Portfolio Commentary

Market Review

For almost six months investors, not to mention the general public and politicians, have been trying to discern what President Trump's election means for the markets and both US domestic and foreign policies. Rarely have we seen such an ambitious agenda without a clear path forward. The transition to the new administration has not been smooth. Transitions though are temporary and as the days pass, investors and others will adjust.

While our economy is driven by a combination of consumer, corporate, and government activities, our financial markets are more fickle and susceptible to headlines and emotions. With that in mind, the stock market continued its post Trump Election Day rally into 2017. The S&P 500 Index proved remarkably resilient throughout the quarter gaining more than 6%. At one point, the market experienced over 100 consecutive days without moving more than 1%, a feat last witnessed in the mid 1980's.

Bonds, normally more staid than stocks, have demonstrated more volatility since the election. Ten year bond yields rose from 1.8% to 2.6%, only to later fall to 2.4% after the failed health care reform vote. Some observers believe that the ten year bond yield changes telegraph President Trump's approval ratings.

All new administrations come with their own agendas. The Trump administration has proffered ambitious plans for fiscal stimulus, trade policy, tax reform, and healthcare. To the extent that the stock market rally represents only a Trump policy premium, the stock market could be ahead of itself. Fortunately, there is more that drives the market than just the expected passage of complex policy legislation.

Our economy is stronger than the winds that blow through Washington. The steady, albeit unspectacular growth since the nadir of the 2008 financial crisis continues apace. Strengthening growth prospects will determine the intermediate and longer term performance of both the stock and bond markets.

We are optimistic that the economy's momentum is picking up. Vagaries of monthly economic data fog a clear view, yet key underpinnings are strengthening. Job growth reaccelerated in February with over 235,000 jobs created. Importantly, participation in the key 25-54 year age group is close to 82% and is in a multi-year uptrend. College graduates are also finding jobs. Years of consistent job growth have lowered the unemployment rate below 5% while wages have steadily risen since 2014.

There are hints now that capital spending and manufacturing may finally be strengthening. The US oil and gas rig count has doubled over the past year. This has the dual effect of supporting capital spending while dampening oil prices even as demand for energy ticks higher. In addition, industrial production and durable good shipments are also improving. Could the long awaited awakening of our industrial base finally be taking root?

Housing remains a stalwart. In spite of higher mortgage rates since November, housing affordability remains at constructive levels. Household debt service as a percent of disposable income is down 25% from its peak just before the financial crisis. Years of underinvesting in new housing construction has contributed to pent up demand. While notoriously volatile, house prices were up 7% in February. That is unlikely to turn around abruptly.

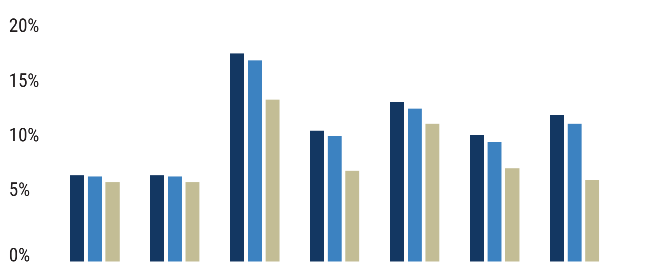
Performance Overview

The Mid Cap Growth Portfolio outperformed the Russell Midcap Growth Index® during the first quarter. The Portfolio returned 7.46% versus the Russell Midcap Growth Index® return of 6.89%.

Security selection in the Information Technology, Consumer Discretionary, and Materials sectors benefited the Portfolio during the quarter.

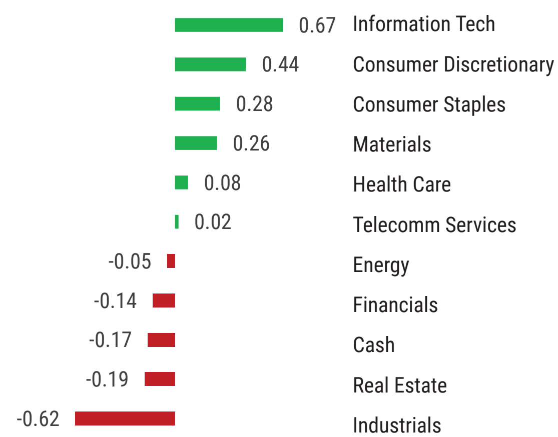
Security selection in Industrials and Real Estate detracted from the Portfolio's relative performance, as did an overweight allocation to Industrials.

% Annualized Returns - as of 3/31/2017 - Preliminary



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Mid Cap Growth (Gross)	7.5	7.5	18.1	11.4	13.9	11.0	12.8
Mid Cap Growth (Net)	7.4	7.4	17.5	10.9	13.3	10.4	12.0
Russell Midcap Growth®	6.9	6.9	14.1	7.9	12.0	8.1	7.1

% Total Effect Portfolio vs. Index (12/31/2016 - 3/31/2017) (bps)



Q1 2017 Attribution Highlights

Overall Contributors

- Security Selection in Information Technology
- Security Selection in Consumer Discretionary
- Security Selection in Materials

Overall Detractors

- Security Selection in Industrials
- Security Selection in Real Estate
- Allocation to Industrials

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Cognex Corporation	CGNX	0.98%
*VCA Inc.	WOOF	0.83%
Hasbro, Inc.	HAS	0.64%

*sold during the quarter

Detractors

Stock	Ticker	Detraction
G-III Apparel Group, Ltd.	GIII	-0.48%
Acuity Brands, Inc.	AYI	-0.28%
Texas Roadhouse, Inc.	TXRH	-0.19%

Cognex (CGNX) produces vision systems, vision software, vision sensors, and industrial identification readers used in manufacturing automation. The company posted better than expected demand for their products across several of the industries they serve including automotive, consumer electronics, and logistics. While the European region was the biggest contributor to strong performance in the company's Factory Automation business, the Americas region also delivered mid-teens growth. In addition, the company is seeing increasing orders for its products from U.S. based manufacturers across a wide range of industries. In particular, Tier 1 U.S. auto suppliers are adding more capacity and vision technology solutions to their distribution efforts.

VCA (WOOF): In January, Mars Co. announced it would acquire WOOF for $93 per share in an all-cash transaction valued at $9.1B. The deal price represented a 31% premium over WOOF's prior-day closing price.

Hasbro, Inc. (HAS) is a global play and entertainment company. The company reported very strong quarterly results. Revenue grew 10% from the previous year in both its North American and International markets. Revenues from franchise brands such as Nerf and Play-Doh grew 2%, games such as Pie Face grew 9%, and Partner brands such as Disney Princess and Disney's Frozen grew 28%. The company's outlook for 2017 is strong due to product tie-ins with theatrical releases such as Star Wars: The Last Jedi, Marvel's Guardian of the Galaxy Volume 2, Transformers: The Last Knight, and My Little Pony.

G-III Apparel Group (GIII) is a manufacturer and distributor of apparel and accessories under licensed brands, owned brands, and private label brands**.** Although the company continues to improve its performance in the non-outerwear space and wholesale channel, retail store weakness and its 2016 DKNY acquisition are leading to Fiscal Year 2018 becoming a transition year. DKNY was more dilutive than initial expectations, yet the company still stands by its $550M revenue guidance by Fiscal Year 2019. Surprisingly, the company is expanding its department store business by signing an exclusive agreement with Macy's and increasing product offerings elsewhere. While the pace of their retail store closures was not as aggressive as some hoped, management is optimistic about improving future results.

Acuity Brands (AYI) is a provider of innovative lighting systems. AYI was impacted by a disappointing quarterly report. The prior quarter's manufacturing and labor issues were resolved, but new challenges such as a softened end market arose. AYI was not alone as industry peers gave similar commentary on the market environment. But, with higher expectations for AYI, its stock price was more deeply affected. However, the long-term management outlook continues to be very, very bullish on the company's end markets due to a secular shift to LED and smart building solutions.

Texas Roadhouse (TXRH) is a casual dining company with over 485 restaurants. TXRH underperformed during the quarter due to weak quarterly results and concerns about the long term expansion of its concept. Same store sales were at their lowest levels since Q1 2010, as the company identified issues such as weather and late tax refunds as having an impact on results. Management also mentioned the lack of available quality real estate space as their store base expands. Additionally, increased labor costs driven by wage inflation continue to hurt restaurant level margins, although there has been some relief on food costs. Despite these headwinds, the company is a very strong operator and we hope they can regain diner traffic and post better results moving forward.

Q1 2017 Transaction Summary

Sector Allocation Changes

- Increase in Technology and Consumer Discretionary
- Decrease in Industrials

Purchased

- Pool Corporation (POOL) - Consumer Discretionary
- Fabrinet (FN) - Information Technology

Sold

- VCA Inc. (WOOF) - Health Care
- B/E Aerospace Inc. (BEAV) - Industrials

Purchased

Fabrinet (FN): was purchased in order to gain exposure to the optical communications market and benefit from growth in communications infrastructure, carrier and enterprise networks, and data centers. The company manufactures for a wide range of original equipment manufacturers (OEMs). This purchase allows us to attempt to reduce the risk of investing in a volatile area. Rather than trying to choose the winner among many OEMs in a rapidly changing environment, we invested in a company that works with a wide range of firms and can direct capacity to the fastest growing customer.

Pool (POOL): is the world's largest wholesale distributor of swimming pool supplies and equipment, and is one of the top three distributors of irrigation and landscape products in the US. We were attracted to the company's steady growth, margin expansion, and cash flow generation. Also, with the volume of new pool builds rebounding after the financial crisis, the annuity-like stream of maintenance sales should continue to be solid in the future.

Sold

B/E Aerospace (BEAV): Last October, Rockwell Collins announced it would acquire BEAV for total consideration of $62 per share, or roughly 22% higher than BEAV's previous closing price.

VCA (WOOF): In January, Mars announced it would acquire WOOF for $93 per share in an all-cash transaction valued at $9.1B. The deal price represented a 31% premium over WOOF's prior-day closing price.

Positioning

Investments are predicated on a company's future prospects rather than economic or market cycles. We seek companies with strong fundamentals, emphasizing earnings growth consistency, free cash flow, and solid balance sheet metrics. The two purchases and two sales in the Portfolio during the quarter reflect this strategy. The combined effect of these transactions increased our allocation to the Information Technology and Health Care sectors while reducing our allocation to the Industrials sector.

Sources: Congress Asset Management (CAM) PSN and Factset. The views expressed in this document are as of publication date and are subject to change at any time due to changes in market or economic conditions.

Outlook

The Federal Reserve seems to have recognized the budding momentum with two interest rate increases in the past few months. Inflation is closing in on the Fed's target inflation rate of 2%. Yet market interest rates have not risen as some anticipated. Europe and Japan are still mired in low to negative rate policies, creating demand for US fixed income in spite of increases in short term rates.

Federal Reserve monetary policy requires further mention. The Fed has now raised short term rates three times in slightly over a year. In all likelihood, this is the start of a longer "normalization" process in which the Fed begins to shrink its own balance sheet by not reinvesting its maturing bonds. The end of so called quantitative easing will be gradual and likely well telegraphed. The Fed's aggressiveness throughout the financial crisis provided liquidity for the bond market, and in that vein can probably be viewed as a success. It also likely contributed to distorted valuations for both bonds and stocks earlier in the expansion. We view the Fed pull back, when it happens, as distinctly positive for both stocks and bonds.

There is always noise surrounding the markets. In the past few years investors have experienced numerous events that would not have been on their radar a decade prior: a government sequester, quantitative easing, and the Affordable Care Act to name a few. Companies adapted to these challenges. And while not all have flourished, the resiliency of our system has shown through. Cash flows and balance sheets remain strong. The stock market has persevered with remarkably low volatility while interest rates remain conducive for investment.

The noise surrounding the markets now is more political than economic. President Trump's sweeping agenda, which includes taxes, trade, fiscal policy, and regulatory easing, is far more ambitious than most new administrations. Investors have factored in some level of pro-growth legislation. Policy overhauls however are complex and usually result in some unanticipated consequences. In addition, consumers and businesses need clarity in order to evaluate capital and spending decisions. So far, investors have been patient reflecting expectations of some success in establishing pro-growth policies.

We are confident that the economy's foundation is strong enough to withstand the uncertainty derived from political changes. Over the intermediate and longer term, stocks will respond to earnings growth in conjunction with interest rates and inflation levels. We expect the momentum experienced over the last eight years will accelerate as this year progresses and that under-utilized capacity will keep inflation in check. Stocks remain the preferred asset class although ten year Treasury bond yields in the 2.5% range are also attractive.

Congress Asset Management Co.
Mid Cap Growth composite
10/1/1999 - 3/31/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell Mid Cap Growth Return % (dividends reinvested)	Composite Gross 3-Yr St Dev (%)	Russell Mid Cap Growth 3-Yr St Dev (%)	Number of Portfolios	Gross Dispersion %	Total Composite Assets End of Period ($ millions)	% of composite represented by non fee paying account	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
YTD	7.5	7.4	6.9	n/a	n/a	388	n/a	609	n/a	5,976	8,668
2016	13.9	13.3	7.3	12.0	12.2	105	0.54	431	n/a	5,693	8,139
2015	1.9	1.4	-0.2	11.4	11.3	50	0.42	221	n/a	5,941	7,094
2014	13.0	12.4	11.9	10.8	10.9	41	0.51	145	n/a	6,328	7,449
2013	37.9	37.3	35.7	13.2	14.6	35	0.38	84	n/a	6,489	7,467
2012	10.4	9.8	15.8	17.0	17.9	26	0.46	43	n/a	6,755	7,498
2011	12.7	12.1	-1.7	19.1	20.8	22	0.67	30	n/a	6,329	7,014
2010	40.2	39.4	26.4			15	0.65	20	n/a	6,416	6,678
2009	25.7	25.1	46.3			11	0.85	11	n/a	5,263	5,463
2008	-43.9	-44.2	-44.3			9	0.55	7	n/a	4,292	4,371
2007	24.8	24.3	11.4			12	0.81	16	18%	5,812	5,846
2006	7.7	6.6	10.7			7	0.28	13	22%	5,464	5,469
2005	10.7	9.6	12.1			7	0.43	20	13%	4,750	4,751
2004	14.7	13.5	15.5			≤5	n/a	15	15%	3,844	3,844
2003	26.0	24.8	42.7			≤5	n/a	10	20%	3,697	3,697
2002	-10.6	-11.5	-27.4			≤5	n/a	4	36%	3,312	3,312
2001	9.5	8.5	-20.2			≤5	n/a	2	100%	3,147	3,147
2000	35.4	34.1	-11.8			≤5	n/a	2	100%	3,183	3,183
4Q '99	19.9	19.6	39.5			≤5	n/a	1	100%	3,002	3,002

#The "Total Firm Assets" column is provided as supplemental information and also includes unified managed account (UMA) assets

Congress Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Congress Asset Management has been independently verified for the periods 12/31/95 – 12/31/16. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Mid Cap Growth Composite has been examined for the periods 10/1/99 – 12/31/16. The verification and performance examination reports are available upon request.

Firm Information: Congress Asset Management Co. (CAM) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Registration does not imply a certain level of skill or training. CAM manages a variety of public equity, private equity, fixed income and ETF managed portfolios for private and institutional clients. CAM acquired Prelude Asset Management, LLC on March 15, 2010. CAM merged with Congress Capital Partners, LLP on June 30, 2015.

Composite Characteristics: The Mid Cap Growth Composite was created on October 1, 1999. This inception date reflects the first full month in which an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the mid cap growth style for a minimum of one consecutive month. The mid cap growth strategy invests in the equity of high quality companies with market capitalizations between $1 billion and $12 billion (at the time of purchase) exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). Prior to September 1, 2005 the composite did not include private client accounts or accounts with less than $1 million. The primary composite benchmark is the Russell Mid Cap Growth Index. The benchmark returns are not covered by the report of independent verifiers. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. A complete list and description of all firm composites is available upon request.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars. The firm uses the Modified Dietz formula to calculate monthly returns and links these returns geometrically to produce an accurate time-weighted rate of return. The composite is also revalued intra-month in cases where cash flows in excess of 10% of the composite's value occur. Composite returns are asset-weighted. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Prior to 2007 net of fees returns are calculated by reducing gross returns by the highest management fee in the Mid Cap Growth composite, which is 1.00%. Effective January 1, 2007 net of fees returns are calculated using actual management fees. The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Accruals for equity securities are included in calculations. A maximum of 5% of the portfolio may be invested in the ADR's of foreign companies. Internal dispersion is calculated using the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 1999 through 2010 as it is not required for periods prior to 2011.

Fee Schedule: The firms' individual account fee schedule is as follows: 1.00% for first $1 million, 0.80% for next $4 million, 0.60% for next $5 million. Management fees for individual accounts with assets under management exceeding $10 million, and for institutional accounts are negotiated. The individual account fee schedule may be subject to negotiation where circumstances warrant. As fees are deducted quarterly, the compounding effect will increase the impact of the fees by an amount directly related to the gross account performance. For example, an account earning a 10% annual gross return with a 1% annual fee deducted quarterly would earn an 8.9% annual net return due to compounding.

Other Disclosures: Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance does not guarantee future results. This performance report should not be construed as a recommendation to purchase or sell any particular securities held in composite accounts. Market conditions can vary widely over time and can result in a loss of portfolio value.