Broadleaf Partners, LLC

Growth Equity Portfolio
Fourth Quarter Review
December 31, 2013

Performance Commentary

	Q4 2013	2013	3 Years (Annualized)	5 Years (Annualized)	Since Inception (Annualized)
Broadleaf	**9.6%**	**32.6%**	**14.7%**	**20.6%**	**8.8%**
S&P 500	10.5%	32.4%	16.2%	17.9%	7.4%
Russell 1000 Growth	10.4%	33.5%	16.5%	20.4%	8.4%

The year finished on a strong note with the stock market gaining more than 10% during the fourth quarter and bringing full year results to a 32.4% gain, including dividends. While it was tough sledding for the BGEP on a relative basis for most of the year, we managed to just outpace the S&P 500's return with a total year gain of 32.6%, net of fees.

The absolute returns for the portfolio have been strong for the last three years but have lagged the stock market as a whole. As Fed QE policy draws to a close, we believe stock price correlations should fall and individual stories begin to perform based on their own merits rather than the overall tide of easy monetary policy. Hopefully, this shift will usher in a period similar to our five year and since inception based returns, which continue to outpace the market as a whole.

(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 performance of various asset classes over a given year can sometimes provide a clue as to how an economy behaved over that year. For 2013, domestic stocks – large, small, growth and value – all posted gains of more than 30%! The story for the other major asset classes was different, however, with government bonds (10 Yr UST) falling 8% in value, commodities including gold declining in the double digits, and emerging market equities as a group off roughly 3%.

Historically speaking, a pattern of strong stock market gains and budding bond market losses suggests an economy gaining steam, which is exactly what occurred in 2013. Typically as an economy improves, interest rates start to back up as a function of reduced Fed stimulus and an increased demand for loanable funds. Rising interest rates pressure the bond market but price/earnings multiples expand for stocks in anticipation of a cyclical upturn in earnings, which is exactly what occurred in 2013 and what we anticipate for 2014.

What typically happens next for an economy gaining steam? Classically speaking, commodities and money increase in price as the demand for new capital expenditures outpaces the immediately available supply. If we follow history's guidebook, 2014 would experience a period of price inflation as commodities rally, followed by a selloff in stocks as those higher prices translate into corporate margin pressure and curtailed consumer demand. Eventually, this imbalance would result in a recession caused by falling demand and excess supply.

We all know, however, that while history rhymes, it tends to come in varying flavors that make each period partly unique and often unexpected. While commodities did poorly in 2013 and classic cyclical analysis could suggest a buy is in the offing, we're not confident that such a trade would be justified by economic realities. Recognizing that one of the most dangerous phrases in all of investing is "this time it's different," we do think a few differences are at the very least worth discussing.

Three reasons make us skeptical that the economy will follow its classic path in 2014, in which commodity prices boost inflationary pressures. First, while the US economy is growing and Europe is recovering, neither economy is reaching a level where animal spirits have historically kicked in; slack still seems prevalent and cautionary optimism in the board room common. Second, and perhaps most importantly, the marginal price setter of commodities for the last twenty years – China - is slowing down and beginning a transition from an industrial economy to one more focused on the consumer.

Regardless of whether or not China falls into severe economic problems, it is very unlikely that they will grow as fast as they have done in the past. Commodities as an asset class may no longer have the tailwind of an insatiable China, ever eager to build that next bridge, skyscraper or city. An important and overwhelming driver of marginal commodity demand may, quite simply, no longer be there to push up price. Third, and finally, massive new supplies of domestic energy along with unforeseen improvements in productivity brought about making "old things new" will likely keep inflation restrained. While tapering, the Fed has also reiterated its intention to keep interest rates low.

We expect the commodity and reflation trade idea to get some action and press in 2014 but ultimately, for reasons mentioned above, don't think it will gain sustainable traction. While the risk/return outlook for bonds may be neutral, yields should remain low, and investment dollars will likely continue to flow to equities as a source of not only yield, but increasingly total return. Emerging markets, hedge funds, and commodities - the darling asset classes of the past fifteen years - should lose their luster when reality fails to keep up with the hopeful replay of recent history.

While it may sound self-serving, we believe that domestic common stocks will prove to be the best performing asset class of 2014 once again, but with one key difference; stock price correlations should fall, making it more of a stock picker's market.

Portfolio Characteristics

Top Five Portfolio Holdings

Visa, Inc.
Facebook
Google
Amazon
Apple

Sector Concentrations

	Broadleaf	S&P 500
Cons. Disc.	29.1%	12.5%
Technology	23.8	18.6
Industrials	18.3	10.9
Healthcare	13.0	13.0
Cons. Staples	5.7	9.8
Financials	4.8	16.2
Energy	3.3	10.3
Utilities/Tel	0.0	5.2
Materials	0.0	3.5
Cash	2.0	

Portfolio Statistics

Avg. Market Cap.	$71.6B
Median Market Cap	$24.0B
Forward P/E Ratio	21.8x
Free Cash Flow Yield	2.8%
Consensus Growth Rate	19.3%
Return on Equity	20.0%
Beta	1.04
Portfolio Yield	0.7%

Organizational Review

Broadleaf's assets under management (AUM) increased to $170.3mm on the strength of recent performance and a handful of new high net worth client relationships. We currently have six employees, including three who are part time.

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 $71.6 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 $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 $170.3 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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