CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

Q1 2017
Large Cap Growth

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.

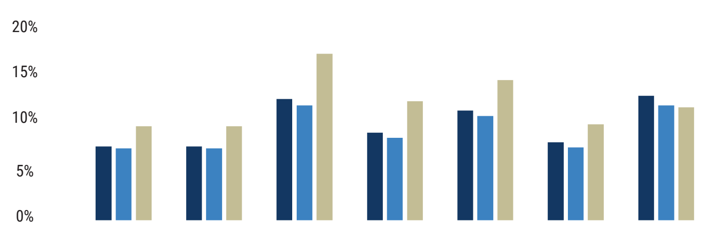
Performance Overview

The Large Cap Growth Portfolio underperformed the Russell 1000 Growth Index® (the Index) during the first quarter of 2017. The Portfolio's return was 6.97% versus the Russell 1000 Growth Index® return of 8.91%.

The Portfolio benefited from security selection within the Consumer Staples and Industrials sectors. An underweight allocation in Telecommunication Services relative to the Index also aided performance.

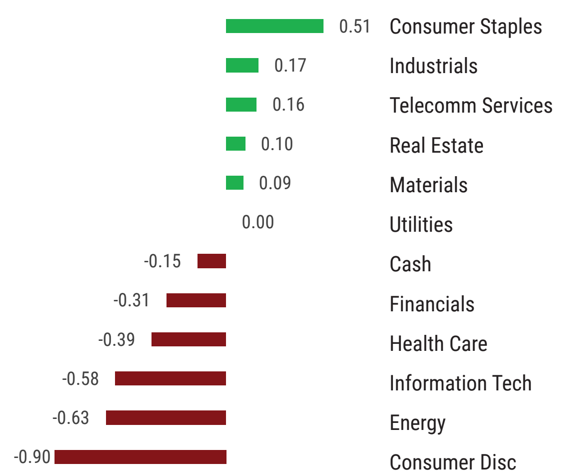
Security selection in the Consumer Discretionary and Information Technology sectors detracted from performance. In addition, the Portfolio's overweight to the Energy sector relative to the Index (4.40% vs. 0.50%) hindered performance.

Annualized Returns % as of 3/31/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Large Cap Growth (Gross)	7.0	7.0	11.5	8.3	10.4	7.4	11.8
Large Cap Growth (Net)	6.8	6.8	10.9	7.8	9.9	6.9	10.9
Russell 1000 Growth®	8.9	8.9	15.8	11.3	13.3	9.1	10.7

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



Q1 2017 Attribution Highlights

Overall Contributors

- Security Selection in Consumer Staples
- Allocation to Telecommunication Services
- Security Selection in Industrials

Overall Detractors

- Security Selection in Consumer Discretionary
- Allocation to Energy
- Security Selection in Information Technology

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Adobe Systems Inc.	ADBE	0.76%
Apple Inc.	AAPL	0.68%
Facebook, Inc.	FB	0.55%

Detractors

Stock	Ticker	Detraction
Under Armour, Inc.	UAA	-0.31%
Acuity Brands, Inc.	AYI	-0.25%
Akamai Technologies, Inc.	AKAM	-0.22%

Adobe Systems Inc. (ADBE) offers digital marketing and digital media solutions. Digital marketing solutions include analytics, social marketing, targeting, media optimization, and digital experience management. Digital Media offers Creative Cloud Services which allow customers to download and install the latest versions of Adobe products. Technology was the strongest sector within the Russell 1000 Growth Index during the quarter, and ADBE increased more than 26% on an absolute basis. In March, Adobe reported first quarter results with revenue increasing 22% year over year and earnings per share better than consensus expectations. Management also guided second quarter revenue estimates higher than consensus expectations. Digital Media continued its string of robust quarterly results, largely fueled by the Creative Cloud offering. Cash flow and operating margins were better than expected, and the company also repurchased more than 2 million outstanding shares.

Apple Inc. (AAPL) designs, manufactures, and markets mobile communication, media devices, personal computers, and portable digital music players. The company offers products and services under the iPhone, iPad, Mac, iPod, Apple Watch, and Apple TV brands. Again, Technology was the strongest sector within the Russell 1000 Growth Index, and APPL increased more than 24% on an absolute basis. In January, Apple announced first quarter results that included better than expected revenue and earnings per share, largely driven by much stronger than anticipated iPhone shipments. Both Mac and Services revenue was better than expected, while iPad revenue missed expectations. The company's management cited a supplier shortage issue for the poor iPad results. Services continues to deliver solid margins, highlighted by the App Store's significant and continued revenue growth.

Facebook, Inc. (FB) is a social networking company that allows people to communicate with family and friends. Facebook offers advertisers a combination of reach, relevance, social context, and engagement to enhance the value of their ads. Facebook's products include Facebook, Instagram, Messenger, Whatsapp, and Oculus. In the same vein as Adobe and Apple, Technology was the strongest sector within the Russell 1000 Growth Index, and FB increased more than 23% on an absolute basis. The company announced fourth quarter results in February. Revenue and earnings per share were both better than consensus estimates. Ad revenue increased more than 54% year over year, led by strong mobile ad revenue that increased 60% year over year. Management guidance was mixed, with expectations that ad revenue growth will decline and operating expenses will grow in 2017.

Under Armour, Inc. (UAA) develops, markets, and distributes branded performance apparel and footwear for men and women of all ages. The company's products are distributed through wholesale channels, which include national and regional sporting goods chains, independent and specialty retailers, department store chains, and institutional athletic departments. In January, the company reported yet another disappointing quarter. Sales increased 12% year over year, but fell well short of the 20% consensus expectations. Apparel and footwear sales both decelerated, and gross margins were 300 basis points lower than consensus expectations. In addition, operating income fell. Guidance for 2017 was less than encouraging. Finally, it was announced that the company's CFO was leaving for personal reasons.

Acuity Brands, Inc. (AYI) produces innovative lighting systems. In January, Acuity reported a disappointing first quarter with both revenue and earnings per share coming in lower than expected. AYI traded down 12% after the release of the first quarter report and struggled to gain any traction for the remainder of the quarter. The company cited weaker than expected sales volume, short term production issues, and wage and benefit cost increases as being the cause of the disappointing results. Sales increased 16% year over year and volume increased 10% led by strong LED sales, yet still did not meet expectations. Acuity noted that these lower than expected sales results were partly due to election jitters and difficulties with short lead time projects. Management also noted that the disappointing first quarter trends could linger into the second quarter.

Akamai Technologies, Inc. (AKAM) provides cloud services for delivering, optimizing, and securing online content and business applications. Solutions are designed for businesses and government agencies to enhance their revenue streams and reduce costs by maximizing the performance of their online businesses. Akamai announced mixed fourth quarter results in February, and the company's shares declined more than 12% as a result. Revenue and earnings per share were both better than expected, but Akamai's spending outlook for 2017 put pressure on the stock. In order to drive product innovation and expand its addressable market, the company will increase spending and headcount. Long term, the investments are needed, but margins and profitability will suffer in the near term. Akamai then held their analyst day on the last day of the quarter, and used the opportunity to update analysts with their financial outlook along with margin and profitability estimates. The outlook and estimates were lower than consensus expectations, which triggered an additional 4% sell off in the stock.

Q1 2017 Transaction Summary

Sector Allocation Changes

- Decrease in Health Care

Purchased

- Check Point Software Technologies Ltd. (CHKP) - Information Technology
- Amazon.com, Inc. (AMZN) - Consumer Discretionary

Sold

- Under Armour, Inc. (UAA) - Consumer Discretionary
- Automatic Data Processing, Inc. (ADP) - Information Technology
- Bristol-Myers Squibb Co. (BMY) - Health Care

Purchased

Check Point Software Technologies Ltd. (CHKP) develops and markets software and hardware solutions used in information technology security. Check Point's products include threat prevention, next generation firewalls, mobile security, and security management. The company's solutions cater to point of sale systems, automated teller machines, the private and public cloud, and telecommunications providers. Check Point's products are the first line of defense between a company's internal network and external threats. The company maintains more than a 20% market share in the firewall services business. We believe that Check Point is well positioned to benefit from growth in the enterprise firewall market as well as heightened importance and spending related to technology security. CHKP's five year compounded sales growth rate is nearly 7% and compounded earnings per share growth rate is more than 10%. Profit margins have been very healthy, with EBITDA margins over 50% and net margin over 40%. As a result, we decided to add this information security leader to the portfolio.

Amazon.com, Inc. (AMZN) provides online retail shopping services to consumers, sellers, enterprises, and content creators. Amazon serves consumers through its retail websites with a focus on selection, price, and convenience. Amazon also serves developers and enterprises of all sizes through Amazon Web Services (AWS), which provides access to technology infrastructure that enables virtually any type of business. Amazon is one of the most disruptive forces in global retailing, and continues to deliver new and innovative services to the marketplace. AWS has produced significant market share gains and revenue growth, and is now a leading provider within the cloud infrastructure business. AWS provides nearly 40% of Amazon's operating income, while also bolstering profit margins and free cash flow. Based upon these factors, we decided to add this innovative market disruptor to the portfolio.

Sold

Under Armour, Inc. (UAA) develops, markets, and distributes branded performance apparel and footwear for men and women of all ages. The company's products are distributed through wholesale channels, which include national and regional sporting goods chains, independent and specialty retailers, department store chains, and institutional athletic departments. In January, the company reported yet another disappointing quarter. Sales increased 12% year over year, but fell well short of the 20% consensus expectations. Apparel and footwear sales both decelerated, and gross margins were 300 basis points lower than consensus expectations. In addition, operating income fell. Guidance for 2017 was less than encouraging. Finally, it was announced that the company's CFO was leaving for personal reasons. As a result, the decision was made to exit the stock for other growth opportunities.

Automatic Data Processing, Inc. (ADP) provides business outsourcing solutions. ADP offers a range of human resources, payroll, tax, and benefits administration solutions from a single source. ADP reported their second quarter results in February. Revenue was less than consensus expectations, while earnings per share were nearly six cents better than expected. ADP revised their 2017 guidance and noted that worldwide new business bookings were expected to be flat year over year. ADP's prior forecast for new business bookings was 4-6% annual growth. ADP's full year revenue growth outlook of 6% is less than their previous forecast of 7-8% growth. ADP does expect full year diluted earnings per share from continuing operations to grow 15-17%. Given the reduced revenue outlook for 2017, the decision was made to exit the stock for other growth opportunities.

Bristol-Myers Squibb Company (BMY) is a biopharmaceutical company. The company develops, licenses, manufactures, and markets biopharmaceutical products for various indications, such as cardiovascular and infectious diseases, cancer, and immune disorders. Bristol-Myers is a leader in immuno-oncology drug development. In January, the company announced fourth quarter results. Revenue was stronger than expected, although earnings per share were four cents less than consensus expectations. The disappointing earnings per share just added to the string of negative news over the past few months, which include the company's decision not to file an Opdivo plus Yervoy drug combination for accelerated FDA approval, opening the door for increased competition and potential market share loss in lung cancer treatment. Bristol-Myers also reduced their earnings per share guidance for 2017. Given the challenges facing its key oncology business, the decision was made to exit the stock for other growth opportunities.

Positioning

Investments are predicated on a company's future prospects rather than economic or market cycles. We seek companies with strong fundamentals, emphasizing earnings growth consistency, free cash flow and solid balance sheet metrics. The two purchases and three sales in the Portfolio during the quarter reflect this strategy. The combined effect of these transactions reduced our allocation to the Health Care sector.

Sources: Congress Asset Management (CAM) PSN 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.

Information is as of 3/31/2017

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.

Congress Asset Management Co. Large Cap Growth Composite 1/1/1985 - 3/31/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	S&P 500 Return % (dividends reinvested)	Russell 1000 Growth Return % (dividends reinvested)	Composite Gross 3-Yr St Dev (%)	S&P 500 3-Yr St Dev (%)	Russell 1000 Growth 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	7.0	6.8	6.1	8.9	n/a	n/a	n/a	82	n/a	106	5,976	8,668
2016	5.6	5.1	12.0	7.1	10.7	10.6	11.2	81	0.43	98	5,693	8,139
2015	2.8	2.2	1.4	5.7	11.1	10.5	10.7	28	0.49	65	5,941	7,094
2014	10.1	9.5	13.7	13.1	10.1	9.0	9.6	30	0.47	89	6,328	7,449
2013	30.5	30.0	32.4	33.5	12.5	11.9	12.2	35	0.50	233	6,489	7,467
2012	11.9	11.5	16.0	15.3	15.2	15.1	15.7	39	0.40	302	6,755	7,498
2011	3.5	3.1	2.1	2.6	17.0	18.7	17.8	45	0.66	463	6,329	7,014
2010	11.8	11.3	15.1	16.7				50	0.31	537	6,416	6,678
2009	28.0	27.4	26.5	37.2				57	0.79	495	5,263	5,463
2008	-34.3	-34.6	-37.0	-38.4				51	0.53	383	4,292	4,371
2007	12.4	11.9	5.5	11.8				85	0.63	710	5,812	5,846
2006	9.1	8.1	15.8	9.1				88	0.49	597	5,464	5,469
2005	6.4	5.3	4.9	5.3				82	0.36	477	4,750	4,751
2004	14.2	13.1	10.9	6.3				17	0.55	375	3,844	3,844
2003	19.5	18.3	28.7	29.8				17	0.57	396	3,697	3,697
2002	-17.3	-18.1	-22.1	-27.9				18	0.43	295	3,312	3,312
2001	-14.5	-15.3	-11.9	-20.4				17	0.57	296	3,147	3,147
2000	-5.5	-6.4	-9.1	-22.4				18	1.29	329	3,183	3,183
1999	25.8	24.6	21.1	33.2				18	1.02	428	3,002	3,002
1998	26.3	25.0	28.6	38.7				16	1.23	364	2,496	2,496
1997	31.8	30.5	33.4	30.5				23	1.61	470	1,970	1,970
1996	25.5	24.2	23.0	23.1				18	1.05	361	1,512	1,512
1995	35.0	33.7	37.6	37.2				8	1.36	231	1,308	1,308
1994	2.9	1.9	1.3	2.7				8	0.98	111	1,041	1,041
1993	6.8	5.8	10.1	2.9				8	1.03	93	956	956
1992	5.4	4.3	7.6	5.0				≤5	n/a	65	926	926
1991	34.1	32.9	30.5	41.2				≤5	n/a	65	691	691
1990	5.3	4.3	-3.1	-0.3				≤5	n/a	46	632	632
1989	36.7	35.5	31.7	35.9				≤5	n/a	46	629	629
1988	7.0	6.0	16.6	11.3				≤5	n/a	55	577	577
1987	8.0	6.9	5.3	5.3				≤5	n/a	23	464	464
1986	22.8	21.7	18.7	15.4				≤5	n/a	25	415	415
1985	49.1	47.7	31.7	32.9				≤5	n/a	4	205	205

#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 Large Cap Growth Composite has been examined for the periods 12/31/95 – 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 Large Cap Growth Composite was created on January 1, 1993 and the inception date of the composite 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. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the large cap growth style for a minimum of one consecutive month. The large cap growth strategy invests in the equity of high quality companies with market capitalizations greater than $5 billion exhibiting consistent earnings growth. The strategy may also invest from time to time in equity securities with capitalizations between $1 billion and $5 billion. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). Prior to September 1, 2005 the composite did not include taxable accounts, private client accounts, or accounts with less than $1 million. The primary composite benchmark is the S&P 500 Index. The secondary benchmark is the Russell 1000 Growth 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. 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. Prior to 2007 net of fees returns are calculated by reducing gross returns by the highest management fee in the Large Cap Growth composite, which is 1.00%. Effective January 1, 2007 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 5% 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 1985 through 2010 as it is not required for periods prior to 2011. Prior to January 1, 1998 the equity returns of eligible balanced accounts were carved out and included in composite returns. These carveout returns were calculated by splitting each balanced account, extracting the equities data along with a pro-rata share of each cash transaction. Prior to January 1, 1993 the composite is 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.