



Broadleaf Partners, LLC

STRIPs Annual Review December 31, 2013

<u>Strategy</u>	<u>Trailing 12 Months</u>	<u>3 Years (Annualized)</u>
Conservative STRIP	7.32%	6.91%
Conservative Peer Group	3.84%	4.63%
Balanced STRIP	18.83%	9.39%
Balanced Peer Group	14.70%	8.25%
Growth STRIP	23.77%	10.23%
Growth Peer Group	20.95%	9.78%

**Please see important disclosures at the end of this document*

Broadleaf Strategic Investment Portfolios (STRIPs)

Founded in 2005 by Doug MacKay, Broadleaf Partners began as an institutional growth equity manager, and we continue to build out our reputation in that space. A need for more comprehensive portfolio management strategies emerged in 2009 when Bill Hoover joined the firm and brought with him a clientele that looked to Broadleaf Partners to help them navigate the markets and achieve their long-term investment objectives. In order to facilitate that need, we developed the Broadleaf Strategic Investment Portfolios (STRIPs).

STRIPs are objective based, globally diversified portfolios designed to match an investors' desire for market participation with a level of risk management that corresponds to their risk tolerance.

For risk averse investors, we offer a Conservative STRIP, designed to preserve capital while outpacing inflation over the long-term. Growth oriented investors who are able to tolerate some short-term volatility benefit from our Growth STRIP, which has a greater emphasis on long-term capital appreciation. We also offer a Balanced STRIP for those investors whose risk appetite falls somewhere in between.

These portfolios are best suited for investors who engage Broadleaf Partners to manage all or virtually all of their investments, and therefore expect a diversified portfolio that meets with their investment objectives. Diversification is achieved in each STRIP by investing across multiple asset classes and styles, seeking to meet their objectives by investing in US and international equities, alternative investments, diversified fixed income investments and cash equivalents.

Results are compared against two metrics. First, we determine whether or not each STRIP is achieving its stated objective, and second, we compare the performance of each STRIP to a

group of similar publicly traded mutual funds that pursue the same objectives that we've set out to achieve.

Performance & Commentary

Overall, 2013 was a good year for diversified investors. Each of our strategies continued to meet their objectives and solidly performed in both absolute terms and on a relative basis compared to their peers. Our decision to strategically overweight domestic equities added to our performance, while our underweight positions in commodities, bonds and interest sensitive investments helped us to minimize the headwinds that many asset allocation strategies faced during 2013.

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 in the US. 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.

Although the US economy is growing and Europe is recovering, the recoveries are modest and neither economy is reaching a level where animal spirits have historically kicked in. 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. 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, and therefore may have lost much of the bid which has supported them in the recent past.

Finally, massive new supplies of domestic energy along with unforeseen improvements in productivity brought about making “old things new” will likely keep inflation contained. While tapering, the Fed has also reiterated its intention to keep interest rates low. With the risk/return outlook for bonds appearing to 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.

Based on these observations, we believe that domestic common stocks will prove to be the best performing asset class of 2014 once again. While our STRIPs will continue to be diversified across multiple asset classes and investment styles in an effort to manage volatility and risk, the investment themes that we believe will play out will be well represented.

Performance Disclosures

Results reflect the actual performance of Broadleaf's STRIPs Composites. 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. All figures are shown net of actual fees. The U.S. Dollar is the currency used to express performance.

Broadleaf's STRIPs Composites include all fully discretionary accounts invested in their respective model portfolios with a minimum initial account size of \$100,000. To be included in the composite, an account must have been under management for at least one full quarter and be at least 90% similar to the model for composite inclusion. If a significant cash flow in an underlying composite account during the quarter causes it to deviate from our intended 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.

Comparative peer group performance is calculated using a simple average return of a sample of publicly available mutual funds with similar investment objectives and risk parameters that closely match each of the three models that we manage. The sample group for each strategy includes mutual funds managed by Vanguard, Fidelity and Russell Investments. Specific funds are available upon request.

This information should not be regarded as in any way representing the likely future performance of the portfolios in absolute terms or in comparison to their peers. 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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