Portfolio Commentary

Market Review

The November presidential election was the seminal event of the fourth quarter and may prove to be the most important single event since the financial crisis. The end of the campaign may have been a relief for the market. But relief does not explain the price swings between different asset classes or even between different stock market sectors. As December progressed, the S&P 500 closed most days near a record high and the Dow Jones Industrial Average marched inexorably towards the psychologically important 20,000 mark. Bond prices fell, leaving the ten year yield near 2.60%, a high for the year. The dollar, riding a wave of optimism and higher rates has risen to levels not seen in decades.

There were vast return differences within the stock market as well. Small company stocks, considered both a tax reform beneficiary and sheltered from a rising dollar have soared since the election. Bank stocks, weighed down by regulations and low interest rates for the past decade, sprung to life at the expense of utilities and other "bond proxy" stocks. The promise of robust government funded infrastructure projects helped support industrial and material stocks.

In the months leading up to the election and since, the election took on a life of its own. Lost in the election headlines were the more mundane measures of economic output that tell an interesting economic story.

The economy has grown at about a 2% pace since the recession ended in 2009, marking the slowest average rate of any expansion since at least 1949. Measures of economic activity, however improved notably as the year progressed. Gross domestic product (GDP), the broadest measure of our economy ended the 3rd quarter at 3.5% growth, the strongest level in two years and substantially better than the lackluster readings from earlier in the year. Another broad measure, the unemployment rate was similarly positive measuring 4.6% in December. There are jobs to be had and we have more employed than ever before.

In spite of the recent run up in interest rates, we remain in a historically low interest rate environment. Low rates combined with new job creation have had a sustained positive impact on the housing and auto markets. Millennials, for whom jobs were scarce five years ago, are finding work and creating new households providing a solid foundation for home sales and prices. Consumers are more positive than they have been in years, the December confidence expectations index jumped to the highest level since December 2003.

The negative effects of a deflationary energy market are largely behind us. With oil hovering around $55 per barrel, business investment is likely to increase. Business investment has not recovered from its unprecedented collapse during the financial crisis and has been a drag on economic growth. OPEC's recent production agreement, their first in 10 years combined with non-OPEC producers' similar agreement should provide a conducive floor for investment spending.

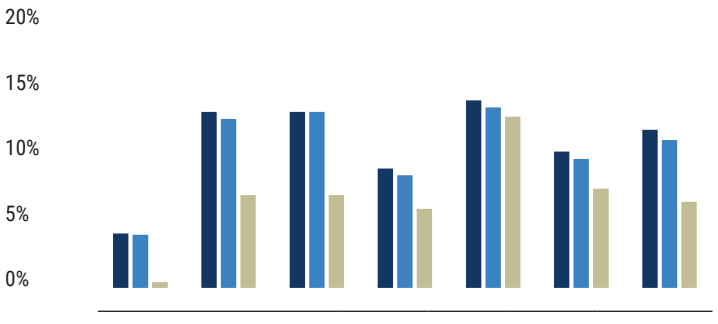
Performance Overview

The Mid Cap Growth Portfolio outperformed the Russell Midcap Growth Index® during the fourth quarter. The Mid Cap Growth Portfolio returned 4.30% versus the Russell Midcap Growth Index's® performance of 0.46%.

Security selection in the Health Care, Information Technology, and Consumer Discretionary sectors benefited the Portfolio during the quarter.

Security selection in the Materials and Industrials sectors detracted from the portfolio's relative performance. In addition, an overweight allocation in Health Care relative to the Index slightly detracted from performance.

% Annualized Returns - as of 12/31/2016



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Mid Cap Growth (Gross)	4.3	13.9	13.9	9.4	14.8	10.8	12.5
Mid Cap Growth (Net)	4.2	13.3	13.3	8.9	14.2	10.2	11.7
Russell Midcap Growth®	0.5	7.3	7.3	6.2	13.5	7.8	6.8

% Total Effect Portfolio vs. Index (9/30/2016 - 12/31/2016) (bps)

Information is as of 12/31/2016. Sources: Congress Asset Management, FactSet, Russell Investments and Informa Investment Solutions. This information is for illustrative purposes and are subject to change at any time. Holdings and performance information is subject to change and should not be considered investment advice or a recommendation to buy or sell a particular security. Actual holdings and performance may vary by client. Past performance does not guarantee future results. This information is supplemental to the GIPS® Composite on page 4 of this report. Performance of less than one year is 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 liablity 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.

Q4 2016 Attribution Highlights

Overall Contributors

- Security Selection in Health Care
- Security Selection in Information Technology
- Security Selection in Consumer Discretionary

Overall Detractors

- Security Selection in Materials
- Security Selection in Industrials
- Allocation in Health Care

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Cognex Corporation	CGNX	0.60%
Signature Bank	SBNY	0.59%
Texas Roadhouse, Inc.	TXRH	0.58%

Cognex (CGNX) reported a very solid quarter, highlighted by volume orders in its consumer electronics business. Logistics products also generated solid growth, particularly in the Americas and Europe. Finally, the Company's automotive business continues to grow in the low double digit range. From a geographic perspective, Greater China grew over 20%, primarily driven by automotive and electronics orders. Meanwhile, Europe was the largest contributor in absolute dollars, helped by large electronic orders that were placed for CGNX products used on assembly lines. Looking forward, Management expects continued signficant orders from logistics customers.

Signature Bank (SBNY) benefited from a post-election rally in bank stocks. The election results brought an outlook for higher interest rates, lower US taxes, less government regulation, and fiscal measures to accelerate economic growth. These expected direct benefits to the profitability and growth of banks quickly lifted the industry outlook and shifted investor sentiment towards bank stocks.

Texas Roadhouse (TXRH) delivered a better than expected quarter given the weak restaurant industry backdrop. Comparable store sales increased 3.4%, far better than most competitors. Additionally, the company continues to benefit from lower commodity costs which is reflected in better restaurant level margins. The commentary for the current quarter was positive as comparable store sales for first four weeks of October were up 3.8%, driven by positive store traffic of 2.5%. There are some concerns regarding increasing labor costs, but the Company should be able to offset some of these headwinds with increased pricing and a continued deflationary commodity environment in 2017.

Detractors

Stock	Ticker	Detraction
Acuity Brands, Inc.	AYI	-0.36%
Equifax Inc.	EFX	-0.39%
International Flavors	IFF	-0.53%

Acuity Brands (AYI) most recent quarter was marred by a sub-optimal manufacturing transition and labor shortages as they moved part of their production to a new facility. While this caused a temporary slowdown for the Company, they will now have the capacity to ramp up production more quickly and be closer to end market demand. Also pressuring the stock and its sector during the quarter was construction industry data that showed slowing activity. We expect this slowdown to be temporary, and believe the company's cost saving offerings will continue to be adopted in the marketplace.

Equifax (EFX) reported another strong quarter as they executed their data-centric business model at a high level, and the Company's management is very optimistic about future opportunities. However, the stock has been pressured as 15%+ of their operations depend on the strength of mortgage related business. Originating and refinancing mortgages has been a vibrant business with interest rates at low levels, but the sharp move up in rates during the quarter may have a negative impact going forward. Their ACA related business, while small, has been a very fast grower, but there are uncertainties around what could replace it and the opportunities it will afford EFX.

International Flavors and Fragrances IFF) reported a mixed quarter in early November. IFF showed improvements in Greater Asia, strong advances in product innovation, and positive moves on the acquisition front. These were more than offset by less efficient manufacturing in their fragrance ingredients business, and end market hurdles related to customer consolidation and pricing pressures. These issues are expected to continue into the beginning of 2017, but the longer term outlook for IFF is still strong. However with over 75% of its sales outside the US, and the strength of the dollar, IFF will face some challenges in 2017.

Q4 2016 Transaction Summary

Sector Allocation Changes

- None

Purchased

- Hasbro, Inc.(HAS) - Consumer Discretionary

Sold

- Helen of Troy (HELE) - Consumer Discretionary

Purchased

Hasbro (HAS), a global branded-play company, has a premier portfolio of brands that should help the Company continue to take advantage of strong underlying industry trends and international growth. The global toy industry has experienced healthy expansion resulting from rejuvenated toy and game brands and the fusion of toys with entertainment content and technology. HAS is well positioned to capitalize on a full slate of film releases and its expansive licensing partnerships within the entertainment industry. Further, it continues to develop markets for legacy brands such as Nerf and Play Doh.

Sold

Helen of Troy (HELE), a global consumer products company, reported another disappointing quarter as the Company saw weakness across all business lines. Management identified the slow retail environment as the major culprit for softness in their Housewares and Health & Home businesses despite their biggest customer (Walmart) experiencing positive store traffic growth. The Beauty and Nutritional segments further weakened, and the Company responded by lowering FY17 guidance for the second consecutive quarter. The Company has become more focused on profitability rather than growth, which is a change in its business model in our view.

Positioning

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 was one purchase and one sale during the quarter, and they are reflective of this strategy.

Outlook

In our opinion, economic prospects are strengthening, not-withstanding the proposals proffered by President-elect Trump to jump start the economy. Trump's proposals, if made policy, could bolster growth but probably not as fast or to the degree many envision. The proposals are far reaching impacting fiscal, tax, and trade policies. For that reason, forecasting the impacts on our economy or the markets is inexact at best.

One thing is almost certain, there will be less regulation emanating from Washington. In the wake of the financial crisis, the regulatory burden on business increased considerably effecting small businesses disproportionately. Less regulation would allow small businesses to hire more freely, positively impacting job growth, increasing competitiveness and fostering innovation. Financial firms, and banks in particular, would also benefit from an easing regulatory environment.

Trump's fiscal spending plans are less clear. The last big infrastructure plan was initiated in the early stages of the Obama administration and included "shovel ready" projects. Trump's fiscal spending plan appears similar to the Obama plan and promises improved roadways, airports, and rail services. These type of initiatives usually take longer to implement and take root. Furthermore, repairing existing infrastructure has a more muted economic benefit than new greenfield projects. In this regard, new plans agreed to in 2017 would benefit 2018 and beyond.

A proactive fiscal spending plan may reduce dependency on the Federal Reserve Bank's (Fed) monetary programs, a welcome outcome in our view. After eight years of monetary expansion and quantitative easing, the Fed's ability to kick start growth has waned. A more aggressive fiscal policy may help limit any negative effect of Fed's latest increase in the federal funds rate.

Trump's tax proposals are ambitious and encompass broad corporate tax reform and lower tax rates for individuals. Broad tax reform is often discussed but has eluded the previous four administrations. With party support in both houses of Congress, we should experience, at a minimum, lower personal and corporate tax rates. Lower rates would bolster spending and provide some growth at the possible expense of lower federal tax revenues.

As we enter 2017, the driving factors behind our economic picture are largely established. Job growth and low interest rates are supporting enhanced growth. Wages are trending up, supporting an already optimistic consumer. Interest rates are likely to gradually increase reflecting a stronger economy. The new administration's policies, if enacted as proposed, would likely benefit the latter half of 2017 and 2018.

Stocks remain the preferred asset class. Policy uncertainty has increased and will present opportunities as the year progresses but valuations are reasonable, and the prospects for earnings growth are sound.

Sources: Congress Asset Management (CAM) PSN 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.

Information is as of 12/31/2016

Congress Asset Management Co.
Mid Cap Growth composite
10/1/1999 - 12/31/2016

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell Mid Cap Growth Return % (dividends reinvested)	Composite Gross 3-Yr St Dev (%)	Russell Mid Cap Growth 3-Yr St Dev (%)	Number of Portfolios	Gross Dispersion %	Total Composite Assets End of Period ($ millions)	% of composite represented by non fee paying account	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
2016	13.9	13.3	7.3	12.0	12.2	105	0.54	431	n/a	5,693	8,139
2015	1.9	1.4	-0.2	11.4	11.3	50	0.42	221	n/a	5,941	7,094
2014	13.0	12.4	11.9	10.8	10.9	41	0.51	145	n/a	6,328	7,449
2013	37.9	37.3	35.7	13.2	14.6	35	0.38	84	n/a	6,489	7,467
2012	10.4	9.8	15.8	17.0	17.9	26	0.46	43	n/a	6,755	7,498
2011	12.7	12.1	-1.7	19.1	20.8	22	0.67	30	n/a	6,329	7,014
2010	40.2	39.4	26.4			15	0.65	20	n/a	6,416	6,678
2009	25.7	25.1	46.3			11	0.85	11	n/a	5,263	5,463
2008	-43.9	-44.2	-44.3			9	0.55	7	n/a	4,292	4,371
2007	24.8	24.3	11.4			12	0.81	16	18%	5,812	5,846
2006	7.7	6.6	10.7			7	0.28	13	22%	5,464	5,469
2005	10.7	9.6	12.1			7	0.43	20	13%	4,750	4,751
2004	14.7	13.5	15.5			≤5	n/a	15	15%	3,844	3,844
2003	26.0	24.8	42.7			≤5	n/a	10	20%	3,697	3,697
2002	-10.6	-11.5	-27.4			≤5	n/a	4	36%	3,312	3,312
2001	9.5	8.5	-20.2			≤5	n/a	2	100%	3,147	3,147
2000	35.4	34.1	-11.8			≤5	n/a	2	100%	3,183	3,183
4Q '99	19.9	19.6	39.5			≤5	n/a	1	100%	3,002	3,002

#The "Total Firm Assets" column is provided as supplemental information and also 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 12/31/95 – 6/30/16. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Mid Cap Growth Composite has been examined for the periods 10/1/99 – 12/31/15. The verification and performance examination reports are available upon request.

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.

Composite Characteristics: The Mid Cap Growth Composite was created on October 1, 1999. This inception date reflects the first full month in which an account was fully invested in the strategy and met the inclusion criteria. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the mid cap growth style for a minimum of one consecutive month. The mid cap growth strategy invests in the equity of high quality companies with market capitalizations between $1 billion and $12 billion (at the time of purchase) 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). Prior to September 1, 2005 the composite did not include private client accounts or accounts with less than $1 million. The primary composite benchmark is the Russell Mid Cap Growth 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 complete list and description of all firm composites is available upon request.

Calculation Methodology: Valuations and returns are computed and stated in U.S. dollars. The firm uses the Modified Dietz formula to calculate monthly returns and links these returns geometrically to produce an accurate time-weighted rate of return. The composite is also revalued intra-month in cases where cash flows in excess of 10% of the composite's value occur. Composite returns are asset-weighted. Gross of fees returns are calculated gross of management and custodial fees and net of transaction costs. Prior to 2007 net of fees returns are calculated by reducing gross returns by the highest management fee in the Mid Cap Growth composite, which is 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 equity securities are included in calculations. A maximum of 5% of the portfolio may be invested in the ADR's of foreign companies. 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 standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is not presented for 1999 through 2010 as it is not required for periods prior to 2011.

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 portfolios, calculating performance, and preparing compliant presentations 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.