Portfolio Commentary

SMid Core Opportunity[1]

Market Review

After a year of pandemic induced restrictions, the U.S. economy is primed to accelerate to levels not seen in decades. Europe may be a few months behind, but parts of Asia are already humming. Inoculations combined with naturally occurring antibodies are bringing population immunity close to the tipping point. Government initiatives through monetary and fiscal policies provided a bridge to span the year-long morass and will continue to fuel the economy into the foreseeable future.

The financial markets spent the last quarter recalibrating to a year that promises enhanced growth opportunities with an anticipated bout of heightened inflation. Bond yields have risen reflecting higher inflation expectations that usually accompany high growth prospects. The S&P 500 has trended up but that masks the sometimes violent swings between both perceived reopening plays and pandemic beneficiaries as well as large capitalization companies versus smaller companies.

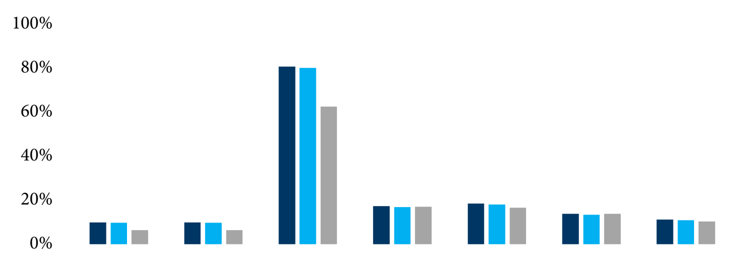
Portfolio repositioning impacts were felt in the commodities markets as well with energy products and copper notably rising. Bitcoin and "meme" driven, relatively illiquid stocks, have captured traders' imaginations but longer term present more risk than reward for the average investor.

Performance Overview

For the quarter ending March 31, 2021, the SMid Core Opportunity Portfolio ("the Portfolio") outperformed its benchmark, the Russell 3000 Index ("the Index"). The Portfolio returned 9.90% gross of fees while the Index returned 6.35% for the quarter.

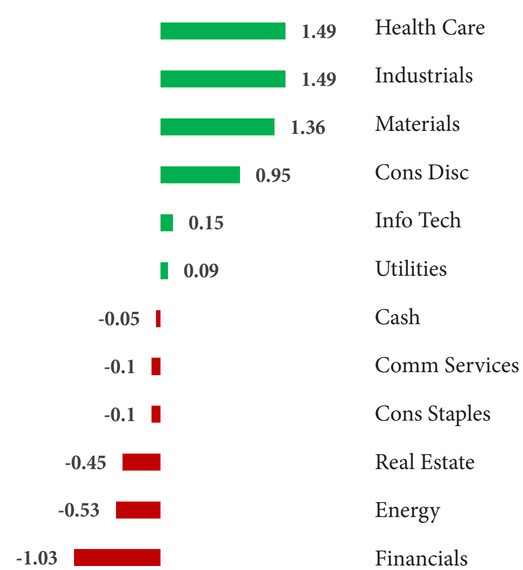
The Portfolio benefited from security selection in Health Care, Materials, and Consumer Discretionary. However, underweight relative allocations to Financials and Energy and an overweight allocation to Health Care detracted from performance during the quarter.

Average Annualized Performance % as of 3/31/2021



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 6/1/2005
SMid Core Opp[1] (Gross)	9.9	9.9	80.7	17.3	18.5	13.8	11.2
SMid Core Opp[1] (Net)	9.8	9.8	80.2	16.9	18.1	13.4	11.0
Russell 3000®	6.4	6.4	62.5	17.1	16.6	13.8	10.3

% Total Effect Portfolio vs. Index[3] (12/31/2020 - 3/31/2021)



[1]Prior to March 31, 2018, the Portfolio was known as the Congress All Cap Opportunity Strategy.

[2]On March 31, 2018, the Portfolio's stated investment strategy was updated to reflect its focus of investing in publicly traded stocks of U.S. small and mid capitalization companies with either growth or value characteristics.

1Q 2021 Attribution Highlights

Overall Contributors

- Security selection in Health Care, Materials & Consumer Discretionary

Overall Detractors

- Underweight allocations to Financials & Energy
- Overweight allocation to Health Care

Top 5 Contributors

Stock	Avg. Weight%	Contribution%
Summit Materials, Inc. Class A	5.34	1.83
United Rentals, Inc.	4.97	1.81
Penumbra, Inc.	4.53	1.80
Horizon Therapeutics plc	4.08	0.96
Fortinet, Inc.	4.39	0.96

Bottom 5 Detractors/Contributors

Stock	Avg. Weight%	Detraction%
Autodesk, Inc.	5.58	-0.56
SPS Commerce, Inc.	5.49	-0.46
Zoetis, Inc. Class A	3.48	-0.19
Grocery Outlet Holding Corp.	2.99	-0.16
Equinix, Inc.	3.46	-0.15

Summit Materials, Inc. (SUM) is a materials company that mainly supplies aggregates, cement, ready-mix concrete, and asphalt paving mix. The company saw its shares rise in the quarter as it posted excellent operating results. Summit has benefitted from the recent increases in rural and ex-urban residential construction as the pandemic has hastened city dwellers away from metropolitan centers.

United Rentals, Inc. (URI) is the largest equipment rental company in the world. URI's shares climbed over the last quarter after reporting mixed earnings results. Year-over-year revenue figures were down but these were overshadowed by management's optimism on the current supply and demand balance as well as on positive upcoming market trends for 2021.

Penumbra, Inc. (PEN) manufactures and markets medical devices that are designed to address ischemic stroke, hemorrhagic stroke, and various peripheral vascular conditions that can be treated through thrombectomy and embolization procedures. Shares of PEN gained during the quarter despite the company grappling with the fallout from a voluntary recall of its Jet 7 XtraFlex device due to reports of patient injury and death. Investors were clearly looking beyond the recall and ahead to an increase in the number of procedures performed as the pandemic fades.

Horizon Pharma plc (HZNP) is a biopharmaceutical company engaged in the research, development, and marketing of pharmaceutical products. The company's stock rose in the first quarter after revealing superb results which were boosted by the launch of its Tepezza medication for treating thyroid eye disease. When considering that the U.S. Government in December mandated a halt to the production of Tepezza in favor of producing COVID-19 vaccines, the results were all the more impressive.

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT stock increased after the company reported broad-based strength across geographies, client size, and products. The company has shown that it can grow revenues even during a pandemic due to the overwhelming need for improved cybersecurity protection.

Autodesk, Inc. (ADSK) is a maker of design software that addresses multiple end markets and is best known for its AutoCAD program. Shares slid during the quarter as the negative expectations for the company's prospects weighed on the stock. Autodesk management was able to shake off the pessimism and offered good guidance for the upcoming quarter and full fiscal year, as well as dangling hope for a potential infrastructure bill that would provide additional tailwinds if passed.

SPS Commerce, Inc. (SPSC) provides supply chain management services that make it easier for retailers, suppliers, grocers, distributors, and logistics firms to orchestrate the management of item data, order fulfillment, inventory control, and sales analytics. SPSC stock fell in the quarter after the company posted solid results but offered disappointing guidance. The fiscal year ahead appears to be back loaded, souring investors' outlooks on what otherwise has been a good play on the expanding role of e-commerce in retail sales.

Zoetis, Inc. (ZTS) develops and manufactures animal health medicines and vaccines for both livestock and companion animals. ZTS's stock dipped over the first quarter with most of the damage occurring after a positive earnings release. ZTS reported good quarterly results that showed the strength of its parasiticide and dermatology products within the Companion Animal segment, however, this did not appear to please all investors due to concerns over the Livestock segment.

Grocery Outlet Holding Corp. (GO) is a retail grocery chain that sells its products through independently operated stores in the United States. Shares of the company stock retreated as investor's expectations of exiting the pandemic grew with the proliferation of vaccines. Grocery Outlet has been a pandemic beneficiary as people have been more likely to stay home and dine in due to restrictions, boosting its revenues and unit volumes.

Equinix, Inc. (EQIX) owns and operates data processing centers that enable major public and private computer networks to communicate with each other. EQIX stock declined over the last three months due in part to higher interest rates and also to softer than expected forward guidance for its fiscal year. Higher interest rates typically work against REITs as they can reduce the present value of future cash flows for the company.

1Q 2021 Transaction Summary

Purchased

- None

Sold

- None

Purchased

None

Sold

None

Outlook

From an economic perspective, we have entered uncharted territory. Never has the global economy, let alone the U.S. economy, experienced this much fiscal or monetary stimulus. The Federal Reserve (Fed) continues to increase the money supply by purchasing $120 billion of bonds monthly. The Fed also reaffirmed their intent to leave short term rates unchanged into 2023 or at least until inflation averages 2% and the economy achieves full employment. This is breaking new ground as the Fed is anticipating signs of inflation as fleeting and not deleterious. In addition, the Fed strayed from its nonpartisan approach by supporting Congress's fiscal stimulus plans.

Congress took the Fed's cue and passed the fifth major stimulus package, the American Rescue Plan (ARP) in March. Included in the $1.9 trillion plan was $1400 for qualifying individuals, sure to boost savings and spending as spring progresses. On its own the ARP represents about 10% of our annual economic output. All told, fiscal stimulus enacted over the past two years totaled $5.1 trillion, dwarfing the stimulus enacted in response to the great financial crisis over a decade ago and representing a much larger part of our economy.

Simultaneous monetary and fiscal packages of these sizes are unprecedented. Even with that, the packages have not alleviated the struggles and suffering of many. Our education system and service industries continue to search for stable ground. The long-term consequences of school closures may be with us for another decade. Many restaurants and small businesses will never reopen. Yet, green shoots have sprouted. Enterprising entrepreneurs have begun to fill the void. Manufacturers are struggling to meet pent up demand. Consumers will likely soak up restaurant and hotel capacity as quickly as it appears.

In the aggregate, measures of consumers' financial health are remarkable given the travails of the past year. Income is above pre-pandemic levels and savings are elevated due in part to a partially shuttered economy. Savings and rising real estate and equity values have driven consumer net worth up 10% since last year, likely rising to 20% after the ARP funds are distributed.

Government programs have proven successful as a stopgap, but a sustained expansion needs a better labor market. Notably, Wal-Mart and Amazon have raised wages and continued to hire. Yet our economy is still 10 million jobs short of pre-pandemic levels. There is progress though, job openings have begun to improve, reflecting the reopening of our service led economy.

The U.S. economy is clearly expanding at an accelerating rate, in our view, with little chance of retreat. Europe is trailing by at least a month. The intermediate term threat is not COVID, but is instead inflation. Inflation is a monetary phenomenon that has been a non-event for decades. Now, the Fed has succeeded in growing the monetary base, which has risen 25% over the past year, and is willing to let the economy run hot and inflation high. In addition, consumer and business demand for goods is very strong. Supply shortages are ubiquitous from semiconductors to automobiles to paper goods. Retailers are increasingly competing more on product availability than price. Supply chain challenges are unlikely to be resolved quickly and were further inflamed with the recent grounding of the Ever Given container ship in the Suez Canal.

As the immediacy of the pandemic stresses ease later this year, investor attention is likely to focus on the financial aftermath – what we do about our ever-increasing public debt. Our debt level is now larger than the size of our economy, an arbitrary level but one rarely breached in peace time. The debt burden is mitigated by the current low interest rate environment. Interest on public debt stands at 1% of gross domestic product but will trend towards about 3% in the next decade. Interest rates fluctuate, however and we are likely to see higher long term rates next year, not lower.

The political path of least resistance for ensuring proper debt service is tax increases. We anticipate the tax discussion to take center stage concurrent with the next infrastructure package and that some increases are inevitable. The degree and form of tax increases matters a great deal. A bipartisan plan would likely do a better job of managing the impact of higher taxes on future growth. As in all tax discussions, substance will matter more than rhetoric.

After the astounding stock market recovery from the March 23, 2020 pandemic lows, investors are understandably nervous. Market rotations have been violent as higher interest rates and broadening growth opportunities have deflated some pockets of speculative froth. Over time, however, the stock market reacts to corporate earnings. The economy is providing a solid base for earnings to grow, supporting stocks albeit with more mundane returns than those experienced over the past year. Bonds will likely tread water as market interest rates trend slowly upward.

Congress Asset Management Co. SMid Core Opportunity Composite 1/1/2010 - 12/31/2019

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 3000 Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 3000 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)
2019	29.3	28.9	31.0	15.0	12.2	199	1.19	104	8,445	12,528
2018	-10.2	-10.5	-5.2	16.3	11.2	224	0.80	85	7,102	10,234
2017	24.0	23.6	21.1	13.9	10.1	254	1.50	135	7,272	10,546
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	5,693	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	5,941	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	6,328	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	6,489	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	6,755	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	6,329	7,014
2010	19.9	19.5	16.9			≤5	n/a	3	6,416	6,678

#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 – 12/31/19. 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 SMid Core Opportunity Composite has been examined for the periods 4/1/13 – 12/31/18. 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 SMid Core Opportunity Composite was created on December 31, 2005 and has an inception date of May 31, 2005. This inception date reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. As of March 1, 2018 the All Cap Opportunity Composite was renamed the SMid Core Opportunity composite. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the SMid core opportunity style for a minimum of one full month. The SMid core opportunity strategy's investment premise is that market efficiencies exist between fixed income and equity valuation techniques. We seek to uncover these efficiencies, and identify equity investment opportunities in order to pursue long term capital appreciation. We employ a combination of formal quantitative screening followed by bottom up fundamental analysis. We focus on stocks with market capitalizations between $300 million and $40 billion (at the time of purchase). The strategy is opportunistic, providing management flexibility to focus on securities and industries that are often under researched and we believe poised to experience earning growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). The composite benchmark is the Russell 3000 Index. Effective January 1, 2009 the SMid Core Opportunity benchmark was changed retroactively from the S&P 500 Index to the Russell 3000 Index due to closer correlation of returns and market cap allocation. 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% 2005-2008. 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. Net of fees returns are calculated using actual management fees. From inception until mid-2009 the SMid Core Opportunity Composite included one non-fee paying account (which was the only account in the composite). The composite results portrayed reflect the reinvestment of dividends, capital gains, and other earnings when appropriate. Accruals for fixed income and 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 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.