Portfolio Commentary

CONGRESS ASSET MANAGEMENT COMPANY

2Q 2021

Small Cap Growth

Market Review

The U.S. is shaking off the COVID restraints. The domestic economy is roaring driven by pent up consumer demand, continued low interest rates, and government stimulus. Demand is outpacing supply stretching the economy at the seams and raising concerns that a supply shock could bring inflation. We are in the early stages of what is likely to be an extended economic expansion, one that is more robust and broader than recent expansions.

Financial and commodity markets largely reflected the heightened growth outlook. The S&P 500 returned approximately 8.5% in the second quarter and has increased more than 15% this year, driven more by industrial, financial, and materials companies than by technology companies. Many commodities prices continued this year's run, although they have come off the boil lately. Bonds rallied, relieving inflation concerns for now. The U.S. Treasury 10-year Note yield fell from 1.75% to near 1.50% at quarter end.

The end of pandemic induced restrictions is unleashing economic forces not seen since the end of World War II. Exuberance is palpable. People enjoy socializing without masks! Sporting events draw spectators and flights draw passengers. Rush hour and vacation traffic again snarl roadways.

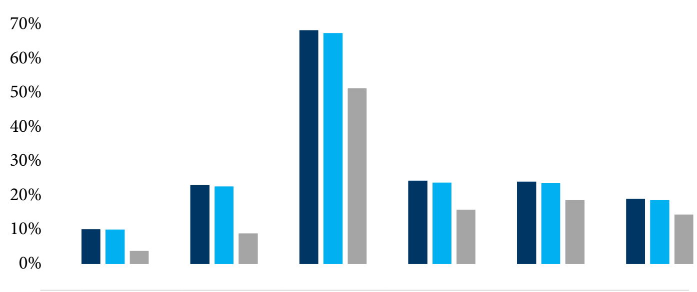
There are at least three strong pillars supporting this expansion: a strong consumer, a long-delayed capex cycle, and government spending. The fiscal stimulus should not be discounted as it topped 15% of GDP in 2020 and should total over 10% in 2021. A further $1.2 trillion is expected to be approved this summer. Fiscal programs enacted during the pandemic largely worked to stabilize American workers and families. New programs will further enhance spending but seem to be motivated, at least in part, to meet political objectives.

Performance Overview

The Small Cap Growth Portfolio ("the Portfolio") returned 10.26% (gross of fees) during the second quarter, while the Russell 2000 Growth Index ("The Index") returned 3.92%.

The Portfolio benefited from security selection in Health Care, Consumer Discretionary, and Real Estate. However, an overweight allocation to and security selection in Industrials and a lack of exposure to Communication Services detracted from performance.

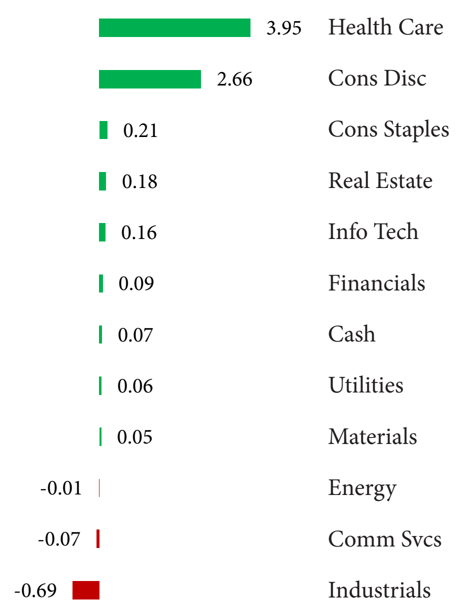
Average Annualized Performance % as of 6/30/2021



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	Inception 7/1/2013
Small Cap Growth (Gross)	10.3	23.1	68.4	24.4	24.1	19.1
Small Cap Growth (Net)	10.1	22.7	67.6	23.9	23.6	18.7
Russell 2000 Growth *	3.9	9.0	51.4	15.9	18.8	14.5

Performance is preliminary and subject to change at any time

% Total Effect Portfolio vs. Index[1] (3/31/2021 - 6/30/2021)



Information is as of 6/30/2021. 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 Report**. 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. [1]The information shown is for a representative account as of 6/30/2021. Actual client account holdings and sector allocations may vary.

Q2 2021 Attribution Highlights

Overall Contributors

- Security selection in Health Care, Consumer Discretionary & Real Estate

Overall Detractors

- Overweight allocation to Industrials
- Security selection in Industrials
- Underweight allocation to Communication Services

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Clarus Corporation	2.94	1.26
InMode Ltd.	4.28	1.21
Boot Barn Holdings, Inc.	3.69	1.16
Progyny, Inc.	3.37	0.96
Lantheus Holdings, Inc.	3.39	0.92

Detractors

Stock	Avg. Weight%	Detraction%
ESCO Technologies, Inc.	1.99	-0.31
PGT Innovations, Inc.	2.49	-0.22
Vectrus, Inc.	1.86	-0.22
Saia, Inc.	2.85	-0.21
Mercury Systems, Inc.	2.11	-0.12

Clarus Corporation (CLAR) is a consumer products company with leading brands in several niche outdoor recreation equipment markets. Growth continues to come from the company's primary brand, Black Diamond, which saw strong results in skiing and mountain equipment. The company's two ammunitions brands, Sierra Bullets and Barnes Bullets delivered record growth due to the strong end consumer demand across all channels and expansion in the category. CLAR should benefit further from a recovery in international markets and improving operating leverage.

InMode Ltd. (INMD) is a leading global medical aesthetics company; its devices enable minimally invasive procedures using radio frequency (RF) technology. The demand for INMD products continues to be robust, especially for its recently launched hands-free products. Guidance reflects the continued adoption of RF technology, with product pipeline opportunities in new categories like OB-GYN, ophthalmology, ear nose, and throat, and dermatology.

Boot Barn Holdings, Inc. (BOOT) is a differentiated retailer specializing in western lifestyle and work-related footwear and apparel. Same store sales exhibited continued resilience and accelerated despite a volatile retail environment. Admirable execution drove healthy profitability, benefiting from strong pricing and an increasing mix of private brands. Sales momentum is expected to continue for the rest of 2021 despite stimulus ending due to an oil and gas market recovery and e-commerce growth.

Progyny, Inc. (PGNY) is a benefits manager specializing in carved out fertility benefits. PGNY's differentiated and data driven approach is benefiting its members and resulting in improved patient outcomes. Favorable terms with pharmacy program partners are driving solid margin expansion. Early indications of an excellent selling season and a partnership with CVS should accelerate growth and validate the strength of PGNY's product offerings.

Lantheus Holdings, Inc. (LNTH) is a leading provider of diagnostic medical imaging solutions focused on cardiac and cancer imaging. Growth was fueled by improving ECG volumes along with increased demand for LNTH's ultrasound enhancing agent DEFINITY. During the quarter, LNTH received FDA approval with a broad label for its PyL imaging agent that targets prostate cancer, resulting in significant future revenue opportunities.

ESCO Technologies, Inc. (ESE) is a multi-industrial, producing engineered products and systems from a portfolio of businesses for utility, industrial, aerospace, and commercial applications. Growth continues to be negatively impacted by weakness in commercial aerospace and a pull forward of customer activity into the prior quarter in the Utility Solutions Group segment. Strong execution led to margin expansion despite lower sales. Going forward, a general return to normalcy should help ESE's end-markets return to growth.

PGT Innovations, Inc. (PGTI) is a leading manufacturer of specialty windows and doors for the US residential and commercial building markets. Underlying demand trends in home repair, remodeling and new construction drove revenue growth and record backlogs. Strong topline growth was offset by cost pressure in labor and raw materials. Management has enacted price increases, which should offset this cost pressure beginning in the third quarter.

Vectrus, Inc. (VEC) is a leading operator of facilities, supply chains, and IT networks for the US military and intelligence agencies. Revenue growth was better than expected, driven by the LOGCAP V contract phase-in, recent acquisitions, and core programs. Backlog grew sequentially and margin improvement was driven by better execution. Despite positive results, the stock underperformed due to sentiment surrounding the reduction of US troop presence in Afghanistan.

Saia, Inc. (SAIA) is a freight transportation company with a top ten position in the fragmented market of less-than-truckload (LTL) shipping, primarily operating in the South and Midwest regions. Results were impacted by winter storms, which resulted in the closing of 70 terminals in February. Despite these headwinds, SAIA delivered improved operating leverage and confidence in continued share gains and rate increases ahead.

Mercury Systems, Inc. (MRCY) is a defense electronics company providing critical sensors and systems for use onboard military aerospace platforms. New bookings were disappointing for the third consecutive quarter due to delays in awards from the new administration and execution issues with some customers. Due to the uncertainty, organic growth is expected to be below the long-term target this fiscal year.

2Q 2021 Transaction Summary

Sector Allocation Changes	Purchased	Sold
• None	• QAD, Inc. (QADA) - Information Technology • Supernus Pharmaceuticals, Inc. (SUPN) - Health Care • Skyline Champion Corporation (SKY) - Consumer Discretionary • Avid Technology, Inc. (AVID) - Information Technology • ICF International, Inc. (ICFI) - Industrials	• J2 Global, Inc. (JCOM) - Information Technology • Repligen Corp. (RGEN) - Health Care • Helen of Troy Ltd. (HELE) - Consumer Discretionary • ASGN, Inc. (ASGN) - Industrials • Radware Ltd. (RDWR) - Information Technology

Purchased

QAD, Inc. (QADA) is a leader in cloud-based enterprise software solutions (ERP) for global manufacturing companies. As the market leader in agile ERP, QAD is seeing a growing number of manufacturers move away from their legacy providers. Technology shifts and changing consumer preferences are disrupting the manufacturing base and legacy providers are often not designed to support the rapid pace of change; manufacturers' demand for flexible solutions with rapid implementation has benefited QAD's cloud-based solutions.

Supernus Pharmaceuticals, Inc. (SUPN) is a specialty pharmaceuticals company focused on Central Nervous System (CNS) disorders. SUPN is one of the few companies with a well-established commercial drug portfolio specifically for CNS disorders such as epilepsy and migraines. In addition to its internal development efforts, SUPN has expanded and diversified its portfolio through strategic acquisitions. Its growth profile is enhanced by the recent FDA approval of Qelbree, a non-stimulant drug for treating ADHD in children.

Skyline Champion Corp. (SKY) is a leading producer of factory-built housing in the US and Canada. For years, factory-built housing has seen growing demand, a result of cost and speed advantages vs. traditional site-build homes together with improved financing. SKY is now further benefitting from increasingly scarce affordable housing; rising prices for site-built homes have driven increased unit shipments and record backlogs. SKY is able to rapidly add capacity to support this demand, with ample pricing power to offset raw material inflation.

Avid Technology, Inc. (AVID) is a leading developer of software and integrated solutions for video and audio content creation, management, and distribution. AVID products are used by media companies, enterprises, and individual creative professionals. Revenue continues to accelerate with the adoption of its cloud-based solutions and as spending by its customers recovers following the pandemic. AVID's long-term targets anticipate persistent growth including an increased mix of recurring revenue and expanding profitability.

ICF International, Inc. (ICFI) provides professional services and technology-based solutions to government and commercial clients. The current administration's focus on programs supporting infrastructure, energy efficiency, green energy, public health, and education programs all play into ICFI's core expertise in program management for US public policy. Recent acquisitions have also positioned the company to compete for larger contracts, which has strengthened the backlog. Margins are also expected to expand, driven by an increased mix of service revenue.

Sold

J2 Global, Inc. (JCOM) is a technology company offering internet services through two platforms; Business Cloud Services and Digital Media. The stock was sold after it exceeded the Portfolio's market cap guidelines.

Repligen Corporation. (RGEN) is a leading provider of advanced bioprocessing technology and solutions used in the process of manufacturing biologic drugs. The stock was sold after it exceeded the Portfolio's market cap guidelines.

Helen of Troy Limited. (HELE) is a leading global consumer products company with eight Leadership Brands: OXO, Honeywell, Braun, PUR, Hydro Flask, Vicks, Dry Bar, and Hot Tools. The stock was sold after it exceeded the Portfolio's market cap guidelines.

On Assignment, Inc. (ASGN) is one of the largest and fastest growing professional and IT service providers in North America. The stock was sold after it exceeded the Portfolio's market cap guidelines.

Radware Ltd. (RDWR) is a leading provider of cybersecurity and application delivery solutions that enable internet traffic management for internet service providers and enterprises. RDWR has produced unimpressive results despite what should be a supportive environment of elevated cybersecurity attacks. Its product model transition from appliance-based to subscription revenue has been elongated and profitability remains pressured by elevated sales and marketing spending without a clear inflection in revenue growth.

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 five purchases and five sales during the quarter, and they are reflective of this philosophy.

Outlook

Consumers remain the primary economic force spending about 19% more in May than a year ago. Consumers' willingness to spend is matched by ability and confidence. Compensation was up close to 10% from last year and consumer net worth is at a record high.

Sales are likely held back by supply constraints. Manufacturers are struggling to produce enough product to satiate demand. The entire supply chain is challenged, exhibited by the well-publicized semi-conductor shortage. Goldman Sachs estimates that the semi-conductor shortage affects 169 industries ranging from automobiles to kitchen appliances and electronic devices, but the problem is far larger than one component. The U.S. does not have enough willing workers. From truck drivers to waitstaff, capacity is limited by worker availability.

In this regard, some readings of the work force are misleading. The unemployment rate remains elevated and employment stands about 7 million below pre-pandemic levels. However, the Bureau of Economic Activity's April report was full of positive readings including a record 9 million jobs available. Close to 4 million people voluntarily quit their jobs in April, a record high that reflects a bullish outlook for wages and job advancement. Similarly, involuntary separations were 1%, a record low. The reluctance of some to work should wane as pandemic inspired payments expire and child-care capacity returns.

Corporate America is responding to the dearth of workers. After a year of retrenchment, companies are investing to meet demand. Enticed by ultra-low interest rates, companies have re-capitalized their balance sheets, are awash in cash, and have reduced interest obligations. The Institute of Supply Management's and the Philadelphia Federal Reserve Bank's May surveys indicate that much of these funds will be spent on capital equipment and supply chain infrastructure to alleviate current backlogs and meet future demand. This "capex" cycle appears to have legs and should help realign productive resources for today's economy. A similar story is likely to play out in Europe and Japan.

There is little chance, in our view, that the economy falters here. Corporate earnings should grow double digits and even state and local governments are flush with cash. The major economic risk is inflation. Long dormant, measures of inflation are rising. The Federal Reserve Board's (Fed) preferred measure of inflation, the core PCE deflator, measured 3.4% in May. The Fed targets an "average" inflation rate of 2%. While the latest reading is significantly higher than the 2% target, the Fed suggests that conditions driving the elevated rate are transitory and will dissipate as supply constraints recede. Investors should hope that the Fed's words speak louder than their actions.

In the past, notably the late 1970's-1980's, the Fed raised short term interest rates to break inflation's back. Now the Fed is trying to manage inflation by professing their vigilance while maintaining policies intended to push inflation higher – targeting a federal funds interest rate of 0% to 0.25% and purchasing $120 billion of treasuries and mortgage securities per month. Recently, the Fed's purchasing of Treasuries has equaled issuance, helping keep long interest rates depressed. Interest rates will likely rise before the Fed begins tapering its asset purchases, perhaps early next year.

As we move past the pandemic and the associated lockdowns, important social and economic questions remain. We used our strong economic position to finance the myriad of programs to support our country. In doing so, we increased our debt to levels not seen since World War II. The upward trajectory is unsustainable and pushes pandemic costs to future generations. How we assess these costs is becoming increasingly important to the markets. Debt remediation is likely to include higher taxes. The structure and form of any tax increases will affect economic growth and inflation. There is no simple fix and so far Congress has largely avoided the issue.

The immediate risk is that our economy is growing faster than its potential which may cause systemic inflationary pressures. Stocks will likely outperform bonds in this environment, however volatility is likely to increase for most asset classes as investors digest the growth/inflation paradigm.

Congress Asset Management Co.
Small Cap Growth Composite
7/1/2013 - 12/31/2020

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 2000 Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 2000 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 accounts	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Advisory-Only Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
2020	35.8	35.3	34.6	23.8	25.1	206	1.64	84	<1%	10,746	5,523	16,269
2019	22.9	22.5	28.5	16.9	16.4	128	0.90	41	<1%	8,445	4,083	12,528
2018	2.1	1.7	-9.3	17.4	16.5	103	0.69	30	<1%	7,102	3,132	10,234
2017	22.4	22.0	22.2	14.8	14.6	69	0.62	25	<1%	7,272	3,274	10,546
2016	17.3	16.9	11.3	16.2	16.7	15	n/a	9	1%	5,693	2,445	8,139
2015	3.0	2.8	-1.4	n/a	n/a	≤5	n/a	1	n/a	5,941	1,153	7,094
2014	6.1	5.9	5.6	n/a	n/a	≤5	n/a	0.6	n/a	6,328	1,121	7,449
6/30/13 – 12/31/13	23.0	22.9	22.0	n/a	n/a	≤5	n/a	0.6	n/a	6,489	978	7,467

#The "Total Firm Assets" column 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 – 12/31/20. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Small Cap Growth Composite has had a performance examination for the periods 1/1/18 – 12/31/20. 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 creation and inception date of the Small Cap Growth Composite is July 1, 2013, which reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary portfolios with a value over $100 thousand (US dollars) managed in the small cap growth style for a minimum of one full month. The small cap growth strategy invests in the equity of high quality companies with market capitalizations between $300 million and $4 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 $50 thousand (US dollars). The primary composite benchmark is the Russell 2000 Growth Index. The benchmark returns are not covered by the report of the independent verifiers. Closed account data is included in the composite as mandated by the standards in order to eliminate a survivorship bias. A list of composite descriptions and a list of broad distribution pooled funds are available upon request.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars. 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. 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 prior to 2016 because 36-month returns were not available.

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. The management fee schedule and expense ratio for the Small Cap Growth Fund Institutional Shares is 0.85% and 1.00%, respectively. The management fee schedule and expense ratio for the Small Cap Growth Fund Retail Shares is 0.85% and 1.25%, respectively.

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