CONGRESS ASSET MANAGEMENT COMPANY

Q3 2017

Portfolio Commentary

All-Cap Opportunity

Market Review

The economy is strengthening. Ten years after the financial crisis and in spite of a divisive domestic political climate, a potent Atlantic storm season, and an increasingly rambunctious North Korea, economic growth is improving. Importantly, growth is expanding outside the U.S. as Europe and Asia are exhibiting positive economic trends. The apparent synchronized nature of this expansion will present new challenges for policy makers and opportunities for investors.

World stock markets reflect the more optimistic outlook. Most European markets have increased greater than 10% during the past year, while the Asian markets reflect returns greater than 20%. After a respectable 4.5% return in the third quarter, the S&P 500 has increased more than 18% during the past year. Global interest rates have risen as well, albeit modestly, with most European sovereigns now showing positive yields in contrast to just three months ago.

The U.S. Federal Reserve's announcement that it would begin removing the monetary stimulus it introduced in response to the financial crisis highlights the challenge faced by policy makers. Official inflation readings remain comfortably below the Fed's preferred target rate of 2%. Some large foreign central banks face similar challenges but remain more accommodative, in spite of seemingly stronger growth (though not inflation) readings. Yet, the Fed has decided to inch forward suggesting that strong employment readings will persist and caution regarding inflation is warranted. This process, often referred to as "tapering," puts the Fed in uncharted territory: withdrawing stimulus in the absence of meaningful inflation. The Fed is being prudent. As the leader of the free money world, the Fed is walking a tight rope with the world's other central bankers and investors watching for any misstep.

The challenge for investors is equally hazy. The economy has been lackluster, car sales have likely peaked and investors are bombarded with negative news sentiment. Adding to the challenge, high frequency economic statistics are likely to be disrupted by the recent hurricanes. Peering through the haze, we see a more robust story.

Domestically the renewed robustness will be led by the consumer. Demographics suggest we are in a prolonged period of elevated expenditures as the millennial generation meets its prime spending age, similar to the baby boomers in the 1990's. The generational cohorts are similar in size with the millennials now entering their household formation and family growth stage. With jobs more plentiful than they've been in a decade, confidence among this group runs high. Consumer net worth has increased nearly double digits in the past year. While millennial spending preferences may differ from prior generations, the patterns should rhyme, stoking demand for various goods and services.

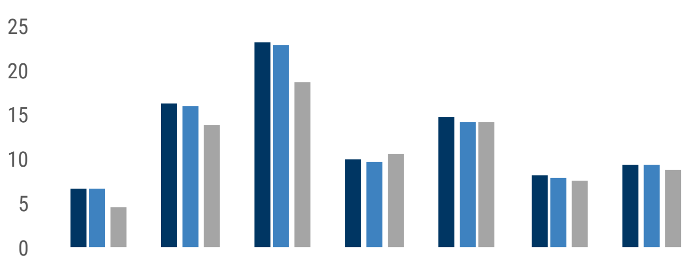
The economy also stands to benefit from the improved balance sheets of business and consumers. In this sense, the Fed's efforts to maintain low interest rates have worked. Household debt service remains historically low at a time when small business surveys indicate that capital expansion plans are moving higher. The expanding economy shows few signs of stress.

Performance Overview

For the quarter ending September 30, 2017 the All Cap Opportunity portfolio outperformed its benchmark, the Russell 3000 Index© ("the Index"). The portfolio returned +6.72% gross of fees (6.63% net)while the Index returned +4.57% for the quarter.

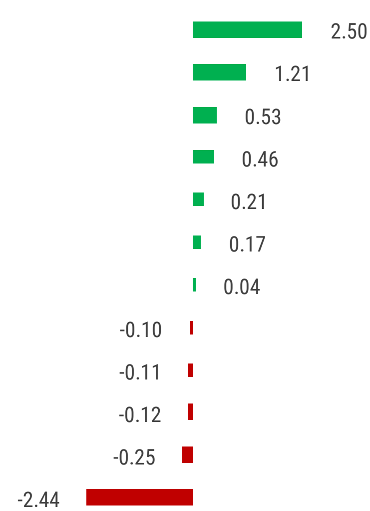
Relative performance was aided by security selection in the Industrials, Health Care, and Materials sectors. However, relative performance was negatively impacted by security selection in the Consumer Discretionary, Information Technology, and Energy sectors.

Average Annualized Performance % as of 9/30/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Congress ACO (Gross)	6.7	16.3	23.2	10.1	14.7	8.2	9.5
Congress ACO (Net)	6.6	16.0	22.8	9.7	14.3	7.9	9.3
Russell 3000®	4.6	13.9	18.7	10.7	14.2	7.6	8.7

% Total Effect Portfolio vs. Index (6/30/2017 - 9/30/2017) (bps)



Q3 2017 Attribution Highlights

Overall Contributors

- Security selection in Industrials
- Security selection in Health Care
- Security selection in Materials

Overall Detractors

- Security selection in Consumer Discretionary
- Security selection in Information Technology
- Security selection in Energy

Top Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Orbital ATK, Inc.	OA	1.36%
NVIDIA Corp.	NVDA	1.34%
United Rentals Inc.	URI	0.91%

Detractors

Stock	Ticker	Detraction
*Regal Entertainment Group	RGC	-1.16%
Newell Brands, Inc.	NWL	-0.89%
*CyberArk Software Ltd.	CYBR	-0.55%

*sold during the quarter

Orbital ATK, Inc. (OA) is a global aerospace and defense systems company that designs, builds, and delivers space, defense, and aviation-related systems. OA agreed to be acquired by Northrop Grumman (NOC) for $7.8 billion in cash plus the assumption of $1.4 billion in net debt. The deal was announced late in the quarter and is expected to close in the first half of 2018. OA's stock gained more than 35% for the second quarter.

NVIDIA Corporation (NVDA) designs and manufactures computer graphics chips. NVDA was up nearly 24% over the third quarter after posting record-breaking revenues of $2.2 billion. Although Data Center orders were weaker than estimates, Professional Visualization and cryptocurrency mining demand was strong. Demand for their chips continues to be strong overall.

United Rentals (URI) is the largest equipment rental company in the world. URI stock rose 23% over the quarter as the company was able to post rate increases in five different geographic regions, showing that supply and demand remains balanced. Problems with this balance has caused a loss of pricing power in the past for the company. URI also reported very high utilization time for its equipment, which bodes well for future rate improvements.

Regal Entertainment Group (RGC) operates multi-screen theatres primarily in metropolitan markets and suburban growth areas of larger metropolitan markets. Regal had a weak quarter as concerns over movie studios truncating the time from release to on-demand/at-home purchases weighed heavily on the stock. RGC also posted weaker earnings results with lighter than expected attendance and admissions revenues. The stock fell nearly 32% over the quarter.

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. Despite the fact that NWL was able to beat revenue expectations for the quarter, the company failed to exceed earnings per share estimates and saw its stock decline by 20%. However, the largest detriment to the stock was an announcement by management that resin, a feed stock for many of NWL's products, was in short supply due to outages at many oil refineries following hurricane Harvey.

CyberArk Software Ltd. (CYBR) is a cybersecurity software firm that specializes in privileged account management, preventing hackers from accessing systems from within. The company's stock fell almost 15% after it preannounced that its quarterly revenue would come in sharply lower than sell-side estimates. CYBR pointed to the failure of its sales team to close larger deals in its non-U.S. operations, once again highlighting problems within its sales organization.

Q3 2017 Transaction Summary

Purchased

- XPO Logistics, Inc. (XPO)
- Vail Resorts, Inc. (MTN)
- Albemarle Corporation (ALB)

Sold

- Volkswagen AG (VLKAY)
- CyberArk Software Ltd. (CYBR)
- Regal Entertainment Group (RGC)

Purchased

XPO Logistics, Inc. (XPO) is a logistics and transportation company serving North America, Europe, and Russia. The company has been investing heavily in its technology, helping to differentiate its services. XPO has been acquisitive as well, purchasing Con-way, Inc. and Norbert Dentressangle in 2015 to improve and expand their North American and European operations.

Vail Resorts, Inc. (MTN) is a global mountain resort operator that caters to high-end vacation travelers. The company acquires existing resorts and builds new resorts to entice vacationers to purchase season passes and join MTN's loyalty program. MTN seeks to drive results above industry averages with pricing power through its targeted and personalized approach.

Albemarle Corporation (ALB) is a chemicals company that specializes in the production, manufacturing and marketing of Lithium, Bromine, and refining catalysts. Demand for Lithium has skyrocketed due to the increased production of batteries used for consumer goods and electric vehicles. Its Bromine business is seen as a stable, low-growth cash generator. Refining is a smaller portion of the company's revenues.

Sold

Volkswagen AG (VLKAY) is a German automotive manufacturing company that sells its cars globally and is the world largest automaker by sales. The recent emissions scandal punished the stock, making the shares appealing when considering that the monetary damages would be significantly smaller than the loss of market value. As time progressed, VLKAY shares did not rebound fully to levels the Committee expected, eventually prompting the decision to sell.

CyberArk Software Ltd. (CYBR) is a cybersecurity software firm that specializes in privileged account management, preventing hackers from accessing systems from within. From a product standpoint the company was in fine shape, but problems arose with its sales efforts. Year-over-year growth slowed and the company blamed the structure of its sales organization. Given that the fix would take multiple quarters and may not restore former sales levels, we sold the position.

Regal Entertainment Group (RGC) operates multi-screen theatres primarily in metropolitan markets and suburban growth areas of larger metropolitan markets. Regal traded at a discount to its peers, as it had not yet upgraded its seats to more modern recliners. Recliners garner higher ticket prices, better concession purchases, and deliver a superior customer experience. Concerns over movie studios truncating the time from release to on-demand/at-home purchases weighed heavily on the stock. This, combined with a slate of disappointing movies, caused the Committee to remove the stock from the portfolio.

Outlook

Interest rates remain at historically low levels, balance sheets are strong, and confidence remains high. This backdrop supports stronger growth; it is not a falling out of bed scenario. In short, the U.S. economy appears to be gaining steam from the lackluster pace we've experienced.

One could argue that the stock market reflects this sanguine view. After all, measured by the S&P 500, volatility has been scant. The market has not experienced a 5% drawdown since the Brexit scare of June, 2016—an unusually long period of time. From our perspective, however, the economic risk is to the upside.

Europe and China appear to have turned the corner, supporting the growth scenario. After years of negative news regarding Greece, Spain, and others, we may have reached a crescendo in 2016 with the Brexit vote. These concerns have now passed. While Europe is unlikely to be confused with China, growth has begun to accelerate. Germany is experiencing a labor shortage while consumer spending has consistently grown for over three years. Spain and Italy, causes of concern not long ago, are now on solid footing. The European Central Bank remains accommodative, encouraging investment through low interest rates and an expanded balance sheet. China also seems past the 2014–2016 lull. China's growth stands close to 7%, a heady number for an economy of that size.

There are some notable short and intermediate term risks to watch. Most immediately, the hurricane season has devastated large areas of the country, likely affecting millions for years to come. History suggests that economic readings over the next few months will be weaker than non-hurricane-impacted forecasts. To the extent that these readings are more severe than currently anticipated, the markets would react negatively.

One of the primary intermediate term risks goes hand in glove with our call for a strengthening economy. Strong employment often foreshadows higher labor costs. If we are not at full employment, we are close. As such, should employment costs accelerate to a higher plateau, inflation

Information is as of 9/30/2017

above the Fed's preferred level of 2% could be in the offing. This would be negative for both stocks and bonds.

Political risks and machinations are too numerous to elaborate on here. From Washington, we expect more proposals on taxes, trade, and health care. It is impossible to determine winners and losers until legislators can agree on their own goals and objectives.

As we head into the final quarter of 2017, in spite of the hurricane effects, the economy is stronger than it has been in years. This benign growth period--characterized by stronger corporate earnings, low inflation and a receding Fed, should continue into 2018. Equities are the preferred class in this environment, with bond returns likely restricted to their inherent coupon rates assuming a continued gentle path for inflation.

Congress Asset Management Co. All-Cap Opportunity Composite 6/1/2005 - 9/30/2017

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	16.3	16.0	13.9	n/a	n/a	256	n/a	129	n/a	7,024	10,087
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 1/1/96 – 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 4/1/13 – 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. CAM acquired Century Capital Management, LLC on September 15, 2017.

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 full 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. 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. 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.