Broadleaf Partners, LLC

Growth Equity Portfolio
Second Quarter Review
June 30, 2018

Performance Commentary

	Q2 2018	YTD	1 Year	[--------- 3 Years	Annualized 5 Years	10 Years	--------] Since Inception
Broadleaf	8.5%	14.7%	33.8%	15.6%	18.1%	11.6%	10.9%
S&P 500	3.4%	2.7%	14.4%	11.9%	13.4%	10.2%	8.7%
Russell 1000 Growth	5.8%	7.3%	22.5%	15.0%	16.4%	11.8%	10.3%

The Broadleaf Growth Equity Portfolio enjoyed another strong quarter, gaining 8.5% net of fees, compared to 3.4% for the S&P 500. Performance has continued to be dominated by results from the technology sector as well as specific areas of the consumer discretionary space.

While very few investors seem to care about relative results anymore given the torrid love affair with low cost, passive investment vehicles and overly complicated high cost alternatives, we are proud to say we have resisted the temptation to give in and join the crowd, sticking to our plain-vanilla investment and reasonable-fees approach. Over nearly every period we track - short, intermediate and long term - our results are demonstrably ahead of the index and our peer group on a net of fees basis.

While we may be hopeless romantics, we have faith that at some point, people will care once more about results, and that our approach will be rewarded rather than continued mediocrity.

Will you not join us?

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. The fund's peer group is Morningstar's large cap growth category.

Market Review & Outlook

Second quarter earnings season came to an official close last week with a very strong quarter from Nike. This was a welcome surprise as they and other apparel manufacturers and retailers have been caught in a rough patch stretching back a couple of years. Personally, I believe this rough spell has reflected excess inventory digestion and retail markdowns brought about by new ecommerce channel sell in that wasn't similarly matched by old channel pullback. Inventories became excessive and the sector underwent a mini recession of its own.

Alas, second quarter earnings were great, but as my counterpart on a recent CNBC interview suggested, perhaps this shouldn't be the focus of our attention. Instead, are we at peak earnings and where do we go from here?

I'm obviously more bullish than my counterpart was, but that may likely reflect my belief and focus on secular growth rather than cyclical companies. Secular growth companies usually are those where a peak level of revenues or earnings has not yet been achieved, simply because the tailwinds and opportunities remain so immense.

Excluding the impact to sales of Sherwin Williams's acquisition of Valspar, the average company we hold in the portfolio grew revenues and earnings 26% and 34% year over year. We are less concerned about peak rates of growth than continued rates of growth, which we expect.

This tug of war between secular growth stories and those in cyclical decline very much mirrors the political narrative today. There are always haves and have nots – and this includes revolutions in how business is done, which similarly undoes the ways things have been done in the past. As investors, we can choose to become embittered by our lack of participation in the market's returns and dwell on the ways things ought to be, or we can take a small step with our hard earned dollars and join the revolution in where things are and have been heading. To be sure, valuation matters, and it can matter a great deal. But I find the current arguments disingenuous on that front, and more of an excuse rather than a cause.

As a portfolio manager, I've found that it can be expensive to allow one's political views to affect how one invests and maintains a portfolio. At the same time, I know that politics can't be ignored altogether. In recent decades, midterm elections have often had an effect on investors, with average market drawdowns of 18%. But you know what? After such elections, the markets have typically gone on to new highs, as the markets focus more closely on the economic issues.

President Obama, as a Democrat, was ironically quite hands off and laissez-faire with respect to the economy – he rarely even mentioned it or the stock market during his eight years in office, preferring instead to focus his efforts on many pressing social justice issues. But in being so laissez-faire with respect to the economy, perhaps he also bridged a gap to becoming neglectful, with only a handful of enormously successful FANG type companies truly innovating and thriving.

If Trump is successful as a President, perhaps we will continue to see the FANG's doing well, but also see a rounding out to other sectors as well, areas where perhaps some trade partners were indeed taking advantage of us in a benign neglect or apathetic frame of reference. In admiring a new global order, for instance, we failed to see that we were charging our own American companies far higher tax rates than the rest of the world was charging their own. We were not being competitive; we were not taking care of our very own children.

There are lions in this world that will steal and eat our young while we are not looking or if they think we won't be looking. Trump is no doubt a lion in his own right, but he is also our lion, not the rest of the world's. This scares the bejesus out of many, especially in the media, but I truly believe the hysteria is out of line with respect to reality. At the end of the day, a President of the United States is just that, a President of our country and not the rest of the world.

At the same time, I don't think I've ever seen a greater alpha male in my short lifespan of fifty years than Donald Trump. And even though that term is as politically incorrect as Chief Wahoo, I'll use it, simply because it fits. Using strength to protect, however, is different than using strength to devour, and I'm hopeful that this is Trump's intent and legacy in his attempt to Make America Great Again.

Perhaps by doing nothing more than standing up to and making our presence felt, our partners will start treating us with greater respect. And by respect, I don't mean admiration, but perhaps in the sense of what we used to think of as Holiness - something we are drawn to out of curiosity, but simultaneously cower from in fear. As perverse as it may sound to some, perhaps this is why dictators are seeking meetings with Trump; they aren't cozying up to him as the media might suggest, but want to know what this strange new curiosity is, and, out of a respectful fear, they are coming to his table.

Now, I could indeed be horribly naïve, but as one who is trying to frame things from a point of view that could be seen as more virtuous and optimistic than what we read about everyday, it's what I've got. One day, perhaps, we'll compare Donald Trump's Twitter account to Teddy Roosevelt's Big Stick.

Maybe, just maybe - one day.

I loved this country under President Obama and I'll dare to say, I also love this country under President Trump. There are always ideas worthy of investment regardless of who is in office, and one of the best ways of serving and loving others that dignifies the labor of both parties to a transaction is the free capitalist system.

It may not be a perfect system, just as there may be no perfect president, but it's still the best one.

Portfolio Characteristics

Top Five Portfolio Holdings

Apple
Microsoft
Amazon
Facebook
Alphabet

Sector Concentrations

	Broadleaf	S&P 500
Technology	44.1%	25.9%
Cons. Disc.	14.3	12.9
Healthcare	13.3	14.1
Industrials	11.1	9.6
Financials/RE	7.5	16.7
Energy	2.3	6.3
Materials	1.9	2.6
Cons. Staples	0.0	6.9
Utilities/Tel	0.0	4.9
Cash	5.5	.1

Portfolio Statistics

Avg. Market Cap.	$ 173.6B
Median Market Cap	106.6B
Forward P/E Ratio	24.3x
Median P/E Ratio	25.3x
Free Cash Flow Yield	3.6%
Return on Equity	30.5%
Beta	1.27
Portfolio Yield	1.0%
3yr Avg Rev Growth	16.8%
3yr Avg EPS Growth	25.2%

Investment Style

The Broadleaf Growth Equity Portfolio employs a concentrated growth style of investing, holding approximately 25-35 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 a weighted average market capitalization of $173.6 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 $220.92 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.

Performance information contained in this document including any reference to the purchase or sale of a security, or a strategy, is not intended to constitute personalized investment advice. Personalized investment advice is always dependent on individual factors, involves risk and is not a guarantee that any investment will produce favorable results.

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