CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

3Q 2021

Balanced Portfolio

Market Environment

We enter the 4th quarter of 2021 at an inflection point. For most of this year, the financial markets were calm as the stock market rose, ignoring the economic lull that accompanied the rise of the Delta variant. At the same time, the yield on the U.S. 10 Year Treasury fell to about 1.25% in mid-August. Now, however, the financial markets are reassessing the outlook for inflation and growth. Market interest rates have risen faster than many expected, tempering stock gains and clouding the outlook. Increased volatility should continue as the global economy re-emerges from the pandemic induced restrictions, disrupting normal trade and economic patterns.

There is little doubt that the U.S. economy is expanding at an elevated rate. Demand for goods and services remains robust supported by strong consumer trends. This is unlikely to end soon as job opportunities remain plentiful, wages are increasing, and consumer net worth remains elevated. Re-establishing a pattern first seen in 2018-2019, the nearly 11 million available jobs outnumber the close to 9 million officially unemployed. Work is available and pay is increasing.

Trends for businesses and other organizations are also accelerating. The business inventory to sales ratio has fallen to less than 1.3 months. Replenishment to a more appropriate 1.4 to 1.5 months will take time, adding to demand pressures as companies re-stock.

Performance Summary

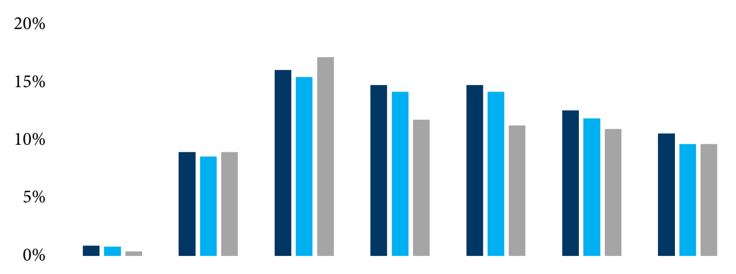
The Congress Balanced Portfolio ("The Portfolio") returned 0.95% (gross of fees) during the quarter, while the Portfolio's blended index, 60% S&P 500 / 40% Bloomberg Barclays Intermediate Government/Credit Index ("The Index") returned 0.39%.

Portfolio Discussion

Despite strength in corporate balance sheets, household net worth near record levels, and consumers willingness to spend, a true return to a self-sustaining economic recovery remains hampered by bottlenecks in global supply chains and unfilled job openings. In concert with these events, inflation indicators have perked up as well. Importantly, the Federal Reserve has kept short term rates at near zero-levels and maintain that inflation data will be transitory in nature.

Given the dual goal of balanced accounts: growth and stability, we remain at 65% equity 35% fixed income.

Average Annualized Performance % as of 9/30/2021



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 1/1/1985
Balanced (Gross)	1.0	9.0	16.1	14.8	14.8	12.6	10.6
Balanced (Net)	0.8	8.7	15.5	14.2	14.2	11.9	9.7
Benchmark[1]	0.4	9.0	17.2	11.8	11.3	11.0	9.7

[1] Blended Benchmark: 60% S&P500/40% Bloomberg Barclays US Intermediate Govt/Credit Index

Performance is preliminary and subject to change at any time.

Equity Sleeve

Paycom Software, Inc. (PAYC), a leader in payroll and human capital management applications, was the top contributor during the quarter. PAYC reported excellent quarterly results with recurring revenue growth accelerating to its highest level since 2016. Bookings continue to be strong with the last two weeks in July coming in at record levels for the company. **Costco Wholesale Corporation (COST)** operates membership warehouses that offer branded and private-label products in a range of merchandise categories. COST is unique among retailers in its ability to combine customer loyalty, value, and growth. The company continues to manage the current logistic and inflationary challenges well. Its ability to hold back on price increases relative to its peers has increased its value proposition and delivered market share gains. **Thermo Fisher Scientific, Inc. (TMO)** provides analytical instruments, equipment, reagents and consumables, and software services used for research, analysis, discovery, and diagnostics. The stock's outperformance was due to a better-than-expected outlook for 2022 as the company continues to benefit from a very robust biotech funding environment. **Intuit, Inc. (INTU)** specializes in business and financial management software. The company reported better than expected results driven by continued strength in its Online Ecosystem business. In addition, the Consumer Group was a standout as TurboTax continues to gain market share. **Alphabet, Inc. Class A (GOOGL)** GOOGL's ad business continues to benefit from advertisers shifting their budgets to connected TVs. Elsewhere, the Google Cloud business is benefitting from secular tailwinds.

Freeport McMoRan, Inc. (FCX), one of the world's largest producers of copper, detracted from quarterly performance. The stock's underperformance is primarily due to the decline in copper prices caused by China's slowing industrial production growth. In addition, concerns that the Federal Reserve will be tapering bond purchases weighed heavily on copper prices as reducing bond purchases normally increases the value of the U.S. dollar, thereby making dollar-based commodities such as copper more expensive for international buyers. **Caterpillar, Inc. (CAT)** is the world's leading manufacturer of construction and mining equipment. The company continues to experience margin pressure due to supply chain issues. However, CAT's demand ramp is strengthening heading into 2022 as dealer inventories remain at the low end of the historical range as retail demand is exceeding production. **PayPal Holdings, Inc. (PYPL)** is an online payment platform. Management's announcement that it will transition away from eBay sooner than expected came as a surprise. This will undoubtedly pressure growth in the upcoming quarters. Despite this transitory headwind, PYPL's underlying business remain strong as revenue in the quarter (excluding eBay) rose over 30%. **Global Payments, Inc. (GPN)** is a leading pure-play payment technology company. Growth continues to improve, and the company appears to be on track to achieve its model growth rate. However, integrated competitors are attempting to poach GPN's customer base, which could impede the company's long-term results. **Eaton Corp. Plc (ETN)** is a power management company that provides sustainable solutions. Like other industrial companies, ETN is being negatively impacted by supply chain issues. In fact, management has noted that this issue has grown worse. On a positive note, orders are strong, and visibility is increasing.

Top Equity Contributors[2]

Stock	Avg. Weight%	Contribution%
Paycom Software, Inc.	2.40	0.70
Costco Wholesale Corporation	2.69	0.32
Thermo Fisher Scientific, Inc.	2.58	0.30
Intuit, Inc.	3.06	0.29
Alphabet, Inc.	3.20	0.27

Top Equity Detractors/Contributors[2]

Stock	Avg. Weight%	Detraction%
Freeport-McMoRan, Inc.	2.50	-0.32
Caterpillar, Inc.	2.47	-0.29
PayPal Holdings, Inc.	2.62	-0.28
Global Payments, Inc.	1.61	-0.27
Eaton Corp. Plc	0.91	-0.26

Fixed Income Sleeve

A slight duration mismatch with the benchmark strengthened relative performance. However, an overweight to high-quality, Industrial sector corporate issues detracted from relative performance as lower quality issues outperformed. Security selection within U.S. Treasuries also weakened relative performance as longer dated issues underperformed.

Top Fixed Income Contributors[2]

Issue	Avg. Duration%	Contribution%
Wells Fargo & Co. 4/2026	4.35	0.01
Bank Of America Corp. 12/2028	5.71	0.01
Shell International Finance 5/2025	3.52	0.01
U.S. Treasury 1/2023	1.41	0.00
U.S. Treasury 8/2023	1.95	0.00

Top Fixed Income Detractors/Contributors[2]

Issue	Avg. Duration%	Detraction%
U.S. Treasury 2/2028	5.96	-0.01
U.S. Treasury 5/2027	5.37	-0.01
JPMorgan Chase & Co. 1/2025	3.04	-0.01
Target Corp. 4/2029	6.61	-0.02
Intel Corp. 11/2029	7.33	-0.02

Information is as of 9/30/2021. Sources: Congress Asset Management, Bloomberg Finance L.P., Barclays Investments, and FactSet Research Systems. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings, sector weightings and securities identified as top contributors and detractors 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. The securities identified do not represent all the securities purchased, sold or recommended to clients. For information regarding the methodology used to select these holdings or to obtain a list showing the contributions of every holding in the strategy's representative account, which we believe reflects the Congress Balanced's Composite to both a current and/or prospective client, please contact us at 1-800-234-4516. Gross performance shown does not reflect the deduction of investment management fees and certain transaction costs, which will reduce investment performance. Past performance does not guarantee future results. [2]The information shown is for a representative account as of 9/30/2021. Actual client account holdings and sector allocations may vary.

Transactions

3Q 2021 Transaction Summary - Equity Sleeve

Sector Allocation Changes

- Increase in Consumer Discretionary & Industrials
- Decrease in Health Care & Materials

Purchased

- Darden Restaurants, Inc. (DRI) - Consumer Discretionary
- Eaton Corporation Plc (ETN) - Industrials
- Repligen Corporation (RGEN) - Health Care

Sold

- Air Products and Chemicals, Inc. (APD) - Materials
- IDEXX Laboratories, Inc. (IDXX) - Health Care
- Vertex Pharmaceuticals, Inc. (VRTX) - Health Care

3Q 2021 Sector Allocation Changes - Fixed Income Sleeve

Purchased

- U.S. Treasury of 6/30/2024 to adjust duration and improve yield
- U.S. Treasury of 8/31/2026 to reduce credit exposure

Sold

- U.S. Treasury of 2/15/2022 due to a near zero yield
- Tendered the Walmart of 8/08/2026 due to post tender liquidity concerns

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Manager Outlook

Equity Sleeve

The U.S.'s spending spree has been ongoing for over a year. The breadth and depth of demand, coming on the heels of the initial pandemic shutdown, has overwhelmed supply chains. Twenty percent of all imports enter via the ports of Long Beach and Los Angeles where upward of 60 cargo ships await to unload goods. Shipping costs have skyrocketed and delays abound.

Supply chain constraints are one element adding to inflation fears. Employment costs continue to rise as help wanted signs proliferate at restaurants, hotels, medical facilities, and schools. The Federal Reserve Bank (Fed) has noticed. The Fed played an important role over the past 18 months by lowering short term interest rates and purchasing over $4T of fixed income securities. These actions helped alleviate and shorten the economic pain of the pandemic, but if extended too long could exacerbate inflationary pressures. Late in September, the Fed signaled it will curtail its asset purchases beginning in November, tacitly acknowledging that August's 5% CPI reading was too high.

Inflation and supply issues are also surfacing in Europe and China. Notably, oil and natural gas prices have spiked with natural gas up five-fold over the past year. Some of the price rises will likely prove temporary, but energy investments have shifted to renewable sources like wind and solar. Especially in the U.S., there are few new carbon energy projects. As global growth solidifies, demand for carbon-based energy sources will re-appear, helping to set a floor for oil and natural gas prices, one higher than we have become accustomed to.

As the financial markets grapple with inflation, Washington appears to be in a state of suspended animation. The most immediate concern remains the federal debt ceiling, which if not raised or suspended by October 18, will prohibit most federal expenditures. Congress is highly unlikely to let that happen as the Democrats have the votes to remedy this issue by themselves. But the prospect that a U.S. default could happen is tempering investor's risk appetite and affecting both stock and bond prices.

In addition, Washington continues to struggle with a $1 trillion bi-partisan infrastructure bill and the far more ambitious $3.5 trillion American Families Plan. As currently envisioned, the American Families Plan would raise taxes, increase transfer payments, and enlarge the recipient class to include upper middle-class taxpayers. A slimmer plan could offer opportunities and assistance to those in need without the inflationary pressures the full plan would present to an economy already running close to capacity.

Fears that inflation is becoming systemic, similar to the 1970's, have risen. The Fed and others espouse a different view- that current inflation trends are transitory. The truth probably lies somewhere in the middle. Inflation will likely be higher than it has been, but not at the destructive level seen five decades ago. Many of the deflationary forces introduced to the economy since the 1980's should continue to suppress deleterious inflation.

For example, advancements in technology such as software and advanced machinery continues to foster better efficiency and productivity. Remote working offers flexibility and improves living standards. Globalization, embodied by the acceptance of China into the World Trade Organization in 2001, opened new trading routes, driving down prices. Global trade routes are now more disparate, a further check on costs while fostering development in other parts of the world. The Fed's September announcement itself should reassure inflation hawks that the central bank has not abandoned its price stability mandate.

A fall chill has descended on the financial markets. This is understandable given the positive returns over the past year and Washington's uncertain fiscal path. The economy is strong, however, and consumers and businesses will continue to spend until demand is satiated. Corporate profits, recently measured at +9%, should continue to grow and be supportive to stock prices over the next year. Bond returns may be more challenged as interest rates find a new equilibrium but offer stability and the promise of marginally higher income as we approach year end.

Fixed Income Sleeve

Performance for the quarter was muted, impacted only by a slight upward move in interest rates and minimal changes in already tight spreads. U.S. Treasury securities as a group posted a negative return due to the lift in rates on the long end of the curve. Corporate bonds had a positive return due to their higher yields, which was just enough to keep them on the positive side of the ledger. As has been the norm, lower quality issues outperformed higher quality issues over the quarter.

As we look ahead, we expect the Fed to follow through on its pledge to begin tapering its monthly purchases before this year end. Further, we expect the Fed to hold off on raising short term rates until the purchases are fully ceased, which points to a very late 2022 timeframe for the first hike. At the same time, any acceleration of inflation could trigger the Fed to move more quickly, which necessitates watching price indices closely. If inflation slows, we expect any hikes to be delayed into 2023.

Congress Asset Management Co. Balanced Composite 1/1/2011 - 12/31/2020

Year	Total Return Gross of Fees%	Total Return Net of Fees%	60% S&P 500 40% BBUIGCI Blend Return % (dividends reinvested)	CAM Recomm. Allocation %	Composite Gross 3-Yr St Dev (%)	60% S&P 500 40% BBUIGCI Blend Return 3-Yr 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	20.3	19.8	14.3	65/35	11.4	11.2	27	1.44	47	10,746	5,523	16,269
2019	24.5	23.9	21.3	65/35	7.6	7.1	26	1.66	44	8,445	4,083	12,528
2018	2.5	2.0	-2.0	65/35	7.0	6.3	21	0.67	32	7,102	3,132	10,234
2017	19.2	18.5	13.6	70/30	6.7	5.8	10	n/a	15	7,272	3,274	10,546
2016	4.7	4.0	8.1	70/30	7.3	6.3	6	n/a	7	5,693	2,445	8,139
2015	2.4	1.7	1.5	65/35	7.6	6.3	11	0.61	13	5,941	1,153	7,094
2014	8.0	7.3	9.4	65/35	7.1	5.5	15	0.77	20	6,328	1,121	7,449
2013	19.7	19.0	18.1	65/35	8.6	7.2	13	2.33	14	6,489	978	7,467
2012	9.2	8.6	11.1	65/35	9.9	8.8	18	0.42	23	6,755	743	7,498
2011	4.3	3.7	3.9	65/35	11.0	11.3	14	0.51	15	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 Balanced Composite was created on January 1, 1993 and the inception date of the composite is January 1, 1985, 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 $500 thousand (US dollars) managed with the recommended asset allocation between large cap equities and fixed income set by the Investment Policy Committee for a minimum of one full month. The current recommendation is a 65/35 allocation and accounts with allocations falling within 15% of the recommendation are eligible for composite inclusion. Accounts with wrap commissions are excluded from the composite. Prior to September 1, 2005 the composite did not include taxable accounts, private client accounts, or accounts with less than $1 million. For the Balanced Composite we present a custom benchmark, which is a 60/40 blend of the S&P 500 Index and Bloomberg Barclays US Intermediate Government / Credit Index. The benchmark is calculated in Advent Portfolio Exchange by weighting the respective index returns on a daily basis. 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 list of composite descriptions and a list of broad distribution pooled funds are available upon request. Prior to January 1, 1993 the composite is not in compliance with GIPS.

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. Prior to 2007 net of fees returns were calculated by reducing gross returns by the highest management fee in the Balanced 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 fixed income and equity securities are included in calculations. Internal dispersion is calculated using the asset-weighted standard deviation of annual gross-of-fees returns of those portfolios that were included in the composite for the entire year. For those years when less than six portfolios were included in the composite for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period.

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

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