



Broadleaf Partners, LLC

Growth Equity Portfolio Fourth Quarter Review December 31, 2023

	[-----Annualized-----]						
	<u>Q4 2023</u>	<u>1 Year</u>	<u>3 Years</u>	<u>5 Years</u>	<u>10 Years</u>	<u>15 Years</u>	<u>Since Inception</u>
Broadleaf	13.7%	28.0%	6.7%	19.4%	15.3%	17.0%	12.3%
S&P 500	11.7%	26.3%	10.0%	15.7%	12.0%	14.0%	9.9%

Performance Commentary

The portfolio finished the year on a very strong note, up 14% and 28%, respectively, for the fourth quarter and full year. Our long term numbers remain well ahead of the indices and our peer group. To be sure, the last three years have proven more challenging, but given the pandemic, generationally high inflation, the popping of the SPAC bubble, and an aggressive Fed tightening campaign, we believe our actions to manage risks and consider new areas of growth were justified.

In this business, it is important to be disciplined, but to also have the courage to change and adjust as the circumstances warrant. As an active manager, this flexibility is what has paid the bills relative to the completely passive approach of being an index investor. With inflation now receding, we're seeing the ball better, and are pressing our bets more aggressively, rather than choosing to be more diversified in an environment we had repeatedly and unashamedly declared "clear as mud" for much of the last eighteen months.

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 - Authored by Doug MacKay

If we had to sum up the past year in a single word, we'd call it resilient. In spite of higher rates of inflation than we've seen in decades, a record setting tightening campaign by the Fed that brought a few bank failures earlier in the year, and wars and rumors of war, the markets have proven resilient. Fully employed workers have kept the economy humming along in spite of the Fed's repeated efforts to slow the economy and Wall Street's insistence in the inevitability of a recession.

As the year comes to a close, we'll make a few comments on the factors guiding our outlook and follow up with a more in depth 2024 Playbook later in January, as we always do.

- 1.) ***Inflation is subsiding.*** A review of financial history suggests a second-phase rebound in inflation is possible, but with inflationary expectations never fully embedding themselves this go around, it feels less likely this time. Considering the actions taken by the Fed, perhaps inflation has been more transitory after all. A number of retailers suggest budding deflationary factors may be asserting themselves, at least with respect to the goods sector.
- 2.) ***Rate cuts could be justified in the coming quarters.*** There is room for the Fed to now cut rates given declining inflation and their current level. In a period of rapidly escalating deficits and political dysfunction, the government would be foolish to pay more in interest than it has to, so the argument for cutting seems plausible, even without a recession looming, as has often been the reason for policy reversals historically.
- 3.) ***The markets enjoyed a strong 2023, but let's not forget how difficult 2022 was.*** The market has essentially recovered its losses from last year and is now flirting with highs from two years ago. For all the gnashing of teeth regarding the outperformance of the so-called Magnificent Seven in 2023, these names, too, have largely only recovered the significant losses incurred in 2022. A continued broadening of the market in the fourth quarter need not come at the expense of the Mag 7, but perhaps the massive amount of money that has flown into money market funds paying 5% interest, an unheard of rate for what seems like decades, and perhaps another reason why cuts could be in the offing.
- 4.) ***Just as it seemed like tech was in trouble, a seminal shift in tech innovation surprised everyone.*** Artificial intelligence feels like a game changer, akin to the graphical user interface in personal computing, networking equipment to the internet, and search for commerce, advertising and social media. Could a new dawn of wealth generation lie ahead, akin to that created by the likes of Gates, Jobs, Chambers, Bezos and Zuckerberg over the last forty years? Or those of the Gilded Age and Aviation before? As investors, this could be our time to share in the creation of tomorrow's history, to help C3PO, R2D2, and Hal jump off the pages of science fiction and into reality.
- 5.) ***As interest rates normalize and inflation fades, the Innovation Cycle should resume its longer term leadership position in generating outperformance.*** Ever since the pandemic, the market has witnessed an undulating basket of horses jockeying for leadership in the annual performance derby, with no discernible, sustained winners.
- 6.) ***Geopolitical issues remain the clearest risk to the markets and the economy, but are also a catalyst for opportunity.*** Heightened security concerns and efforts to reshore may usher in positive, longer term trends for the industrial and energy sectors not seen since the Industrial Revolution. These may offer an uncorrelated source of alpha to the traditional growth areas associated with innovation, namely tech and health care. Musk is showing this today, in remaking the

automobile and aerospace industries, not only from an end product perspective, but how things are manufactured on the floor.

- 7.) ***Presidential elections are normally positive years for the stock market, but the noise from this one won't be much fun.*** We may be our own worst geopolitical risk at this point, as it feels like any election in the future will be doomed to nasty contests after the fact. We look like children fighting over toys in a sandbox, in our opinion, childish and out of touch. Scapegoat theory suggests the solution to get beyond ourselves might lie in a common enemy outside our orbit. China will likely continue to be a scapegoat, but we'll be on the lookout for others.

Portfolio Characteristics

Portfolio Statistics	
Avg. Wtd. Market Cap.	\$284.9B
Median Market Cap	\$114.5B
Forward P/E Ratio	36x
Median P/E Ratio	30x
Free Cash Flow Yield	2.9%
Median Return on Equity	23.5%
Beta	1.16
Portfolio Yield	.4%
3yr Avg Rev Growth	19.3%
3yr Avg EPS Growth	13.4%

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 \$449.7 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.

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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