

## Intermediate Fixed Income Portfolio

*Congress Asset Management strives for preservation of capital, consistent income, and alpha generation through a diversified portfolio of investment grade government, corporate, and securitized bonds. Consistency of approach and adherence to sound fundamental and relative value analysis is the basis of our investment process.*

### Company Snapshot

Company Assets	\$13.2 b
Founded	1985

### Investment Committee

	Company Tenure
Jeff Porter, CFA Committee Chair	2010
John Beaver, CFA	2002
Brian Guild	2000
John Corrigan, CFA	2011

### <sup>1</sup>Ratings Distribution%



49.0	Aaa	■
10.3	Aa	■
31.6	A	■
7.1	Baa	■
2.0	NR	■

### <sup>1</sup>Sector Allocation%



47.9	Government	■
0.1	Securitized	■
51.1	Corporates	■
1.0	Cash	■

<sup>1</sup> Characteristics	Intermediate Fixed Income	Bloomberg Barclays US Intermediate Govt/Credit Index
Avg. Bond Rating	Aa3	AA2/AA3
Avg. Bond Maturity (yrs.)	4.22	4.46
Avg. Duration (yrs.)	3.88	4.09
Avg. Coupon %	2.73	2.49
Avg YTM	0.65	0.77

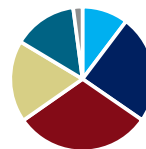
### Risk Return Analysis

	Intermediate Fixed	Bloomberg Barclays US Intermediate Govt/Credit Index
Standard Deviation %	4.26	3.68
Alpha	0.21	-
Beta	1.11	1.00
Sharpe Ratio	0.81	0.79
Tracking Error	1.15	-
Information Ratio	0.45	-

### <sup>1</sup>Distribution by Duration%

	Intermediate Fixed	Bloomberg Barclays US Intermediate Govt/Credit Index
Under 1 yr.	12.1	21.4
1-3 yrs.	25.7	31.0
3-5 yrs.	30.9	25.9
5-7 yrs.	16.4	15.9
7-10 yrs.	14.9	5.8
10 yrs. +	0.0	0.0

### <sup>1</sup>Maturity Allocation%



10.3	<1 yr.	■
24.3	1-3 yrs.	■
30.7	3-5 yrs.	■
18.3	5-7 yrs.	■
14.3	7-10 yrs.	■
2.1	10+ yrs.	■

### Annualized Returns % as of 6/30/2020

Performance is preliminary and subject to change

	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception 1/1/1985
Congress Intermediate Fixed Income (Gross)	2.7	5.5	7.4	4.5	3.5	3.2	6.7
Congress Intermediate Fixed Income (Net)	2.7	5.4	7.2	4.2	3.2	2.9	6.3
Bloomberg Barclays US Intermediate Govt/Credit Index	2.8	5.3	7.1	4.4	3.5	3.1	6.2

All data is as of 6/30/2020. Sources: Congress Asset Management, Bloomberg Finance L.P., Barclays Investments, and Informa Investment Solutions. The information throughout this presentation is for illustrative purposes and is subject to change at any time. Holdings and sector weightings 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® presentation for the composite. Performance returns of less than one year are not annualized. <sup>1</sup>The information shown is for a representative account as of 6/30/2020. Actual client account holdings and sector allocations may vary.

BLOOMBERG® is a trademark and service mark of Bloomberg Finance L.P. and its affiliates (collectively "Bloomberg"). BARCLAYS® is a trademark and service mark of Barclays Bank PLC (collectively with its affiliates, "Barclays"), used under license. Bloomberg or Bloomberg's licensors, including Barclays, own all proprietary rights in the Bloomberg Barclays Indices. Neither Bloomberg nor Barclays approves or endorses this material, or guarantees the accuracy or completeness of any information herein, or makes any warranty, express or implied, as to the results to be obtained therefrom and, to the maximum extent allowed by law, neither shall have any liability or responsibility for injury or damages arising in connection therewith. <sup>2</sup> and (ii) Licensee shall not use or distribute Data or Derived Data in any manner that, in Licensor's good faith judgment, adversely affects Bloomberg's (or any of its Data Providers') ability to license the Data or would cause the use and distributions thereof to be a functional source of, or a substitute for, data otherwise commercially available from Bloomberg or any of its Data Providers.

**<sup>1</sup>Top 10 Corporate Issuers %**

McDonald's Corp.	1.99
Home Depot Inc.	1.94
JPMorgan Chase & Co.	1.86
Royal Dutch Shell Plc	1.83
Goldman Sachs Group Inc.	1.59
Wells Fargo and Co.	1.58
Anheuser-Busch InBev	1.41
Verizon Communications Inc.	1.37
Consolidated Edison Inc.	1.36
Walmart Inc.	1.36

**Investment Philosophy**

Our investment philosophy for core fixed income management emphasizes a unique and defined tactical allocation approach to fixed income management, with the following strategic and tactical factors:

<b>Strategic:</b>	<b>Tactical:</b>
> Global Macro Considerations	> Security Selection
> Yield Curve Management	> Relative Valuation
> Sector Considerations	> Break-even analysis v. risk free investments

**Investment Process**

- We seek to add value through the following five step process:
  - Determining global macro trends and credit market impact
  - Controlling interest rate risk through management of yield curve exposure
  - Integrating proprietary research, quantitative analysis, and break-even screens
  - Selecting credits based on deep fundamental credit research and relative valuation
  - Continuing the process and reviewing on an active daily basis
- Portfolio managers utilize an array of proprietary analytical tools: Fundamental credit models
  - Relative valuation models
  - Pre-and post-trade scenario models
  - Detailed benchmark comparison model
- Fixed Income strategy is based on the decision of the Fixed Income Investment Policy Committee. Implementation of the strategy is based upon the decision of the Portfolio Manager(s).

**Portfolio Construction**

- <75% exposure to non-government securities to maintain sufficient liquidity
- No non-government security will exceed 5% of total market value

**Sell Discipline**

- Security no longer meets established risk/reward criteria
- Fundamental deterioration of the credit quality of the security

<sup>1</sup>The information shown is for a representative account as of 6/30/2020. Actual client account holdings and sector allocations may vary.

**Congress Asset Management Co. Intermediate Fixed Income Composite 1/1/2010 - 12/31/2019**

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Bloomberg Barclays US Intermediate Govt/ Credit Return %	Composite Gross 3-Yr annualized ex-post St Dev (%)	Bloomberg Barclays US Intermediate Govt/ Credit 3-Yr annualized ex-post St Dev (%)	Number of Portfolios	Gross Dis-persion%	Total Composite Assets End of Period (\$ millions)	Total Firm Discretionary Assets End of Period (\$ millions)	Total Firm Assets End of Period # (\$ millions)
2019	6.6	6.4	6.8	1.9	2.0	81	0.19	512	8,445	12,528
2018	0.8	0.5	0.9	2.0	2.1	70	0.13	209	7,102	10,234
2017	2.0	1.7	2.1	2.0	2.1	67	0.12	187	7,272	10,546
2016	2.0	1.7	2.1	2.1	2.2	73	0.27	179	5,693	8,139
2015	1.4	1.1	1.1	2.1	2.1	66	0.14	168	5,941	7,094
2014	3.2	2.9	3.1	1.9	1.9	54	0.21	151	6,328	7,449
2013	-0.9	-1.2	-0.9	2.1	2.1	50	0.18	142	6,489	7,467
2012	3.7	3.4	3.9	2.2	2.2	54	0.31	184	6,755	7,498
2011	6.4	6.1	5.8	2.5	2.5	45	0.26	170	6,329	7,014
2010	6.3	6.0	5.9			44	0.30	126	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<sup>®</sup>) 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. 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 Intermediate Fixed Income Composite has been examined for the periods 1/1/96 – 12/31/19. 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 certain strategies of Century Capital Management, LLC on September 15, 2017.

**Composite Characteristics:** The Intermediate Fixed Income Composite was created on January 1, 1993 and the inception date is January 1, 1985 which reflects the first full month in which an account was fully invested in the strategy and met the inclusion criteria. As of March 31, 2010 the Fixed Income Composite was renamed the Intermediate Fixed Income Composite. The composite includes all fully discretionary accounts with a value over \$500 thousand (US dollars) managed in the intermediate fixed income style for a minimum of one full month. The intermediate fixed income strategy invests in high quality bonds in the intermediate maturity range. Asset classes include Investment Grade Corporate Bonds, U.S. Government Bonds, U.S. Federal Agency Bonds, and Mortgage Backed Securities. Accounts with wrap commissions are excluded from the composite. Prior to September 1, 2005 the composite did not include taxable accounts, private client accounts, or accounts with less than \$1 million. The composite benchmark is the Bloomberg Barclays US Intermediate Government / Credit Index. 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. The % of the composite represented by non-fee paying accounts at annual period end was 5% in 2007 and 1% in 2008. A complete list and description of all firm composites is available upon request.

2020\_Q2\_IFI\_SC\_01

**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. Prior to 2007 net of fees returns were calculated by reducing gross returns by the highest stated management fee, which was 0.50%. Effective January 1, 2007 net of fees returns are calculated using actual management fees. Accruals for fixed income 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 2010 as it is not required for periods prior to 2011. Prior to July 1, 1999, the fixed income returns of eligible balanced accounts were carved out and included in composite returns. These carve-out returns were calculated by splitting each balanced account, extracting the fixed income data along with a pro-rata share of each cash transaction. Beginning October 1, 2008 carve-outs were re-introduced to the Intermediate Fixed Income composite. The fixed income returns of eligible balanced accounts were carved out and included in composite returns. These carve-out returns were calculated by splitting each balanced account, extracting the fixed income data along with a pro-rata share of each cash transaction. Beginning July 1, 2009 the fixed income data was carved out of each eligible balanced account and managed as a separate account with a separate cash balance. Carve-outs comprised 74% of the composite as of December 31, 2008, 68% of the composite as of December 31, 2009 and 63% of the composite as of December 31, 2010. Prior to January 1, 1993 the composite was not in compliance with GIPS.

**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.