



Broadleaf Partners, LLC

Growth Equity Portfolio

First Quarter Review

March 31, 2008

Performance Commentary

	<u>Q1-2008</u>	<u>Last 12 Months</u>	<u>2007</u>	<u>Since Inception (Annualized)</u>
Broadleaf	-12.23%	.58%	18.63%	6.66%
Russell 1000 Growth	-10.18%	-.75%	11.81%	4.96%
S&P 500	- 9.44%	-5.08%	5.49%	5.15%

(Fund Inception 8/19/05. 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 assumed 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.)

As most folks know, this was a tough quarter for the U.S. stock market and the worst one since 2002. What most may not realize, however, is that the majority of the world's financial markets did even worse with many European indices down twice as much and China, the market everyone loves, down 34%.

While we bucked the market's decline in the fourth quarter, the Broadleaf Growth portfolio caught cold in the first, selling off a bit more than our two primary benchmarks. Over the last two quarters combined, however -- the period in which this correction began -- our results are still ahead of our benchmarks, albeit still negative.

The economy isn't technically in a recession, but the stock market failed to get the news. All sectors posted negative returns, including the defensive varieties like health care and consumer staples. We saw the same pattern in our portfolio, with the exception of our health care names, which increased in value.

In spite of the current environment, our portfolio has continued to outperform over the longer term, including the trailing 12 month period just ended and since our firm's inception nearly three years ago. As the market environment stabilizes, we would expect our margin of outperformance to improve as investors revisit what's growing.

Market Review & Outlook

The nasty environment, of course, begs the question, [What's An Investor To Do?](#) In our last update by that name, we provided our thoughts on how we're navigating the rougher seas. The Federal Reserve Board and the Federal government have both injected significant stimulus into

the domestic economy, moves which we believe will eventually bear fruit as inflation concerns wane, mortgage rates finally pull back and the safety of short term treasury bills lose their allure.

In short, we are emphasizing companies that can grow earnings independently of the slowing domestic economy while similarly avoiding those that are highly dependent on the credit markets. In our mind, the biggest determinant of performance in 2008 will likely depend on what we do with consumer discretionary, financial, and commodity stocks.

At the margin, we're keeping our eyes on the financial sector, but are still underweight at this point in time. We have also been paring our exposure to commodities given their parabolic move, while edging into the cyclical consumer discretionary sector which is often among the first movers in an economic recovery.

While we think we will narrowly avoid the technical definition of a recession, we also believe that the economy is unlikely to enjoy a rapid snap back as has historically been the case. A prolonged period of slower overall economic growth should actually bode very well for growth investors, extending the potential period of relative outperformance as the economic cycle takes a second seat to innovation in the creation of long term value.

Portfolio Characteristics

Top Ten Holdings

Intuitive Surgical
 Gilead Sciences
 Illumina
 Genentech
 Research in Motion
 Charles Schwab
 Google
 Expeditors International
 Apple Computer
 Burlington Northern

Portfolio Statistics

Avg. Market Cap.	\$33.5B
Median Market Cap.	\$12.5B
Forward P/E Ratio	25.1x
Free Cash Flow Yield	2.8%
Consensus Growth Rate	20.9%
Return on Equity	24.0%
5 Year Beta	1.4x

Sector Concentrations

	<u>Broadleaf</u>	<u>S&P 500</u>
Technology	22%	16%
Healthcare	20%	13%
Industrials	19%	11%
Cons. Disc.	17%	8%
Financials	13%	17%
Energy	6%	13%

Organizational Review

During the first quarter, we added seven new clients and received additional funding from four current clients. Our total assets under management grew to \$15.8 million, with over \$3.5 million in new cash flows. As we approach the three year anniversary of our track record, we continue to have a primary focus on the investment side of our business, but are also committing additional time to getting the word out through various marketing channels including our own network of relationships, our successful financial blog and our periodic Economic Updates.

During the quarter, Jeff and I participated in the eighth annual RISE Symposium, put on by the University of Dayton. We have participated in this student and professional investment event since it was founded eight years ago. This year, over 2700 students and professionals from 270 colleges in 69 countries attended. Jeff and I taught several break out sessions to over two hundred students over several hours, spending the major portion of our time answering their investment related questions on managing growth portfolios. Next year's event is March 26-28th, 2009 in Dayton, Ohio. To learn more, visit the RISE website [here](#) or read our commentary from this year's event on our [blog](#).

Investment Style

The Broadleaf Growth Portfolio employs an all-cap, concentrated growth style, holding approximately thirty equity positions from a cross section of economic sectors. Sector exposures typically reflect the outcome of our bottoms up stock selection process, which is influenced by our assessment of the economy and other long term trends. Innovative new ideas and themes are of particular interest to us and our all-cap approach provides us with the flexibility to invest anywhere we find it. Currently, the portfolio is biased towards large cap stocks with an average market capitalization of \$34 billion. 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.

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. 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.

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. 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. One of our larger accounts tripled the size of their portfolio during the quarter and as a result of this sizeable cash flow, it will temporarily be removed from the composite, consistent with the aforementioned policy.*

As of March 31st, 2008, total composite assets in this style were \$4.3 million consisting of ten separate account relationships. Total firm assets at quarter end were \$15.8 million, spread across 31 discretionary accounts. We would expect the assets in our composite to grow markedly during the second quarter given the opening of many new accounts and additional funding received during the first quarter. Prior to January 5th, 2005 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 two and a half years. You are cautioned that information concerning comparative performance over such a limited period may bear no relationship whatsoever to performance over a longer period. 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 State of Ohio. The firm maintains a complete list and description of composites, which is available upon request.

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