

I'm sitting at my desk right now, watching the endless stream of earnings shoot across my screen, and I can't stop thinking of the strong parallels to a Wall Street Journal article from this morning on [The Changing of the Guard in the NBA](#).

The article talks about the current NBA playoffs and the emerging signs of new stars eclipsing a generation of aging ones, like our beloved LeBron James of the Cleveland Cavaliers.

While LeBron had a stunning game-winning three pointer at the buzzer last night, there is no doubt among Cleveland fans that something is different this year, and that winning has become a greater struggle.

For sure, it takes a team to win the game, but it has also been clear that with Kyrie Irving's departure at the beginning of the season, we lost a younger player who perhaps contributed more to a winning culture than we realized.

This has been without a doubt a winning earnings season for the market, in spite of the higher levels of volatility of late.

While I have an elaborate and perhaps for many belabored approach to tracking earnings results, there is a method to the reps I take, in search of the holy grail of muscle memory induced, three point shots. I do this not because it is always fun, but because it prepares me at the core to turn learned knowledge into a successful, instinctual shot.

And yes, this also makes me a nerd.

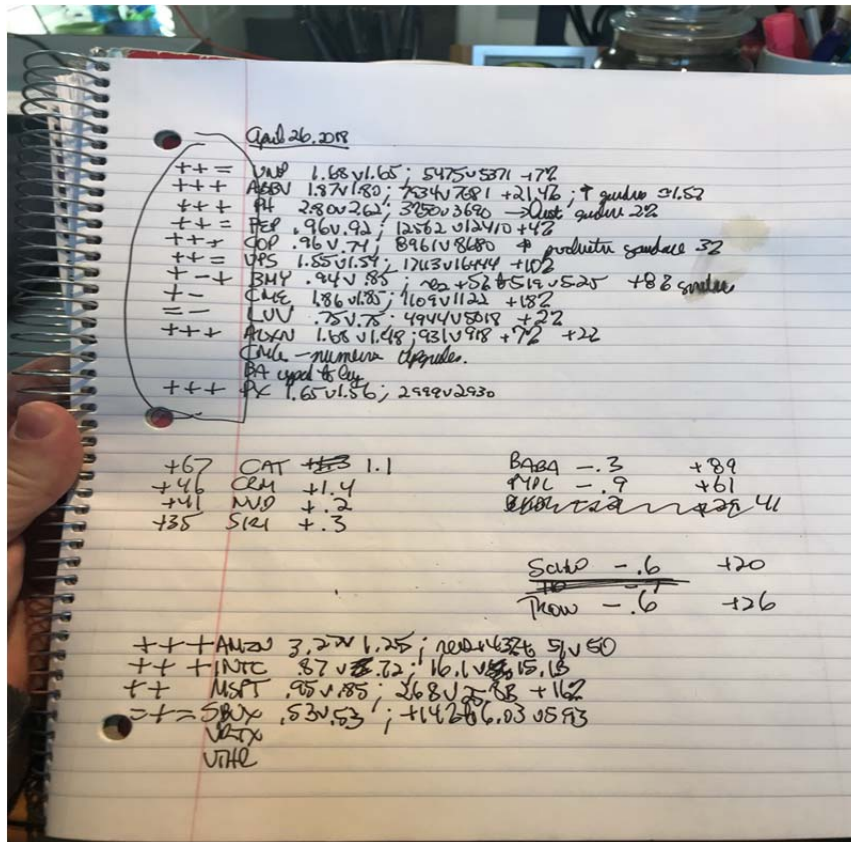
But I am what I am, trying to create my own winning formula for those who have blessed us with their business.

So, then, where are the parallels?

My business partner, Bill Hoover, prefers to look at videos and pictures to gain knowledge, while I tend to prefer the written word. Both approaches work, to be sure, but I suppose pictures work best for most, otherwise books would continue to grow in greater popularity than Instagram and Twitter.

For those of you who prefer pictures, here's one which summarizes today's earnings results.

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The plusses along the left hand side indicate a company exceeded earnings expectations in the first case, revenues in the second and increased guidance the third. Now of course - and this is the big problem I have with pictures - is that while they can convey a sense of truth, to truly gain understanding, one must delve deeper into the reasons behind one's grades.

When I see companies like Amazon and Facebook gapping up 10% after their earnings reports, while those from Microsoft barely move the needle in spite of their good play, I'm lead to the belief that we too, in the financial markets, must always provide room for the idea that a new generation of players in business are worth paying attention to.

Microsoft, like LeBron, continues to score points, adapting to the game, moving into new businesses, and seeking enhanced fitness regimes and dietary approaches to excel at a game increasingly dominated by youngsters.

Our business is dominated by many approaches, but one of the more significant ones is growth versus value. It has always been my view, and I've got this written on my whiteboard, that "it is always growth that determines new levels of value." Right next to it, I have written "risk is about knowing where uncertainty is growing."

Value managers often look for underpriced stocks and sometimes they buy right, catching a falling knife successfully, but I'm not so sure that they often sell right as well, once the same stock appears overpriced.

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Growth managers, like us, aren't as concerned about the precise value of a security today, but the idea of where the markets are headed and the market cap of other players that may ultimately be "in play." Investing in growth stocks can be a situation where one may be required to "pay up," but they may also then move higher with the wind at their backs, as in the "trend is your friend."

To be sure LeBron and Kyrie are both outstanding players and would be tops on the list of almost any team's management. As a portfolio manager, I will enjoy my LeBron James, but also will keep my eye out for the undiscovered talent waiting in his wings.

While we have a portfolio that we don't market consisting of our favorite emerging five to ten "players," we know that the ups and downs of these future stars that haven't quite "made it" might not be for everyone, just like it's unofficial nickname, "Balls to the Walls," a fighter pilot reference to full throttle flying.

That's why we have our highly successful, flagship offering, the Broadleaf Growth Equity Portfolio. This portfolio is still growth focused, but has a mix of aging stars and new upstarts, the Microsoft's and the PayPal's, the LeBron's and the Kyrie's.

In the end, it's about a winning team, always with an eye towards the longer term future.

Go Cavs!

Kindest Regards,

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