

Portfolio Commentary

Small Cap Value

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.

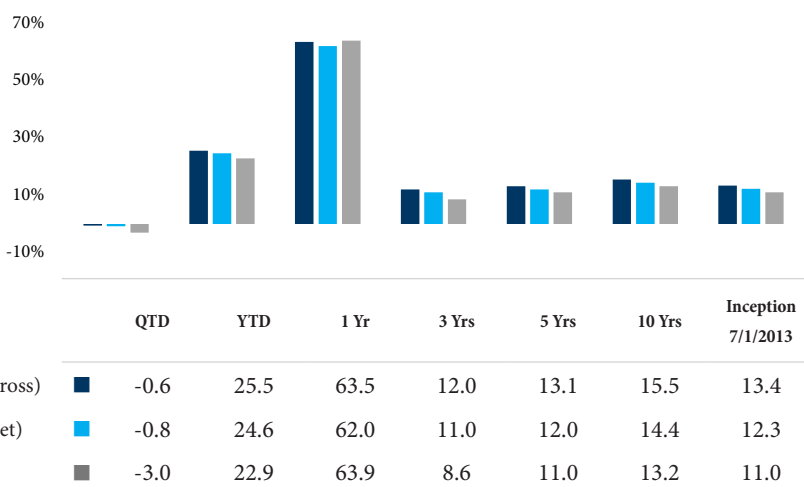
Performance Overview

The Small Cap Value Portfolio (“the Portfolio”) returned 0.56% (gross of fees) during the third quarter, while the Russell 2000 Value Index (“The Index”) returned -2.98%.

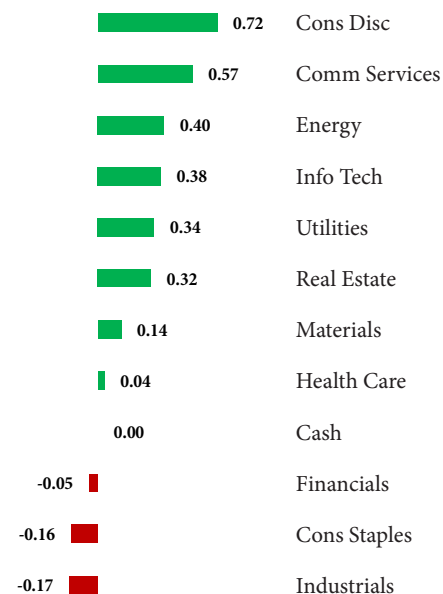
The Portfolio benefited from security selection in Consumer Discretionary, Information Technology, and Energy and an underweight allocation to Communication Services. However, security selection in Industrials and Consumer Staples and an overweight allocation to Information Technology detracted from performance during the quarter.

Average Annualized Performance % as of 9/30/2021

% Total Effect Portfolio vs. Index¹ (6/30/2021 - 9/30/2021)



Performance is preliminary and subject to change



Information is as of 9/30/2021. 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 Report.** Performance returns of less than one year are not 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. ¹The information shown is for a representative account as of 9/30/2021. Actual client account holdings and sector allocations may vary.

Q3 2021 Attribution Highlights

Overall Contributors

- Security selection in Consumer Discretionary, Information Technology & Energy
- Underweight allocation to Communication Services

Overall Detractors

- Security selection in Industrials & Consumer Staples
- Overweight allocation to Information Technology

Top 5 Stock Contributors and Detractors

Contributors

STOCK	AVG. WEIGHT%	CONTRIBUTION%
SPS Commerce, Inc.	1.26	0.69
Atea Pharmaceuticals, Inc.	1.26	0.65
Cimarex Energy Co.	2.17	0.45
Alcoa Corporation	1.28	0.36
TriNet Group, Inc.	1.10	0.29

SPS Commerce, Inc. provides supply chain management solutions through an online software suite to retailers, suppliers, and logistics customers. Growth continues to be supported by the retail industry's adoption of the company's e-commerce related fulfillment solutions. A stabilizing retail environment, heightened concerns around supply chains, and increased interest in analytics products from customers should drive robust revenue growth going forward.

ATEA Pharmaceuticals, Inc. is a clinical stage biotechnology company. Atea performed well following news regarding Merck's COVID pill. Merck's COVID pill was found to cut COVID-related hospitalizations in half and could create a roadmap to commercial success for other biotechnology companies developing similar treatments.

Cimarex Energy Co. is an energy exploration and production company. Cimarex benefited from the increase in oil and gas prices. The company also consummated its merger with Cabot Oil and Gas.

Detractors

STOCK	AVG. WEIGHT%	DETRACTION%
Ardelyx, Inc.	0.44	-0.74
Hecla Mining Company	1.28	-0.41
Skechers U.S.A., Inc. Class A	2.11	-0.30
Editas Medicine, Inc.	1.11	-0.29
Ebix, Inc.	1.10	-0.25

Ardelyx, Inc. is a biopharmaceutical company. Investors were disappointed when Ardelyx's drug for Chronic Kidney Disease management did not fare well with the FDA, which indicated that it would need further data regarding clinical relevance.

Hecla Mining Company is a silver and gold production company. Hecla's stock traded down as the price of gold and silver declined during the quarter.

Skechers U.S.A., Inc. designs and markets footwear. Skechers' stock traded off as investors grew concerned that logistics problems would become an issue for Skechers, whose business has significant exposure to China.

Purchased

- Turning Point Therapeutics Inc. (TPTX) - Health Care
- Byrna Technologies Inc. (BYRN) - Industrials

Sold

- MasTec, Inc. (MTZ) - Industrials
- SPX Corp. (SPXC) - Industrials

Turning Point Therapeutics, Inc., a clinical-stage precision oncology biopharmaceutical company, designs and develops therapies that target the genetic drivers of cancer. Turning Point has several drugs undergoing clinical trials, and its platform has demonstrated potential with four assets on track for review by the FDA in the next couple of years.

Byrna Technologies Inc. is a defense technology company that develops and manufactures less-lethal munitions. Byrna has delivered remarkable growth in the self-defense market and its e-commerce platform shows great promise.

MasTec, Inc. is an infrastructure construction company. The outlook for pipeline construction, a key driver of MasTec's business, has waned considerably as the current administration has shown very little tolerance for oil and gas transportation pipelines.

SPX Corp. is a supplier of highly-engineered infrastructure equipment and technologies. SPX recently sold its Transformer Solutions business to GE and has stated that it intends to acquire companies or businesses to complement its remaining businesses, increasing the uncertainty around its forward earnings.

Economic 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. Small Cap Value Composite 1/1/2011 - 12/31/2020

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 2000 Value Return % (dividends reinvested)	Composite Gross 3-Yr an- nualized ex-post St Dev (%)	Russell 2000 Value 3-Yr an- nualized ex-post St Dev (%)	Number of Portfolios	Gross Disper- sion %	Total Composite Assets End of Period (\$ millions)	Total Firm Discretionary Assets End of Period (\$ millions)	Total Firm Advisory-On- ly Assets End of Period (\$ millions)	Total Firm Assets End of Period # (\$ millions)
2020	8.8	7.8	4.6	27.1	26.1	≤5	n/a	197	10,746	5,523	16,269
2019	26.2	25.1	22.4	16.5	15.7	≤5	n/a	185	8,445	4,083	12,528
2018	-15.5	-16.3	-12.9	15.7	15.8	≤5	n/a	235	7,102	3,132	10,234
2017	16.9	15.8	7.8	13.9	14.0	≤5	n/a	244	7,272	3,274	10,546
2016	18.4	17.2	31.7	15.4	15.7	≤5	n/a	283	n/a	n/a	n/a
2015	-7.6	-8.4	-7.5	13.6	13.7	≤5	n/a	266	n/a	n/a	n/a
2014	6.2	5.2	4.2	12.5	13.0	≤5	n/a	0.4	n/a	n/a	n/a
2013	45.5	44.1	34.5	15.9	16.1	≤5	n/a	0.1	n/a	n/a	n/a
2012	27.4	26.2	18.1	n/a	n/a	≤5	n/a	17	n/a	n/a	n/a
2011	-4.1	-5.0	-5.5	n/a	n/a	≤5	n/a	14	n/a	n/a	n/a

#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 report(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 Small Cap Value Composite was created on March 31, 2014 and the inception date is November 1, 2010. Performance prior to September 15, 2017 was generated by Century Capital Management, LLC. Performance prior to March 1, 2014 was generated before the Portfolio Manager became affiliated with Century Capital Management, LLC. The Portfolio Manager was the only individual responsible for selecting securities to buy and sell and the investment decision-making process remained intact. Accordingly, composite performance is linked to performance generated prior to March 1, 2014. Because CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017 Total Firm Assets are shown as n/a for periods prior to the acquisition date. All portability requirements with respect to GIPS have been met. The composite includes all fully discretionary portfolios with a value over \$100 thousand (US dollars) managed in the small cap value style for a minimum of one full month. The small cap value strategy generally invests in the equity of companies with market capitalizations between \$50 million and \$5 billion or that are within the range of the Russell 2000 Value Index (at the time of purchase) that trade at a discount to intrinsic value or whose earnings growth is under appreciated by the street. Prior to October 1, 2017 there was no minimum value for inclusion. The composite contained proprietary non-fee paying assets which represented 100% of total composite assets as of December 31, 2014 and 0.14% of composite assets as of December 31, 2015 and 0.17% as of December 31, 2016. The benchmark is the Russell 2000 Value 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 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 by reducing monthly gross returns by 1/12th of the maximum applicable annual management fee, which is 0.95%. For periods ended on or before March 31, 2011, the maximum applicable management fee was 1% on the first \$50 million. For periods beginning after March 31, 2011, the maximum applicable management fee is 0.95% on the first \$50 million of assets. 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. It is not presented for 2011 and 2012 because 36-month returns were not available.

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 typically 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.