CONGRESS ASSET MANAGEMENT COMPANY

Q2 2017

Portfolio Commentary

Dividend Growth

Market Review

Contradictory forces seem to be at play in the domestic markets. On the one hand bonds rallied during the quarter with the ten-year yield falling to 2.15%, down from 2.40% in late March. The fall in yields would seem to indicate concerns for our economic vitality. On the other hand, stock returns indicate a more robust view of the future with the S&P 500 continuing to climb, up about 3% for the quarter. Movements in both markets merit comment.

In part, the bond rally likely reflects the subdued inflation readings reported over the past two months. Yet, the rally comes in the face of the Federal Reserve's fourth interest rate hike since December 2015 and confirmation that it is likely to begin shrinking its balance sheet later in the year. By shrinking the balance sheet, the Fed will start to unwind its quantitative easing programs. In so doing, it will also increase the inventory of government bonds available to investors… So why such a strong bond rally?

The world is still hunting for yield. A recent survey of sovereign debt indicated that the bonds of 13 countries sported negative yields out to five years. Argentina—a country that has defaulted seven times in 200 years—experienced robust demand for a recent 100-year bond issue. This hunt is driving foreign investors to U.S. shores for both yield and safety. According to Bloomberg, foreign central bank holdings of U.S. Treasuries stand at close to $3 trillion.

In contrast to bonds, the stock market eschewed economic concerns and rallied, once again with limited volatility. Corporate profits were up 12% over the prior year, which provided heft and supported the rise. The rally was broader than just the big tech companies, too. In fact, bolstered by the still expansionary policies of many central banks, stocks rallied globally with Europe up 18%, Japan up 22%, and emerging markets up 24%.

The hunt for yield drives down the cost of U.S. debt and indirectly supports the stock market as investors unhappy with low-yield options willingly take on more capital risk in an effort to increase their own capital base. For more than a year, stock market investors have been spreading their funds around and driving up global stock markets as a result. The coordinated efforts of the world's central banks may have finally hit the tipping point. The United States, Europe, and Asia appear to be growing at modest yet sustainable rates.

Performance Overview

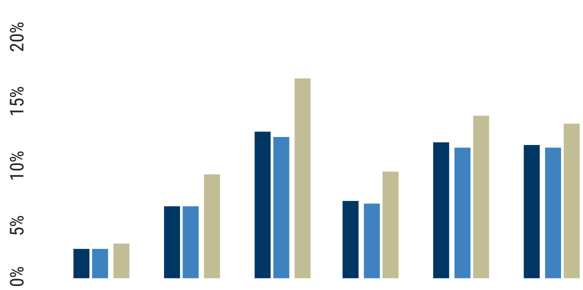
The Congress Asset Management Dividend Growth Portfolio underperformed the S&P 500 Index during the second quarter. The Dividend Growth Portfolio returned 2.6% compared to the S&P 500's performance of 3.1%.

The portfolio benefited from underweight allocations in the Energy and Telecomm sectors and security selection in the Utilities sector. The portfolio's security selection in the Technology, Health Care, and Industrials sectors detracted from performance.

The holdings that resulted in the highest contribution to the portfolio's quarterly performance were Nestle (NSRGY), Broadridge Financial Solutions (BR), and NextEra (NEE). Nestle retuned 17.0% during the quarter, while Broadridge and NextEra returned 11.7% and 9.9% respectively.

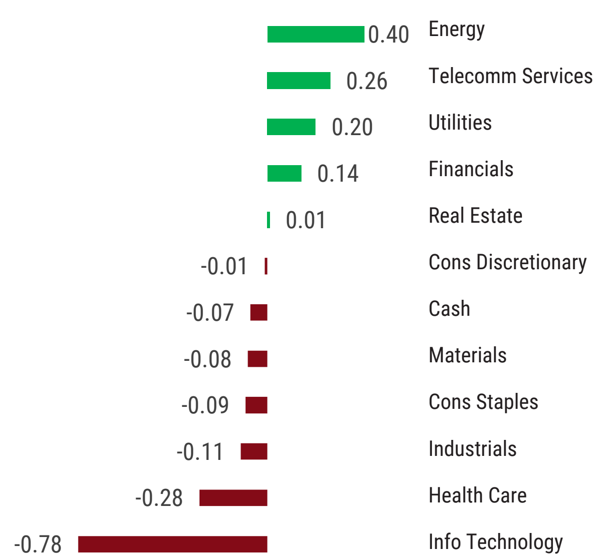
The holdings that detracted the most from the portfolio's performance were J.M. Smucker (SJM) which declined 9.2%, General Electric (GE) down 8.6%, and Cisco Systems (CSCO) down 6.6%.

Average Annualized Performance % - as of 6/30/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	Inception
Dividend Growth (Gross)	2.6	6.5	13.1	7.0	12.1	12.0
Dividend Growth (Net)	2.5	6.3	12.7	6.6	11.7	11.7
S&P 500	3.1	9.3	17.9	9.6	14.6	13.8

% Total Effect Portfolio vs. Index (3/31/2017 - 6/30/2017) (bps)



Information is as of 6/30/2017. 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 throughout this presentation 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 5 of this report. Performance returns of less than one year are not annualized

Q2 2017 Attribution Highlights

Overall Contributors

- Allocation to Telecommunication Services
- Allocation to Energy
- Security Selection in Utilities

Overall Detractors

- Security Selection in Information Technology
- Security Selection in Health Care
- Security Selection in Industrials

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Nestle S.A.	NSRGY	0.38%
Broadridge Financial Solutions	BR	0.30%
NextEra Energy, Inc.	NEE	0.26%

Detractors

Stock	Ticker	Detraction
J.M. Smucker Company	SJM	-0.19%
General Electric Company	GE	-0.19%
Cisco Systems, Inc.	CSCO	-0.18%

Nestle (NSRGY) Despite the difficult operating environment, shares of NSRGY returned more than 16% during the quarter. In June 2017, hedge fund manager Daniel Loeb announced a $3.5 billion stake in Nestle and urged the food conglomerate to improve its margins, buy back stock, and divest non-core businesses. In addition to announcing a potential sale of its U.S. confectionery business, Nestle's Management announced a $20 billion share buyback and a review of its capital structure. Management also expects to make a significant acquisition in a high growth area such as coffee, pet care, infant nutrition, or bottled water. The company also plans to focus on consumer healthcare to fuel future growth.

Broadridge Financial Solutions (BR) is the leading provider of investor communications and technology-driven solutions for broker-dealers, banks, mutual funds, and corporate issuers globally. The company had another very solid quarter, with earnings per share well above expectations due to strong revenues and operating margins. The company continues to benefit from an increase in outsourcing by banks, broker-dealers, and issuers, as well as an increase in the digitization of proxies and regulatory communications.

NextEra Energy (NEE) Shares of the Florida-based utility returned almost 10% following another good quarter. More specifically, NEE reported better-than-expected earnings per share growth, announced a solid earnings guidance range through 2020, and plans to continue to grow the dividend 12% to 14% per year at least through 2018.

J.M. Smucker (SJM) is a leading manufacturer of jams, jellies, coffee, peanut butter, and pet food. Despite an earnings beat, shares of SJM declined due to weakness in top line growth mainly in its pet food division. Management's three-year plan is to continue to focus on innovation and expansion of its strong brands. Despite these initiatives, SJM continues to operate in a challenging retail environment with changing consumer preferences and deflationary pricing pressures. The recent proposed acquisition of Whole Foods by Amazon renewed pricing power concerns and weighed heavily on shares of SJM and other food manufacturers.

General Electric (GE) is a globally diversified industrial company that develops, manufactures, and services diverse technologies such as aircraft engines, power generation systems, and medical imaging equipment. The company reported an earnings and revenue beat in its most recent quarterly results with orders up 10% and organic revenues increasing 7%. Despite the strong top line growth, shares of GE declined due to weakness in the company's cash flow. The recent announcement of CEO Jeffrey Immelt stepping down and being replaced with John Flannery, a long time GE executive, is a long-term positive for the company.

Cisco Systems (CSCO) Shares of CSCO declined 7% following the announcement of the company's most recent results. Despite a solid fiscal third quarter beat, the company's guidance of a 5% revenue decline in the fiscal fourth quarter disappointed investors. Management attributed the weakness in guidance to a decline in new orders and a difficult business model shift toward more software and subscription based revenue. The wireless and security businesses continued to witness strong top-line growth (up 13% and 9% respectively), but that was offset by weakness in data centers, which fell 5%. The company continues to move to a subscription-based model with 31% of total revenue now being recurring revenues. Lastly, the company announced a further reduction of its workforce of 1,100 employees.

Q2 2017 Transaction Summary

Sector Allocation Changes

- Increase in Financials, Industrials & Health Care
- Decrease in Technology, Telecomm & Consumer Staples

Purchased

- PNC Financial (PNC) - Financials
- Hubbell Inc. (HUBB) - Industrials
- Becton Dickinson (BDX) - Health Care

Sold

- Automatic Data Processing (ADP) - Information Technology
- Verizon (VZ) - Telecomm Services
- Coca-Cola Company (KO) - Consumer Staples

Purchased

PNC Financial (PNC) is one of the largest bank holding companies in the U.S. with businesses in regional and corporate banking, real estate finance, asset-based lending, wealth and asset management, and global fund services. PNC benefits from a solid management team, expense discipline, strong capital management, and an opportunistic outlook on deployment of capital. Management expects the southeast region to do very well and expects a pickup in capital spending on equipment in the rust belt states. In June 2017, the bank proposed a capital plan to increase its dividend by 36% to $0.75 per share and a $2.7 billion share repurchase program. The bank's capital plan was approved by the Federal Reserve in its CCAR review.

Hubbell Inc. (HUBB) designs, manufactures, and sells electrical and electronic products for a broad range of non-residential and residential construction, as well as industrial and utility applications. HUBB recently implemented a restructuring program to address overall cost challenges, issues with pricing in lighting, and end market challenges in the oil and gas market. The company is expected to benefit from continued recoveries in the residential and non-residential construction and oil and gas markets. Hubbell has a very solid balance sheet and strong cash flow, and the company is expected to continue focusing on growing its dividend.

Becton Dickinson (BDX) is a global medical technology company that develops, manufactures, and sells a broad array of medical devices, instrument systems, and reagents used in the healthcare and life sciences industries. The company completed the acquisition of CareFusion in 2015, providing BDX with greater scale in medical management. The company has a solid pipeline of new products that is expected to drive top line growth of more than 5% over the next few years. More specifically, the launches of the Flowsmart insulin pump and a three-day Patch Pump for type 2 diabetes patients are expected to add significant growth to its $1 billion Diabetes Care business division. BDX's goals are to achieve more than 5% revenue growth and 10% earnings growth on an annual basis. In addition to paying down debt, the company is focused on increasing its dividend.

Sold

Automatic Data Processing (ADP) ADP is a provider of human resources management software and services. ADP previously reported weak quarterly results as worldwide new bookings continued to decline due to near-term uncertainty regarding healthcare, which slowed the decision-making process for some clients. Due to the challenging environment and difficult comparisons from a strong year in 2016, the company lowered its full-year guidance, particularly in new bookings. The Committee decided to sell shares of ADP as the environment continues to be very challenging for the company and ongoing, weak growth in bookings caused by healthcare delays will continue to weigh on the company's reported results.

Verizon (VZ) reported another disappointing quarter and lowered its guidance, expecting flat organic revenues and earnings in 2017, and possibly in 2018. The competitive environment continues to remain saturated and extremely promotional, which has hurt the company's margins and profitability. The recent acquisitions of AOL and Yahoo assets also seem to limit VZ's ability to make any other significant strategic deals. The Committee is concerned with the long-term growth prospects of Verizon and sees better opportunities elsewhere.

Coca-Cola Company (KO) reported 6% organic growth due to price/mix benefits, but showed a decrease in volume growth during the fourth quarter. Although the quarter was decent, the company reduced its guidance for the coming year, expecting a continued challenging macro environment and for some key markets to remain under pressure. In addition, the company's multi-year refranchising of its bottler networks will continue to depress its earnings. The Committee believes that these short-term negatives will continue to weigh on the stock during the next few quarters.

Positioning

The Dividend Growth portfolio seeks high quality companies which exhibit financial strength, growth prospects, and management commitment to continue a policy of annual dividend increases. There were three purchases and three sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially reduced the Technology, Telecommunication, and Consumer Staples weights, while increasing the weighting in Financials, Industrials, and Health Care.

Outlook

The stock market's measured return so far this year highlights that the remnants of the financial crisis are receding at a quickening pace. The Fed's balance sheet reduction can be interpreted as a signal that the world's largest central bank is prepared to partially return the economic reins to consumers and businesses thus allowing more rational investing, spending, and savings decisions. The timing is propitious. Corporate earnings are growing at a reasonable rate, inflation is in check, and the consumer is in solid economic shape with good job prospects. The U.S. stock market remains the preferred asset class.

Congress Asset Management Co.
Dividend Growth composite
10/31/2010 - 6/30/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	S&P 500 Return % (dividends reinvested)	Composite Gross 3-Yr St Dev (%)	S&P 500 3-Yr 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)
YTD	6.5	6.3	9.3	n/a	n/a	309	n/a	148	6,261	9,122
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	0.8	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	n/a	n/a	≤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 – 12/31/16. 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.

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 consecutive 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. 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 equity securities are included in calculations. A maximum of 15% 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. Presenting the three-year annualized standard deviation is not required for periods prior to 2011. The standard deviation is not presented prior to 2013 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.