



Broadleaf Partners, LLC
Growth Equity Portfolio
Third Quarter Review
September 30, 2007

Performance Commentary

	<u>Q3-2007</u>	<u>YTD</u>	Since Inception <u>(Annualized)</u>
Broadleaf	8.5%	15.9%	13.9%
Russell 1000 Growth	4.2%	12.7%	12.1%
S&P 500	2.0%	9.1%	13.3%

(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.)

The third quarter was a strong one, with our portfolio gaining 8.5% compared to 4.2% for the Russell 1000 Growth Index and 2.0% for the S&P 500. We established relative gains over our benchmarks early in the quarter and in spite of extreme market volatility, improved on these results through quarter end.

Strong stock picking within the consumer discretionary and industrial sectors clearly helped as did our underweight position in financials, which bore the brunt of the credit related, summer sell off. Our technology holdings, on the other hand, didn't keep pace with the sector's strong gains. Since we're overweight the sector, this suggests that we may not own the right names, at least at this particular moment in time. While this will force us to reexamine our positions in the sector, we will do so carefully, knowing that technology stock volatility is normal and not always indicative of future fundamentals.

On a year to date basis, we are now up 15.9%, ahead of the Russell 1000 Growth Index's 12.7% gain and the S&P 500's 9.1% gain. While we are pleased with these results, we are even more encouraged that growth is finally outperforming value as we predicted could happen in [Good Times for Growth Stocks](#) at the beginning of the year. Since our firm's inception just over two years ago, we've gained 31.8% versus 27.3% and 30.3% for the Russell and S&P 500, respectively.

Market Review & Outlook

In our [Second Quarter Review](#) written last June, we expressed some concern over the froth in private equity related merger and acquisition activity in the marketplace. While we didn't expect a downturn to occur so quickly, that's exactly what happened over the summer months. Easy access to cheap debt disappeared almost overnight, bringing the number of financial deals capable of moving the markets to a standstill. Simply put, too much money had been following the same investment strategy.

The seminal event of the quarter was the Fed's decision to reduce rates by 50 basis points. This move signals that a shift in market leadership is likely at hand. With this move, the Fed is officially acknowledging that a slowdown in domestic economic growth or momentum is at hand, which outweighs the risk of inflation. In periods like this, growth usually begins to sell at a premium as it is 'scarcer' to come by. Of course, where one finds growth changes from decade to decade, but where it exists, it usually increases in value.

While we suspect that lower interest rates will bring some calm to the credit markets, we doubt that we'll see a return of the froth in M&A activity seen in recent months. Instead, we see an environment where companies with strong internal growth characteristics will outperform and one where those that have been growing through acquisition will need to prove themselves through superior execution and operating skills. For our views on what sectors might do well in the coming year, please read our most recent Economic Update titled [Looking Past the Fed and Towards 2008](#).

Portfolio Characteristics

<u>Top Ten Holdings</u>
Google
Gilead Sciences
Fluor
Goldman Sachs
Illumina
Charles Schwab
Cognizant Technology Solutions
Activision
CME Group
Schlumberger Ltd.

<u>Portfolio Statistics</u>	
Avg. Market Cap.	\$ 35.1B
Median Market Cap.	\$ 18.0B
Forward P/E Ratio	28.1x
Free Cash Flow Yield	3.0%
Consensus Growth Rate	21.1%
Implied Growth Rate	18.0%
Return on Equity	23.2%
5 Year Beta	1.4x

<u>Sector Concentrations</u>		
	<u>Broadleaf</u>	<u>S&P 500</u>
Technology	28%	16%
Healthcare	16%	12%
Cons. Disc.	16%	9%
Industrials	15%	11%
Financials	13%	20%
Energy	9%	11%

Organizational Review

Some quarterly highlights:

- We continue to generate solid performance results on an inception and year to date basis. With two years behind us, our sights are now set on the third year of our investment track record, the minimum period of time most institutions require for participation in new investment mandates. In this light, the market's shifting emphasis to growth couldn't come at a more opportune time.
- During the quarter, we added two new clients and received additional funding from an existing client. This is in keeping with our goal of expanding our network of business contacts and adding a new client or two each quarter. Total assets under management are just over \$13 million, spread among twenty client relationships.
- On the marketing front, we continue to be focused on establishing our name and credibility in the marketplace through the most cost effective means available. During the quarter, we appeared on CNBC's Closing Bell and were quoted in both the Cleveland Plain Dealer and the Wall Street Journal. We also launched our own blog site which received favorable reviews from a publication of Institutional Investor. For those interested in more regular content than what our Economic Updates provide, you may visit <http://blog.broadleafpartners.com> and subscribe.

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 \$35 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.*

As of September 30, 2007, total composite assets in this style were \$5.7 million consisting of nine separate account relationships. 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 just over two 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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