Broadleaf Partners, LLC

Growth Equity Portfolio
Fourth Quarter Review
January 2, 2013

Performance Commentary

	Q4 2012	2012	3 Years (Annualized)	5 Years (Annualized)	Since Inception (Annualized)
Broadleaf	**-0.1%**	**15.4%**	**10.3%**	**2.5%**	**5.9%**
S&P 500	-0.4%	16.0%	10.9%	1.7%	4.3%
Russell 1000 Growth	-1.3%	15.3%	11.4%	3.1%	5.4%
Morningstar Peer Group LCG (%tile)	35th	47th	30th	25th	

The stock market treaded water during the fourth quarter, awaiting final resolution of the Fiscal Cliff. On that front, there was some positive midnight news on the final day of the year as Congress struck a deal on revenues (taxes), but predictably punted the question over spending to another day. That day will likely prove to be in roughly two months, when the debt ceiling is reached yet once again.

In spite of nagging macroeconomic concerns emanating from Washington, the European Union and China, the stock market once again did what it does best by confounding experts with a stunning 16% full year gain. The Broadleaf Growth Portfolio's (BGEP) performance trailed the overall market's return slightly for the full year period.

On a three and five year basis, the portfolio continues to perform favorably relative to its peer group, all Large Cap Growth portfolios tracked by Morningstar. Since inception, the portfolio has gained 5.9% annually, net of fees, compared to 4.3% for 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 outperformed all other major asset classes in 2012 and for the first time since 1979, failed to turn negative at any point during the year. Since Standard & Poor's took the bearish step and downgraded our nation's AAA debt rating in August of 2011, the stock market has been on a counterintuitive tear, increasing nearly thirty percent.

But it hasn't just been the stock market that has shown resilience in the face of a negative national psyche; corporate profits and profit margins have fully recovered and now exceed the Pre-Great Recession highs and management teams are showing new resolve in returning excess cash to shareholders rather than risking it on poor acquisitions.

In spite of the bullish vote of confidence from the stock market, the media and investors in general remain extraordinarily skeptical. A generation of Americans, many of them formerly bright-eyed business optimists, is uncharacteristically down and depressed, convinced that the United States has lost her way and is now on the slow, Roman road to ruin. The polarization of views is so extreme that it has given birth to a powerful, social-media propaganda machine that Cold War Soviets would have admired.

While I don't want to pay higher taxes, I also agree with Warren Buffet that the issue may matter less to investors than generally perceived. Art Laffer used a curve, not a line, in his theory describing the relationship between marginal tax rates and government tax receipts. In other words, just as higher tax rates don't always yield greater tax revenue; falling tax rates don't always reduce them. As a percentage of GDP, government spending is far above historical norms, but tax receipts are similarly below historical norms. Congressional compromise, rather than all or nothing, is warranted.

For the past two years, many investors have exercised their bearish views on the markets and in so doing, have succeeded in making their dim views of the future a personal reality. They've missed out on the stock market's strong gains. Rather than the government redistributing the wealth, they've done the damage to themselves, by ceding investment opportunity to those who have not lost faith.

Let's presume for a moment that the stock market's performance over any given year provides a decent report of actual economic trends, or at least better than any single investor or media outlet. What would the stock market say we experienced in 2011 and 2012 and what may it be forecasting for the year ahead?

For 2011, the stock market was essentially flat but spent most of the year significantly in doghouse territory. Defensive sectors like utilities, health care and consumer staples outperformed and cash provided a cushion. Cyclical sectors, particularly financials and technology, took a beating. Typically these patterns of performance are experienced during economic contractions and recessions, which is what we believe the stock market told us happened in 2011.

In 2012, the stock market excelled, with early cyclicals including the financial and consumer discretionary sectors leading the way. The market's defensive areas which led in 2011, lagged in 2012. Cash was a drag on returns. Even homebuilding stocks finally showed some life, a telltale sign of an economy in recovery mode. For 2012, the stock market's story was one of a recovering economy.

Using history as a guide, the next step for the economic cycle would be an outright expansion. In other words, overall economic activity should not only recover previously lost ground, but expand to new, higher levels. If this scenario plays out in 2013, we would expect to see the performance of late stage cyclicals like material, energy and industrial stocks join their early cyclical brethren in the performance derby. While the performance of the stock market may not be as strong as it was in 2012, it will nevertheless less be decent and more broad based.

Of course, no two historical periods are ever the same, even if they rhyme. While we do believe 2013 will be a period of economic and stock market expansion, we are not convinced that the rate of growth will be such that it drives inflation and thus the commodity complex to new heights.

China and other emerging markets appear to be recovering, but they will also likely experience their own versions of the New Normal. Growth will be good, but not as stoked as it has been in the past. Global austerity measures and cheap new sources of domestic energy will likely keep a lid on inflationary pressures, which might otherwise lead to rampant new speculation in the later stage commodity complex.

Is this a bad thing? Historically, the best environment for the stock market has been one in which growth rates are low and stable and inflation is subdued. In this light, the stock market could very well expand to new all-time highs in 2013, joining the trends in private sector profits that we've already experienced.

The biggest risk to our call would be a complete lack of progress in Washington DC as we approach the limits of the debt ceiling, forcing a government shutdown. In addition, while we have tremendous new sources of cheap energy in this country, if we're not politically willing to tap these resources or if takes longer than expected, inflation in overseas markets could rise faster than anticipated, making the duration of the expansion far less than might have otherwise been the case.

Portfolio Characteristics

Top Five Portfolio Holdings

Google
American Tower Corp
Mastercard
Amazon
Whole Foods Market

Sector Concentrations

	Broadleaf	S&P 500
Technology	30.6%	19.0%
Cons. Disc.	22.1	11.5
Industrials	14.6	10.1
Financials	10.8	15.6
Energy	6.2	11.0
Cons. Staples	4.7	10.6
Healthcare	4.2	12.0
Materials	3.7	3.6
Utilities/Tel	0.0	6.6
Cash	3.1	

Portfolio Statistics

Avg. Market Cap.	$63.8B
Median Market Cap	$24.0B
Forward P/E Ratio	16.8x
Free Cash Flow Yield	4.4%
Consensus Growth Rate	14.5%
Return on Equity	18.1%
Beta	1.1
Portfolio Yield	0.7%

Organizational Review

Broadleaf's assets under management (AUM) increased roughly twenty-five percent during the year, reaching $118mm as of year-end. Strong absolute performance results and client growth contributed to the gains in AUM.

During the year, we made significant upgrades to our network infrastructure, including our servers and all personal computers. With six members on our team, we believe we are well positioned to accommodate additional growth while maintaining our primary focus on generating strong absolute and relative returns for clients over a full market cycle.

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 $64 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 and Russell 1000 Growth indices 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 $118.3 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 and Russell 1000 Growth Index have 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, while the Russell 1000 Growth is a broad based index reflecting the performance of a growth investing style bias. Both indices are based on total returns which includes dividends. 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 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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