



Broadleaf Partners, LLC
Growth Equity Portfolio
Second Quarter Review
June 30, 2011

Performance Commentary

	<u>Q2 2011</u>	<u>YTD</u>	<u>Last 12 Months</u>	<u>3 Years (Annualized)</u>	<u>5 Years (Annualized)</u>	<u>Since Inception (Annualized)</u>
Broadleaf	0.2%	5.3%	31.4%	3.8%	4.1%	6.0%
S&P 500	0.1%	6.0%	30.7%	3.3%	2.9%	3.5%
Russell 1000 Growth	0.8%	6.8%	35.0%	5.0%	5.3%	5.0%

The second quarter, unlike the first, was a rocky one for the stock market. While earnings season remained strong, a number of event driven factors including Japan, Greece, excessive rain in the U.S., and rising food and energy costs weighed on leading economic indicators of the economy and eventually, the stock market. At one point just two weeks ago, the stock market had lost all of its hard fought, year to date gains.

In this environment, perhaps it should come as no surprise that the more defensive areas of the market outperformed. Health care, staples and utilities lead to the upside, while the market's more cyclical sectors - technology, energy and financials declined. In spite of having very little exposure to the more defensive areas of the market, our portfolio still managed to outperform for the full quarter thanks to strong results from select consumer discretionary and industrial holdings.

For the one, three, and five year periods, the Broadleaf Growth Equity portfolio continues to outperform the S&P 500 and since inception has gained 6% annually, roughly 250 basis points ahead of the S&P 500 on a net of fees basis.

(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

As discussed in our June update **Broken Records**, we've been of the view that this year's series of exogenous shocks to the world economy will prove to be short lived, just as the oil spill and European contagion concerns were last year at this time. While we've expected short term pressures in the stock market, we also believe these will eventually dissipate, allowing the economy to continue its expansion in a slow, albeit positive fashion.

Although rising food and energy prices are a key difference between this year's exogenous shocks and those of last year, we also believe that the level of inflation in the United States is far less damaging to the average U.S. citizen than those in many other areas of the world. Recently, I analyzed my personal spending budget and compared it to last year. Other than higher taxes, only two areas of higher than expected gains caught my attention – our weekly grocery bill and gasoline costs. At the same time, refinancing our mortgage at this time last year has saved us an equivalent amount in monthly interest costs, a nice offset.

Groceries and gasoline as a percentage of my total income and budget are not nearly as high for me as many citizens in emerging economies, where such basics often represent a significant portion of one's total budget. Because of this, wage pressures in these other areas of the world represent a far more pressing concern, which may also explain why global unrest has been on the rise.

Every recovery typically experiences a soft patch as it downshifts from an accelerated pace. While this is always a scary time for investors, it also tends to be short lived. We see no reason that this time should be any different, and as a result, have elected not to shift gears into a more defensive mode in anticipation of something more sinister, like a double dip recession.

With the bulk of the market's cyclical gains now behind us, we have been emphasizing companies that are driving true innovation to a greater extent in the portfolio. As a result, our recent ideas tend to be less sector driven at this stage of the economic cycle and much more company specific. For those who may be familiar with our **investment strategy**, you could say that we've been paying more attention to the innovation cycle in recent months than the economic cycle as a driver of investment value.

While it may be much more of a stock picker's market in the coming year, one sector of the economy that does hold promise for us is the industrial sector. Given the rising wage pressures mentioned earlier, one way that China can combat its more severe inflation issue is by allowing their currency to float more aggressively relative to the U.S. dollar. In so doing, U.S. exports could become more competitive on the global stage and manufacturing in the United States could witness a long term resurgence. Over the past few weeks, I've heard management teams of several domestic manufacturers complain about how difficult it is to find well trained factory workers here in the United States, a potential foreshadowing of this budding trend.

Portfolio Characteristics

Top Five Portfolio Holdings

Amazon.com
Apple Computer
Conoco Phillips
Qualcomm
Netflix

Portfolio Statistics

Avg. Market Cap.	\$ 55.8B
Median Market Cap.	\$22.7B
Forward P/E Ratio	17.0x
Free Cash Flow Yield	4.1%
Consensus Growth Rate	16.7%
Return on Equity	23.2%
Beta	1.1
Portfolio Yield	1.1%

Sector Concentrations

	<u>Broadleaf</u>	<u>S&P 500</u>
Technology	24.3%	17.7%
Industrials	22.2%	11.2%
Cons. Disc.	20.9%	10.7%
Energy	11.0%	12.6%
Financials	5.9%	15.0%
Healthcare	6.2%	11.7%
Materials	5.6%	3.7%
Utilities/Tel	0.0%	6.8%
Cons. Staples	0.0%	10.6%
Cash	3.9%	

Organizational Review

During the quarter, Broadleaf was ranked by Crain's as the fastest growing money manager in Northeast Ohio. To support our continued growth, we recently hired our first full time research analyst, Mike Czekaj. In addition to assisting with our research efforts for the portfolio, Mike will also help us in the areas of compliance and information technology. Mike is a native of Chicago and a 2011 graduate of Miami University with a degree in Finance. Welcome Mike!

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 \$56 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 \$100,000. (Prior to 6/30/2009, the minimum account size necessary for composite inclusion had been \$250,000. Historical results have not been updated retroactively to reflect this change, but will reflect the change from 6/30/09 forward.) 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 \$96.2 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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