



Broadleaf Partners, LLC
Growth Equity Portfolio
Fourth Quarter Review
December 31, 2007

Performance Commentary

	<u>Q4-2007</u>	<u>2007</u>	Since Inception <u>(Annualized)</u>
Broadleaf	2.33%	18.64%	13.47%
S&P 500	-3.33%	5.49%	10.22%

(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.)

While it was a bumpy ride, Broadleaf finished the fourth quarter on a positive note, gaining 2.3% in a market where the S&P 500 Index declined. For the full year, the portfolio generated superior results, up 18.6% net of fees, well ahead of both benchmark returns. Strong stock picks within the otherwise weak consumer discretionary and financial services sectors had the largest positive impact on the portfolio's results for the full year. Our industrial and energy names also served us well, as they did for the market as a whole. The one source of disappointment for us was the overall technology sector. While we managed to generate positive returns from the sector, it also proved to be a source of great volatility, with some big winners and losers alike.

Since inception nearly three years ago, the portfolio has gained 13.5% on an annualized basis, approximately 300 basis points ahead of the S&P 500 index over the same period of time. As we predicted might happen at the beginning of 2007, growth stocks did outperform value stocks for the first time in many years. For a variety of reasons, we see this trend continuing.

Market Review & Outlook

In early September, we provided an advance look at what 2008 might bring for investors and we're sticking with those themes. (See [Looking Past the Fed and Towards 2008](#)). As the economy continues to slow but also manages to bend without breaking, growth companies should maintain their shine. The global markets, financial services, and consumer discretionary related investments could be the big swing factors in determining investor performance in 2008.

The Fed will likely set the tone in the short run, as debates over their actions and the economic data points that accompany them rage ever onward. While the economy is weaker and some areas of the financial services sector are in crisis mode, stubborn energy and food prices have created a conundrum for Fed policy makers, who may be forced to decide between higher inflation and slower economic growth.

While the United States may no longer be the engine that drives the world economy, its brakes are likely still large enough to slow it. We believe inflationary pressures will eventually subside with the slowing growth over time, giving the Fed the wiggle room it needs to ease further and potentially avert a recession. For what it's worth, the bond market seems much more concerned about growth than inflation at this stage, with current short rates implying at least three more cuts by the Fed in 2008.

Portfolio Characteristics

<u>Top Ten Holdings</u>
Google
Charles Schwab
CME Group
Goldman Sachs Group
United Health
Activision
Gilead Sciences
Research in Motion
Fluor
Garmin

<u>Portfolio Statistics</u>	
Avg. Market Cap.	\$41.6B
Median Market Cap.	\$19.2B
Forward P/E Ratio	27.6x
Free Cash Flow Yield	3.1%
Consensus Growth Rate	22%
Implied Growth Rate	18%
Return on Equity	28%
5 Year Beta	1.4x

<u>Sector Concentrations</u>		
	<u>Broadleaf</u>	<u>S&P 500</u>
Technology	24%	16%
Healthcare	17%	12%
Industrials	18%	9%
Financials	15%	20%
Cons. Disc.	13%	9%
Energy	9%	11%

Organizational Review

During the quarter, we added three new clients and received additional funding from another. 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 \$15 million, spread among twenty-four client relationships.

With the winds of strong performance at our back, we're planning for good things in 2008. We will be more aggressive on the marketing front and won't be shy about asking for referrals as we approach the third anniversary of our investment track record in August. If you or someone you know might be in need of our services, we'd love to talk!

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 \$42 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 index 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 December 31st, 2007, total composite assets in this style were \$4.9 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 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 index is based on total returns which includes dividends. While we believe this is an appropriate benchmark 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 half 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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