



Broadleaf Partners, LLC
Growth Equity Portfolio
Fourth Quarter Review
December 31, 2011

Performance Commentary

	<u>Q4 2011</u>	<u>2011</u>	<u>3 Years (Annualized)</u>	<u>5 Years (Annualized)</u>	<u>Since Inception (Annualized)</u>
Broadleaf	7.4%	-1.4%	18.6%	3.0%	4.5%
S&P 500	11.8%	2.1%	14.1%	-0.3%	2.6%
Russell 1000 Growth	10.6%	2.6%	18.0%	2.5%	3.9%

The stock market enjoyed a nice fourth quarter rebound as the domestic political and double dip recession concerns that plagued the markets in the third quarter faded from memory. In spite of significant headwinds that remain in Europe and a slowing Chinese economy, the S&P 500 surged nearly 12%.

The Broadleaf Growth Equity Portfolio posted a respectable 7.4% absolute gain, but nevertheless lagged the market's stronger results. Shares of Diamond Foods and Green Mountain Coffee came under pressure during the quarter on accounting related concerns, and while we sold both positions at higher prices, the portfolio nevertheless suffered losses. Amazon and Peabody Energy also succumbed to selling pressure during the quarter, hurting our results on a relative basis. Both of these positions remain in the portfolio. (For additional portfolio insights, please see [Concussed: The Year in Review](#).)

For the full year, the S&P 500 gained 2.1% including dividends, making it the third best performing stock market around the globe. Beating the S&P 500 proved particularly difficult, a feat that less than fifteen percent of large cap growth managers succeeded in doing. While the Broadleaf Growth Equity Portfolio's full year results were below the market's - largely due to our fourth quarter underperformance - we still bested more than half our peer group and our longer term results - three years, five years and since inception - have continued to outperform the S&P 500 by an average of over 300 basis points annually, net of fees.

(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

In general, the views we shared in our year end piece, [Concussed](#), still hold, we just now know with certainty that the year proved as uninspiring for investors as we thought it might be. With 2011 now behind us, all eyes are looking forward to what 2012 might bring.

While we still believe that growth will remain slow for as far as the eyes can see, we also think that several factors may make 2012 much better for investors than most expect.

In general, the domestic economy has been doing far better than investors, journalists or the stock markets give it credit for. In addition to strong profits and more disciplined capital allocation decisions by corporations, several macroeconomic data points improved into year end, including unemployment claims and domestic leading economic indicators (PMI's).

While Europe will remain in a quagmire, China should avoid a more serious slowdown, which in our opinion, is a bigger restraint for our own markets than most might care to recognize. But what may matter the most for the markets in 2012 is the fact that it is an election year, and historically speaking, when an incumbent has been replaced, the stock market has generally been good to investors. Although the rhetoric may have softened in recent months, there is no doubt that the current administration has promoted a populist, anti- business message. Regardless of ideology, business still provides the bulk of new jobs in an economy. Incentives still matter, they've just been forgotten.

The stock market usually votes six to nine months in advance of the November elections, so if a positive change is in the offing, we may start to see a more positive stock market environment this spring.

Again, we don't want to suggest that the markets will be off to the races driven by a 1990's style GDP growth rate, but we do believe the stage is set where expectations are so low that it will prove difficult for investors to remain glum.

Portfolio Characteristics

Top Five Portfolio Holdings

Google
Apple Computer
Qualcomm
Conoco Phillips
Roper Industries

Sector Concentrations

	<u>Broadleaf</u>	<u>S&P 500</u>
Technology	21.4%	19.1%
Cons. Disc.	21.0	10.7
Industrials	17.1	10.7
Energy	9.5	12.3
Financials	8.5	13.4
Healthcare	5.5	11.8
Materials	5.5	3.5
Cons. Staples	3.4	11.5
Utilities/Tel	0.0	7.0
Cash	8.1	

Portfolio Statistics

Avg. Market Cap.	\$49.8B
Median Market Cap	\$13.8B
Forward P/E Ratio	14.6x
Free Cash Flow Yield	6.2%
Consensus Growth Rate	16.4%
Return on Equity	20.1%
Beta	1.1
Portfolio Yield	.9%

Organizational Review

Broadleaf continued to grow during the fourth quarter, completing an upgrade of our firm's technology infrastructure and rolling out our redesigned [website](#). If you haven't seen it, please check it out!

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 \$50 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 \$93.9 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.

For Additional Information Contact:

Doug MacKay, CFA
CEO & Chief Investment Officer
(O) 330.650.0921
(C) 330.671.3749

Bill Hoover
President & COO
(O) 330.655.0507
(C) 330.289.0515

dmackay@broadleafpartners.com

bhoover@broadleafpartners.com