CONGRESS ASSET MANAGEMENT COMPANY

4Q 2019

Portfolio Commentary

Dividend Growth Portfolio

Market Review

Rarely is there such dramatic change in one quarter. The fourth quarter of 2019 was the exception, with major policy developments in several arenas providing at least partial relief from the tensions festering in the summer. Domestically, the Federal Reserve Board (Fed) reduced its federal funds rate by one quarter of one percent during October, the third reduction since July, cementing the reversal of its raise one year prior. The Fed also committed to reflating its balance sheet once again, allaying fears of a credit crunch in short term investment funding circles. The uncharacteristically bold actions by the Fed signaled that they understood clearly the threats to the financial markets from higher rates and economic slowdowns in Europe and China.

The relaxation of trade tensions signaled that both the United States and China realized spiraling trade restrictions dampen sentiment and elevate uncertainty, hindering capital investment. Whether the détente lasts through the new year remains to be seen but a spirit of cooperation broke out in North America with the recently passed USMCA trade deal between the U.S., Mexico, and Canada.

Foreign governments and central banks took their cues from the Fed. To combat the economic pause experienced in 2019, central banks began expanding their balance sheets again, pumping money into the banking system to induce more investment. In addition, over the past few months, over 60 central banks cut interest rates including Mexico, Russia, Turkey, and Brazil. Interest rate and short-term funding arrangements are perceived to be the quickest method to shore up sagging economies.

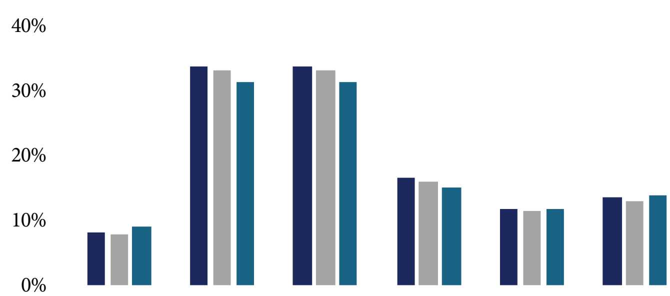
The uncoordinated policies had a salutary effect on U.S. markets. Stocks and bonds had their biggest simultaneous gains in over two decades. The S&P 500 returned about 30% for the year and bond prices rose, pushing the yield on the benchmark 10-year Treasury to under 2%. Oil and gold also returned over 10% for the year.

Performance Overview

The Congress Dividend Growth Portfolio ("the Portfolio") returned 8.1% gross of fees during the fourth quarter, while the S&P 500 Index ("the Index") returned 9.1%.

The holdings that made the highest contribution to the Portfolio's quarterly return were Apple Inc., Amgen Inc., Lamb Weston Holdings, Inc., JPMorgan Chase & Co., and Marriott International, Inc. The holdings that detracted the most from returns were J.M. Smucker Co., Home Depot, Inc., Colgate-Palmolive Co., CME Group Inc. Class A, and Cisco Systems, Inc.

Average Annualized Performance % - as of 12/31/2019



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	Inception 10/31/2010
Dividend Growth (Gross)	8.1	33.7	33.7	16.6	11.9	13.5
Dividend Growth (Net)	8.0	33.2	33.2	16.2	11.5	13.1
S&P 500	9.1	31.5	31.5	15.3	11.7	13.9

Fourth Quarter 2019 Highlights

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Apple Inc.	2.88	0.83
Amgen Inc.	2.45	0.57
Lamb Weston Holdings, Inc.	2.81	0.50
JPMorgan Chase & Co.	2.53	0.47
Marriott International, Inc.	2.11	0.45

Detractors

*Sold during the quarter

Stock	Avg. Weight%	Detraction%
J.M. Smucker Company*	1.70	-0.15
Home Depot, Inc.	2.60	-0.15
Colgate-Palmolive Company	2.08	-0.12
CME Group Inc. Class A	2.71	-0.11
Cisco Systems, Inc.	2.43	-0.09

Apple Inc. (AAPL) is the world's largest information technology company. Its core products are the iPhone, iMac, and the iPad. The company has also built a sizable software and service business through its App Store. In the most recent quarter, iPhone revenue growth improved steadily driven by robust demand for new models of the smartphone. Other areas showed strong sales, such as Apple's wearable products where total addressable market penetration is still low.

Amgen Inc. (AMGN) is one of the world's leading independent biotechnology companies. It focuses on six therapeutic areas: cardiovascular disease, oncology, bone health, neuroscience, nephrology, and inflammation. AMGN reported strong quarterly results and raised both revenue and EPS guidance as a result. Later in the period, it presented positive data sets at the American Heart Association (AHA) conference that was well received by the investment community.

Lamb Weston Holdings, Inc. (LW) is a leading global producer, distributor, and marketer of value-added frozen potato products, primarily french fries. Investor concerns about industry capacity additions, the quality of the North America potato crop, and pricing for new contracts negotiated with large restaurant chains that had pressured the stock earlier in the year, began to subside after LW's quarterly earnings report and updated crop data releases.

JPMorgan Chase & Co. (JPM) is a leading global financial services firm serving millions of consumers, small businesses and many of the world's most prominent corporate, institutional, and government clients. JPM reported solid quarterly results that beat expectations fueled by its trading and investment banking divisions. The interest rate backdrop also improved during the quarter, aiding the performance of banking stocks.

Marriott International, Inc. (MAR) is a worldwide operator, franchisor, and licensor of hotels and timeshare properties under numerous brand names at different price and service points. Despite having to lower fiscal year 2019 guidance due to a challenging industry backdrop, underlying trends in its revenues per available room (RevPAR) metric and membership program provided investors with confidence in a better than feared 2020 outlook.

J.M Smucker Co. (SJM) manufactures and markets branded food and beverage products. Its top brands include JIF, Folgers, Smucker's, and Milk-Bone. SJM reported quarterly results that disappointed and was forced to cut guidance again. The biggest drag on results continues to be its Pet Food business where competition seems to have the upper hand. The Coffee business saw some improvement sequentially, while the Consumer Food business was in-line.

Home Depot, Inc. (HD) is the world's largest home improvement specialty retailer, with over 2,200 retail stores in North America. HD delivered a subpar quarter as internal missteps from forecasting the benefits of strategic initiatives and higher shrink (employee theft, etc.) led to a reduction in revenue and same store sales guidance.

Colgate-Palmolive Company (CL) is a leading global consumer products company. Its primary businesses are Oral Care, Personal Care, Home Care, and Pet Nutrition. CL's reported results raised some concerns around margins and execution. Gross margins missed estimates, which management blamed on sales mix and higher raw material prices but did indicate that they should rebound in the following quarter. The execution issue related to pricing of the Colgate Total line which led to market share losses in the US.

CME Group, Inc. Class A (CME) provides electronic trading, offering the broadest range of global benchmark products across all major asset classes including futures and options. With a large interest rate complex as part of its business, increased clarity on what the Fed interest rate actions will be near-term decreases demand for some of CME's products. A less volatile market also adds risk to CME's future revenue.

Cisco Systems, Inc. (CSCO) designs, manufactures and sells Internet Protocol based networking products and services to the communications and information technology industries. As in the previous quarter, weakness was seen in China and with Service Provider customers throughout this quarter resulting in further deceleration of organic growth. Disappointing results in new areas and geographies further clouded the outlook for a turn in the business.

4Q 2019 Transaction Summary

Purchased	Sold
• Verizon Communications Inc. (VZ) - Communication Services	• J.M. Smucker Co. (SJM) - Consumer Staples

Purchased

Verizon Communications Inc. (VZ) provides communications, information, and entertainment products and services to consumers, businesses, and governmental agencies. A partnership with Disney on its new Disney+ offering in combination with leading the rollout of 5G across the U.S. will drive near term growth. A strengthened balance sheet and cost-cutting programs should support its top tier dividend yield, which is in the 4% range.

Sold

J.M Smucker Co. (SJM) manufactures and markets branded food and beverage products. Its top brands include Jif, Folgers, Smucker's, and Milk-Bone. SJM has experienced a couple of challenging quarters which forced management to lower their outlook for the first two quarters of the company's fiscal year. The main culprit has been its Pet Food division where increased competition and a sub-optimal product line-up has led to disappointing results. Recent initiatives have not shown encouraging results and it is unclear whether they will over the long term.

Outlook

In our opinion the outlook for equities is positive. After a strong 2019 however, it is not difficult to postulate a decline in equity values. At the very least a corrective phase seems a reasonable expectation, and inflammatory headlines constantly offer a rationale for things going dreadfully wrong. Headlines make very poor investment strategy. The gain in stock values in recent years reflects fundamental developments, many of them positive for equity valuations. These include the declines in interest rates and inflation, the best job market since the 1960s, technology induced capacity increases and productivity gains, and an improving housing market. Stock values will increasingly follow their individual company and industry fortunes within a generally favorable overall environment for financial investments.

As we view the worldwide financial condition, we find the view of some that the rise in the price of financial assets represents a bubble about to burst, improbable. At virtually full employment, with rising real income wages, stable interest rates, and placid inflation conditions, the forces underpinning the rise are impressive. Despite political controversies, the United States remains an island of stability and a paragon of growth and opportunity in a destabilized world. This does not mean the coming year will be free of crises and just as in the past three years, sudden and steep corrections will occur. A focus on fundamental and a longer-term horizon will serve investors best in this environment.

Congress Asset Management Co. Dividend Growth Composite 11/1/2010 - 12/31/2019

Year	Total Return Gross of Fees %	Total Return Net of Fees %	S&P 500 Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	S&P 500 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)
2019	33.7	33.2	31.5	11.1	11.9	394	0.86	205	8,445	12,528
2018	-0.9	-1.2	-4.4	10.3	10.8	359	0.36	161	7,102	10,234
2017	19.7	19.3	21.8	9.7	9.9	321	0.64	157	7,272	10,546
2016	13.6	13.2	12.0	10.1	10.6	254	0.46	119	5,693	8,139
2015	-2.8	-3.2	1.4	10.3	10.5	174	0.38	81	5,941	7,094
2014	11.6	11.2	13.7	8.6	9.0	111	0.29	65	6,328	7,449
2013	29.3	28.8	32.4	10.7	11.9	60	0.39	44	6,489	7,467
2012	8.9	8.6	16.0	n/a	n/a	24	0.80	12	6,755	7,498
2011	8.3	7.9	2.1	n/a	n/a	6	n/a	2	6,329	7,014
10/31/10 – 12/31/10	6.7	6.7	6.7			≤5	n/a	0.1	6,416	6,678

#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 – 12/31/19. The verification report is available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation.

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 Dividend Growth Composite was created on November 1, 2010. This inception date reflects the first full month 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 dividend growth style for a minimum of one full month. The dividend growth strategy invests in the equity of high quality companies with market capitalizations greater than $1 billion exhibiting consistent dividend growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $50 thousand (US dollars). The primary composite benchmark is the S&P 500. Effective January 1, 2012 the Dividend Growth benchmark was changed retroactively from the S&P 500 Dividend Aristocrats and the Dow Jones U.S. Select Dividend indices to the S&P 500 index in order to better reflect the portfolio's broad equity strategy tailored to generate income for clients. Prior to January 1, 2012 the S&P 500 Dividend Aristocrats was the stated primary benchmark and the Dow Jones U.S. Select Dividend was the stated secondary benchmark. The performance of the S&P 500 Dividend Aristocrats and the Dow Jones U.S. Select Dividend indices is available upon request. 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 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. Presenting the three-year annualized ex-post standard deviation is not required for periods prior to 2011. It is not presented for 2011 and 2012 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

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.