CONGRESS ASSET MANAGEMENT COMPANY

3Q 2021

Portfolio Commentary

SMid Core Opportunity[1]

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.

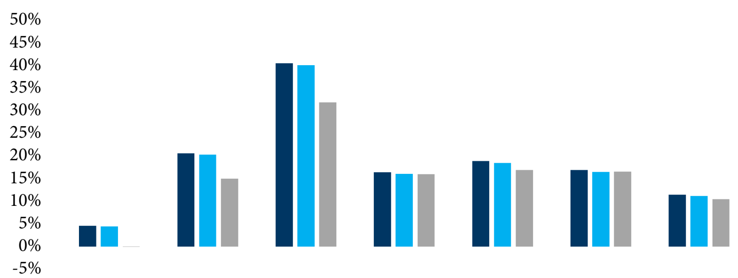
Trends for businesses and other organizations are also accelerating. The business inventory to sales ratio has fallen to less than 1.3 months. Replenishment to a more appropriate 1.4 to 1.5 months will take time, adding to demand pressures as companies re-stock.

Performance Overview

For the quarter ending September 30, 2021, the SMid Core Opportunity Portfolio ("the Portfolio") outperformed its benchmark, the Russell 3000 Index ("the Index"). The Portfolio returned 4.59% gross of fees while the Index returned -0.10% for the quarter.

The Portfolio benefited from security selection in Information Technology, Health Care, Consumer Discretionary, and Industrials. However, security selection in Consumer Staples and Materials detracted from performance, as did an overweight allocation to Industrials and a lack of exposure to Financials.

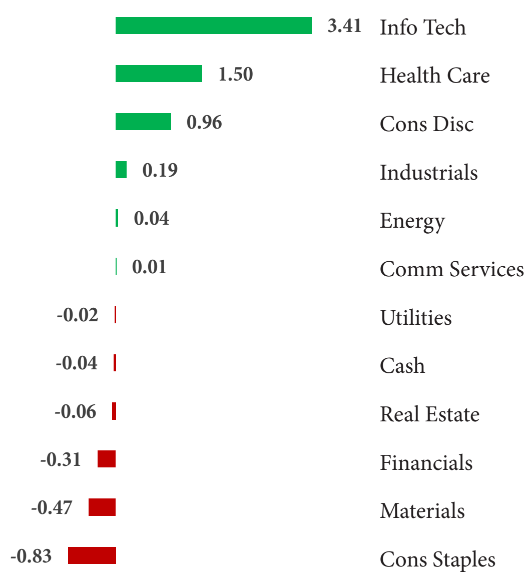
Average Annualized Performance % as of 9/30/2021



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 6/1/2005
SMid Core Opp[1] (Gross)	4.6	20.6	40.5	16.4	18.9	16.9	11.5
SMid Core Opp[1] (Net)	4.5	20.3	40.1	16.1	18.5	16.5	11.2
Russell 3000®	-0.1	15.0	31.9	16.0	16.9	16.6	10.5

Performance is preliminary and subject to change at any time.

% Total Effect Portfolio vs. Index[3] (6/30/2021 - 9/30/2021)



[1]Prior to March 31, 2018, the Portfolio was known as the Congress All Cap Opportunity Strategy.

[2]On March 31, 2018, the Portfolio's stated investment strategy was updated to reflect its focus of investing in publicly traded stocks of U.S. small and mid capitalization companies with either growth or value characteristics.

3Q 2021 Attribution Highlights

Overall Contributors

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

Overall Detractors

- Security selection in Consumer Staples & Materials
- Overweight allocation to Industrials
- Underweight allocation to Financials

Top 5 Contributors

Stock	Avg. Weight%	Contribution%
SPS Commerce, Inc.	5.50	2.90
Fortinet, Inc.	4.76	1.12
DexCom, Inc.	4.00	0.98
Churchill Downs, Inc.	4.08	0.81
Horizon Therapeutics Plc	4.55	0.72

SPS Commerce, Inc. (SPSC) provides supply chain management services that make it easier for retailers, suppliers, grocers, distributors, and logistics firms to orchestrate the management of item data, order fulfillment, inventory control, and sales analytics. SPSC stock increased in Q3 as the company has benefited from expanded e-commerce and direct product shipping to end customers. The acceleration of e-commerce has increased the value of SPSC's Electronic Data Interchange and Fulfillment solutions.

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT's stock appreciated after once again reported broad-based strength across geographies, client size, use case, and products. Fortinet produced an excellent quarter, with the only blemish being a slight reduction in gross margins due to the mix of products sold.

DexCom, Inc. (DXCM) designs, develops, and markets continuous glucose monitoring systems for ambulatory use by people with diabetes and healthcare providers. Shares of DXCM grew over the quarter as the company reported strong growth, fueled by increased volumes and new customer additions. The company was able to increase its fiscal year guidance given the strength of its sales.

Churchill Downs Incorporated (CHDN) operates as a provider of pari-mutuel horseracing, online account wagering on horseracing, and casino gaming. CHDN witnessed its stock rise after reporting improved results after restrictions and capacity limits were rolled back at its casinos. The company also announced three major multi-year capital expansion projects that will increase capacity, revenues, and guest experiences at its properties and gaming casinos.

Horizon Pharma Plc (HZNP) is a biopharmaceutical company engaged in the research, development, and marketing of pharmaceutical products. The company's stock rose in the third quarter as its sales skyrocketed due to the relaunch of its Tepezza drug as well as very strong sales of its Krystexxa medication. Horizon was another company that was able to increase its fiscal year guidance on the strength of its sales.

Bottom 5 Detractors/Contributors

Stock	Avg. Weight%	Detraction%
Grocery Outlet Holding Corp.	1.89	-0.83
Canadian Pacific Railway Ltd.	4.17	-0.69
Summit Materials, Inc.	6.34	-0.59
Ciena Corporation	3.58	-0.36
Installed Building Products, Inc.	3.14	-0.35

Grocery Outlet Holding Corp. (GO) is a retail grocery chain that sells its products through independently operated stores in the United States. Shares of the company stock retreated as investors continued to sour on the outlook for the company. Headwinds include increased labor and freight costs, as well as inflation concerns.

Canadian Pacific Railway Limited (CP) operates transcontinental railways, provides logistics and supply chain expertise, and transports bulk commodities, merchandise freight, and intermodal traffic. Its shares fell as the company found itself to be the winner in a bidding war to purchase Kansas City Southern rail company. Longer-term the deal will likely be positive, but investors are wary of the near-term impact of the acquisition costs.

Summit Materials, Inc. (SUM) is a materials company that mainly supplies aggregates, cement, ready-mix concrete, and asphalt paving mix. The company saw its shares lose value in the quarter after reporting good results but without an increase to its fiscal year guidance. On a positive note, the company has been able to raise its prices ahead of increases in its costs, but margins remain challenged looking forward.

Ciena Corporation (CIEN) provides hardware, software, and services that support the transport, switching, aggregation, service delivery and management of video, data, and voice traffic on communications networks. The company's stock price slid after reporting a reasonable quarter, but there does not seem to be any additional growth expected by management in the second half of its fiscal year. Demand has been strong for CIEN, but supply chain constraints are limiting growth.

Installed Building Products, Inc. (IBP) primarily installs insulation, waterproofing, fire-stopping, fireproofing, garage doors, rain gutters, window blinds, shower doors, closet shelving and mirrors and other products for residential and commercial builders. The shares of IBP dropped as the company continues to be negatively impacted by supply chain disruptions and building material challenges. Demand remains very strong, but certain materials are not available from manufacturers, so the company is being forced to turn to distributors and local retailers for fulfillment.

3Q 2021 Transaction Summary

Purchased

- Installed Building Products, Inc. (IBP) - Consumer Discretionary
- Envista Holdings Corporation (NVST) - Health Care
- EnPro Industries, Inc. (NPO) - Industrials

Sold

- Aerojet Rocketdyne Holdings, Inc. (AJRD) - Industrials
- Carlisle Companies, Inc. (CSL) - Industrials
- Grocery Outlet Holding Corp. (GO) - Consumer Staples

Purchased

Installed Building Products, Inc. (IBP) primarily installs insulation, waterproofing, fire-stopping, fireproofing, garage doors, rain gutters, window blinds, shower doors, closet shelving and mirrors and other products for residential and commercial builders. The company has a network of over 190 branch locations that offer service-based installation of various products in the residential new construction, repair and remodel, and commercial construction end markets. The company is seeing very strong demand and is growing both organically and by acquisition.

Envista Holdings, Inc. (NVST) is a global dental products company that produces implants, orthodontics, and digital imaging technologies. It develops, manufactures, and markets dental consumables, equipment, and services to dental professionals for diagnosing, treating, and preventing dental conditions. Management's strategic priorities are accelerating organic growth, expanding operating margins, and building a stronger portfolio of products.

EnPro Industries, Inc. (NPO) is a leader in designing, developing, manufacturing, and servicing proprietary engineered industrial products that serve a wide variety of customers in industries including general industrial, semiconductor, trucking, oil & gas, auto, petrochemical, power generation, food & pharma, aerospace, and metals & mining, among others. The company operates through three segments: Sealing Technologies, Advanced Surface Technologies, and Engineered Materials. Company management is seeking to divest several low-margin or money-losing businesses and refocus their internal and M&A strategies on profitability and strategic fit within higher growth markets.

Sold

Aerojet Rocketdyne Holdings, Inc. (AJRD) is a leading supplier of specialized propulsion systems for defense and space applications. Aerojet Rocketdyne agreed to a buyout by Lockheed Martin Corporation (LMT), but the acquisition had slowed due to regulatory antitrust oversight. We decided to exit the stock as downside price pressure seemed more likely than any upside potential.

Carlisle Cos., Inc. (CSL) manufactures and markets a wide range of products that serve a diverse array of markets including commercial roofing, energy, agriculture, mining and construction equipment, aerospace and electronics, dining and food delivery, and healthcare. CSL had been restrained by continued softness in its aerospace business as well as weaker results in its brake and friction business. Despite our belief that its roofing business is a high-quality operation, we sold the stock due to the weakness in the other elements of its portfolio.

Grocery Outlet Holding Corp. (GO) is a retail grocery chain that sells its products through independently operated stores in the United States. Grocery Outlet's stock seemingly had never been rewarded by the markets for being a good operator. Instead, the markets saw only rising cost pressures and inflation issues, pressuring the stock and ultimately triggering the Investment Committee to sell the shares.

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

Information is as of 9/30/2021

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. SMid Core Opportunity Composite 1/1/2011 - 12/31/2020

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 3000 Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 3000 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	29.1	28.7	20.9	21.7	19.4	185	1.39	109	10,746	5,523	16,269
2019	29.3	28.9	31.0	15.0	12.2	199	1.19	104	8,445	4,083	12,528
2018	-10.2	-10.5	-5.2	16.3	11.2	224	0.80	85	7,102	3,132	10,234
2017	24.0	23.6	21.1	13.9	10.1	254	1.50	135	7,272	3,274	10,546
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	5,693	2,445	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	5,941	1,153	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	6,328	1,121	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	6,489	978	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	6,755	743	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	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 SMid Core Opportunity Composite was created on December 31, 2005 and the inception date is May 31, 2005, 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 SMid core opportunity style for a minimum of one full month. The SMid core opportunity strategy's investment premise is that market efficiencies exist between fixed income and equity valuation techniques. We seek to uncover these efficiencies, and identify equity investment opportunities in order to pursue long term capital appreciation. We employ a combination of formal quantitative screening followed by bottom up fundamental analysis. We focus on stocks with market capitalizations between $300 million and $40 billion (at the time of purchase). The strategy is opportunistic, providing management flexibility to focus on securities and industries that are often under researched and we believe poised to experience earning growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). The composite benchmark is the Russell 3000 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. The % of the composite represented by non-fee paying accounts at annual period end was 100% 2005-2008. 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. Net of fees returns are calculated using actual management fees. From inception until mid-2009 the SMid Core Opportunity Composite included one non-fee paying account (which was the only account in the composite). 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, not does it warrant the accuracy or quality of the content contained herein.