Broadleaf Partners, LLC

Growth Equity Portfolio
Third Quarter Review
September 30, 2014

Performance Commentary

	Q3 2014	Year to Date	3 Years (Annualized)	5 Years (Annualized)	Since Inception (Annualized)
Broadleaf	**7.3%**	**8.9%**	**21.4%**	**15.5%**	**9.0%**
S&P 500	1.1%	8.3%	23.0%	15.7%	7.7%

Our portfolio enjoyed very strong third quarter results in both absolute and relative terms, bringing year to date returns slightly ahead of the S&P 500. While no one should focus on short term investment results, it's amazing what a difference a quarter can make. The performance was relatively broad based across the portfolio, with notable strength in health care, consumer discretionary, and industrial related positions.

Our goal is to outperform our primary benchmark over a full market cycle, which has typically meant five or more years. We have achieved this objective on a long term, net of fees basis, but it has proven a more difficult feat in recent periods given the prolonged, stop and start nature of the recovery and an obsessive investor focus on Fed policy in the absence of more convincing economic fundamentals.

While Fed policy has held unusual sway over the markets in recent years, over the long run earnings matter most to the direction and level of the stock market and on that front, the future looks bright. For our thoughts on the portfolio and where we believe we head from here, please read our Market Review & 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

Action in the stock market has been consistent with an economy on the mend. The bond market has backed up a tad, perhaps acknowledging that the Fed might begin rate hikes by mid-2015. Rate sensitive stocks – defensives and bond proxy areas like utilities and REITs – have come under pressure. But one key difference has been the performance of energy stocks. Typically, commodity prices and energy stocks do better as demand in the economy and the cycle matures, not worse as has been the recent case. In spite of all the geopolitical concerns which would normally push prices upward, we've seen gas prices as low as $3.25 per gallon at some of our local pumps.

This is a changed world, but one which is playing out exactly as we've previewed. (See our 2014 Investment Playbook) The stock market loves environments where growth is stable and inflation is but a distant, faraway threat. In essence, stocks tend to love the type of economy we're likely to experience over the next few years.

Our domestic economy is gaining steam, with some clear signs of a maturing cycle - corporate capex and M&A activity are on the increase, joining stock buybacks and dividends as effective capital allocation tools in corporate boardrooms. International economies remain weak and in spite of geopolitical concerns, energy prices remain unusually punk. The emerging market economies that benefitted from a decade long period of industrial expansion and an insatiable appetite for all types of commodities that made it possible are now entering a potentially longer, digestive phase as that excess capacity is translated into slower growth, particularly in China.

In spite of the prevailing political debate, the United States is sitting in the driver's seat, positioned to benefit from the countervailing global weakness. Improving employment, new supplies of domestic energy, a leadership position in the most innovative fields, and the world's strongest military in an increasingly hostile planet are contributing to the US dollar's rise and a healthier consumer.

As we've mentioned repeatedly in the past, Fed rate hikes have usually been undertaken to thwart budding inflationary pressures associated with a potentially overheating economy. Today, the outlook and justification for Fed rate increases is different; it's more about normalizing easy policy in recognition of sustainable improvement in the economy than thwarting what may quickly become an inflation problem stoked by excessive growth. In most of the prior rate hike cycles, commodities like oil were increasing in price, but today, thanks to global slack, domestic supplies, and a strong dollar, the opposite is proving true.

Valuations don't look stretched and are generally in line with the long term averages. While some areas of the market feel a tad bubblicious, price corrections should be welcomed as opportunities to establish positions in what could become our future's brightest stars. As Facebook and Twitter have shown in the past year or two, sometimes it pays to be patient. Sentiment rarely stays so elevated, especially for the newly IPO'ed.

For the most part, the money that has flown into equities over the past few years has largely found its way into passive investments like the S&P 500 and other index based exchange traded funds. As the beneficiary of the most significant portion of new dollars entering the equity markets in the past three years, it may come as no surprise that the index itself has become somewhat of a market darling.

As the Fed fades into the background, the risk on, risk off mentality that has pervaded the markets and expressed itself far too easily through these trading vehicles will need to recalibrate to a new environment. No longer will both the deserving and undeserving benefit from the Fed's indirect largesse, but only those with a unique, sustainable and superior story to tell. A market with capitalist rather than socialist tendencies should begin its comeback.

What could go wrong with our thesis? Two things, in our eyes. First, geopolitical concerns are both real and increasing in intensity. Recent demonstrations in Hong Kong remind us of those in Ukraine nearly a year ago, demonstrations which were merely the beginning of something that would become much bigger thanks to Russian opposition. Along with ISIL based terrorism in the Middle East, these events and fights over basic forms of governing remind us of the Guns of August just prior to the beginning of World War I one hundred years ago. And second, while a modest amount of global economic weakness is actually a good thing for the US economy (lower commodity prices and a stronger dollar), more severe weakness can become a problem, even for the relatively strong.

As always, balance is key.

Portfolio Characteristics

Top Five Portfolio Holdings

Apple
Facebook
Gilead Sciences
Nike
Schlumberger LTD

Sector Concentrations

	Broadleaf	S&P 500
Technology	30.6%	19.5%
Cons. Disc.	23.9	11.8
Healthcare	18.0	12.4
Industrials	12.9	10.3
Financials	5.4	16.2
Energy	4.0	9.8
Cons. Staples	3.0	8.9
Utilities/Tel	0.0	5.4
Materials	0.0	3.5
Cash	2.2	

Portfolio Statistics

Avg. Market Cap.	$87.1B
Median Market Cap	$34.4B
Forward P/E Ratio	21.2x
Free Cash Flow Yield	2.7%
Consensus Growth Rate	22.9%
Return on Equity	19.2%
Beta	1.0
Portfolio Yield	0.7%

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 $87.1 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.

<u>Investment Objective</u>

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.

<u>Performance Disclosures</u>

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 was $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 $163.3 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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