediately threaten improvements it has specifically targeted in the housing market as a means to stoke a broader based recovery in employment, a key element of their dual mandate.

From current stock market levels, it will be difficult to make additional progress on the basis of multiple expansion stoked by further declines in interest rates. At this stage of the game, a shifting of the gears must occur, with earnings taking control, preferably as a function of revenue improvements rather than cost cutting alone. After several long years, the Fed believes the economy is closer to running on its own momentum, without the assistance of training wheels. So do we. What are a few of these reasons?

1. Consumer confidence is in a rising trend, increasing much more than expected in recent survey results. During the summer market swoons of the last three years, consumer sentiment declined, a situation which is not occurring today.
2. June readings for several regional manufacturing indices all increased, exceeding analysts' expectations by a wide margin. Improvements in the regional reports were matched by the national ISM reading which showed particular strength in the new orders component.
3. U.S. new home sales rose a faster than expected 2.1% month over month in May, up 55% from August 2011 and house prices in all 20 cities included in the Case-Shiller index increased for five months in a row. While higher mortgage rates ***may*** soften the near term demand trajectory to the extent that the Fed permits it, housing is finally improving, a factor which has almost always accompanied economic expansions.
4. Inflation is low and slowing, which is a tremendous positive for consumers and businesses as long as it isn't deflationary in nature. After a strong twenty year run by commodity dependent emerging market economies, slower growth by these nations is now occurring as their economies shift gears. Lower gasoline and food prices are a positive for consumers and the stock market's favorite type of environment is one in which overall growth is stable and inflation is subdued. We are enjoying such an environment today.

5. After a twenty year slump, Japan seems to be emerging from an economic depression as Bernanke's deflation fighting monetary policies are experimented with by the Bank of Japan. The Eurozone recession has also moderated, with Europe's manufacturing PMI increasing and in a rising trend for nearly a year.
6. Stocks, representing business ownership, have outperformed gold by a substantial margin this year, suggesting that the real economy is making progress and that the fears over "end of Rome" scenarios are finally subsiding.
7. For the first time since 2011, the United States knocked China out of first place in an annual survey of executives rating favorable places for foreign direct investment. (Nancy Lazar, Cornerstone Macro) Rising wages, an aging population, and growing corruption make China appear far less like the world's Golden Boy for the first time in decades. The stage is set for a domestic manufacturing and energy renaissance, which while not apparent on a national level, can already be seen in several of the United States, particularly those with newly found energy deposits.
8. While weakness in China and other emerging markets may be a concern to some, we believe it is a general overall positive for the dollar and for United States consumers, who no longer have to compete as aggressively on a price basis with China's insatiable appetite for commodities used in its industrial development.

If our forecast is accurate, interest rates should naturally move higher over time and the fund flows that have accrued to bonds and dividend paying stocks over the last few years should naturally subside in the face of better risk reward profiles found in other areas of the stock market. We believe our portfolio is uniquely positioned to capitalize on this shift and eagerly await its arrival, which we believe will become more apparent in the coming quarters.

Portfolio Characteristics

Top Five Portfolio Holdings

Visa
Amazon.com
American Tower Corp
Google
Polaris Industries

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Sector Concentrations

	Broadleaf	S&P 500
Cons. Disc.	26.6%	12.2%
Technology	25.4	17.8
Industrials	19.2	10.2
Financials	8.1	16.7
Healthcare	6.2	12.7
Cons. Staples	4.3	10.5
Energy	3.1	10.5
Utilities/Tel	2.8	6.1
Materials	1.9	3.3
Cash	2.4	

Portfolio Statistics

Avg. Market Cap.	$42.1B
Median Market Cap	$19.1B
Forward P/E Ratio	18.7x
Free Cash Flow Yield	3.4%
Consensus Growth Rate	21.5%
Return on Equity	16.7%
Beta	1.1
Portfolio Yield	0.7%

Organizational Review

Broadleaf's assets under management (AUM) were essentially flat quarter to quarter at $144.3mm as of quarter end.

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 $26.4 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 $144.3 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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