CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

3Q 2021

SMid Growth Portfolio

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.

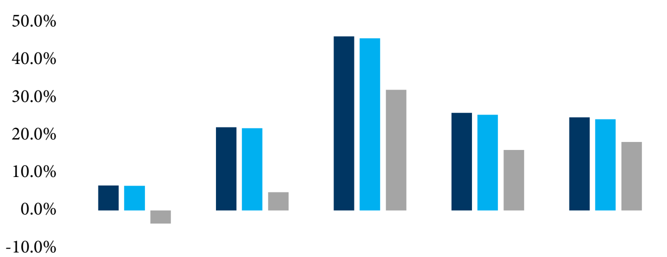
Trends for businesses and other organizations are also accelerating. The business inventory to sales ratio has fallen to less than 1.3 months. Replenishment to a more appropriate 1.4 to 1.5 months will take time, adding to demand pressures as companies re-stock.

Performance Overview

The Congress SMid Growth Portfolio ("the Portfolio") returned 6.56% gross of fees during the quarter, while the Russell 2500 Growth Index returned -3.53%.

The Portfolio benefited from security selection in Health Care, Information Technology, Consumer Discretionary, and Industrials. However, underweight allocations to Real Estate and Information Technology, as well as an overweight allocation to Consumer Staples, detracted from performance during the quarter.

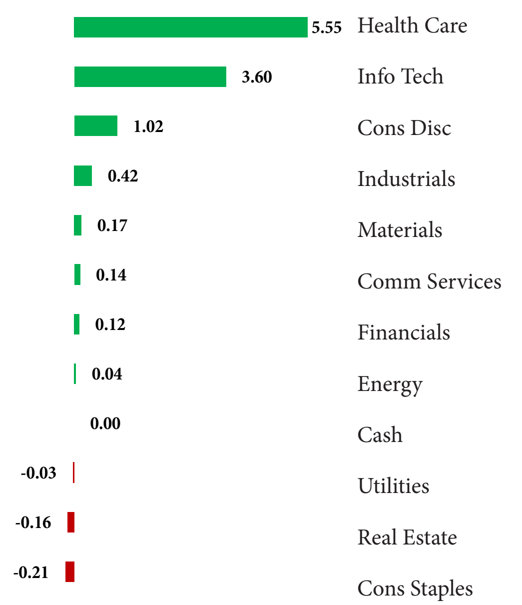
% Average Annual Returns as of 9/30/2021



	QTD	YTD	1 Yr	3 Yrs	Inception (4/1/2017)
SMid Growth (Gross)	6.6	22.1	46.2	25.9	24.7
SMid Growth (Net)	6.5	21.8	45.7	25.4	24.2
Russell 2500 Growth*	-3.5	4.8	32.0	16.0	18.1

Performance is preliminary and subject to change at any time

% Total Effect Portfolio vs. Index[1] 6/30/2021 - 9/30/2021



3Q 2021 Attribution Highlights

Overall Contributors

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

Overall Detractors

- Underweight allocations to Real Estate & Information Technology
- Overweight allocation to Consumer Staples

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Repligen Corporation	4.08	1.57
SPS Commerce, Inc.	2.15	1.07
Monolithic Power Systems, Inc.	3.60	1.02
Paycom Software, Inc.	2.42	0.76
West Pharmaceutical Services, Inc.	3.86	0.67

Detractors

Stock	Avg. Weight%	Detraction%
Boston Beer Company, Inc.	1.07	-0.93
PTC, Inc.	2.39	-0.38
The Timken Company	1.87	-0.38
Burlington Stores, Inc.	1.78	-0.19
Neogen Corporation	2.11	-0.15

Repligen Corporation (RGEN) is a leading provider of advanced bioprocessing technology and solutions used in the process of manufacturing biologic drugs. The company reported organic growth of 69% in the second quarter and over 500 basis points of operating margin expansion. RGEN is seeing robust sales in its filtration, chromatography, and proteins products. RGEN also raised its fiscal year guidance sharply given the continued strength in its business.

SPS Commerce, Inc. (SPSC) 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.

Monolithic Power Systems, Inc. (MPWR) is a semiconductor company that designs, develops, and markets high-performance power solutions. The company reported excellent second quarter results despite being faced with a supply-constrained semiconductor end-market. Its strategy of investing in capacity well in advance of actual demand is paying off as it has been able to meet customer demand as its competitors struggle to.

Paycom Software, Inc. (PAYC) provides cloud-based human capital and payroll management solutions. Recurring revenue growth, which was hampered by low employment levels and low interest rates throughout the pandemic, accelerated to its highest level since 2016 on the back of several quarters of strong bookings activity.

West Pharmaceutical Services, Inc. (WST) is a leading manufacturer of containment and delivery systems for injectable drugs and other healthcare products. West reported strong quarterly results with organic growth of over 30% and significant operating leverage. Management raised fiscal year guidance sharply and indicated that they believe the positive trends in both their core and COVID-related products will continue in 2022.

Boston Beer Company, Inc. Class A (SAM) produces and sells alcoholic beverages such as Samuel Adams, Truly Hard Seltzer, Twisted Tea, and Angry Orchard. The summer months were marked by a continued deceleration in the growth of the key hard seltzer category. SAM first reported a mixed second quarter and lower fiscal year guidance and then subsequently withdrew financial guidance altogether.

PTC, Inc. (PTC) is an American computer software and services company. The company offers a portfolio of computer aided design modeling, product lifestyle management, and service lifecycle management solutions. The company reported solid quarterly results as it continues to gain traction across key areas. However, the annual recurring revenue growth in its IoT business decelerated sequentially.

Timken Company (TKR) designs and manufactures engineered bearings and mechanical power transmission products for end markets including renewables, auto, aerospace, and rail, amongst others. The stock has underperformed as investors digest the continuation of a deteriorating supply chain and rising input costs which will likely negatively impact the company's margins through at least year end. This downside risk was confirmed in mid-September when TKR withdrew its full year 2021 financial outlook.

Burlington Stores, Inc. (BURL) is a national off-price retailer of high-quality branded merchandise at everyday low prices. BURL reported good second quarter results as product availability remains favorable and store traffic volumes are continuing to build. However, Management spoke to increasing cost pressures due to increasing freight and distribution costs and expressed some concern about the imbalance between global supply and demand in logistics systems.

Neogen Corporation (NEOG) develops, manufactures, and markets a diverse line of products and services dedicated to food and animal safety. NEOG's first fiscal quarter saw double digit organic growth in both segments despite some lingering re-opening pressures. Management did speak to facing challenges due to supply chain issues, labor shortages, and higher product costs.

3Q 2021 Transaction Summary

Sector Allocation Changes

- Increase in Consumer Discretionary
- Decrease in Information Technology

Purchased

- Bruker Corporation (BRKR) - Health Care
- e.l.f. Beauty, Inc. (ELF) - Consumer Staples
- Papa John's International, Inc. (PZZA) - Consumer Discretionary
- Valmont Industries, Inc. (VMI) - Industrials

Sold

- ResMed, Inc. (RMD) - Health Care
- ESCO Technologies, Inc. (ESE) - Industrials
- Zebra Technologies Corporation (ZBRA) - Information Technology
- The Boston Beer Company, Inc. (SAM) - Consumer Staples

Purchased

Bruker Corp. (BRKR) develops, manufactures, and distributes high-performance scientific instruments and analytical and diagnostic solutions that enable customers to explore life and materials at microscopic, molecular, and cellular levels. The company has diversified end markets, products, and geographic diversification and operates in a healthy competitive environment. BRKR continues to execute on its Project Accelerate program – driving growth into faster-growing segments of the market while removing costs from the organization. Recent quarters have been highlighted by an acceleration in organic growth and management guiding to a higher long-term growth algorithm.

e.l.f. Beauty, Inc. (ELF) is a leading beauty products company offering high-quality cosmetics at value prices. The company believes its unique ability to combine cost, quality, and speed differentiates them in the beauty industry. ELF's sales are over-indexed to Millennials, Gen Z, and Hispanic customers. Recent quarterly results have shown an acceleration in earnings as the company is benefiting from a combination of cosmetics category growth and new product initiatives.

Papa John's International, Inc. (PZZA) operates and franchises pizza delivery and carryout restaurants centered around its brand promise of "Better Ingredients, Better Pizza." PZZA has improved its business over the past couple of years as it has embraced product innovation, a digital platform, unit development, and improving unit economic initiatives. Most of Papa John's restaurants are franchised, resulting in higher margins and more stable cash flow. Finally, the company sees an opportunity for unit growth both domestically and internationally.

Valmont Industries, Inc. (VMI) is a diversified global manufacturer and provider of highly engineered fabricated metal products to the infrastructure and agriculture markets. Following several years of stale growth, VMI is strongly positioned to see an acceleration across all its operating segments, which are benefitting from both secular and cyclical tailwinds. The agriculture industry is focused on food security and water efficiency while utility companies are investing in grid resiliency and a transition to renewables; trends that should result in new business wins. Incrementally, any passage of a U.S. infrastructure bill would serve as a catalyst to Valmont's highway and telecom businesses.

Sold

ResMed, Inc. (RMD) develops medical solutions and products that treat and manage sleep-disordered breathing such as obstructive sleep apnea and central sleep apnea. The company has seen a sharp acceleration in its business since its primary competitor Philips announced a significant product recall this summer. This news and the resulting long-term market share opportunity have served as a positive catalyst for the stock. However, the resulting premium valuation and higher market capitalization prompted the sale of the stock from the Portfolio.

Esco Technologies, Inc. (ESE) is a diversified global manufacturer of filtration and fluid control products, diagnostic instruments, and RF shielding and test equipment for markets including defense and commercial aviation, utility, renewables, electronics, health care, and others. Following the pandemic-induced decline in sales in the commercial aero and utility end markets, the expectation was for a gradual recovery in customer activity. However, over the past couple of quarters, ESE has continuously pushed the return of growth further off as customers are focusing near-term investments outside the scope of ESE's product set. This factor, coupled with recent operational issues, has reduced conviction in the company's timeline for a return to strength.

Zebra Technologies Corp. (ZBRA) is a global leader in the Automatic Identification and Data Capture and Enterprise Asset Intelligence markets. Its products include mobile computing, data capture, radio frequency ID devices, barcode printing, and other automation products and services that help improve operational efficiency. ZBRA experienced 40% organic growth in its second quarter with solid gross margin gains. Despite the positive results, the stock was sold as there is some concern around the combination of a premium valuation, building margin pressure in the second half of the year from sharp rises in air and ocean rates, and a current growth rate that is well above normal.

Boston Beer Company (SAM) produces and sells alcoholic beverages such as Samuel Adams, Truly Hard Seltzer, Twisted Tea, and Angry Orchard. SAM's primary growth driver has been its Truly Hard Seltzer product, and the hard seltzer category has seen a sharp decline in category growth. This decline along with new competitive entrants prompted SAM to first lower financial guidance and subsequently remove financial guidance entirely.

Positioning

Portfolio 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 four purchases and four sales in the Portfolio during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Portfolio's Consumer Discretionary weighting, while reducing its Information Technology weighting.

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

Sources: Congress Asset Management (CAM) Russell Investments and Factset.
The views expressed in this document are as of publication date and are subject to change at any time due to changes in market or economic conditions.

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. SMid Growth Composite 4/1/2017 - 12/31/2020

Year	Total Return Gross of Fees%	Total Return Net of Fees%	Russell 2500 Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 2500 Growth 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	50.3	49.7	40.5	20.7	23.9	47	0.62	55	10,746	5,523	16,269
2019	28.7	28.2	32.7	n/a	n/a	14	n/a	37	8,445	4,083	12,528
2018	1.3	0.9	-7.5	n/a	n/a	≤5	n/a	27	7,102	3,132	10,234
3/31/17–12/31/17	12.8	12.5	17.1	n/a	n/a	≤5	n/a	35	7,272	3,274	10,546

#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 SMid Growth Composite is April 1, 2017, 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 growth style for a minimum of one full month. The SMid growth strategy invests in the equity of high quality companies with market capitalizations between $300 million and $20 billion (at the time of purchase) exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. The primary composite benchmark is the Russell 2500 Growth. The benchmark returns are not covered by the report of the 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. 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. 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 periods prior to 2020 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 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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