CONGRESS ASSET MANAGEMENT COMPANY

Q4 2017

Portfolio Commentary

Mid Cap Growth

Market Review

The year 2017 should be remembered as the year we left the financial crisis behind. A strengthening domestic economy is now supported by a synchronized global expansion – the newest investment phrase meant to capture a mood and secular trend, much as *global financial crisis* did a decade ago. We ended the year with nearly idyllic investment conditions: negligible inflation, low interest rates, record employment and strong corporate earnings. Hopes for the recently enacted tax reform bill suggest the good times could last.

The stock market captured the optimism of the investment community. For the first time ever the S&P 500 increased every month of the year. This gentle market witnessed few meaningful downturns and was accompanied by positive returns in foreign markets as well. The long anticipated rise in market interest rates remained in abeyance, keeping financing costs low and supporting riskier investments. While the absence of significant down trading days is unusual, it is not alarming and does not portend a market collapse.

If exuberance is evident, it may well be in the burgeoning market for crypto-currencies. These digital currencies act more like trading vehicles, not currencies in the traditional meaning of the word. The Wall Street Journal recently reported that there are 31 digital currencies with values over $1 billion. Some forms of digital currencies are likely to survive but their purpose and format as a means of exchange or store of value are unclear. A shakeout is coming and those over-exposed will feel the pain.

Much has been made about the length of the current economic expansion, one of the longest on record, as if time should dictate when it should end. The magnitude of the expansion does not match its longevity, however. A robust expansion typically puts inordinate demands on productive resources, causing inflation or excess speculation. There is little evidence that either is occurring. Employment, an important ingredient for production, has been strong. Unemployment is hovering around 4%. It appears that people are being drawn back into the workforce, alleviating wage pressures that could arise in this strong employment environment.

The new tax package supports growth as well. By lowering the corporate tax rate and allowing for immediate expensing of big ticket items, companies should be incentivized to return profits earned elsewhere and invest in productive capacity, meeting anticipated demand in a more cost efficient manner. Many consumers and employees should benefit from tax reform as well. The new tax package will increase the use of the standard deduction, easing the tax burden on 70% of all filers, a number which is anticipated to rise. In addition, many companies, from AT&T to Wells Fargo, have announced bonuses or wage increases as they share the benefits of lower tax rates with employees.

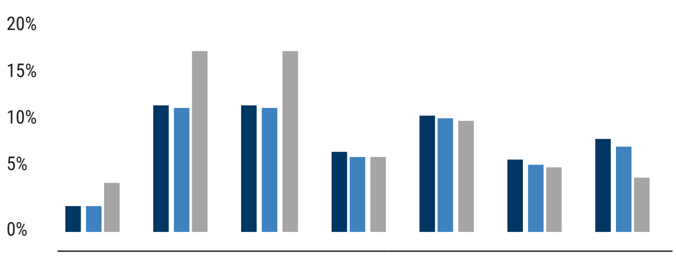
In short, the economy should continue along its growth path. Some secondary measures of future growth indicate that caution is warranted but these readings are inconsistent and probably reflect normal pockets of weaker growth.

Performance Overview

The Congress Mid Cap Growth portfolio returned 3.69% gross of fees in the Fourth Quarter while the Russell Midcap Growth Index© returned 6.81%.

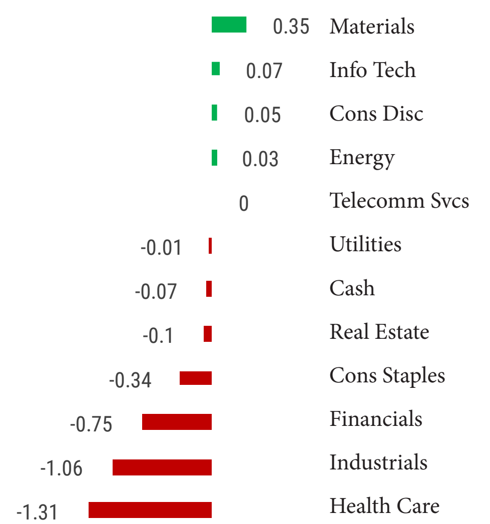
The portfolio benefited from security selection in the Materials sector. However, security selection in Industrials, Health Care, Financials, and Consumer Staples detracted from relative performance.

Average Annualized Performance % - as of 12/31/2017 - Preliminary



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Mid Cap Growth (Gross)	3.7	17.7	17.7	11.0	16.3	10.1	12.8
Mid Cap Growth (Net)	3.6	17.2	17.2	10.4	15.8	9.5	12.0
Russell Midcap Growth®	6.8	25.3	25.3	10.3	15.3	9.1	7.7

% Total Effect Portfolio vs. Index (9/30/2017 - 12/31/2017) (bps)



Q4 2017 Attribution Highlights

Overall Contributors

- Security selection in Materials
- Allocation to Industrials

Overall Detractors

- Security selection in Health Care
- Security selection in Industrials
- Security selection in Financials
- Security selection in Consumer Staples

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
IPG Photonics	IPGP	0.50%
Pool Corporation	POOL	0.47%
Carter's Inc.	CRI	0.47%

Detractors

Stock	Ticker	Detraction
Fabrinet	FN	-0.47%
*First Republic Bank	FRC	-0.39%
Henry Schein, Inc.	HSIC	-0.34%

*purchased during the Quarter

IPG Photonics (IPGP) manufactures high-performance fiber lasers and amplifiers for use in a wide range of markets, such as materials processing, advanced technologies, telecommunications, and medical application. IPGP saw continued strength in high-power lasers driven by a secular shift in demand across their largest applications and geographies as customers traded up to higher power solutions. Further, their vertically-integrated business model enables rapid scale production, reduced costs, continued innovation, and new product launches.

Pool Corp. (POOL) is the world's largest wholesale distributor of swimming pool supplies, equipment, and related leisure products. POOL reported solid 3rd quarter earnings and narrowed their full year guidance range. Most importantly, POOL's Q3 gross margin improved 20 basis points from the prior year. Last quarter, there were gross margin concerns as some investors feared Amazon's potential impact on their business. The thesis for Pool Corp appears intact as swimming pool repair and remodel activities remain strong.

Carter's Inc (CRI) is the largest branded marketer in the United States and Canada of apparel and related products exclusively for babies and young children. CRI reported strong quarterly results and maintained their fiscal year guidance. The market responded to their positive same store sales report despite a negative impact from hurricanes during the quarter. The company also spoke to an improving environment for their traditional wholesale business in the United States. Finally, Carter's is optimistic for continued outsized growth with Amazon and in China.

Fabrinet (FN) is a leading provider of advanced optical packaging and precision optical, electro-mechanical, and electronic manufacturing services to original equipment manufacturers of complex products. FN's stock was weak following poor quarterly earnings results that showed a continuation of soft end market demand, particularly in China and among telecom customers. There was also some concern regarding growth from data center customers. Further, visibility appears low given historically erratic behavior by legacy customers which resulted in disappointing earnings guidance.

First Republic Bank (FRC) concentrates its business in four high growth urban coastal markets; San Francisco, New York, Los Angeles, and Boston. FRC's unique, high growth model is fueled by its focus on relationship banking for affluent clients in these wealth-dense cities. FRC reported continued strong loan growth during the quarter along with pristine credit quality metrics. However, increased compensation and growth investments, including their Gradifi initiative, resulted in a sharp increase in expenses over the prior year. The results also showed pressure on FRC's net interest margin (NIM) due to a jump in deposit costs. While this has been an industry trend, FRC had not been impacted until this quarter. Post their quarterly report, the stock saw some additional pressure from certain provisions in the new tax bill, namely the lowered cap on mortgage interest deductibility. This lowered cap could increase the cost of a mortgage for some of FRC's customers.

Henry Schein (HSIC) is the world's largest provider of health care products and services to office-based dental, animal health, and medical practitioners. HSIC was impacted by continued weakness in the North American dental market. Customer consolidation in the dental market put pressure on HSIC's margins. Despite Management's expectations to see a stabilization in the dental market in the future, guidance for the remainder of the year was lowered. Additionally, the threat of Amazon to the current healthcare supply chain continues to be a headwind for HSIC.

Q4 2017 Transaction Summary

Sector Allocation Changes

- Increase in Consumer Discretionary
- Decrease in Information Technology

Purchased

- LCI Industries (LCII) - Consumer Discretionary
- First Republic Bank (FRC) - Financials
- Burlington Stores (BURL) - Consumer Discretionary
- Copart Inc. (CPRT) - Industrials

Sold

- F5 Networks (FFIV) - Information Technology
- Signature Bank (SBNY) - Financials
- Acuity Brands (AYI) - Industrials
- Dorman Products (DORM) - Consumer Discretionary

Purchased

LCI Industries (LCII) manufactures, supplies, and distributes components for original equipment manufacturers (OEMs) of recreational vehicles (RVs) and manufactured homes. LCII is participating in a strong RV industry cycle driven by favorable demographics and the continued popularity of the RV lifestyle. LCII is increasing their components per RV by driving penetration within their customer base. Recently, the company has become more acquisitive in both the RV industry and adjacent markets. LCII has positive free cash flow and a favorable return profile.

First Republic Bank (FRC) concentrates its business in four high growth urban coastal markets; San Francisco, New York, Los Angeles, and Boston. FRC's unique, high growth model is fueled by its focus on relationship banking for affluent clients in these wealth-dense cities. Downward pressure on the yield curve and a highly competitive lending environment have hurt bank stocks due to the negative effects on net interest margins and growth. However, FRC's robust loan growth and asset management expansion should continue to drive results.

Burlington Stores, Inc. (BURL) is an apparel and home product off-price retailer. The off-price industry is seeing continued strong growth trends as consumers find quality merchandise at favorable pricing. Stores are generally located in strip centers, lessening the impact of declining mall traffic. Burlington has consistently posted positive same store sales and experienced operating margin expansion through strong inventory management.

Copart Inc. (CPRT) provides vehicle suppliers with various services to process and sell salvage vehicles through auctions. CPRT offers a high level of service in the auction and vehicle remarketing industry and has established its leading market position by providing coverage that facilitates seller access to buyers around the world, reducing towing and third party storage expenses. The company's strategy is to increase revenues and profitability by acquiring and developing new facilities in key markets including foreign markets, pursuing national and regional vehicle supply agreements, expanding its online auctions, and vehicle remarketing service offerings to sellers and members.

Sold

Signature Bank of New York (SBNY) is a New York-based full-service commercial bank with 30 private client offices located in the New York metropolitan area. SBNY has reported slowing loan growth over the last few quarters, mainly in their core CRE/Multifamily business. Deposit growth has been impacted as their commercial customers are either funding growth initiatives with excess deposits or moving them into higher yielding vehicles outside of the bank. Besides slowing growth, the cost of deposits has been rising with increased competition, pressuring their net interest margin (NIM). With a relatively large commercial client base, SBNY is seeing a greater impact due to these industry trends.

F5 Networks (FFIV) is a global leader in Application Delivery Networking. The company's hardware, software, and virtual solutions help organizations address the growth of voice, data, and video traffic to better support mobile workers and applications. The sale of FFIV was driven primarily by the deterioration of fundamentals over the last few quarters. New product roll outs continued to be a concern during the latest earnings release, as the highly anticipated product refresh cycle doesn't seem to be taking hold due to customers evaluating existing on-premise infrastructure versus cloud options. The weak product sales trend will likely produce slower service growth in the coming quarters.

Dorman Products, Inc. (DORM) is a leading supplier of original equipment, dealer "exclusive" automotive and heavy duty replacement parts. DORM continues to experience a difficult environment for aftermarket auto parts. Dorman is feeling the effects of weakness among their end customers, including AutoZone, O'Reilly Automotive, and Advance Auto Parts. These retailers are being impacted by increasing e-commerce, shifts in the auto industry, and inclement weather. Dorman's percentage of sales from new products has been consistently declining over the past four years. Dorman is also facing increased working capital pressures, as their customers are demanding extended payment terms and experiencing more product returns. Finally, Dorman has recently had issues with an online customer by instituting minimum retail prices to stem aggressive pricing discounts.

Acuity Brands (AYI) is the North American market leader and one of the world's leading providers of lighting and building management solutions. AYI continues to be impacted by their short cycle end markets which has led to lower than expected volumes and weaker margins. Also, Management's optimistic commentary over the previous quarters has not matched reported results. While their higher tier businesses have seen growth, it was not enough to offset pressures in their traditional lighting business.

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 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 Consumer Discretionary sector weight, and reduced the Information Technology sector weight of the portfolio.

Outlook

The stock market has risen for the better part of the expansion supported by the aforementioned economic growth and low interest rates. As corporate earnings continue to grow, the market should respond in kind. Yet the market is more forward-looking and we see some risks that heretofore the stock market has not registered, largely confined to central bank actions and fiscal policy.

The Federal Reserve has been in a tightening mode for two years. Its adjustments to monetary policy have been gradual and communicated in advance, easing financial markets through the transition. A new chair will take the helm in February and, while he is likely to continue communicating the Fed's intentions, the cumulative effect of changes since 2015 could result in investors adjusting their risk preferences.

Other central banks, notably the European Central Bank and Japanese Central Bank, followed the Fed's aggressive easing steps after the financial crises. Neither of these two important players have begun to tighten, however. When other major central banks do begin tapering investment dollars may be deflected elsewhere, causing the liquidity pool available for stocks to suffer. This tapering may begin as early as 2018, depending on economic circumstances.

The U.S. at some point needs to address its fiscal deficits which will likely be exacerbated by the tax cuts. Deficit predictions are imprecise at best but we are running an unusually high deficit for an economy expanding at a 3% clip. This could represent a longer term economic health issue, one to which stocks typically pay little attention until a more acute response is required.

These concerns are notable, but unlikely to weigh materially on stocks in 2018. We expect the upward trending market to continue, albeit with more normal volatility as investors begin to discount growth and inflation levels into 2019 and beyond. Stocks are preferred to bonds as interest rates remain historically low and liquidity high.

Congress Asset Management Co.
Mid Cap Growth composite
10/1/1999 - 9/30/2017

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)
YTD	13.6	13.2	17.3	n/a	n/a	451	n/a	747	n/a	7,024	10,087
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 1/1/96 – 6/30/17. 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 – 12/31/16. 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. CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017.

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 full month. The mid cap growth strategy invests in the equity of high quality companies with market capitalizations between $800 million and $15 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. Monthly composite performance is calculated as an asset-weighted return using the aggregate method. This method aggregates market values and cash flows for all accounts and treats the composite as if it were one account. Monthly composite returns are geometrically linked to produce a time-weighted annual return. Beginning June 1, 2015 the composite is valued daily. Prior to that date, the composite was re-valued on each date that a cash flow exceeded 10% of the total market value of the composite. 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 the highest management fee in the Mid Cap Growth composite, which was 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.