

### Market Review

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.

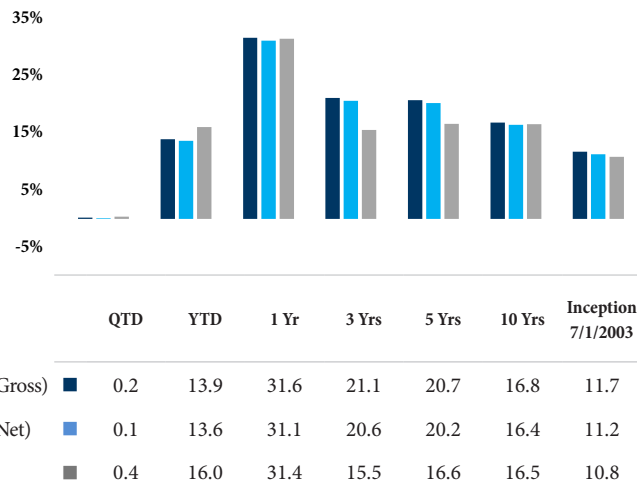
Trends for businesses and other organizations are also accelerating. The business inventory to sales ratio has fallen to less than 1.3 months. Replenishment to a more appropriate 1.4 to 1.5 months will take time, adding to demand pressures as companies re-stock.

### Performance Overview

The Congress Multi-Cap Growth Portfolio (the Portfolio) returned 0.18% (gross of fees) during the quarter, while the S&P 1500 Index (“the Index”) returned 0.35%.

Portfolio holdings InMode Ltd., DexCom, Inc., Costco Wholesale Corporation, Lululemon Athletica, Inc., and salesforce.com, Inc. contributed to performance during the quarter. However, Skyworks Solutions, Inc., Illumina, Inc., Fair Isaac Corporation, LendingTree, Inc., and Lamb Weston Holdings, Inc. detracted from quarterly performance.

Annualized Returns % as of 9/30/2021



Performance is preliminary and subject to change at any time

**This information is supplemental to the GIPS Report**

Information is as of 9/30/2021. Sources: Congress Asset Management, FactSet, and Morningstar Direct. 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. Performance returns of less than one year are not annualized. <sup>1</sup>The information shown is for a representative account as of 9/30/2021. Actual client account holdings and sector allocations may vary.

## Third Quarter 2021 Highlights

### Top 5 Stock Contributors and Detractors

#### Contributors

STOCK	AVG. WEIGHT%	CONTRIBUTION%
InMode Ltd.	2.52	1.32
DexCom, Inc.	2.19	0.51
Costco Wholesale Corporation	2.14	0.26
Lululemon Athletica, Inc.	2.06	0.20
salesforce.com, Inc.	1.92	0.20

**InMode Ltd. (INMD)** is a leading global medical aesthetics company; its devices enable minimally invasive procedures using radio frequency technology. The demand for INMD products continues to be strong, especially recently launched hands-free products. The company's earnings guidance reflects robust underlying demand from patients & physicians, strong commercial execution, and product pipeline opportunities in new categories like OB-GYN, ophthalmology, ENT, and dermatology.

**DexCom, Inc. (DXCM)** develops, manufactures, and distributes continuous glucose monitoring systems for diabetes management. The company reported another impressive quarter and raised its full-year outlook due to strong volume growth. Its next generation continuous glucose monitoring is also scheduled to be launched internationally later this year.

**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.

**Lululemon Athletica, Inc. (LULU)** manufactures and sells athletic apparel, primarily yoga and running clothing. The company's operating model is compelling for consumers, well-executed, and diversified across product category channels. LULU reported very good quarterly results highlighted by growth acceleration across all its key businesses. The company appears to be adeptly managing its supply chain heading into the upcoming quarter. Elsewhere, management noted that the company will reach its 2023 revenue targets two years early and other targeted milestones well in advance of expectations.

**salesforce.com, Inc. (CRM)** provides customer relationship management solutions. The stock's outperformance was primarily attributed to the company's future growth plans that management laid out at its analyst day, which were well received. These plans include a focus on organic innovation, margin expansion, and key investment strategies.

#### Detractors

STOCK	AVG. WEIGHT%	DETRACTION%
Lamb Weston Holdings, Inc.	1.56	-0.43
LendingTree, Inc.	0.89	-0.35
Fair Isaac Corporation	1.64	-0.34
Illumina, Inc.	1.92	-0.26
Skyworks Solutions, Inc.	1.87	-0.26

**Skyworks Solutions, Inc. (SWKS)** designs, manufactures, and distributes high-performance analog semiconductor chips that support wired and wireless connectivity. The company reported positive quarterly results in both its Mobile and Broader Markets segments. Despite this, it issued conservative guidance due to supply chain constraints, leading to a sell-off in the stock. Looking past these near-term headwinds, the company expressed confidence in its longer-term outlook.

**Illumina, Inc. (ILMN)** is a global leader in sequencing and array-based solutions for genetic analysis. The stock's performance was negatively impacted by the company's decision to finalize its Grail acquisition despite a pending case before the General Court of the European Union regarding the merger.

**Fair Isaac Corporation (FICO)** provides products, solutions, and services that enable businesses to automate, improve, and connect decisions to enhance business performance. Concerns around the possibility that its FICO score business is losing market share weighed on the stock.

**LendingTree, Inc. (TREE)** is the nation's leading online loan marketplace, providing consumers with an array of online tools and information to help find the best loans for their needs. Results from the company's insurance business were weaker than expected due to increased competition as well as lower consumer traffic.

**Lamb Weston Holdings, Inc. (LW)** is a leading global producer, distributor, and marketer of value-added frozen potato products, primarily french fries. Even though the company reported better than expected quarterly results, guidance was weak due to inflationary pressure.

## 3Q 2021 Transaction Summary

### Sector Allocation Changes

- None

### Purchased

- None

### Sold

- None

### Purchased

None

### Sold

None

### Positioning

Investments are predicated on a company's future prospects rather than economic or market cycles. We seek companies with strong fundamentals and emphasize earnings growth consistency, free cash flow, and solid balance sheet metrics.

### Outlook

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.



## Congress Asset Management Co. Multi-Cap Growth Composite 1/1/2011 - 12/31/2020

Year	Total Return Gross of Fees %	Total Return Net of Fees %	S&P Composite 1500 Return % (dividends reinvested)	S&P 500 Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	S&P Composite 1500 3-Yr annualized ex-post St Dev (%)	S&P 500 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	39.6	39.1	17.9	18.4	20.7	18.9	18.5	30	0.81	324	10,746	5,523	16,269
2019	33.4	32.9	30.9	31.5	13.4	12.1	11.9	27	0.80	242	8,445	4,083	12,528
2018	-3.4	-3.8	-5.0	-4.4	12.4	11.0	10.8	23	0.32	187	7,102	3,132	10,234
2017	25.4	24.9	21.1	21.8	10.3	9.9	9.9	23	0.51	215	7,272	3,274	10,546
2016	0.5	0.1	13.0	12.0	11.4	10.7	10.6	6	n/a	131	5,693	2,445	8,139
2015	2.7	2.3	1.0	1.4	10.8	10.5	10.5	≤5	n/a	135	5,941	1,153	7,094
2014	7.0	6.6	13.1	13.7	10.4	9.1	9.0	≤5	n/a	134	6,328	1,121	7,449
2013	31.2	30.7	32.8	32.4	12.6	12.2	11.9	≤5	n/a	127	6,489	978	7,467
2012	15.9	15.5	16.2	16.0	16.7	15.4	15.1	≤5	n/a	100	6,755	743	7,498
2011	1.8	1.5	1.8	2.1	18.2	19.1	18.7	≤5	n/a	87	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 creation and inception date of the Multi-Cap Growth Composite is July 1, 2003, 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 multi cap growth style for a minimum of one full month. The multi-cap growth strategy invests in the equity of high quality companies with market capitalizations over \$500 million 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). The primary composite benchmark is the S&P Composite 1500 Index and the S&P 500 Index is a supplemental index. Effective April 1, 2021 the Multi-Cap Growth Composite benchmark was changed retroactively from the Russell 3000 Growth Index to the S&P Composite 1500 Index in order to better represent the investable universe. 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 1% in 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. Prior to 2007 net of fees returns were calculated by reducing gross returns by 1/4th of the highest management fee in the Multi-Cap Growth Composite, which was 0.63%, applied quarterly. 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.

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, nor does it warrant the accuracy or quality of the content contained herein.