



Growth Equity Portfolio
Third Quarter Review
September 30, 2025

	[-----Annualized-----]							
	<u>Q3 2025</u>	<u>Year to Date</u>	<u>Trailing 12 Months</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>Since Inception</u>
Broadleaf	8.8%	16.6%	21.3%	26.7%	15.4%	18.9%	16.9%	13.5%
S&P 500	8.1%	14.8%	17.6%	24.9%	16.5%	15.3%	14.6%	11.0%

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.

Performance Commentary

The BGEP continued its winning streak over the last calendar year – both in absolute and relative terms. AI continues to be a main driver of portfolio performance; however, many other sectors have performed well, showcasing this market's surprising breadth. Feel free to reach out if you have any questions about your portfolio, we love to talk stocks!

Playing Fed Chair for a Quarter

Jerome Powell has one of the toughest jobs in America. At Broadleaf, we've spent much of the last quarter debating what *we* would do in his shoes, often reaching a different conclusion each day. The Fed's dual mandate of balancing employment with managing inflation is akin to walking a tightrope. At times, it also feels like the Fed Chair is just the latest contestant on Trump's old reality TV show, *The Apprentice*, with the President even posting a cartoon on social media last weekend poking fun at Powell.



Source: Donald Trump's Truth Social Account

Political pressure on the Fed is nothing new. In the mid-1960s, President Lyndon B. Johnson famously shoved then-Chair William McChesney Martin into a wall, demanding lower rates to help fund the Vietnam War and his Great Society programs. Both LBJ and Trump seem to relish using their stature to push Fed chairs toward easier monetary policy.

Being Fed Chair is not always a fun gig, and we don't envy whoever comes next. But for the sake of exercise, let's play Powell for a quarter.

Arguments for Further Cuts

Jobless claims, which are reported weekly, spiked a few weeks ago, causing some concern that a labor market deterioration is coming soon. While the unemployment rate remains in the low 4s, it doesn't feel like a constructive labor market for new labor market entrants. Additionally, while job gains are still positive, they are concentrated in less cyclical sectors such as education and healthcare, [particularly pressuring young men](#).

Probably most concerning, the BLS released annual revisions in its September 2025 report, which showed that close to a million fewer jobs were added last year than initially estimated. This major downward revision was likely the biggest factor in the quarter-point interest rate cut two weeks ago, as the labor market has likely been weaker over the past year than believed.

The Fed strives to be a data-dependent organization; cruddy data makes this job impossible, and perhaps lends itself to a better safe than sorry attitude. Major data revisions mean that the Fed is relying on lagging indicators, or worse, flying blind – as they are now doing with a government shutdown looming, which will put Friday's jobs report on [hold](#). Sketchy employment data may make the Fed uneasy, as the academic elites, such as those on the Fed board, have often been bashed in the post-pandemic era for being out of touch with the economic realities of everyday Americans.

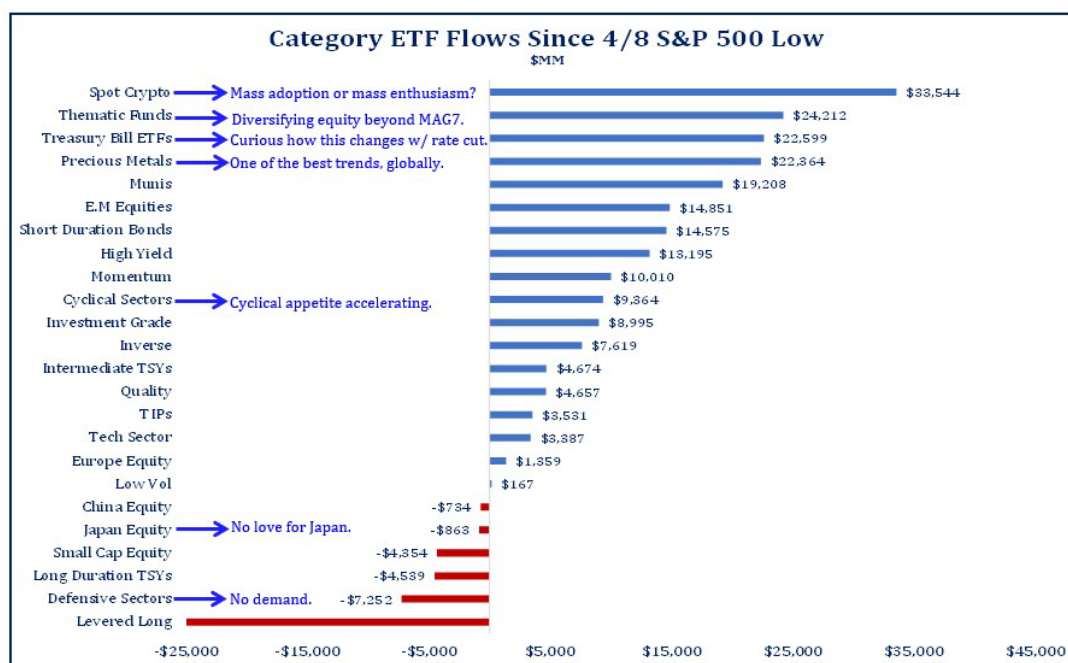
A strong labor market has been the backbone of economic resilience over the last few years; any sign of labor market weakness should be responded to swiftly.

Perhaps the best reason for the Fed to cut continues to be that the government is paying its creditors too much. According to Todd Sohn of *Strategas Research Partners*, the top three

areas for ETF flows since the April lows have been crypto, thematic (AI), and treasury bill funds. While there are certainly some pockets of exuberance out there, it's interesting that investors think that short-term treasuries are still one of the best deals out there, as they continue to gobble up "risk-free" 4%+.



CRYPTO LEADS CATEGORY FLOWS SINCE THE IMPORTANT APRIL LOW



Strategas ETF Research

Proprietary Information – Please Do Not Redistribute

Source: Strategas, Bloomberg, ETF Action, 9/22/25

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As the fiscal deficit continues to mount, could runaway government spending be the reason the Fed loses its independence? Why should the government pay more than needed to finance the debt? The President has a point here – even if it is reminiscent of the 1960s.

We doubt that fiscal policy will lead to a more balanced budget any time soon, even if tariffs do lead to some increased revenue for the government. The easiest way to lower the deficit is through a lower interest expense. While the Fed tries its best to be independent, government deficits are hard to ignore, which may be hurting American consumers via higher borrowing rates.

Arguments Against Further Cuts

Inflation has been steadily increasing since the tariff announcements in April. Furthermore, inflation has not been below the Fed's 2% target since February 2021, hardly a sign that inflation is under control. Almost all measures of inflation are now running closer to 3% and trending upwards. Areas such as medical services and transportation have seen significant increases. The biggest input to inflation is shelter, and rate cuts could spark yet another run-

up in housing prices. Our belief is that inflation is more of a concern than at the beginning of the year, but don't take it from us:

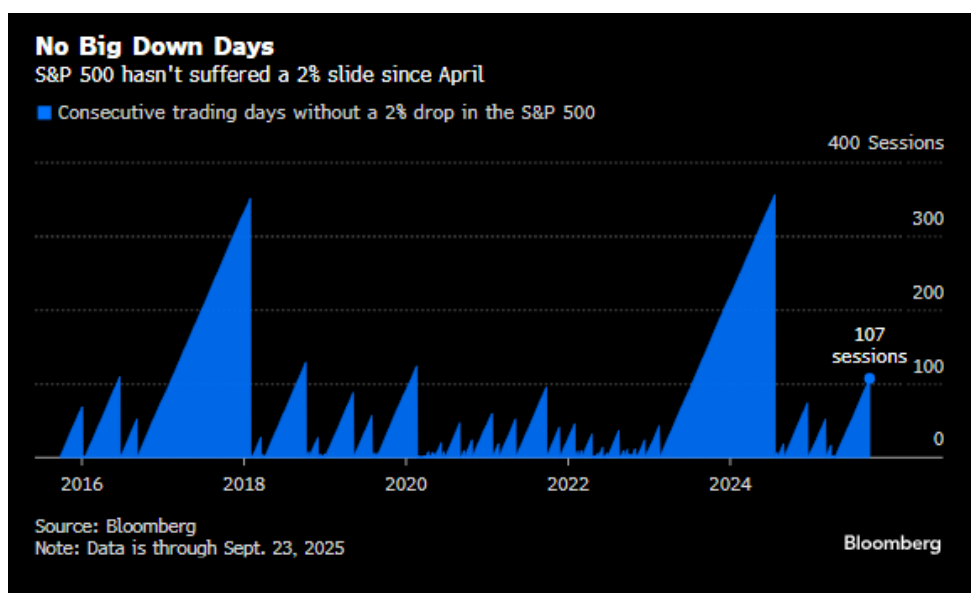
Costco recently struck a more cautious tone on the inflation front: *"The change in Q3 really was in non-foods, but, again, I would say it's really low-single-digit inflation overall within non-foods, but the real change there was it had been deflationary for 12 months or so, so that's kind of what drove the change in Q3."*

Cigna also noted the elevated cost environment in healthcare, *"And for 2026, our pricing assumptions assume another year of elevated cost trends. And at the current point in time, our expectation is that we will secure price increases for 2026 that exceed what we achieved in 2025, which were already at high levels compared to historical norms."*

And finally, First Energy noted the elevated cost of energy, perhaps a reflection of all the spending on new AI datacenters: *"Last week, PJM announced the results from its capacity auction for the 2026 to 2027 delivery year. Prices cleared at the administratively set cap, which is 22% higher than the 2025 to 2026 delivery year with no new dispatchable coal, gas or nuclear generation. It is clear that the capacity auction construct does not provide the incentives necessary to finance and build the much-needed dispatchable generation in deregulated states."*

While we can certainly be accused of nitpicking here, we sense that inflation is becoming more problematic. Originally, when tariffs were proposed, we believed that the risks to the economy were skewed more towards demand destruction, and, thus potentially deflation. Thus far, the economy has been far more resilient than expected, with consumers still happily spending, the AI boom accelerating, and a healthy credit backdrop. While we have previously discussed GDP being a distorted indicator in the near-term, the most recent GDP reading surprised to the upside on the back of a strong consumer. While consumers remain depressed, perhaps this is in anticipation of yet another inflation wave.

One of the best leading indicators of economic health is equity market performance. Markets are forward-looking – and we believe they are pretty smart too. The low volatility we have seen since the spring might be a sign that there is nothing to fear, but fear itself. If the Fed continues to cut rates, the backdrop may shift further into exuberance, potentially stoking asset bubbles in areas such as AI and crypto.



Conclusion

If we were running the Fed, we would adopt a wait-and-see posture. There's not enough evidence that the economy has meaningfully weakened, while the risks of rekindling inflation, or sparking an asset bubble remain significant.

By keeping rates higher for longer, the Fed retains valuable dry powder. When the economy truly needs support, future rate cuts will be more powerful. In the meantime, keeping the "Fed put" in our back pocket is the prudent move.

We're sorry, Mr. President, but you are going to have to wait. I doubt we will be getting nominated for Fed Chair any time soon.

While the Fed's actions and market expectations around interest rates naturally command headlines, we remain grounded in our core discipline at Broadleaf. The BGEP is designed to compound value over time by owning businesses with sustainable earnings growth. History has shown that this growth can persist regardless of the Fed's next move, as monetary policy is only one of many variables influencing the market.

Rather than trying to outguess policymakers, we focus on what our companies are saying and reporting each quarter. At the end of the day, we're happy to keep doing our job: managing money by identifying durable growth stories and staying disciplined to our process. For us, that is where value is truly created.

About the Author



Pete is an Associate Portfolio Manager at Broadleaf, with a strong background in the financial services industry. He joined the firm in 2021, and has a proven track record of analyzing portfolio companies and identifying growth opportunities. Pete is a CPA and received his Chartered Financial Analyst (CFA®) designation in 2024. Pete lives in Hudson, Ohio with his wife Nicole.

Portfolio Characteristics

Portfolio Statistics	
Avg. Wtd. Market Cap.	\$1.55T
Median Market Cap	\$243.0B
Forward P/E Ratio	30x
Median P/E Ratio	46x
Free Cash Flow Yield	2.4%
Median Return on Equity	32.3%
Beta	1.33
Portfolio Yield	.6%
3yr Avg Rev Growth	21.3%
3yr Avg EPS Growth	32.9%

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. 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 provide equity like returns and 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 had been \$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 \$568 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 and to outperform the S&P 500 over a three to five-year time horizon or full market cycle. 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 fifteen 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.

Portfolio attributes such as yield are presented to provide insight into the composition or profile of the portfolio and its underlying assets. These attributes are not intended to be measures of actual or future performance or income. Unless otherwise indicated, attributes are shown gross of advisory fees and expenses. The overall impact of fees and expenses is best reflected in the portfolio's gross and net performance results.

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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