



Broadleaf Partners, LLC

Growth Equity Portfolio Fourth Quarter Review December 31, 2020

Performance Commentary

	<u>Q4 2020</u>	<u>2020</u>	[----- <u>3 Years</u>	<u>Annualized</u> 5 Years	-----] <u>10 Years</u>	-----] Since <u>Inception</u>
Broadleaf	10.5%	42.3%	27.9%	23.2%	17.8%	13.4%
S&P 500	12.2%	18.4%	14.2%	15.2%	13.9%	9.9%

The markets continued to rebound in the fourth quarter, eventually reaching successive new highs as the year 2020 came to a close. The Broadleaf Growth Equity Portfolio made solid absolute gains as well and compared favorably for the full year, up more than 42% net of fees.

Over the short, intermediate and long term periods, the Broadleaf Growth Equity Portfolio has continued to outperform the passive indices as well as our growth oriented peer group. Our disciplined investment process and the results that flow from it are proof that active management can still shine relative to low-cost, passive approaches.

Thank you for your continued interest in and support of Broadleaf Partners!

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

Wow, what a long, strange year it was.

As investors, we have been well-rewarded for taking a long term approach, riding through the storms, and ending up well ahead of where almost anyone could have expected had they known the circumstances ahead of time. On the other hand, as consumers, employees, business owners, family members and human beings – in a sense, every other role we all share – the year 2020 may go down as perhaps the most disruptive one experienced by anyone who is alive today.

We will take a closer look at the past year as well as the year ahead in our traditional *Investment Playbook* piece later this month. But for now, here are a few thoughts on what we're thinking

about as 2021 begins, considering the three cycles of value creation taken from our investment philosophy playbook.

- The *Innovation Cycle* is thriving right now as individuals, companies and even nations take advantage of the recent crisis, as they always do, to retool for a better future. There is no doubt in our mind that while things will normalize over time, normal will look a lot different than it has before. My father’s generation came into this world prior to the invention of the television, my generation had no internet, and my children, no iPhone. Perhaps the future will be more about what we no longer use, than what we do...cash, office space, cars etc...time will tell.
- The *Economic Cycle* in the intermediate to longer term will likely remain subpar in terms of overall growth – i.e. consistent with the sub 3% new normal established before the Coronavirus – but in the shorter term will be wavy as pent up demand for travel, entertainment and the “company” of others is recognized. The vaccine will help anchor these improvements, but for some, uncertainty and fear will remain.
- The *Credit Cycle* will remain highly favorable for the markets as the Fed keeps rates lower for even longer in hopes of encouraging sustainably higher inflation in a generation where it has been all but missing thanks to intense global competition, industry disruption and productivity gains. With interest rates remaining lower for longer, the “baby” bubbles that are forming in some areas of the market today could become far more extreme.

As it relates to the financial markets, we wouldn’t be surprised to see a consolidation period for equities given this year’s recent gains, but see no reason, absent a change in Fed policy, that the path of least resistance remains higher.

Portfolio Characteristics

Portfolio Statistics	
Avg. Wtd. Market Cap.	\$283.5B
Median Market Cap	148.3B
Forward P/E Ratio	33x
Median P/E Ratio	38x
Free Cash Flow Yield	3.3%
Median Return on Equity	28%
Beta	1.02
Portfolio Yield	.5%
3yr Avg Rev Growth	18.4%
3yr Avg EPS Growth	31.5%

Investment Style

The Broadleaf Growth Equity Portfolio employs a concentrated growth style of investing, holding approximately 25-35 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 \$284 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 over a three to five-year time horizon or full market cycle, utilizing a growth oriented investment style. 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. (From firm inception to 6/30/2009 our minimum account size for composite inclusion was \$250,000 and from 6/30/2009 to 6/30/2013, the minimum was \$100,000. Historical results have not been updated retroactively to reflect changes in account minimums, but are reflected on a going forward basis.) 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 \$356.6 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 has 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. The S&P 500 Index is based on total returns which includes dividends. We monitor the performance of our growth style of

investing by comparing our results to those of other large cap growth peers. 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 ten 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.

Performance information contained in this document including any reference to the purchase or sale of a security, or a strategy, is not intended to constitute personalized investment advice. Personalized investment advice is always dependent on individual factors, involves risk and is not a guarantee that any investment will produce favorable results.

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