CONGRESS ASSET MANAGEMENT COMPANY

2Q 2021

Portfolio Commentary

SMid Core Opportunity[1]

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.

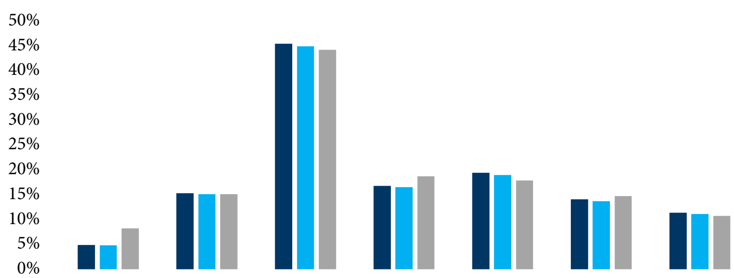
There are at least three strong pillars supporting this expansion: a strong consumer, a long-delayed capex cycle, and government spending. The fiscal stimulus should not be discounted as it topped 15% of GDP in 2020 and should total over 10% in 2021. A further $1.2 trillion is expected to be approved 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

For the quarter ending June 30, 2021, the SMid Core Opportunity Portfolio ("the Portfolio") underperformed its benchmark, the Russell 3000 Index ("the Index"). The Portfolio returned 4.88% gross of fees while the Index returned 8.24% for the quarter.

Relative performance was aided by security selection in the Materials and Real Estate sectors as well as an underweight to the Utilities sector. However, relative performance was negatively impacted by security selection in the Health Care, Consumer Discretionary, and Information Technology sectors.

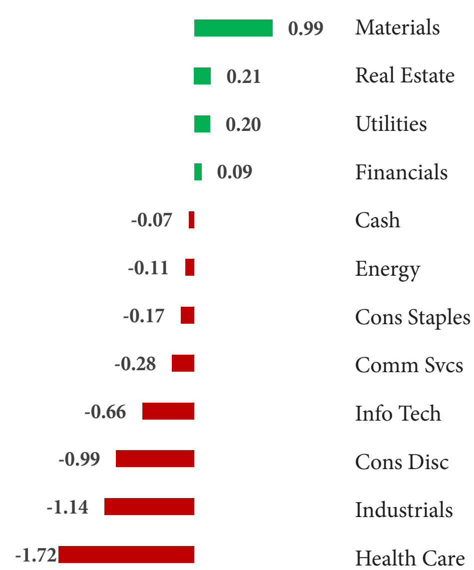
Average Annualized Performance % as of 6/30/2021



		QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 6/1/2005
SMid Core Opp[1] (Gross)	■	4.9	15.3	45.4	16.8	19.4	14.1	11.4
SMid Core Opp[1] (Net)	■	4.8	15.1	44.9	16.5	19.0	13.7	11.1
Russell 3000®	■	8.2	15.1	44.2	18.7	17.9	14.7	10.7

Performance is preliminary and subject to change at any time.

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



[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.

2Q 2021 Attribution Highlights

Overall Contributors

- Security selection in Materials and Real Estate
- Underweight allocation to Utilities

Overall Detractors

- Security selection in Health Care, Consumer Discretionary & Information Technology

Top 5 Contributors

Stock	Avg. Weight%	Contribution%
Summit Materials, Inc. Class A	6.39	1.41
Fortinet, Inc.	5.45	1.41
Equinix, Inc.	3.54	0.62
Zoetis, Inc. Class A	3.61	0.62
DexCom, Inc.	3.20	0.58

Bottom 5 Detractors/Contributors

Stock	Avg. Weight%	Detraction%
Churchill Downs, Inc.	4.36	-0.63
R1 RCM, Inc.	5.59	-0.59
United Rentals, Inc.	5.43	-0.21
Grocery Outlet Holding Corp.	2.67	-0.20
Teleflex, Inc.	4.20	-0.14

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 good operating results. Summit has benefitted from increasing expectations of an infrastructure bill being passed by Congress.

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT's stock increased after reporting broad-based strength across geographies, client size, use case, and products. Its billings growth, product revenue growth, and total revenue growth all hit five-year highs in the last quarter.

Equinix, Inc. (EQIX) owns and operates data processing centers that enable major public and private computer networks to communicate with each other. EQIX shares rose over the last three months after reporting excellent results for its fiscal first quarter. The company raised guidance for the remainder of the fiscal year based on improved momentum and greater visibility in upcoming bookings.

Zoetis, Inc. (ZTS) develops and manufactures animal health medicines and vaccines for both livestock and companion animals. ZTS's stock climbed in the quarter after the company reported exceedingly robust strong results in its companion animal segment. At the same time, investors shook off worries over lingering weakness in its livestock segment.

DexCom, Inc. (DXCM) designs, develops, and markets continuous glucose monitoring systems for ambulatory use by people with diabetes and healthcare providers. Shares of DXCM increased over the quarter as the company reported strong growth off of easy year-over-year comparisons. The company's revenues increased on the strength of volume growth and new customer additions.

Churchill Downs, Inc. (CHDN) operates as a provider of pari-mutuel horseracing, online account wagering on horseracing, and casino gaming. CHDN witnessed its stock fall after running the Kentucky Derby in its usual traditional May time slot to a smaller than usual crowd of fewer than 60,000 spectators (attendance was over 150,000 people in 2019). While the wagering handle was only down modestly, a cheating allegation against a prominent trainer appears to have tarnished the race results and the stock's price.

R1 RCM, Inc. (RCM) is a provider of technology-enabled revenue cycle management services to healthcare providers, including health systems and hospitals, physicians groups, and municipal and private emergency medical service providers. Shares of RCM dropped over the quarter after the stock was moved from the S&P 600 Small Cap Index to the S&P 400 Mid Cap index, causing investors to shed shares. Operationally, the company had a great quarter, showing good revenue growth and also announcing a strategic acquisition.

United Rentals, Inc. (URI) is the largest equipment rental company in the world. URI's shares fell over the last quarter after the company reported decent earnings results. Year-over-year revenue figures were down but there were positive sequential results, suggesting that its end markets are recovering. Throughout the pandemic, management has added breadth and avenues to new markets via acquisition, which will likely continue as its balance sheet has become more solid.

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 investors soured on tepid earnings results against difficult year-over-year comparable results. Grocery Outlet's stock has not been rewarded by the markets for being a good operator.

Teleflex, Inc. (TFX) designs, develops, manufactures, and supplies single-use medical devices used by hospitals and healthcare providers. TFX shares dropped slightly during a quarter in which the company reported mixed results on lingering COVID-19 headwinds and two fewer selling days. The company announced a restructuring plan that will impact margins negatively for the rest of the fiscal year, which added to the negative market view of the stock.

2Q 2021 Transaction Summary

Purchased	Sold
• None	• None

Purchased

None

Sold

None

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. SMid Core Opportunity Composite 1/1/2011 - 12/31/2020

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 Advisory-Only Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
2020	29.1	28.7	20.9	21.7	19.4	185	1.39	109	10,746	5,523	16,269
2019	29.3	28.9	31.0	15.0	12.2	199	1.19	104	8,445	4,083	12,528
2018	-10.2	-10.5	-5.2	16.3	11.2	224	0.80	85	7,102	3,132	10,234
2017	24.0	23.6	21.1	13.9	10.1	254	1.50	135	7,272	3,274	10,546
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	5,693	2,445	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	5,941	1,153	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	6,328	1,121	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	6,489	978	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	6,755	743	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	6,329	685	7,014

#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. The verification reports(s) is/are available upon request. 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. Verification does not provide assurance on the accuracy of any specific performance report.

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 the inception date is May 31, 2005, 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 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. 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 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. 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 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.

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 investments, calculating performance, and preparing GIPS Reports 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. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, not does it warrant the accuracy or quality of the content contained herein.