CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

4Q 2021

SMid Growth Portfolio

Market Review

We ended 2021 seemingly how it began, mired in another COVID wave. This one driven by the new Omicron variant. Pandemic fatigue is spreading as fast as the new variant itself. Is it different this time? Probably. Omicron appears to spread faster but with less severity. Still, after almost two years, it remains tempting to apply fantastic headlines designed to lure readers to an unfavorable economic view. This would be a mistake as economic momentum remains strong. Omicron tempered economic activity post-Thanksgiving, but this is likely a stumble, not a fall.

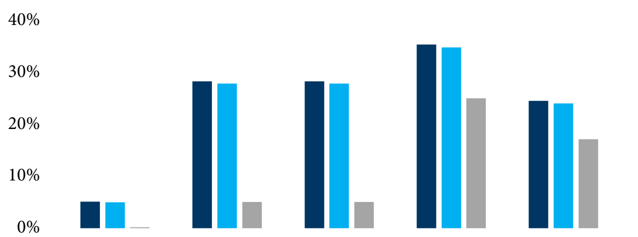
Financial asset returns for 2021 reflected both the strong recovery from the initial pandemic lockdowns and increased inflation. The S&P 500 returned over 28%, driven in large part by big technology companies. While not reflected in broader market returns, many other companies reported strong operating results bolstered by pricing power. In contrast to stocks, the bond market displayed more volatility. Yields on the bellwether 10-year U.S. Treasury Note rose as inflation expectations increased, then fell with the onset of Omicron and the Federal Reserve Bank's (Fed) plan to end bond purchases in March rather than June. The 10-year U.S. Treasury Note ended the year with a 1.5% yield.

Performance Overview

The Congress SMid Growth Portfolio ("the Portfolio") returned 5.11% gross of fees during the quarter, while the Russell 2500 Growth Index returned 0.20%

The Portfolio benefited from security selection in Health Care, Consumer Discretionary, Consumer Staples, and Information Technology as well as a lack of exposure to Communication Services. However, security selection in Financials, a lack of exposure to Real Estate, and an overweight allocation to Health Care detracted from performance.

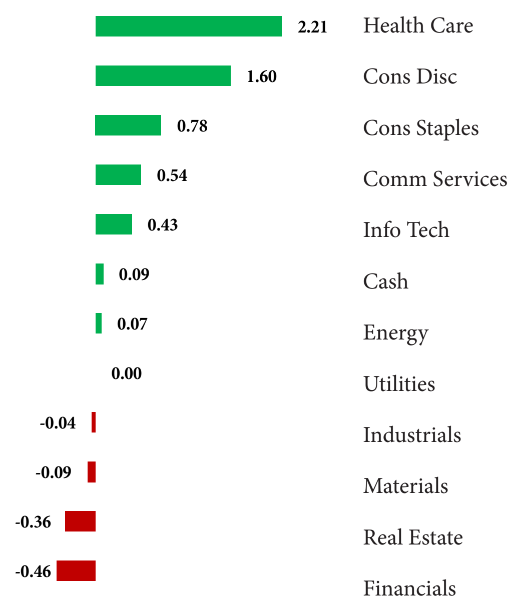
% Average Annual Returns as of 12/31/2021



	QTD	YTD	1 Yr	3 Yrs	Inception (4/1/2017)
SMid Growth (Gross)	5.1	28.4	28.4	35.4	24.6
SMid Growth (Net)	5.0	27.9	27.9	34.9	24.1
Russell 2500 Growth *	0.2	5.0	5.0	25.1	17.2

Performance is preliminary and subject to change at any time

% Total Effect Portfolio vs. Index[1] 9/30/2021 - 12/31/2021



Information is as of 12/31/2021. Sources: Congress Asset Management, Factset, Russell Investments and Morningstar Direct. 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 Report.** 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. [1]The information shown is for a representative account as of 12/31/2021. Actual client account holdings and sector allocations may vary.

4Q 2021 Attribution Highlights

Overall Contributors

- Security selection in Health Care, Consumer Discretionary, Consumer Staples & Information Technology
- Underweight allocation to Communication Services

Overall Detractors

- Security selection in Financials
- Underweight allocation to Real Estate
- Overweight allocation to Health Care

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Pool Corporation	3.31	0.84
Trex Company, Inc.	2.92	0.74
BJ's Wholesale Club Holdings, Inc.	2.29	0.43
Tractor Supply Company	2.66	0.43
Keysight Technologies, Inc.	1.83	0.41

Detractors

Stock	Avg. Weight%	Detraction%
Generac Holdings, Inc.	3.09	-0.37
Repligen Corporation	3.61	-0.37
Paycom Software, Inc.	2.47	-0.37
Charles River Laboratories Intl., Inc.	1.54	-0.33
SPS Commerce, Inc.	2.52	-0.28

Pool Corporation (POOL) is the largest distributor of outdoor swimming pool supplies and services, in addition to products and services for backyard landscaping. POOL reported very strong quarterly results once again with 18% organic growth and over 300 basis points of operating margin expansion. POOL raised its full-year guidance as favorable industry trends and its dominant market position continue to fuel results.

Trex Company (TREX) is a leading manufacturer of wood-alternative decking and railing products. The stock had a strong move higher in the quarter as the November earnings report indicated a stronger growth outlook than investors had been expecting. Core to our thesis, the wood to composite conversion opportunity has accelerated creating further demand for Trex products. As a result, management announced plans to invest in a new manufacturing facility which should provide capacity for anticipated growth over the next 10 years.

BJ's Wholesale Club Holdings (BJ) is a membership-only warehouse club chain offering a variety of retail items. BJ reported a strong third quarter with same-store sales greater than 5% and stable margins despite pressure from labor and product cost inflation. BJ is benefiting from structural changes it has made to its business as well as consumer spending trends related to the pandemic. BJ is also seeing strong membership fee income growth as it continues to retain existing members and attract new ones.

Tractor Supply Company (TSCO) is the largest rural lifestyle retailer in the U.S., focused on supplying the needs of recreational farmers and ranchers. Tractor Supply reported a solid third quarter with 13% same-store sales and modest operating margin expansion. TSCO also raised its fiscal year guidance across the board. Tractor Supply continues to deliver market share gains with strength across product categories and store locations.

Keysight Technologies, Inc. (KEYS) is a global leader in the electronic and communication test and measurement space, operating in diverse markets such as commercial communications, aerospace, defense and government, and electronic industrial. The company continues to benefit from its customers' increased spending on newer technologies (5G, 400/800GB, and EV/AV), an acceleration to advanced nodes (7/5/3nm), and capacity expansion (legacy semis).

Generac Holdings, Inc. (GNRC) is a leading global designer and manufacturer of a wide range of power generation equipment. Demand for home standby generators has continued to accelerate, driving backlog above $1B. While this should create greater visibility into future earnings, the stock's relative underperformance in the quarter is a function of increasingly negative sentiment for high valuation stocks and supply chain challenges.

Repligen Corporation (RGEN) is a global life sciences company that develops and commercializes highly innovative bioprocessing technologies and systems that increase efficiencies and flexibility in the process of manufacturing biological drugs. The company reported very strong results as it continues to benefit from a robust bioprocessing environment. However, the stock underperformed along with the broader market.

Paycom Software, Inc. (PAYC) provides cloud-based human capital and payroll management solutions. The company reported good quarterly results highlighted by new product adoption, higher initial contract values, continued elevated bookings, and strong customer retention rates. However, the stock sold off due to weakness in software stocks overall and continued sales and marketing spending that will impact company margins in the near term.

Charles River Laboratories International, Inc. (CRL) researches and develops new drugs, serving biotechnology and pharmaceutical companies as well as hospitals and universities throughout the world. Charles River reported another strong quarter but did not beat market expectations and raise its fiscal year forecast as it had in previous quarters. The company also indicated a higher level of future required capital expenditures and was a bit more cautious regarding its 2022 margin outlook.

SPS Commerce, Inc. (SPSC) provides supply chain management solutions through an online software suite to retailers, suppliers, and logistics customers. While 3rd quarter 2021 results were strong, the first look at fiscal year 2022 EBITDA guidance came in below the long-term target as the company looks to invest more in the business to take advantage of current secular tailwinds playing out in supply chain management.

4Q 2021 Transaction Summary

Sector Allocation Changes	Purchased	Sold
• Increase in Industrials • Decrease in Health Care	• GXO Logistics, Inc. (GXO) - Industrials	• Charles River Laboratories International, Inc. (CRL) - Health Care

Purchased

GXO Logistics, Inc. (GXO) provides contract logistics solutions including value-add warehousing, supply chain optimization, inventory management, order fulfillment, and reverse logistics. Following the spin-off from XPO Logistics in August of 2021, GXO became the only pure-play contract logistics provider in the US. The company offers an attractive business model defined by long-term contracts and high retention rates along with compelling secular growth that will be driven by e-commerce, warehouse automation, and outsourcing to third-party providers. Increasingly complex supply chains are forcing shippers to reimagine their warehousing operations and GXO should benefit from this trend.

Sold

Charles River Laboratories International, Inc. (CRL) researches and develops new drugs, serving biotechnology and pharmaceutical companies as well as hospitals and universities throughout the world. Charles River continues to report double-digit organic growth but has begun to show margin pressure as it invests in staffing, manufacturing capacity, and scientific capabilities. The combination of the stock's strong performance, high valuation, and potential for slowing growth next year prompted the sale.

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 was one purchase and one sale in the Portfolio during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Portfolio's Industrials weighting, while reducing the Health Care weighting.

Outlook

We expect the economy to maintain its current pace or strengthen as 2022 progresses. The outlook for the financial markets is more nuanced. Much depends on whether and how much inflation recedes from an elevated 7% November CPI report. Much also depends on growth outside the U.S. The growth/inflation paradigm is arguably more complex than at any time since the end of World War II.

The economic resurgence that started in the spring of 2020 has been remarkable. Domestic GDP registered $23.2 trillion at an annual rate in the third quarter, $1.7 trillion above the 2019 level, the pre-COVID high. Economic activity has slowed with the spread of Omicron, but this likely represents a blip, nothing more. The domestic economy has a solid foundation, led by the consumer but bolstered by both businesses spending to satiate demand and also augmented by government stimulus plans.

Borrowing from Newton's Three Laws of Motion, the economy will not change its expansionary trajectory without a force acting against it. The economy's velocity is supported by almost two years of embedded fiscal and monetary stimuli. Inflation and higher interest rates are forces that could hinder the trajectory but currently do not have enough mass to do so. Further, curtailment of some government transfer programs is unlikely to alter the expansionary trajectory.

The most important force supporting the economy is the combination of jobs, wages, and personal income. The U.S. has a scarcity of labor. Employment surveys indicate 11 million open jobs with far fewer available workers. The shortage will only be partially solved by workers returning post-COVID. Scarcity is forcing employers to pay more, pushing up wages. Personal income was up 7.4% on a year-over-year basis in November 2021. Consumer Net Worth, a broader indicator of financial health, was up 18% over last year.

Other forces continue to indicate continued growth into the New Year. Corporate profits were up 8.4% in the third quarter. Importantly, credit via the bond market and bank loans remains accessible, supporting investment in longer term, productive assets.

Rising wages may be reversing a decades-long secular decline in the labor share of economic output. Up to now, pricing power has mitigated increased labor costs, forestalling the deleterious effects on margins. The reversal of this trend may pose a challenge to profit margins in 2022 and beyond.

Finally, government stimulus should continue to support growth. The November passage of a $1 trillion infrastructure package should impact 2022/2023 with increased federal spending. Regardless as to whether President Biden's Build Back Better plan is passed or not, government and municipal spending will continue to increase.

The sanguine domestic economic outlook cannot be directly applied to the financial markets. As forward-looking instruments, both the stock and bond markets try to anticipate what is around the bend. Entering 2022, two risks appear more prominent now than at any time in the recent past: inflation and China's worrisome economic path.

On the domestic front, the Fed has acknowledged that the level of inflation experienced in 2021, if sustained, would be a detriment to the U.S. economy. Accordingly, it accelerated its plan to curb bond purchases and intimated it may raise short term interest rates as early as the spring. Whether that is enough to limit inflation to the Fed's preferred level of 2% or so remains to be seen. Sustained inflation above 2% would eventually crimp profit margins and would likely result in higher long term interest rates and would weigh on stock prices.

As the world's second largest economy, China has large coattails. China's third quarter GDP grew by only 4.9%, well below its historical average. A slew of Chinese real-estate developers declared bankruptcy. Real estate represents about 30% of China's economy, a far greater level than seen in the U.S. As such, it has outsized importance. With real-estate demand waning, China could be dragged into a recession while facing international sanctions on human rights abuses. China's lack of transparency is especially troubling when its economy is in flux, as it is now.

The New Year holds much promise, including the potential for COVID to be downgraded to endemic status. The U.S. economy and by extension the consumer should continue to do well. Stock investors are likely to experience more volatility with a focus on profit margins and a heightened interest in price-earnings multiples. Investment grade bonds should continue to be a modest source of current income and offer stability relative to other assets should interest rates rise.

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

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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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