CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

1Q 2019

Mid Cap Growth

Market Review

As negative economic reports increased over the first quarter, U.S. employment belied the trends and remained robust. The strongest employment economy in a generation is a powerful elixir for the slowdown in business investment. Low unemployment is a central reason we are confident that the U.S. consumer will continue to drive the economic expansion as 2019 progresses.

The consumer represents 70% of domestic spending and is now the primary growth driver of the U.S. economy and the global economy. The employment situation remains the most important element for consumers. Job openings breached the 7.5 million mark in the latest report. Wage growth is hovering around 3.5% which helped create a new high in personal savings. Consumer debt relative to incomes is at lows not seen since the early 2000's. While consumer spending patterns can be inconsistent, the supporting data indicate that the consumer has the financial wherewithal to spend as the year progresses.

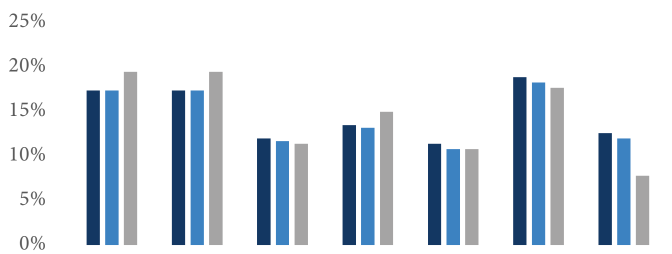
Indeed, the stock market's remarkable first quarter recovery likely reflects the strong employment trends and the Federal Reserve's (Fed) recent pivot in strategy. After raising short term rates in December, the Fed has deferred further rate increases and announced a more gradual plan to shrink its balance sheet. The new path indicates the Fed is concerned about the strength of the economy. In addition, inflation remains stubbornly below the Fed's preferred 2% target. The lack of inflation is noteworthy – it implies that the Fed has leeway to keep rates lower for longer, even if we are at full employment.

Performance Overview

The Congress Mid Cap Growth Portfolio ("the Portfolio") returned 17.41% during the 1st Quarter, underperforming the Russell Midcap Growth Index ("the Index"), which returned 19.62%.

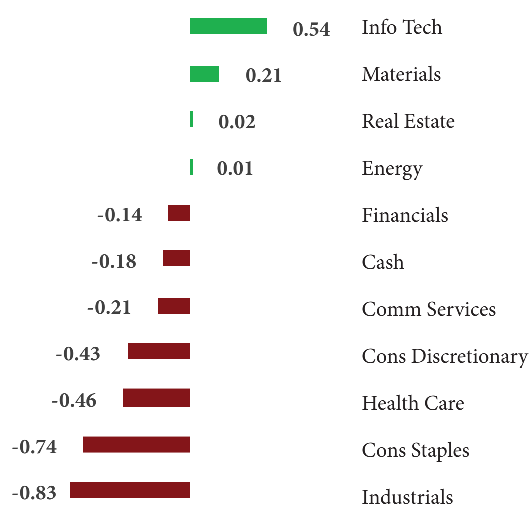
The Portfolio benefited from security selection in the Information Technology and Materials sectors. In addition, an underweight allocation relative to the Index in Communication Services aided relative performance during the quarter. However, security selection within Industrials, Health Care, Communication Services, and Consumer Discretionary detracted from performance, as did an overweight allocation to Consumer Staples.

Average Annualized Performance % as of 3/31/2019



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 10/1/1999
Mid Cap Growth (Gross)	17.4	17.4	12.1	13.6	11.4	18.9	12.6
Mid Cap Growth (Net)	17.3	17.3	11.6	13.1	10.9	18.3	11.9
Russell Midcap Growth®	19.6	19.6	11.5	15.1	10.9	17.6	7.9

% Total Effect Portfolio vs. Index (12/31/2018 - 3/31/2019)



Information is as of 3/31/2019. 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 not 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.

Q1 2019 Attribution Highlights

Overall Contributors

- Security selection in Information Technology & Materials
- Underweight allocation to Communication Services

Overall Detractors

- Security selection in Industrials, Health Care, Communication Services & Consumer Discretionary
- Overweight allocation to Consumer Staples

Top 5 Contributors

Stock	Avg. Weight%	Contribution%
Paycom Software, Inc.	3.11	1.45
Keysight Technologies, Inc.	2.87	1.05
SS&C Technologies, Inc.	2.71	1.00
Etsy, Inc.	2.69	1.00
Synopsys, Inc.	2.77	0.93

Bottom 5 Contributors/Detractors

Stock	Avg. Weight%	Detraction%
ResMed, Inc.	2.44	-0.28
Take-Two Interactive Software, Inc.	1.87	-0.17
Burlington Stores, Inc.	2.80	-0.08
RBC Bearings, Inc.	2.23	-0.05
Lamb Weston Holdings, Inc.	2.54	0.02

Paycom Software, Inc. (PAYC) provides comprehensive cloud-based human capital and payroll management solutions. This quarter was a solid recovery from the prior quarter, as management was able to quell investor angst around slowing core growth given the recent move to expand their target customer and increase marketing spending. Conversely, recent earnings results highlight PAYC's share gains, as sales productivity and client retention improved, and management referenced potential larger clients in the pipeline. The stock also benefited from a rebound in tech during Q1.

Keysight Technologies, Inc. (KEYS) is a global leader in the electronic & communication test & measurement space, operating in diverse markets such as commercial communications, aerospace, defense and government, and electronic industrial. KEYS is benefiting from the early stages of 5G standards development and testing. Management expects outsized growth to continue for the next couple of years before a fully scaled network can be launched. The company is also producing an expanding solution set that should position it to drive growth into the next phases of the 5G rollout, such as base station manufacturing and component testing for devices.

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. The company has been an aggressive consolidator in the market, spending almost $9B on deals in 2018. These deals increase the competitive moat for SSNC yet may slow organic growth and contract margins temporarily.

Etsy, Inc. (ETSY) engages in the management of an online global marketplace for unique and creative goods such as shoes, clothing, bags, and accessories. Etsy reported very strong fourth quarter results with accelerating revenue growth driven by its new pricing structure and continued momentum in gross merchandise sales. The company saw modest margin expansion despite an acceleration in marketing and product development investments to drive future growth. 2019 guidance was introduced and indicates the expectation for continued strong revenue growth.

Synopsys, Inc. (SNPS) is a leader in the electronic design automation industry. The company develops software and hardware that are used to design and develop electronic chip systems and the software that runs on them. It also develops pre-designed circuits that engineers use as components of their larger chip designs. SNPS continues to see strong design activity in the face of semi cycle and macro concerns, driving solid backlog growth and a broadening customer base. Its peer group has more exposure to the design, simulation, and test aspects of the semiconductor market, which are more aligned with long-term secular drivers instead of volume-based cyclicality.

ResMed, Inc. (RMD) is a developer of medical solutions and products used to treat and manage sleep disordered breathing, such as obstructive sleep apnea and central sleep apnea. The recently reported quarter saw a decline in international device sales as digital health reimbursements slowed in France and Japan. ResMed also experienced a slowing organic growth rate in its SaaS business. Finally, ResMed's management did speak to higher investments in the business, resulting in a higher selling, general and administrative expenses, pressuring earnings growth.

Take-Two Interactive Software, Inc. (TTWO) is a leading developer and publisher of video, computer, and mobile games. Fiscal 3Q guidance increased investor concern regarding the prospects for the online version of its Red Dead Redemption game. The disconnect between investor and company outlook comes from the forecast timing of revenue contribution from Red Dead Redemption Online and differing unease regarding potential cannibalization of Grand Theft Auto. In addition, its games have seen increased competition from "battle royale" style games like Fortnite and Apex Legends.

Burlington Stores, Inc. (BURL) is a national off-price retailer of high-quality, branded merchandise at everyday low prices. Burlington reported 4Q results with weaker than expected same store sales due to cold weather and softness in women's apparel. Management also spoke to weaker sales trends to begin the first quarter. Finally, BURL ended Q4 with a heavier than expected inventory position, calling into question its ability to deliver margin expansion in calendar year 2019.

RBC Bearings, Inc. (ROLL) is an international manufacturer of highly engineered precision bearings and components. Its products are integral to the manufacture and operation of machines and mechanical systems by reducing wear on moving parts, facilitating power transmission, and reducing damage and energy loss caused by friction. In the most recent quarter, management lowered expectations for growth for fiscal Q4 and the following year due to a slowdown in their industrial business, as well as aerospace supply-chain issues. The stock has also come under pressure more recently due to production cuts by Boeing for the 737 MAX.

Lamb Weston Holdings, Inc. (LW) is a leading global producer, distributor, and marketer of value-added frozen potato products, primarily french fries. Lamb Weston reported a strong fiscal 2Q with greater than expected organic growth and margin expansion. However, the stock subsequently struggled with concerns around growth in industry capacity as Lamb Weston and peers look to open more french fry plants over the next couple of years, potentially impacting contract pricing and margins.

1Q 2019 Transaction Summary

Sector Allocation Changes

- none

Purchased

- IDEX Corporation (IEX) - Industrials

Sold

- Allegion, Plc (ALLE) - Industrials

Purchased

IDEX Corporation (IEX) is a diversified, engineered products company serving high-growth niche markets. It specializes in fluid and metering technologies, health and science technologies, dispensing equipment, and fire, safety, and other diversified products built to its customers' exacting specifications. The company continues to benefit from strong demand and is offsetting higher inflation and tariffs with increased prices. These factors have driven solid organic and order growth, as well as margin expansion over the last few quarters despite concerns about China trade and slowing global growth.

Sold

Allegion, Plc (ALLE) is a leading global provider of security products and solutions. It offers an extensive and versatile portfolio of mechanical and electronic security products across a range of market-leading brands. While ALLE has maintained solid mid-single digit to high-single digit organic growth, it has struggled to achieve margin expansion. Management expects continued impact from inflation and incremental investment to limit margin expansion through the latter part of 2019.

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 was one purchase and one sale in the Portfolio during the quarter, and this is reflective of this philosophy.

Outlook

Economic expansions typically grow at inconsistent rates. What is unique to the current expansion is its length of 10 years and its relatively subdued level of growth. Notably, we have yet to experience robust growth in consecutive years. With the Great Recession still in our short-term memory, investor sentiment is fragile. Recognizing this, the Fed acted quickly and decisively, assuaging investor concerns.

Government support for the economy extends beyond the Fed. Federal government spending is up 9% over this time last year. This fiscal stimulus, while not as efficient as private sector spending, should help boost economic growth. However, it is deficit financed, demonstrated by the government outspending tax receipts by 30% in the current fiscal year, a large amount that seems to increase each year. The bi-partisan nature of federal spending suggests that this practice will continue pushing payment to future generations.

The decline in market interest rates (the yield on the ten-year Treasury has fallen to around 2.5%) reflects the lack of inflation, tempered growth expectations, and negative yields in much of Europe. U.S. fixed income securities offer rates and safety not available elsewhere. We view the low rates as an inducement to invest in U.S. assets more than a sign of an imminent economic collapse. The quadruple combination of a strong consumer, a responsive Fed, increased government spending, and low interest rates should help the economy overcome this global slowdown.

The U.S. remains the preferred investment destination as growth, albeit slower than a year ago, is faster than most of the developed world. Stocks are valued near historical averages with interest rates and inflation at generational lows. The fits and starts aspect of the global economy is likely to continue, but U.S. companies have proven to be agile and are poised to respond as the economy regains momentum.

Information is as of 3/31/2019

Congress Asset Management Co.
Mid Cap Growth Composite
1/1/2009 - 12/31/2018

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)	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
2018	-3.5	-3.9	-4.8	12.2	12.8	506	0.45	850	7,102	10,234
2017	17.7	17.2	25.3	10.8	10.9	447	0.65	763	7,272	10,546
2016	13.9	13.3	7.3	12.0	12.2	105	0.54	431	5,693	8,139
2015	1.9	1.4	-0.2	11.4	11.3	50	0.42	221	5,941	7,094
2014	13.0	12.4	11.9	10.8	10.9	41	0.51	145	6,328	7,449
2013	37.9	37.3	35.7	13.2	14.6	35	0.38	84	6,489	7,467
2012	10.4	9.8	15.8	17.0	17.9	26	0.46	43	6,755	7,498
2011	12.7	12.1	-1.7	19.1	20.8	22	0.67	30	6,329	7,014
2010	40.2	39.4	26.4			15	0.65	20	6,416	6,678
2009	25.7	25.1	46.3			11	0.85	11	5,263	5,463

#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 – 6/30/18. 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 – 12/31/17. 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 Midcap 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. The % of the composite represented by non-fee paying accounts at annual period end was 100% 1999-2001, 36% in 2002, 20% in 2003, 15% in 2004, 13% in 2005, 22% in 2006 and 18% in 2007. 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. It is not presented for 2009 and 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.