CONGRESS ASSET MANAGEMENT COMPANY

Q1 2017
All-Cap Opportunity

Portfolio Commentary

Market Review

For almost six months investors, not to mention the general public and politicians, have been trying to discern what President Trump's election means for the markets and both US domestic and foreign policies. Rarely have we seen such an ambitious agenda without a clear path forward. The transition to the new administration has not been smooth. Transitions though are temporary and as the days pass, investors and others will adjust.

While our economy is driven by a combination of consumer, corporate, and government activities, our financial markets are more fickle and susceptible to headlines and emotions. With that in mind, the stock market continued its post Trump Election Day rally into 2017. The S&P 500 Index proved remarkably resilient throughout the quarter gaining more than 6%. At one point, the market experienced over 100 consecutive days without moving more than 1%, a feat last witnessed in the mid 1980's.

Bonds, normally more staid than stocks, have demonstrated more volatility since the election. Ten year bond yields rose from 1.8% to 2.6%, only to later fall to 2.4% after the failed health care reform vote. Some observers believe that the ten year bond yield changes telegraph President Trump's approval ratings.

All new administrations come with their own agendas. The Trump administration has proffered ambitious plans for fiscal stimulus, trade policy, tax reform, and healthcare. To the extent that the stock market rally represents only a Trump policy premium, the stock market could be ahead of itself. Fortunately, there is more that drives the market than just the expected passage of complex policy legislation.

Our economy is stronger than the winds that blow through Washington. The steady, albeit unspectacular growth since the nadir of the 2008 financial crisis continues apace. Strengthening growth prospects will determine the intermediate and longer term performance of both the stock and bond markets.

We are optimistic that the economy's momentum is picking up. Vagaries of monthly economic data fog a clear view, yet key underpinnings are strengthening. Job growth reaccelerated in February with over 235,000 jobs created. Importantly, participation in the key 25-54 year age group is close to 82% and is in a multi-year uptrend. College graduates are also finding jobs. Years of consistent job growth have lowered the unemployment rate below 5% while wages have steadily risen since 2014.

There are hints now that capital spending and manufacturing may finally be strengthening. The US oil and gas rig count has doubled over the past year. This has the dual effect of supporting capital spending while dampening oil prices even as demand for energy ticks higher. In addition, industrial production and durable good shipments are also improving. Could the long awaited awakening of our industrial base finally be taking root?

Housing remains a stalwart. In spite of higher mortgage rates since November, housing affordability remains at constructive levels. Household debt service as a percent of disposable income is down 25% from its peak just before the financial crisis. Years of underinvesting in new housing construction has contributed to pent up demand. While notoriously volatile, house prices were up 7% in February. That is unlikely to turn around abruptly.

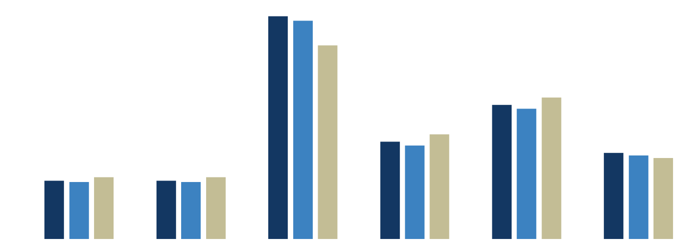
Performance Overview

The All Cap Opportunity Portfolio underperformed its benchmark, the Russell 3000 Index® (the "Index") during the first quarter of 2017. The Portfolio returned 5.44% while the Index returned +5.74% for the quarter.

Relative performance was aided by security selection in the Real Estate and Health Care sectors (+82 bps and +64 bps, respectively) as well as an underweight allocation to the Financials sector (+37 bps).

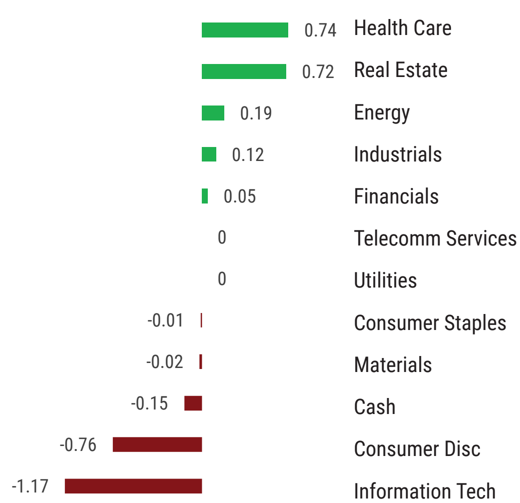
Relative performance was negatively impacted by security selection in the Information Technology, Consumer Discretionary, and Financial sectors (-152 bps, -88 bps, and -32 bps, respectively).

Annualized Returns % as of 3/31/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Congress ACO (Gross)	5.4	5.4	20.8	9.1	12.5	8.0	9.1
Congress ACO (Net)	5.4	5.4	20.4	8.7	12.1	7.8	8.8
Russell 3000®	5.7	5.7	18.1	9.8	13.2	7.5	8.4

% Total Effect Portfolio vs. Index (12/31/2016 - 3/31/2017) (bps)



Information is as of 3/31/2017. 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 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. Netiher 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.

Q1 2017 Attribution Highlights

Overall Contributors

- Security Selection in Real Estate
- Security Selection in Health Care
- Allocation to Financials

Overall Detractors

- Security Selection in Information Technology
- Security Selection in Consumer Discretionary
- Security Selection in Financials

Top Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
United Rentals, Inc.	URI	1.07
Broadcom Limited	AVGO	0.93
Teleflex Incorporated	TFX	0.87

Detractors

Stock	Ticker	Detraction
J.C. Penney Company, Inc.	JCP	-0.69
Baker Hughes Incorporated	BHI	-0.38
Palo Alto Networks, Inc.	PANW	-0.31

United Rentals, Inc. (URI) is an equipment rental company that operates throughout the US and Canada. With approximately 10% of revenues derived from the Energy Sector, United Rentals benefited from the stabilization of oil prices over the past year. Equipment utilization increased year over year for a 4th consecutive quarter and the company made an acquisition of NES Rentals Holdings II, Inc. for $965 Million, pointing towards a strong outlook for expansion in industrial and non-residential construction.

Broadcom Limited (AVGO) is a leading supplier of analog and digital semiconductor chips serving wired and wireless communications, enterprise, and industrial end markets. AVGO stock rose 24.4% over the quarter on solid operating results. Strong demand in its end markets has boosted revenues and allowed management to focus on gross margin improvements.

Teleflex Incorporated (TFX) designs, develops, manufactures, and supplies single-use medical devices used by hospitals and health care providers for common diagnostic and therapeutic procedures in critical care and surgical applications. TFX stock gained 20.4% over the quarter as the company reported excellent revenue growth on a constant currency basis and no further ill effects from the milder flu season witnessed in the previous quarter.

J. C. Penney Company, Inc. (JCP) operates department stores, selling merchandise and services to consumers through its physical and online locations. JCP stock fell 21.2% during the first quarter of the year as the company came under more pressure from falling same store sales figures. Ultimately the company announced that it would close between 130 to 140 stores and two distribution centers, which led to our sale of the stock.

Baker Hughes, Inc. (BHI) supplies oilfield services, products, technology, and systems to the worldwide oil and natural gas industry. BHI stock fell 7.7% over the quarter as weaker oil prices weighed heavily on the stock. The BHI acquisition by General Electric Company (GE) has yet to close, which also added a minor uncertainty to the direction of the stock in the future. The acquisition is expected to close in mid-2017.

Palo Alto Networks, Inc. (PANW) is a provider of network security software, primarily network firewall functions. PANW stock lost 9.3% last quarter after posting results that disappointed analysts. The company announced that it had discovered problems with its internal sales team on the heels of poor operating results in the previous quarter. These problems are expected to persist for at least two quarters, which in combination with the weaker results eventually led to our sale of the stock.

Sources: Congress Asset Management (CAM) 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.

Q1 2017 Transaction Summary

Purchased

- Builders FirstSource, Inc. (BLDR) - Industrials
- NCR Corporation (NCR) - Information Technology
- Newell Brands, Inc. (NWL) - Consumer Discretionary

Sold

- J.C. Penney Co.(JCP) - Consumer Discretionary
- Surgical Care Affiliates, Inc. (SCAI) - Health Care
- Palo Alto Networks, Inc. (PANW) - Information Technology

Purchased

Builders FirstSource, Inc. (BLDR) engages in the supply and manufacture of building materials, manufactured components, and construction services to professional contractors, sub-contractors, and consumers. BLDR acquired competitor ProBuild in 2015 and is still integrating the company's systems. BLDR is highly leveraged and is expected to focus on debt reduction for the immediate future as it streamlines its operations.

NCR Corporation (NCR) offers software, hardware, and a portfolio of services across the financial, retail, hospitality, travel, telecommunications, and technology industries. The company has become re-focused on transforming from a hardware company to a software company, seeking to replace hardware (lower margin) with software and service licenses and contracts (higher margin). A more recent foray into an omni-channel strategy is well timed as clients now seek solutions that encompass location, web, mobile, cloud, and data aspects.

Newell Brands, Inc. (NWL) engages in the marketing of consumer and commercial products, some of its well-known brands include Rubbermaid, Graco, Aprica, Levolor, Calphalon, Goody, Sharpie, Paper Mate, Dymo, Parker, Waterman, Irwin, and Lenox. NWL merged with the Jarden Corporation on April 15, 2016, fusing two broad arrays of products. Cost savings and synergies are expected to be significant, but there appears to be additional room for improvement. The success of the company will depend on debt reduction, proper portfolio rationalization, and operating margin expansion.

Sold

J. C. Penney Company, Inc. (JCP) operates department stores, selling merchandise and services to consumers through its physical and online locations. JCP stock fell 21.2% during the first quarter of the year as the company came under more pressure from falling same store sales figures. Ultimately the company announced that it would close between 130 to 140 stores and two distribution centers, which then triggered the sale of the stock from the Portfolio.

Surgical Care Affiliates, Inc. (SCAI) owns and operates hospitals and surgical care centers. SCAI saw its shares increase by 22.4% as it was approached by UnitedHealth Group (UNH) for a buyout in early January. The buyout offer from UNH was remunerated in cash and stock and closed near the end of the quarter. As the finalization of the merger approached, the potential for additional returns was diminished, and as such there was little reason to retain the investment.

Palo Alto Networks, Inc. (PANW) is a provider of network security software, primarily network firewall functions. PANW stock lost 9.3% last quarter after posting results that disappointed analysts. The company announced that it had discovered problems with its internal sales team on the heels of poor operating results in the previous quarter. These problems are expected to persist for at least two quarters, which in combination with the weaker results led to the sale of the stock.

Outlook

The Federal Reserve seems to have recognized the budding momentum with two interest rate increases in the past few months. Inflation is closing in on the Fed's target inflation rate of 2%. Yet market interest rates have not risen as some anticipated. Europe and Japan are still mired in low to negative rate policies, creating demand for US fixed income in spite of increases in short term rates.

Federal Reserve monetary policy requires further mention. The Fed has now raised short term rates three times in slightly over a year. In all likelihood, this is the start of a longer "normalization" process in which the Fed begins to shrink its own balance sheet by not reinvesting its maturing bonds. The end of so called quantitative easing will be gradual and likely well telegraphed. The Fed's aggressiveness throughout the financial crisis provided liquidity for the bond market, and in that vein can probably be viewed as a success. It also likely contributed to distorted valuations for both bonds and stocks earlier in the expansion. We view the Fed pull back, when it happens, as distinctly positive for both stocks and bonds.

There is always noise surrounding the markets. In the past few years investors have experienced numerous events that would not have been on their radar a decade prior: a government sequester, quantitative easing, and the Affordable Care Act to name a few. Companies adapted to these challenges. And while not all have flourished, the resiliency of our system has shown through. Cash flows and balance sheets remain strong. The stock market has persevered with remarkably low volatility while interest rates remain conducive for investment.

The noise surrounding the markets now is more political than economic. President Trump's sweeping agenda, which includes taxes, trade, fiscal policy, and regulatory easing, is far more ambitious than most new administrations. Investors have factored in some level of pro-growth legislation. Policy overhauls however are complex and usually result in some unanticipated consequences. In addition, consumers and businesses need clarity in order to evaluate capital and spending decisions. So far, investors have been patient reflecting expectations of some success in establishing pro-growth policies.

We are confident that the economy's foundation is strong enough to withstand the uncertainty derived from political changes. Over the intermediate and longer term, stocks will respond to earnings growth in conjunction with interest rates and inflation levels. We expect the momentum experienced over the last eight years will accelerate as this year progresses and that under-utilized capacity will keep inflation in check. Stocks remain the preferred asset class although ten year Treasury bond yields in the 2.5% range are also attractive.

Source: Congress Asset Management (CAM). 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 3/31/2017

Congress Asset Management Co. All-Cap Opportunity Composite 6/1/2005 - 3/31/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 3000 Return % (dividends reinvested)	Composite Gross 3-Yr St Dev (%)	Russell 3000 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	5.4	5.4	5.7	n/a	n/a	258	n/a	126	n/a	5,976	8,668
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	n/a	5,693	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	n/a	5,941	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	n/a	6,328	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	n/a	6,489	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	n/a	6,755	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	n/a	6,329	7,014
2010	19.9	19.5	16.9			≤5	n/a	3	n/a	6,416	6,678
2009	25.5	25.4	28.3			≤5	n/a	1	n/a	5,263	5,463
2008	-35.7	-35.7	-37.3			≤5	n/a	1	100%	4,292	4,371
2007	11.2	11.2	5.1			≤5	n/a	1	100%	5,812	5,846
2006	15.1	15.1	15.7			≤5	n/a	1	100%	5,464	5,469
5/31/05 – 12/31/05	7.0	7.0	6.4			≤5	n/a	1	100%	4,750	4,751

#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 – 12/31/16. 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 All Cap Opportunity Composite has been examined for the periods 3/31/13 – 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.

Composite Characteristics: The All Cap Opportunity Composite was created on December 31, 2005 and has an inception date of May 31, 2005. This inception date reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. As of March 31, 2011 the Corporate Recovery Composite was renamed the All Cap Opportunity Composite. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the all cap opportunity style for a minimum of one consecutive month. The all cap opportunity strategy's investment premise is that market efficiencies exist between fixed income and equity valuation techniques. We seek to uncover these efficiencies, and identify equity investment opportunities in order to pursue long term capital appreciation. We employ a combination of formal quantitative screening followed by bottom up fundamental analysis, unconstrained by market cap and style that results in a high conviction, go anywhere strategy. The strategy is opportunistic and unconstrained, providing management flexibility to focus on securities and industries that are often under researched and believed poised to experience earning growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). The composite benchmark is the Russell 3000 Index. Effective January 1, 2009 the All Cap Opportunity benchmark was changed retroactively from the S&P 500 Index to the Russell 3000 Index due to closer correlation of returns and market cap allocation. 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. 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 fixed income and equity securities are included in calculations. A maximum of 20% 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 2005 through 2010 as it is not required for periods prior to 2011. Beginning June 1, 2011 carve-outs were introduced to the All Cap Opportunity composite. The all cap opportunity data is carved out of each eligible balanced account and managed as a separate account with a separate cash balance.

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: From inception until mid-2009 the All Cap Opportunity Composite included one non-fee paying account (which was the only account in the composite). The annual percentage of the composite comprised of non-fee paying assets is listed in the table above. 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.