CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

4Q 2018

Mid Cap Growth

Market Review

Fear and uncertainty gripped the financial markets as 2018 drew to a close. The litany of concerns seemed to grow longer as the quarter progressed. Investors reacted to repeated interest rate increases enacted by the Federal Reserve, trade policy negotiations, uncertainties over the federal government shut down, and foreign policy by de-risking their portfolios.

As we witnessed, global stock markets fell with the S&P 500 recording its worst quarter in a decade, down 13.5%. Oil was another casualty, dropping to lows not seen in four years. The bond market provided some solace as intermediate bond prices rose and the ten-year Treasury yield ended the year close to where it began, around 2.8%.

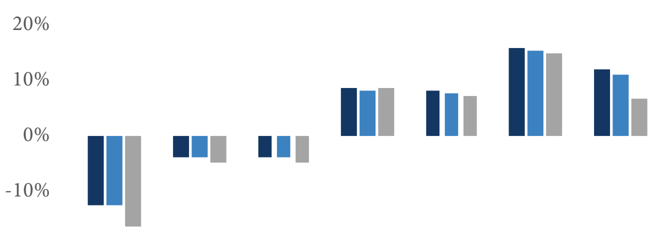
The depth of the 4th quarter swoon would suggest that the economy was stumbling into a recession. In our view, this is not the case. The case for economic Armageddon ignores strong employment trends, increasing capital investment, low inflation rates, and the benefits of de-regulation.

Performance Overview

The Congress Mid Cap Growth Portfolio ("the Portfolio") returned -12.29% during the 4th Quarter, outperforming the Russell Midcap Growth Index ("the Index"), which returned -15.99%.

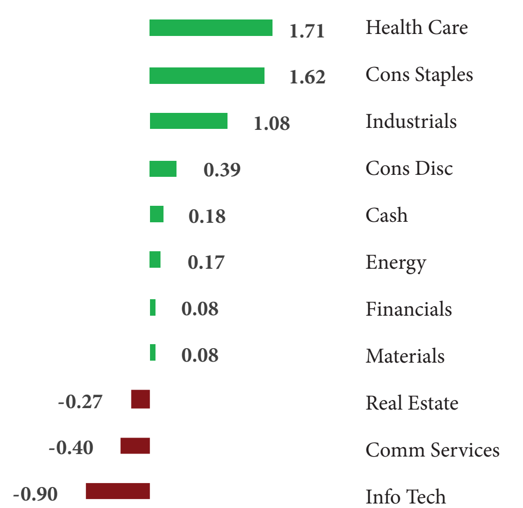
The Portfolio benefited from security selection within Health Care, Industrials, and Consumer Staples. In addition, the Portfolio's overweight allocation to Consumer Staples relative to the Index aided performance. However, security selection within Information Technology and Communication Services detracted from relative performance, as did an underweight allocation to the Real Estate sector.

Average Annualized Performance % as of 12/31/2018



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 10/1/1999
Mid Cap Growth (Gross)	-12.3	-3.5	-3.5	9.0	8.3	16.2	11.9
Mid Cap Growth (Net)	-12.4	-3.9	-3.9	8.5	7.8	15.7	11.1
Russell Midcap Growth®	-16.0	-4.8	-4.8	8.6	7.4	15.1	7.0

% Total Effect Portfolio vs. Index (9/30/2018 - 12/31/2018)



Information is as of 12/31/2018. 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® presentation for the composite. 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.

Q4 2018 Attribution Highlights

Overall Contributors

- Security selection in Health Care, Industrials & Consumer Staples
- Overweight allocation to Consumer Staples

Overall Detractors

- Security selection in Information Technology & Comm. Services
- Underweight allocation to Real Estate

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Church & Dwight Co., Inc.	2.86	0.30
Lamb Weston Holdings, Inc.	2.97	0.23
McCormick & Co., Inc.	2.98	0.16
*International Flavors & Fragrances	1.73	0.05
**Keysight Technologies, Inc.	0.38	0.05

*Sold During the Quarter **Purchased During the Quarter

Detractors

Stock	Avg. Weight%	Detraction%
PVH Corp.	2.13	-0.87
Paycom Software, Inc.	2.71	-0.64
JAZZ Pharmaceuticals Plc	2.19	-0.63
Jack Henry & Assoc., Inc.	2.80	-0.61
Take-Two Interactive Software	2.30	-0.60

Church & Dwight Co., Inc. (CHD) develops, manufactures, and markets household, personal care, and specialty products. The stock benefited as the company continued to post steady organic growth gains above 3% when many consumer staples peers have experienced slower business. CHD's Q3 earnings report also demonstrated relative margin stability, as it continues to see gains from productivity improvements and some product pricing improvement.

Lamb Weston Holdings, Inc. (LW) is a leading global producer, distributor, and marketer of frozen potato products, primarily french fries. LW continued to drive strong organic growth with a combination of improvements in price/mix and volume gains. Industry dynamics remain favorable as global french fry penetration is increasing while production is limited. LW's fiscal Q1 report showed continued organic growth and margin improvement while demonstrating successful navigation of European potato crop challenges.

McCormick & Co., Inc. (MKC) manufactures, markets, and distributes spices, seasoning mixes, and condiments. The stock benefited as the company continued to post steady organic growth and demonstrated successful integration of acquired brands, such as French's and Frank's Red Hot. Its Q3 earnings report was highlighted by strong organic growth, significant gross margin improvement, and a solid outlook for Q4.

International Flavors & Fragrance, Inc. (IFF) is a leading manufacturer and supplier of flavors and fragrances used in the food, beverage, personal care, and household products industries. IFF has consistently posted mid-single digit revenue growth with strength across all categories and regions. The fiscal Q3 report showed continued revenue growth with modest margin pressure as raw material inflation increased while pricing served as a partial offset.

Keysight Technologies, Inc. (KEYS) is a global leader in the Electronic & Communication Test & Measurement market. KEYS operates in a diverse set of markets, including commercial communications, aerospace, defense and government, and electronic industrial. As such, it is more exposed to customers' R&D budgets, driving more predictable (and less cyclical) mid-single-digits organic growth. It has unique drivers in 5G, where it is seeing triple-digit revenue growth from early investment in network testing and standards development; and Auto, where it is benefiting from more stringent testing regulations due to increased complexity and connectivity, without a direct correlation to unit volume. The stock rose during the quarter as the company reported better than expected earnings results in November.

PVH Corp. (PVH) designs and markets apparel and other related products. The stock was pressured by concerns around European exposure and potential tariff impacts on product costs. The Q3 results reported in early December showed further deterioration in the operating performance and outlook at Calvin Klein, one of PVH's key brands. Management executed poorly on a new jeans product line and indicated that investments in their premium 205 Collection line did not pay off as expected. Despite management's contention that they will improve Calvin Klein margin performance in 2019, the stock weakened further.

Paycom Software, Inc. (PAYC) provides comprehensive cloud based human capital and payroll management solutions. While Q3 earnings were strong, management's commentary regarding a formal expansion of their target customer, combined with significant marketing and advertising spend, caused some concern among investors that its core markets are slowing. Given its sales force already generates material business from these larger customers, the move seems like one from a position of strength. The stock was also a victim of the broader downward pressure in Information Technology and high-PE stocks that occurred during the quarter.

Jazz Pharmaceuticals, PLC. (JAZZ) is a biopharmaceutical company focused on developing drugs in the areas of sleep and hematology/oncology. While its key drug Xyrem continues to perform well with 9% bottle volume growth, increased patient counts, and a new approval for pediatric narcolepsy, results for other key pipeline drugs have been disappointing. Vyxeos and Erwinaze, while still promising in the long term, have continued to be weak relative to expectations due to a lack of label expansion and efficacy, as well as supply constraints.

Jack Henry & Associates, Inc. (JKHY) is a FinTech company focused on payment processing services for financial services organizations, primarily banks and credit unions. Though the transition to a new payment processing platform has gone smoother than expected, there is still some growth and margin compression to come. Additionally, the adoption of this new platform is causing some confusion around the impact to financials that could have been better communicated by management.

Take-Two Interactive Software, Inc. (TTWO) is a leading developer and publisher of video, computer, and mobile games. Fiscal Q2 results were very strong, highlighted by recurrent consumer spending and impressive initial unit demand for its recently released hit title Red Dead Redemption 2. Guidance for the year was raised, however the street was expecting better. This outlook, combined with some headline news risk, sparked concerns about the longevity of Red Dead unit sales and contribution from the online version of the game.

4Q 2018 Transaction Summary

Sector Allocation Changes

- Increase in Information Technology & Consumer Discretionary
- Decrease in Health Care & Materials

Purchased

- Skyworks Solutions, Inc. (SWKS) - Information Technology
- Keysight Technologies, Inc. (KEYS) - Information Technology
- Zebra Technologies Corp. (ZBRA) - Information Technology
- Five Below, Inc. (FIVE) - Consumer Discretionary
- Generac Holdings, Inc. (GNRC) - Industrials
- RBC Bearings, Inc. (ROLL) - Industrials

Sold

- Cognex Corp. (CGNX) - Information Technology
- IPG Photonics Corp. (IPGP) - Information Technology
- International Flavors & Fragrances (IFF) - Materials
- Henry Schein, Inc. (HSIC) - Health Care
- Barnes Group, Inc. (B) - Industrials
- Snap-on, Inc. (SNA) - Industrials

Purchased

Skyworks Solutions, Inc. (SWKS) designs, manufactures, and distributes high performance analog semiconductor chips that support wired and wireless connectivity. The company is an efficiently operated bellwether in the space, with industry leading margins and cash flow at a very reasonable valuation. Recent content wins in the new iPhone and Samsung smartphone models should support growth in a stagnant global unit volume environment. Longer-term, the company should benefit from the rollout of 5G, which will require a massive step up in content.

Keysight Technologies, Inc. (KEYS) is one of the largest global companies in the Electronic & Communication Test & Measurement market. It specializes in electronic design and test instruments and related software that are used in the design, development, manufacture, installation, deployment, and operation of electronics equipment. The company operates in a diverse set of markets, including commercial communications, aerospace, defense and government, and electronic industrial. As such, it is exposed to customers' R&D budgets, driving more predictable (and less cyclical) mid-single-digits organic growth. It has unique drivers in 5G, where it is seeing triple-digit revenue growth from early investment in network testing and standards development, and Auto, where it is benefiting from more stringent testing regulations due to increased complexity and connectivity without a direct correlation to unit volume.

Zebra Technologies Corp. (ZBRA) is a global leader in the Automatic Identification and Data Capture (AIDC) and Enterprise Asset Intelligence (EAI) 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, optimize workflows, increase asset utilization, and better customer experiences. The company has experienced strong organic growth, above its long-term model, driven by adoption of data capture technologies across the retail, transportation and logistics, manufacturing, and healthcare end-markets. Additionally, a massive shift in the mobile terminal base to Android software, where ZBRA has 50% share, from Windows should continue to benefit top line growth.

Five Below, Inc. (FIVE) is a retailer offering an assortment of trend-right, high quality merchandise at price points of five dollars or less. Management believes they are transforming the shopping experience of their target demographic with a unique merchandising strategy and a fun and exciting shopping experience. FIVE is experiencing strong revenue growth from both new store growth and consistent same store sales growth. Management is delivering good margin performance while also investing tax savings back into the business to help drive future growth. The top line growth visibility and geographic expansion potential command a premium valuation.

Generac Holdings, Inc. (GNRC) is a leading global designer and manufacturer of a wide range of power generation equipment. Specifically, it offers residential, commercial, and industrial standby generators, as well as portable generators. The company has leading market share and has done a great job in recent years diversifying itself geographically and reducing reliance on major power outage events. Further, it sees a huge runway for adoption of its products in the North American residential space.

RBC Bearings, Inc. (ROLL) is an international manufacturer of highly-engineered precision bearings and components. Its products are integral to the manufacture and operation of machines and mechanical systems by reducing wear on moving parts, facilitating power transmission, and reducing damage and energy loss caused by friction. ROLL holds a strong overall position in a fragmented market. The company focuses primarily on the high-end market, where value-added manufacturing and engineering capabilities can differentiate it from competitors. ROLL should continue to benefit from growth in the industrial, aerospace, and defense markets.

Sold

Cognex Corporation (CGNX) is a leading worldwide supplier of machine vision products that capture and analyze information to automate tasks, primarily within the manufacturing end-market. Products, software, and systems help to locate, identify, inspect, and measure discrete objects during the manufacturing or distribution process. The company is lapping outsized growth from the prior year that was boosted by consumer electronics launches as well as significant investment in OLED capacity build out. However, the smartphone market is mature and recent commentary from the company suggests increasing re-purposing of their products by OEMs given fewer incremental changes between models. In addition, further investment in OLED capacity is unlikely to happen in the near term given relatively low utilization levels.

IPG Photonics Corp. (IPGP) is the market leader in the growing area of fiber laser technology. The company's products are used in materials processing, advanced and heavy industrial, as well as communications and medical applications. High exposure to a peaking cyclical auto industry as well as U.S./China trade war concerns have limited the company's ability to forecast

Information is as of 12/31/2018

accurately. Additionally, increased competition may begin to impact margins, which historically have been an area of competitive advantage and had justified a higher valuation.

International Flavors & Fragrances Inc. (IFF) is a leading manufacturer and supplier of flavors and fragrances used in the food, beverage, personal care, and household products industries. The company has continued to see steady revenue growth. However, its Fragrance segment margins have come under pressure from continued raw material cost increases. The company also closed on the Frutarom acquisition in Q4, which is initially dilutive as it is funded with a combination of debt and newly issued equity. The combination of slowing margins and integration challenges from the Frutarom acquisition have altered the risk profile.

Henry Schein, Inc. (HSIC) is a leading provider of health care products and services to medical, dental, and veterinary office-based practitioners. Recent years have seen slowing growth in North American dental sales, as the industry has seen pricing pressures from purchasing groups, changes in dental practices, and internet suppliers driving price transparency. The anticipation of HSIC's spin-off of its Animal Health business has served as a positive catalyst for the shares. The combination of continued slowing industry growth and the spin-off anticipation prompted us to sell the shares.

Snap-On, Inc. (SNA) manufactures and markets tools, equipment, diagnostics, repair information, and systems solutions for professional users. Recent quarters have seen slower organic growth in the Snap-On Tools Group with limited visibility to improvement. There have also been growing concerns about the sustainability of growth and profitability in its Financial Services segment. Recent improved margin performance served as a positive catalyst for the shares despite the shifting risk profile.

Barnes Group, Inc. (B) manufactures and services engineered products through its Industrial and Aerospace segments. Barnes's Industrial segment has experienced slowing organic growth as it has been plagued by issues including mold validation timing, slowing nitrogen gas product sales, and facilities consolidation. Raw material price increases, particularly steel, have pressured margins. The Aerospace segment has been the more consistently growing segment and it recently guided for slower growth in the second half of the year.

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 6 purchases and 6 sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Portfolio's Information Technology and Consumer Discretionary weightings while reducing the Health Care and Materials weightings.

Outlook

We remain in the midst of the longest economic expansion on record led by the salutary effects of full employment. More people are working in our country than ever before. Jobs are plentiful – we have more jobs available than unemployed people to fill them. Wages and benefits are rising steadily, putting money in consumers' pockets. On an annual basis, income, spending, and savings all increased more than 4% in November, an unusual trifecta. Early indications of holiday spending suggest a robust season for retailers and gift recipients alike.

The consumer is supported by business spending. Through November, broad measures of economic health remained in expansionary territory. The Institute for Supply Management's two main readings remain solidly above 50. Business investment has been bolstered by last year's tax cuts and overseas cash repatriation. This is likely to continue as strong corporate profits and the tight labor market combine to encourage corporate spending, in turn enhancing productivity. Companies may be nervous regarding uncertain trade policies but the need to invest outweighs the rhetoric around tariffs. Forward looking measures, such as the leading Economic Index are at cycle highs.

Strong statistics aside, it is not difficult to discern the reasons for investors' confusion. Front and center are the actions, and in some cases commentary, from the Federal Reserve. Inflation, one of the Fed's two primary objectives, remains under 2%, and with oil prices falling, is unlikely to reach that mark in the near term. Still, the Fed forecasts more interest rate increases in 2019, potentially curtailing consumer and business spending as investment costs increase. The housing and automobile markets, both reliant on low interest rates, have already slowed.

Another proximate cause of market unrest is the ongoing negotiations to our trade policies. Bi-lateral agreements are taking precedence over broader, regional agreements. Negotiations with China are dominating the news and are as much about intellectual property protections as they are about tariff rates. The seminal movement to global trade began after World War 2 and accelerated with China's admittance into the World Trade Organization (WTO) in 2001. Increasingly, China has flaunted WTO guidelines and rulings to pilfer intellectual property at the expense of the U. S. and its allies. By introducing new trade restrictions now, the U.S., with the support of many allies, is forcing Beijing's hand to level the playing field. As the world's second largest economy, China is being held to its commitments. China's growth has clearly slowed, and a resolution would ease concerns about a broader global economic slowdown.

We are cognizant of the extreme volatility experienced in the financial markets. After a long bull market in stocks, investors are skittish. The economy remains on a solid path, however, and much of the consternation can be tied to policy uncertainty. But, as with most policy changes: trade, tax, fiscal stimulus packages, or interest rates, American businesses' will adapt and respond. The current expansion is unlikely to be derailed by headlines. Volatility will not go away but the consumer is stronger financially than at any other time this century and strong business trends should continue. Stocks are reasonably valued while bond rates offer a real return over inflation.

Congress Asset Management Co.
Mid Cap Growth Composite
1/1/2009-12/31/2018

Year	Total Return Gross of Fees%	Total Return Net of Fees%	Russell Mid Cap Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell Mid Cap 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 Assets End of Period # ($ millions)
2018	-3.5	-3.9	-4.8	12.2	12.8	506	0.45	850	7,102	10,234
2017	17.7	17.2	25.3	10.8	10.9	447	0.65	763	7,272	10,546
2016	13.9	13.3	7.3	12.0	12.2	105	0.54	431	5,693	8,139
2015	1.9	1.4	-0.2	11.4	11.3	50	0.42	221	5,941	7,094
2014	13.0	12.4	11.9	10.8	10.9	41	0.51	145	6,328	7,449
2013	37.9	37.3	35.7	13.2	14.6	35	0.38	84	6,489	7,467
2012	10.4	9.8	15.8	17.0	17.9	26	0.46	43	6,755	7,498
2011	12.7	12.1	-1.7	19.1	20.8	22	0.67	30	6,329	7,014
2010	40.2	39.4	26.4			15	0.65	20	6,416	6,678
2009	25.7	25.1	46.3			11	0.85	11	5,263	5,463

#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 – 6/30/18. 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 – 12/31/17. 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 Midcap 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. The % of the composite represented by non-fee paying accounts at annual period end was 100% 1999-2001, 36% in 2002, 20% in 2003, 15% in 2004, 13% in 2005, 22% in 2006 and 18% in 2007. 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. 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 2009 and 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.