CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

1Q 2018

Mid Cap Growth

Market Review

When train passengers pull into Boston's South Station, they are greeted by a large sign draped along a tractor-trailer advertising jobs available at the adjacent Post Office. Why is this important? It is visual evidence that job creation, perhaps the most important engine of economic growth and financial mobility, remains robust. Indeed, the economy grew at a 2.9% pace in the fourth quarter following readings of greater than 3% in the prior two quarters.

The building blocks put in place over the past few years, employment growth, low inflation, and stable energy prices have been joined by business and consumer optimism. In fact, a 3% growth rate is above the Federal Reserve's (Fed) estimate for long term potential growth of 1.8%. However, as March ended, it was difficult to remain focused on the positive economic background. News originating in Washington was focused on White House turnover, the potential negative consequences of two distinct tariff announcements, Facebook's mishandling of user data, and salacious gossip.

The bumpy end to the quarter erased all of January's stock market gains. Additionally, the staid bond market was down in January and February, an unusual occurrence that reflects inflation fears and uncertainty around the Fed's new management group. The U. S. ten-year bond now yields around 2.80% compared with 2.41% at year end. The S&P 500 was down about 1% during the quarter.

It appears that stock market volatility has returned, more than two years after the Fed first began raising interest rates. One under-reported cause may be the Fed's diminished role in the financial markets as it curtails quantitative easing measures. For an economy based on capitalism, this is positive and a return to normal market behavior. Over time the Fed's diminished role is more important than short lived Washington headlines, albeit less interesting.

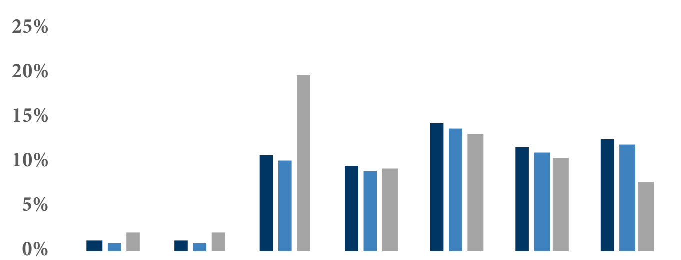
It is the right time for the Fed to lessen its role. Employment is the most vital of economic data. By almost every measure, employment continues to strengthen from levels not seen in a generation. Unemployment claims, for instance, are hovering near 50-year lows reflecting record job openings.

Performance Overview

The Congress Mid Cap Growth Portfolio returned 1.12% gross of fees during the first quarter of 2018 while the Russell Midcap Growth Index© (the Index) returned 2.17%. The Portfolio benefited from security selection in the Consumer Discretionary sector. However, security selection in Information Technology, Energy, and Health Care detracted from relative performance.

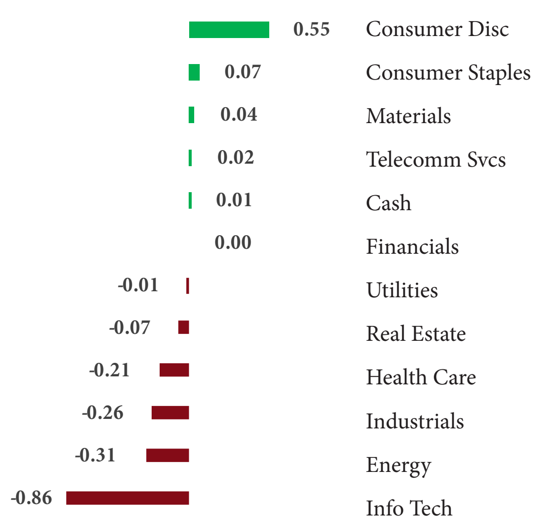
Sector allocation had a small overall impact on performance. The Portfolio benefitted from overweight allocations to Consumer Staples and Health Care. However, an underweight allocation to Information Technology detracted from performance.

Average Annualized Performance % - as of 3/31/2018



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Mid Cap Growth (Gross)	1.1	1.1	10.8	9.5	14.4	11.7	12.6
Mid Cap Growth (Net)	1.0	1.0	10.3	9.0	13.9	11.1	11.9
Russell Midcap Growth®	2.2	2.2	19.7	9.2	13.3	10.6	7.7

% Total Effect Portfolio vs. Index (12/31/2017 - 3/31/2018) (bps)



Information is as of 3/31/2018. Sources: Congress Asset Management, Factset, Russell Investments and Informa Investment Solutions. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings and sector weightings throughout this presentation are subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings may vary by client. Past performance does not guarantee future results. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. This information is supplemental to the GIPS® presentation for the composite. Performance returns of less than one year are annualized. Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

1Q 2018 Attribution Highlights

Overall Contributors

- Security selection in Consumer Discretionary
- Allocation to Consumer Staples
- Allocation to Health Care

Overall Detractors

- Security selection in Information Technology
- Allocation to Information Technology
- Security selection in Energy
- Security selection in Health Care

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
SS&C Technologies Holdings	SSNC	0.74%
Copart, Inc.	CPRT	0.44%
ResMed Inc.	RMD	0.40%

Detractors

Stock	Ticker	Detraction
RPC, Inc.	RES	-0.58%
LCI Industries	LCII	-0.43%
Snap-on Incorporated	SNA	-0.35%

SS&C Technologies Holdings, Inc., (SSNC) is a producer of sophisticated software products and software-enabled services that allow financial services providers to automate complex business processes and effectively manage their information processing requirements. In January, the company announced the acquisition of DST Systems, Inc., a provider of specialized technology, strategic advisory, and business operations outsourcing to the financial services industry. The deal is viewed as containing $150 million of cost savings annually, being immediately accretive to EPS before synergies, and representing a continuation of SS&C's proven strategy.

Copart, Inc., (CPRT) is an online and in person provider of vehicle auctions, remarketing services, and Internet auction-style sales technology. The majority of vehicle sellers are insurance companies with sales to vehicle dismantlers, rebuilders, repair licensees, and used vehicle dealers. The company reported a strong quarter with continued tailwinds from increased average selling price, greater insurance loss frequency, increased bidding activity, and higher international demand.

ResMed Inc., (RMD) is a global leader in the development, manufacturing, distribution, and marketing of medical devices and cloud-based software applications that diagnose and treat sleep related respiratory disorders. The company reported a strong quarter with continued global growth in masks and growing patient volumes. The Device business also saw steady growth as home care providers and physicians continue to choose ResMed products due to the connected/digital solutions that the company offers.

RPC, Inc., (RES) provides a broad range of specialized oilfield services and equipment, primarily to independent and major oil and gas companies engaged in the exploration, production, and development of oil and gas properties throughout the United States. The company reported a weak quarter with higher than expected seasonality and customer budget constraints pressuring RES's utilization. The company also experienced weaker incremental margins during the quarter, raising concerns about its ability to maintain pricing power.

LCI Industries, (LCI) is a leading supplier of a broad array of components to manufacturers of recreational vehicles (RV) and adjacent industries. Financial results have been pressured by weaker margins due to the combination of labor and raw material inflation. The stock has also suffered from concerns that RV industry sales will not be able to sustain current levels of growth.

Snap-on Inc., (SNA) is a leading global manufacturer and marketer of tools, equipment, diagnostics, repair information and systems solutions for professional users performing critical tasks. The company reported a quarter which saw a further deceleration in the organic growth rate of its Tools Storage business in the United States despite efforts to reinvigorate sales by retooling its fleet of vans and expanding product lines. SNA also saw originations as a percentage of revenue decline due to lower sales of big ticket items year over year.

1Q 2018 Transaction Summary

Sector Allocation Changes

- Increase in Consumer Staples, Energy & Information Technology
- Decrease in Real Estate & Financials

Purchased

- Lamb Weston Holdings, Inc. (LW) - Consumer Staples
- RPC, Inc. (RES) - Energy
- Old Dominion Freight Line, Inc. (ODFL) - Industrials
- MKS Instruments, Inc. (MKSI) - Information Technology
- Hyatt Hotels Corporation (H) - Consumer Discretionary
- Paycom Software (PAYC) - Information Technology

Sold

- Fabrinet (FN) - Information Technology
- Camden Property Trust (CPT) - Real Estate
- J. B. Hunt Transport Services, Inc. (JBHT) - Industrials
- Hasbro, Inc. (HAS) - Consumer Discretionary
- FactSet Research Systems, Inc. (FDS) - Financials

Purchased

Lamb Weston Holdings, Inc. (LW) is a leading global producer, distributor, and marketer of frozen potato products, primarily french fries. The company was formerly a wholly owned subsidiary of Conagra Brands, and was spun off in July 2016. Industry dynamics are favorable as french fry penetration is increasing globally and production is limited. Lamb Weston has organic top line growth driven by a combination of new product innovation, strengthening relationships with suppliers and growers, and capacity additions.

RPC, Inc. (RES) is an oil and gas services company that provides a broad range of specialized oilfield services and equipment to independent and major oilfield companies engaged in the exploration, production and development of oil and gas properties throughout the United States. RPC is in a strong position to increase top and bottom line results as the industry reactivates domestic wells. Further, RPC has no long-term debt, providing flexibility to both maintain high level maintenance spending and idle its pressure pumping fleet during difficult environments.

Old Dominion Freight Line, Inc. (ODFL) is one of the largest less-than-truckload (LTL) motor carriers, providing regional and national freight services through a single integrated organization. Old Dominion is benefiting from industry conditions that are driving a strong recovery in LTL volume and pricing with customers looking for supply chain support and assistance delivering consumer household pickup and delivery. Supply constraints from driver shortages, migration to online procurement, and weather impacts are supporting higher pricing and incremental margins.

MKS Instruments, Inc. (MKSI) is a global provider of instruments, subsystems, and process control solutions to semiconductor capital equipment suppliers and other industries. The semiconductor industry continues to show signs of strength and moderating cyclicality driven by increased chip complexity and expanded uses. Both trends should benefit MKS given its technological leadership vis a vis its competitors. Further, through its 2016 acquisition of Newport Corporation, MKS has successfully diversified its revenue base to include broader industry customers and non-semiconductor markets.

Hyatt Hotels Corporation (H) is a global hospitality company with widely recognized, industry leading brands including Hyatt, Grand Hyatt, Hyatt Regency, Hyatt Place, and Exhale. Hyatt is well positioned to benefit from favorable leisure, corporate, and group travel trends. The company is converting to a higher margin asset light business model by selling some owned properties but maintaining the management contracts. Hyatt initiated a dividend in February of 2018.

Paycom Software (PAYC) is a Software as a Service provider of a comprehensive, cloud based human capital and payroll management solutions. Its solution requires virtually no customization and is based on a core system of record maintained in a single database. Paycom is growing in existing markets and expanding into 10-14 new sales offices over the next two years. It is also looking to enlarge existing client relationships and targeting larger clients.

Sold

Fabrinet (FN) provides advanced optical packaging and precision optical services to original equipment manufacturers of complex products. The company reported a series of disappointing quarters with involuntary inventory builds at its customers. Fabrinet experienced continued weakness in its Optical segment particularly in China, with both Telecom and Data Comm segments issuing lower than expected guidance for this year.

Camden Property Trust (CPT) is a real estate investment trust (REIT) that operates multifamily apartment communities. Camden is experiencing a number of headwinds that appear poised to continue including rising interest rates, decelerating leasing spreads, slowing revenue growth, and lower property net operating income.

J. B. Hunt Transport Services, Inc. (JBHT) engages in the provision of logistics solutions. The company reported a series of disappointing quarters with weaker margins. It has particularly been impacted by a lack of pricing power combined with higher wages and insurance costs.

Hasbro, Inc. (HAS) is a global play and entertainment company committed to creating the world's best play experiences. There has been growing concern around the outlook for the toy market. The company is also moving into non-core businesses such as box office films and becoming more dependent on the success of feature films to drive its toy business.

FactSet Research Systems, Inc. (FDS) provides integrated financial information and analytical applications for the global investment community. The outlook for the industry is being called into question by asset management company consolidation and potential new regulation. Key financial metrics around annual subscription value have plateaued and adjusted margin has deteriorated.

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. There were six purchases and five sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Consumer Staples, Energy, and Information Technology sector weights, while reducing the Real Estate and Financial sector weights.

Outlook

The economy had been under repair since the financial crisis before a more consistent path was developed last year. A strong domestic structure is now supported by an accelerating global economy partially fueled by aggressive policies of the European and Japanese central banks.

While we believe growth will accelerate, some caution is warranted. The Tax Cuts and Jobs Act, signed by President Trump last December, has positive ramifications for lower and middle-class tax payers and businesses. U.S. companies will be more competitive on a global stage and a significant number of large employers have promised to share savings with their employees. Tax cuts stimulate the economy, but it is unusual for the federal government to pass a meaningful tax cut during periods of economic expansion. As such, there is a risk of heightened inflation in future years should productive capacity not increase to offset any demand pressures.

Ironically, one of Congress' few acts of bipartisanship could also generate concern down the road. Washington has little inclination to live by a budget and the recently passed spending bill destroys any hope for a balanced budget in the intermediate term. The Treasury reported that our national debt exceeded $21 trillion, up $1 trillion over the past six months and about equal to the size of our economy. That debt level is a record, both in absolute terms and relative to our economy, other than in war time. This trend bears watching.

There is a third potential risk – tariffs. President Trump has announced two distinct tariff proposals. Economic nationalism sells well across the political spectrum but comes with serious negative consequences that cannot be measured by pure numbers. The $50 billion tariff centered on China would, if enacted, cost far more to our economy as retaliatory measures would offset any supposed gain. We suspect the tariff trial balloons are just that and will be used to negotiate more defined trading agreements.

We remain sanguine regarding the stock market and prefer stocks to bonds notwithstanding the recent volatility and the acrimonious political drumbeat. The unbridled enthusiasm that greeted equity investors in January has been tempered even as the economy remains on solid footing. Inflation, a potential future risk, remains contained. Earnings growth measured nearly 15% during the 4th quarter of 2017. We expect earnings to increase double digits in 2018 as well, supporting current valuations.

Congress Asset Management Co.
Mid Cap Growth composite
10/1/1999 - 3/31/2018

Year	Total Return Gross of Fees%	Total Return Net of Fees%	Russell Mid Cap Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell Mid Cap Growth 3-Yr annualized ex-post 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	1.1	1.0	2.2	n/a	n/a	503	n/a	861	n/a	7,427	10,727
2017	17.7	17.2	25.3	10.8	10.9	447	0.65	763	n/a	7,272	10,546
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 1/1/96 – 6/30/17. 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. CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017.

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 full month. The mid cap growth strategy invests in the equity of high quality companies with market capitalizations between $800 million and $15 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. Monthly composite performance is calculated as an asset-weighted return using the aggregate method. This method aggregates market values and cash flows for all accounts and treats the composite as if it were one account. Monthly composite returns are geometrically linked to produce a time-weighted annual return. Beginning June 1, 2015 the composite is valued daily. Prior to that date, the composite was re-valued on each date that a cash flow exceeded 10% of the total market value of the composite. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Prior to 2007 net of fees returns were calculated by reducing gross returns by the highest management fee in the Mid Cap Growth composite, which was 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. 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 ex-post 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.