Portfolio Commentary

Mid Cap Growth

Market Review

The economy is strengthening. Ten years after the financial crisis and in spite of a divisive domestic political climate, a potent Atlantic storm season, and an increasingly rambunctious North Korea, economic growth is improving. Importantly, growth is expanding outside the U.S. as Europe and Asia are exhibiting positive economic trends. The apparent synchronized nature of this expansion will present new challenges for policy makers and opportunities for investors.

World stock markets reflect the more optimistic outlook. Most European markets have increased greater than 10% during the past year, while the Asian markets reflect returns greater than 20%. After a respectable 4.5% return in the third quarter, the S&P 500 has increased more than 18% during the past year. Global interest rates have risen as well, albeit modestly, with most European sovereigns now showing positive yields in contrast to just three months ago.

The U.S. Federal Reserve's announcement that it would begin removing the monetary stimulus it introduced in response to the financial crisis highlights the challenge faced by policy makers. Official inflation readings remain comfortably below the Fed's preferred target rate of 2%. Some large foreign central banks face similar challenges but remain more accommodative, in spite of seemingly stronger growth (though not inflation) readings. Yet, the Fed has decided to inch forward suggesting that strong employment readings will persist and caution regarding inflation is warranted. This process, often referred to as "tapering," puts the Fed in uncharted territory: withdrawing stimulus in the absence of meaningful inflation. The Fed is being prudent. As the leader of the free money world, the Fed is walking a tight rope with the world's other central bankers and investors watching for any misstep.

The challenge for investors is equally hazy. The economy has been lackluster, car sales have likely peaked and investors are bombarded with negative news sentiment. Adding to the challenge, high frequency economic statistics are likely to be disrupted by the recent hurricanes. Peering through the haze, we see a more robust story.

Domestically the renewed robustness will be led by the consumer. Demographics suggest we are in a prolonged period of elevated expenditures as the millennial generation meets its prime spending age, similar to the baby boomers in the 1990's. The generational cohorts are similar in size with the millennials now entering their household formation and family growth stage. With jobs more plentiful than they've been in a decade, confidence among this group runs high. Consumer net worth has increased nearly double digits in the past year. While millennial spending preferences may differ from prior generations, the patterns should rhyme, stoking demand for various goods and services.

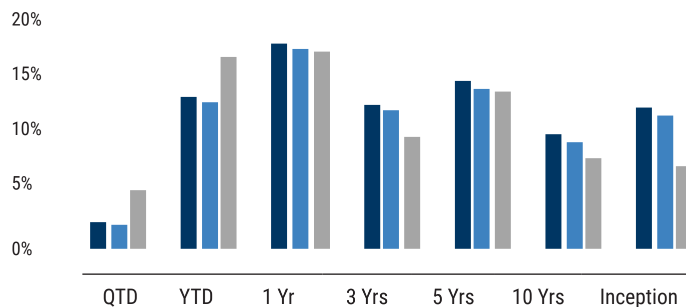
The economy also stands to benefit from the improved balance sheets of business and consumers. In this sense, the Fed's efforts to maintain low interest rates have worked. Household debt service remains historically low at a time when small business surveys indicate that capital expansion plans are moving higher. The expanding economy shows few signs of stress.

Performance Overview

The Congress Mid Cap Growth portfolio returned 2.33% gross of fees (2.22% net) in the third quarter while the Russell Midcap Growth Index© returned 5.28%.

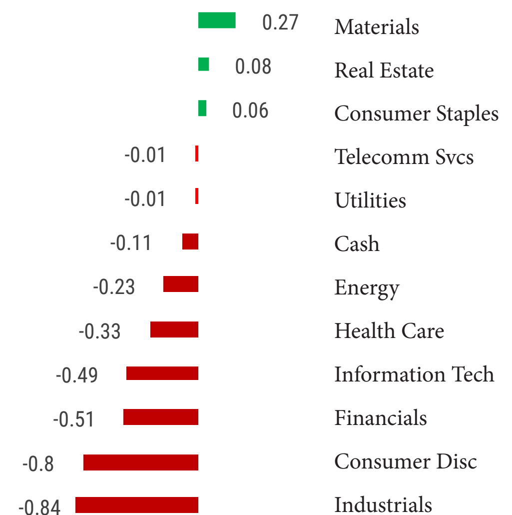
The portfolio benefited from security selection in the Materials, Consumer Staples, and Real Estate sectors. However, security selection in Industrials, Consumer Discretionary, Health Care, and Financials detracted from relative performance.

Average Annualized Performance % - as of 9/30/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Mid Cap Growth (Gross)	2.3	13.6	18.4	13.0	15.0	10.2	12.7
Mid Cap Growth (Net)	2.2	13.2	17.9	12.4	14.5	9.6	11.9
Russell Midcap Growth®	5.3	17.3	17.8	10.0	14.2	8.2	7.4

% Total Effect Portfolio vs. Index (6/30/2017 - 9/30/2017) (bps)



Information is as of 9/30/2017. 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.

Q3 2017 Attribution Highlights

Overall Contributors

- Security selection in Materials
- Security selection in Consumer Staples
- Security selection in Real Estate

Overall Detractors

- Security selection in Industrials
- Security selection in Consumer Discretionary
- Security selection in Financials
- Security selection in Health Care

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Cognex Corporation	CGNX	0.92%
IPG Photonics Corporation	IPGP	0.82%
Scripps Networks Interactive*	SNI	0.59%

Detractors

Stock	Ticker	Detraction
Equifax Inc.*	EFX	-0.78%
Foot Locker, Inc.*	FL	-0.51%
Dorman Products, Inc.	DORM	-0.41%

*Sold during the quarter

Cognex (CGNX) reported solid quarterly results and provided a positive outlook. In the most recent quarter, the company posted 17% revenue growth in its Factory Automation business. Within that segment, CGNX generated strong results in the logistics market, where the company has between 15% and 20% market share. Management expects its logistics business to grow at about a 50% annual rate for the foreseeable future driven by the adoption of vision technology across various areas including barcode reading.

IPG Photonics (IPGP) continues to benefit from the replacement of traditional cutting and welding methods with fiber lasers. Management believes that it is becoming increasingly difficult for fabricators that have not adopted IPGP's technology to compete due to its much faster metal cutting speed as well as the significantly lower operating cost of fiber lasers. Elsewhere, the company saw strong interest from customers and prospects in the new short picosecond and femtosecond ultrafast lasers. Management believes that the recent acquisition of OptiGrate, with its unique quality volume grating technology, will enhance and assist in the development of IPGP's new ultrafast products.

Scripps Networks (SNI) agreed to be acquired by Discovery Communications for $14.6 billion, a 34% premium to where SNI was trading before rumors of the deal.

Equifax (EFX) announced a massive security breach on September 7th, wherein 143 million Americans' data was accessed by criminals over a 2.5-month period. The stolen information included names, Social Security numbers, birth dates, addresses, driver's license numbers, and over 200 thousand credit card numbers. To compound matters, the initial response from the company was viewed negatively by stakeholders and politicians. While the breach most directly impacts the relatively small consumer-to-consumer business at EFX, the public relations backlash raises questions on how current and potential business customers will react. There are also longer-term concerns from the political fallout with the possibility of increased regulation, which could limit business opportunities and raise costs. The company's legal liability is also an unknown cost at this point.

FootLocker (FL) was impacted by weakness in signature basketball shoe sales and broader, weak retail trends for the second consecutive quarter. To combat the challenging environment, the company was highly promotional to clear excess inventory which impacted gross margins negatively. FL's guidance implies further continuation of these trends, which will put additional pressure on future margins and growth. Also hindering the company is a concern relating to a lack of availability of better-selling styles.

Dorman (DORM) reported inline results for the most recent quarter, but the stock has been affected by weak performance from its major customers, largely retail after-market auto parts distributors. DORM's customers were impacted by sluggish industry demand due to colder-than-expected summer weather and increased concerns regarding online expansion into its market. Additionally, DORM was pressured by a short seller report published in August. The company seems to be gaining traction with Amazon, which should offset weakness from traditional retailers.

Q3 2017 Transaction Summary

Sector Allocation Changes

- Increases in Health Care & Consumer Staples
- Decreases in Energy & Consumer Discretionary

Purchased

- SS&C Technologies (SSNC) - Information Technology
- Charles River Labs (CRL) - Health Care
- Steris (STE) - Health Care
- Barnes Group (B) - Industrials
- Allegion (ALLE) - Industrials
- McCormick (MKC) - Consumer Staples

Sold

- Manhattan Associates (MANH) - Information Technology
- Core Labratories (CLB) - Energy
- Equifax, Inc. (EFX) - Industrials
- Middleby Corp. (MIDD) - Industrials
- Foot Locker, Inc. (FL) - Consumer Disc
- Scripps Networks Interactive (SNI) - Consumer Disc

Purchased

SS&C Technologies (SSNC) provides both traditional and cloud-based services and software to the banking and financial services industry, with a focus on capital markets, non-health insurance, asset management and wealth management. As one of the leading providers of fund administration and the only non-bank provider of these solutions in the Alternative Asset Management space, SSNC is well positioned to benefit from growth driven by regulatory changes as well as a shift to outsourcing to combat fee pressure among alternative asset managers. The company has a solid history of acquisitions that have helped expand its capabilities and market share to augment organic growth.

Charles River Labs (CRL) is a contract research organization focused mostly on discovery and preclinical services where the competitive landscape is more manageable than those companies focused on later-stage trials. The company has worked to diversify its business toward fast-growing safety assessment and discovery services driven by a robust biotech market. Management views funding in the biotech space as robust and noted that it worked on 70% of drugs approved in 2016 and 55% in 2015. CRL continued to have high single-digit organic growth in the most recent quarter, driven by new business awards. The company also raised its organic growth guidance for the year.

Steris (STE) is a global medical technology company specializing in infection prevention, contamination control, and surgical care solutions. As the global leader in sterilization technologies, STE should benefit from underlying market trends such as stable surgical volume growth and strict regulations regarding sterilization and contamination of health care products. STE should report continued improvement in margins as they capitalize on acquisition synergies and increased scale in high margin services and divest lower growth/lower margin businesses to help reduce debt.

Barnes Group (B) is a global industrial and aerospace manufacturer and service provider, serving a wide range of end markets and customers. Over the last 5 years, Barnes has transformed its product portfolio by selling its distribution business in North America and acquiring multiple molding businesses to expand their platform. Along with workforce reductions and facility consolidations initiated in 2015, a focus on improving operating performance with its Barnes Enterprise System (BES) has resulted in a higher margin, more consistent portfolio of businesses.

Allegion (ALLE), spun out of Ingersoll-Rand in December 2013, is a leading global provider of security products and solutions that keep people and goods safe, secure and productive. In its first few years as a stand-alone firm, ALLE was very active acquiring 11 and divesting 3 businesses to gain the necessary scale and optimal manufacturing footprint in Europe and APAC while also aligning itself to grow and gain share in an evolving global market. ALLE continued investing in businesses and R&D to expand its electronic capabilities in an effort to take advantage of the nascent, secular convergence of mechanical and electrical security products. ALLE is also focusing on extending its channel capabilities, notably in residential new construction and light commercial and commercial retrofit channels, which had been underserved historically by the company. These strategies have allowed ALLE to grow faster than its end markets.

McCormick (MKC) is engaged in manufacturing, marketing and distributing spices, seasoning mixes, condiments and other flavorful products to the food industry, including retailers, food manufacturers and foodservice businesses. The company continues to benefit from growing global demand as spices, seasoning, and herbs fit both the natural and better-for-you trends. Emerging markets represent a large opportunity as the company currently generates less than 15% of revenues from these markets. Strong performance in e-commerce and club stores should offset some of the potential weakness at traditional retail stores.

Sold

Manhattan Associates (MANH) reported weak quarterly results and lowered its full-year guidance. Much of the weakness was attributed to the challenging retail environment. Many of MANH's retail customers have held off making investments in the company's supply chain software as they reevaluate their competitive landscape and portfolio. While MANH is well positioned to benefit from investments in omnichannel solutions, it is unclear as to when the retail landscape will stabilize and customers will begin investing again.

Core Laboratories' (CLB) markets remain stagnant with the weak price of crude and continued services cost pushback from clients. Management has shown a lack of visibility into its more product-centric North American business for the past several quarters. Ultimately, the Committee lost faith

in management's ability to navigate the downturn in the energy market given its recent history of forecast errors and the general consensus that structural issues in the market will likely keep oil in a "lower for longer" scenario for the foreseeable future. The company has also attempted to shift the means by which it measures success and would like to be perceived.

On September 7, **Equifax (EFX)** announced a massive security breach wherein 143 million Americans' data was accessed by criminals over a 2.5-month period. The stolen information included names, Social Security numbers, birth dates, addresses, driver's license numbers, and over 200 thousand credit card numbers. To compound matters, the initial response from the company was viewed negatively by stakeholders and politicians. While the breach most directly impacts the relatively small consumer-to-consumer business at EFX, the public relations backlash raises questions on how current and potential business customers will react. There are also longer-term concerns from the political fallout with the possibility of increased regulation, which could limit business opportunities and raise costs. The company's legal liability is also an unknown cost at this point.

Middleby (MIDD) reported a second consecutive disappointing quarter in early August. The expected turning point of its Viking (Residential) business continues to get pushed further out as the impact from prior recalls remain. Additionally, the company's largest and most profitable Commercial Foodservice business was negatively impacted by major restaurant chain customers delaying their purchase decisions. While this business was initially supposed to be a second-half story, it is now looking more likely to see improvement moving into 2018. For these reasons, coupled with the restaurant industry facing challenging same-store-sales dynamics, the Committee lost confidence on the timing of the turnaround for MIDD.

For the second consecutive quarter, **FootLocker (FL)** was impacted by weakness in signature basketball shoes sales and broader weakness in retail trends. To combat the challenging environment, the company was highly promotional to clear excess inventory which impacted gross margins negatively. FL's guidance implies further continuation of these trends, which will put additional pressure on future margins and growth. Also hindering the company is a concern relating to a lack of availability of better-selling styles.

Scripps Networks (SNI) agreed to be acquired by Discovery Communications for $14.6 billion, a 34% premium to where SNI was trading before rumors of the deal. The Committee did not expect a higher bid so we removed the security from the model.

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 six sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Health Care and Consumer Staples sector weights, while reducing the Energy and Consumer Discretionary weights.

Outlook

Interest rates remain at historically low levels, balance sheets are strong, and confidence remains high. This backdrop supports stronger growth; it is not a falling out of bed scenario. In short, the U.S. economy appears to be gaining steam from the lackluster pace we've experienced.

One could argue that the stock market reflects this sanguine view. After all, measured by the S&P 500, volatility has been scant. The market has not experienced a 5% drawdown since the Brexit scare of June, 2016—an unusually long period of time. From our perspective, however, the economic risk is to the upside.

Europe and China appear to have turned the corner, supporting the growth scenario. After years of negative news regarding Greece, Spain, and others, we may have reached a crescendo in 2016 with the Brexit vote. These concerns have now passed. While Europe is unlikely to be confused with China, growth has begun to accelerate. Germany is experiencing a labor shortage while consumer spending has consistently grown for over three years. Spain and Italy, causes of concern not long ago, are now on solid footing. The European Central Bank remains accommodative, encouraging investment through low interest rates and an expanded balance sheet. China also seems past the 2014–2016 lull. China's growth stands close to 7%, a heady number for an economy of that size.

There are some notable short and intermediate term risks to watch. Most immediately, the hurricane season has devastated large areas of the country, likely affecting millions for years to come. History suggests that economic readings over the next few months will be weaker than non-hurricane-impacted forecasts. To the extent that these readings are more severe than currently anticipated, the markets would react negatively.

One of the primary intermediate term risks goes hand in glove with our call for a strengthening economy. Strong employment often foreshadows higher labor costs. If we are not at full employment, we are close. As such, should employment costs accelerate to a higher plateau, inflation above the Fed's preferred level of 2% could be in the offing. This would be negative for both stocks and bonds.

Political risks and machinations are too numerous to elaborate on here. From Washington, we expect more proposals on taxes, trade, and health care. It is impossible to determine winners and losers until legislators can agree on their own goals and objectives.

As we head into the final quarter of 2017, in spite of the hurricane effects, the economy is stronger than it has been in years. This benign growth period--characterized by stronger corporate earnings, low inflation and a receding Fed, should continue into 2018. Equities are the preferred class in this environment, with bond returns likely restricted to their inherent coupon rates assuming a continued gentle path for inflation.

Congress Asset Management Co.
Mid Cap Growth composite
10/1/1999 - 9/30/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell Mid Cap Growth Return % (dividends reinvested)	Composite Gross 3-Yr St Dev (%)	Russell Mid Cap Growth 3-Yr 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	13.6	13.2	17.3	n/a	n/a	451	n/a	747	n/a	7,024	10,087
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 – 12/31/16. 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 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. A maximum of 5% of the portfolio may be invested in the ADR's of foreign companies. 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 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.