CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

3Q 2018

Mid Cap Growth

Market Review

Ten years after the financial crisis, the United States economy is the strongest it has been since 2004. Gross domestic product was revised up for the second quarter to 4.2%, the strongest reading in about 4 years. The expansion has been driven by a robust labor market, low inflation, and more recently, tax cuts and deregulation.

The domestic financial markets have noticed. Bolstered by strong corporate earnings reports, the S&P 500 returned 7.7% during the third quarter. Two stalwarts, Apple and Amazon, both eclipsed $1 trillion in market capitalization. Bond investors have been more recalcitrant. Fearing growth-induced inflation, ten-year treasury bond yields fluctuated throughout the quarter, ending near their high of 3.10%.

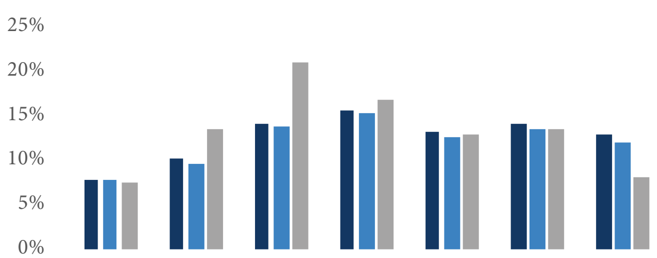
The summer months exposed the divergent paths of the U.S. economy and those of the major European countries. The U.S. continues to accelerate while France, Germany, Italy, and the U.K. stagnate. China's official growth rate remains above 6%, but its stock market, along with many in emerging economies, has struggled this year.

Performance Overview

The Congress Mid Cap Growth Portfolio ("The Portfolio") returned 7.89% (gross of fees) in the Third Quarter while the Russell Midcap Growth Index ("The Index") returned 7.57%.

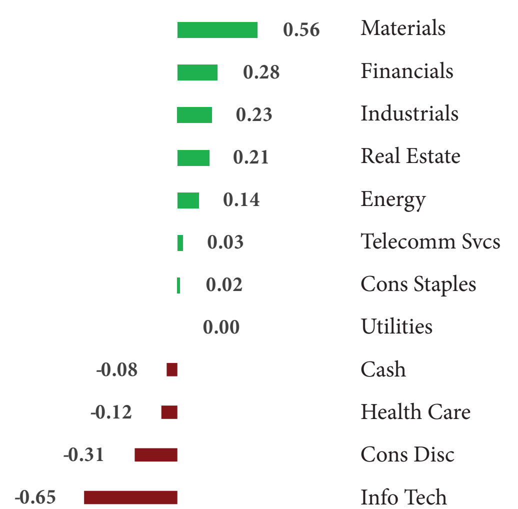
The Portfolio benefited from security selection within the Materials and Industrial sectors, as well as underweight allocations relative to the Index in Real Estate and Financials. However, security selection in Information Technology, Consumer Discretionary, and Health Care detracted from relative performance.

Average Annualized Performance % as of 9/30/2018



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 10/1/1999
Mid Cap Growth (Gross)	7.9	10.1	14.1	15.7	13.2	14.0	12.8
Mid Cap Growth (Net)	7.8	9.7	13.7	15.2	12.6	13.4	12.0
Russell Midcap Growth®	7.6	13.4	21.1	16.7	13.0	13.5	8.1

% Total Effect Portfolio vs. Index (6/30/2018 - 9/30/2018) (bps)



Q3 2018 Attribution Highlights

Overall Contributors

- Security selection in Materials & Industrials
- Allocation to Real Estate & Financials

Overall Detractors

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

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight	Contribution
Paycom Software, Inc.	2.79%	1.25%
Jack Henry & Associates, Inc.	2.97%	0.63%
Charles River Labratories	2.62%	0.49%
Cognex Corporation	2.01%	0.46%
Barnes Group, Inc.	2.38%	0.45%

Detractors

*sold during the quarter

Stock	Avg. Weight	Detraction
IPG Photonics Corp.	1.86%	-0.67%
Littelfuse, Inc.	2.28%	-0.31%
Carter's, Inc.*	1.94%	-0.30%
Copart, Inc.	2.93%	-0.19%
Monolithic Power Systems, Inc.	2.79%	-0.12%

Paycom Software, Inc. (PAYC) is a Software as a Service provider of a comprehensive, cloud based human capital and payroll management solutions. Fiscal 2Q growth remained elevated, as management highlighted increased sales team productivity and faster than expected new contract starts. PAYC continues to open new sales offices at a quicker pace than anticipated earlier in the year and is winning larger contracts, both indications of market share gain.

Jack Henry & Associates, Inc. (JKHY) is a FinTech company focused on payment processing services for financial services organizations, primarily banks and credit unions. The company has been transitioning to a new payment processing platform which was expected to cause some growth and margin compression over the next couple of years. However, demand for the platform has been better than expected and management noted that cross-selling of new add-on products/services is offsetting some of the margin impact.

Charles River Laboratories International, Inc. (CRL) specializes in a variety of pre-clinical and clinical laboratory services for the pharmaceutical, medical device, and biotechnology industries. CRL reported a solid quarter with organic revenue growth above management's range and improving margins. While investments in manufacturing capacity will pressure margins in the near term, the expectation is that CRL will be able to better capitalize on strong end-market demand. Management also raised the revenue and EPS guidance, highlighting the health of the company's end markets.

Cognex Corporation (CGNX) provides vision systems, software, and other products used to analyze visual information to automate tasks, primarily in manufacturing processes. The stock rebounded on Q2 results after commentary regarding the company's Consumer Electronics business was better than expected. Specifically, management saw no incremental weakness quarter over quarter from customers investing less in 2018 after a strong 2017 for both automation and OLED capacity investments. Additionally, Chinese tariffs have not impacted CGNX thus far.

Barnes Group, Inc. (B) manufactures and services engineered products through its Industrial and Automotive segments. Barnes reported a strong quarter with solid results in its Aerospace segment. The Industrial segment saw operating margin recovery after several quarters of pressure from facility consolidations and new product related inefficiencies. The company raised both its full-year organic growth outlook and the low end of its adjusted operating margin guidance.

IPG Photonics Corp. (IPGP) is the market leader in fiber lasers with a diverse line of low, mid, and high-powered lasers used in materials processing, advanced industrial, communications, and medical applications. During its fiscal Q2 call management highlighted softening demand due to tariff concerns that have caused some customers to defer investment decisions. As a result, a decrease in guidance for the year was announced and there is uncertainty about the outlook for 2019.

Littelfuse, Inc. (LFUS) is a leading supplier of circuit protection products for the electronics, automotive, and electrical industries. Despite some pressures in its Electronics and European Auto segments, LFUS reported a decent quarter with underlying demand showing signs of strength. The stock has since traded down on rising concerns about the auto and industrial cycles as well as potential further impact from tariffs.

Carter's. Inc. (CRI) is a wholesaler and retailer of apparel for babies and young children. Carter's reported satisfactory Q2 results, yet, indicated future challenges. CRI has experienced operating margin contraction in three of the last four quarters, as the promotional environment has intensified and wholesale business has slowed. CRI's same store sales trends have been challenging, as recent retail store closings have impacted traffic levels in stores.

Copart, Inc. (CPRT) provides online auction and vehicle marketing services. CPRT reported a fiscal fourth quarter that didn't meet expectations due to gross and operating margin misses stemming from some non-recurring items, purchase mix shift, and an investment in purchased cars in the German market. However, Copart continues to see strong volume growth and higher average selling prices.

Monolithic Power Systems, Inc. (MPWR) is a leading provider of power solutions for systems found in industrial applications, telecom infrastructure, cloud computing, automotive, and consumer applications. Though the most recent earnings release was positive, there are several near-term uncertainties. Specifically, concerns about rising inventories and growth guidance contrary to bullish management commentary have been exacerbated by increasing fears of trade disputes and a peaking auto market.

3Q 2018 Transaction Summary

Sector Allocation Changes

- Increase in Industrials
- Decrease in Consumer Discretionary

Purchased

- Take-Two Interactive Software, Inc. (TTWO) - Information Technology
- Rollins, Inc. (ROL) - Industrials
- Etsy, Inc. (ETSY) - Consumer Discretionary

Sold

- MKS Instruments, Inc. (MKSI) - Information Technology
- LCI Industries, Inc. (LCII) - Consumer Discretionary
- Carter's, Inc. (CRI) - Consumer Discretionary

Purchased

Take-Two Interactive Software, Inc. (TTWO) is a leading developer and publisher of interactive entertainment, namely video, computer, and mobile games. The company consists of four operating units, including its top two game developers: Rockstar Games, creator of the Grand Theft Auto and Red Dead Redemption franchises, and 2K Games, creator of NBA2K. TTWO is about to release one of the most highly anticipated games of the last couple of years, Red Dead Redemption 2, which should contribute to top line growth for the next several years and is in prime position to benefit from the continued shift to in-game or "recurring" purchases. Further, the company has a significant pipeline of content that has built up over the last several years, which should lead to a steady stream of launches in the future as it builds out developer capacity.

Rollins, Inc. (ROL) is an international pest and termite control provider to both residential and commercial customers. ROL has an extremely defensible business model with leading brands (e.g., Orkin) and scale in what is a fragmented market. These advantages have resulted in a sticky customer base, roughly 80% recurring revenues, and pricing power. Further, the total addressable market continues to grow both domestically and internationally as the company expands through acquisition and health standards and regulations increase.

Etsy, Inc. (ETSY) operates an online global marketplace for unique and creative goods such as shoes, clothing, bags, and accessories. The company is experiencing strong growth with expanding margins and maintains a solid balance sheet. New management has been in place for over a year and has driven a shift in strategy from a Seller focus to a more balanced approach. This shift has helped to accelerate revenue growth and decelerate expense rate growth.

Sold

MKS Instruments, Inc. (MKSI) is a global supplier of critical instruments, subsystems, and process control solutions to semiconductor capital equipment suppliers and other industries. Despite MKSI's efforts to diversify away from semiconductors, the stock has been dragged down by heightened angst regarding the stage of the semiconductor cycle driven by Samsung memory push outs. Further exacerbating the weakened environment is the rising fear of a full-on trade war with China, resulting in tariffs that would impact the entire hardware space.

LCI Industries (LCII) is a leading supplier of a broad array of components for original equipment manufacturers of recreational vehicles (RV) and adjacent industries. The company has seen deteriorating financial results due to lower orders for RVs resulting from excess dealer inventory. Production costs have risen due to significant steel and aluminum price inflation and higher labor costs. The company has also embarked on an aggressive acquisition strategy that is taking it further away from its core business.

Carter's Inc. (CRI) is a wholesaler and retailer of apparel for babies and young children. Financial results have been pressured by the loss of its Babies R Us business, highlighting the potential risk of future customer closures. The combination of slowing same store sales growth and rising input cost pressure is making it more difficult for the company to hit its long-term operating margin target. Management has also recently changed its wholesale strategy in China and is now seeking a new retail partner.

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 three purchases and three sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Industrial weighting while reducing the Consumer Discretionary weighting.

Outlook

The strength in employment supports long term growth, spending, and consumer confidence. Yet, the saving rate at 6% is elevated given the strong job market. This may reflect the caution younger workers have given the depth of the last recession and the difficulty they experienced in finding jobs. It may also act as an economic cushion and provide an impetus for future spending.

Somewhat tempering our enthusiasm are moderating housing and automobile markets. Mortgage rates have ticked up, coinciding with lower levels of home sales. At the same time, domestic and global auto sales may have peaked for this cycle. Both housing and automobiles have broad influence and affect spending across the economy.

It appears that businesses will make up for any slack on the consumer side. Small business optimism is close to record highs and applications for new Employer Identification Numbers indicate that entrepreneurial drive is not dead and is in fact flourishing. Orders for capital goods continue to improve while the ISM Manufacturing Index is solidly in expansionary territory. In response to the tax changes enacted this year, companies are

Information is as of 9/30/2018

repatriating cash and investing in capital equipment. Regulatory relief is deflationary and over time encourages new business investment and fosters competition.

The technology sector has been an outsized recipient of business spending as the digital economy is transforming work flow and information gathering. Data now has value and how organizations store, analyze, and use data will continue to transform our economy for many years. Technology companies are the natural beneficiaries of this trend. The productivity benefits also accrue to technology users who can experience enhanced efficiencies amongst other ancillary benefits.

Both the stock and bond markets have done well over the past decade. The risks to both are vastly different than they were ten years ago. Inflation, for one, has started to percolate. The Fed remains concerned about inflation's erosion of asset values. In response, the Fed raised short term rates in September and suggested they will maintain a course of gradual increases over the next year. At current levels, U. S. interest rates remain an attractive alternative to interest rates available in many other developed nations. Therefore, it is difficult to predict how either the stock or bond market responds to Fed initiated short term rate hikes.

Of considerable concern to markets is the fluidity of U.S. trade policy. Negotiations with our North American partners are largely complete. Talks with China, however, have stalled, and it is unclear whether the issues are about trade policy or the protection of intellectual property rights. In the short term, trade uncertainty weighs on exporters and those that source product from China. Longer term, tariffs are generally considered inflationary and hinder growth. However, organizations eventually adapt to policy changes and predicting winners and losers is not as obvious as it may appear.

As the fourth quarter progresses, we look for the economic momentum to continue. The U.S. economy's potential is greater now than it was a few years ago allowing for stronger, non-inflationary growth. Consumers and businesses should both continue to fare well. Treasury yields at greater than 3% are attractive, but stocks remain the preferred asset class.

Congress Asset Management Co.
Mid Cap Growth composite
10/1/1999 - 9/30/2018

Year	Total Return Gross of Fees%	Total Return Net of Fees%	Russell Mid Cap Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell Mid Cap Growth 3-Yr annualized ex-post St Dev (%)	Number of Portfolios	Gross Dispersion %	Total Composite Assets End of Period ($ millions	% of composite represented by non fee paying account	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
YTD	10.1	9.7	13.4	n/a	n/a	547	n/a	969	n/a	7,900	11,524
2017	17.7	17.2	25.3	10.8	10.9	447	0.65	763	n/a	7,272	10,546
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 – 12/31/17. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Mid Cap Growth Composite has been examined for the periods 10/1/99 – 12/31/17. The verification and performance examination reports are available upon request.

Firm Information: Congress Asset Management Co. (CAM) is an investment advisor registered with the Securities and Exchange Commission under the Investment Advisors Act of 1940. Registration does not imply a certain level of skill or training. CAM manages a variety of public equity, private equity, fixed income and ETF managed portfolios for private and institutional clients. CAM acquired Prelude Asset Management, LLC on March 15, 2010. CAM merged with Congress Capital Partners, LLP on June 30, 2015. CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017.

Composite Characteristics: The Mid Cap Growth Composite was created on October 1, 1999. This inception date reflects the first full month in which an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the mid cap growth style for a minimum of one full month. The mid cap growth strategy invests in the equity of high quality companies with market capitalizations between $800 million and $15 billion (at the time of purchase) exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). Prior to September 1, 2005 the composite did not include private client accounts or accounts with less than $1 million. The primary composite benchmark is the Russell 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. 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. 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.