



Broadleaf Partners, LLC

Growth Equity Portfolio

Fourth Quarter Review

December 31, 2008

Performance Commentary

	Q4 2008	Year 2008	Since Inception (Annualized)
Broadleaf	-23.7%	-41.3%	-6.7%
Russell 1000 Growth	-22.8%	-38.4%	-7.2%
S&P 500	-21.9%	-37.0%	-6.6%

(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.)

All global equity markets finished the year on a very sour note, qualifying 2008 as the third worst for our domestic markets in the past one hundred years. Our fourth quarter performance results were similarly poor. While offering insight into what drove our relative performance is always a goal in our quarterlies, in circumstances when only cash and treasuries generated positive returns for investors, the exercise certainly feels like splitting hairs. In general, all sectors were down for the portfolio. Our financial, consumer staples, technology and industrial positions outperformed while the rest of our sector exposures fell behind.

During the quarter, we did not make any significant changes to our sector allocations, but as the markets appeared to make a bottom, we did invest our remaining cash holdings more fully. We continue to be positioned for an eventual turn in the economy, maintaining overweight positions in early cyclical areas like consumer discretionary and technology, while remaining underweight energy. In spite of our underweight position in energy, we did add to the area during the quarter, taking advantage of the sector's extreme selloff.

The portfolio has an emphasis on holdings that will tend to outperform during a recovery in the economy and in growth companies whose innovative products are less dependent on the overall economic cycle for long term success. In general, we believe it may be too late to chase the defensive sectors of the market like staples, health care and telecom.

The final two quarters of the year hurt our long term performance results, taking our returns as of June 30th from a positive 8.5% per year (nearly 4% more than the S&P 500) to a negative 6.7% per year, roughly in line with the S&P 500. While this has been a difficult

period for our portfolio and investors in general, we believe our results will improve on both an absolute and relative basis as the economy stabilizes and begins to improve.

Market Review & Outlook

Our basic premise is that the stock market generally moves ahead of market fundamentals, both on the downside and the upside. We believe that the S&P 500 has likely seen its lows in the 740 area and will likely trade in a range between there and 1100 during the year. At the time of this update, the short term upside and downside potential for the market is likely balanced, although as fundamentals more clearly improve, long term investors should see additional upside.

In general, we believe investors should keep whatever cash they may need in the next year in safer investments, but then go “all in” with the remainder. At nearly 45x its current yield, treasuries have rallied over 30% this year and clearly seem to be trading in bubble territory as investors have sought safety at all costs, even when yields have approached zero. Bubbles, of course, can continue for a period of time, but as the economy stabilizes and then improves, money will likely rush out of these conservative investments as fast as it flowed into them.

The United States entered and responded to the global recession earlier than other countries and should similarly emerge from it earlier than others. As a result, we believe domestic investments are likely to outperform this year, with emerging markets joining later on, perhaps sometime in 2010.

Economic fundamentals are likely to get worse before they improve, but we would encourage investors to not become disheartened. Historically, the market can and has made positive progress even in the face of dismal fundamentals. From our point of view, this includes a potential peak unemployment rate of ten percent, and two or more consecutive quarterly GDP declines of five percent or more.

As stated earlier, we prefer positioning the portfolio for an eventual stabilization in and recovery of the economy. With the Fed “all in” and the government doing all it can to encourage renewed investment, the damage to investor psychology will eventually be mended and the economy should likewise turn. The primary risk to our thesis is not that the economy will not recover, but that we may be too early.

Portfolio Characteristics

Top Five Portfolio Holdings

Charles Schwab
Intel
Gilead Sciences
Celgene
Expeditors International

Portfolio Statistics

Avg. Market Cap.	\$28.4B
Median Market Cap.	\$18.3B
Forward P/E Ratio	16x
Free Cash Flow Yield	4.1%
Consensus Growth Rate	16.9%
Return on Equity	25.2%
5 Year Beta	1.2x

Sector Concentrations

	<u>Broadleaf</u>	<u>S&P 500</u>
Technology	20%	16%
Healthcare	17%	14%
Financials	15%	15%
Cons. Disc.	15%	8%
Industrials	13%	12%
Energy	9%	12%
Utilities	3%	4%

Organizational Review

It was a difficult quarter and year, but we still managed to add several new clients during the quarter, including a new institutional account. We are also pleased that to date, we have not lost any client relationships through the bear market. Since it typically takes a year or more for a prospect to become a client, we remain committed to building the Broadleaf brand through frequent written commentary on our [blog](#) and in our periodic [Economic Updates](#).

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 \$28 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 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. 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 December 31st, 2008, total composite assets in this style were \$7.9 million consisting of 14 separate account relationships. Total firm assets at quarter end were \$12.9 million, spread across 49 discretionary accounts. 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 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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