CONGRESS ASSET MANAGEMENT COMPANY

Q2 2017

Portfolio Commentary

Large Cap 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

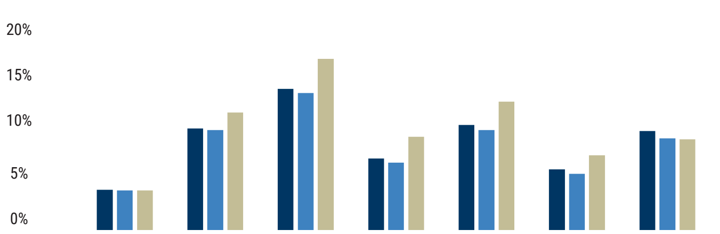
The Congress Large Cap Growth Portfolio outperformed the Russell 1000 Growth Index© during the second quarter. The portfolio returned approximately 4.83% versus the Russell 1000 Growth Index's© performance of 4.67%.

Stock selection drove the portfolio's performance. The portfolio benefited from positive security selection results within the Information Technology and the Consumer Staples sectors. Security selection in the Consumer Discretionary sector lagged. Asset allocation detracted slightly from overall performance largely due to the portfolio's overweight in the Energy sector. Energy was the worst performing sector during the second quarter.

The highest portfolio contributors during the second quarter were PayPal Holdings Inc. (PYPL +24.76%), Electronic Arts, Inc. (EA +18.10%) and McDonald's Corp. (MCD +18.90%). UnitedHealth Group, Inc. (UNH +13.52%) and Estee Lauder Companies, Inc. (EL +13.61%) also delivered robust double-digit quarterly returns.

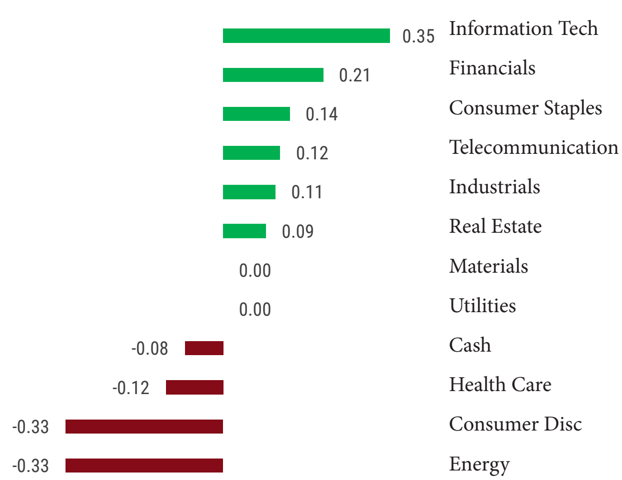
The individual holdings that detracted the most from the portfolio's performance during the second quarter were O'Reilly Automotive, Inc. (ORLY -18.94%), TJX Companies Inc. (TJX -8.38%) and Akamai Technologies, Inc. (AKAM -20.62%).

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



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Large Cap Growth (Gross)	4.8	12.1	16.8	8.5	12.5	7.2	11.8
Large Cap Growth (Net)	4.7	11.9	16.3	8.0	11.9	6.7	10.9
Russell 1000 Growth®	4.7	14.0	20.4	11.1	15.3	8.9	10.8

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



Q2 2017 Attribution Highlights

Overall Contributors

- Security selection in Information Technology
- Security selection in Consumer Staples

Overall Detractors

- Security selection in Consumer Discretionary

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
PayPal Holdings Inc.	PYPL	0.59%
Electronic Arts Inc.	EA	0.46%
McDonald's Corporation	MCD	0.42%

Detractors

Stock	Ticker	Detraction
O'Reilly Automotive, Inc.	ORLY	-0.41%
TJX Companies Inc.	TJX	-0.23%
Akamai Technologies, Inc.	AKAM	-0.22%

PayPal Holdings Inc. (PYPL) provides electronic payment solutions to both merchants and consumers. PYPL earns revenue through transaction fees and by providing a variety of other financial services, including lending. PYPL announced first quarter results in April and they exceeded both sales and earnings consensus estimates. PYPL's second quarter and full year 2017 guidance was stronger than expected. PYPL's Venmo product (a mobile app that lets people easily transfer money between friends and family) is now in beta testing with certain retailers and they have also partnered with Android Pay. Both actions were well received since it lowers some of the competitive concerns that have surrounded PYPL in recent months. PYPL continues to expand its customer reach and product offerings. We believe the company is well positioned to take advantage of the secular growth within digital payment solutions.

Electronic Arts, Inc. (EA) is one of the world's largest third-party video game publishers and has transitioned from a console-based video game publisher to a much broader platform that includes consoles, PC, and mobile devices. EA owns a number of large franchises, including Madden, FIFA, Battlefield, Mass Effect, Dragon's Age, and Need for Speed. EA's 10-year contract with Disney grants EA exclusive rights to develop Star Wars games for gamers across all platforms. EA's price surged following the release of its fourth quarter results in May. Revenue matched consensus expectations but earnings easily beat expectations by eighteen cents. EA's sales mix continues to shift more toward digital video game sales especially within the Battlefield and FIFA game portfolio. The shift in digital game sales mix is significant and it has contributed to a 400 basis point improvement in gross margins on a year-over-year basis. Guidance for 2018 appears to be conservative given a strong slate of upcoming video game titles including Battlefield 2 and Star Wars Battlefront 2. In May, EA announced a new $1.2 billion two-year share repurchase authorization plan.

McDonald's Corp. (MCD) franchises and operates McDonald's restaurants in the food service industry. MCD operates in more than 36,000 locations in 120 countries. MCD reported a very strong first quarter led by solid global same store sales comps. US comparable growth was +1.7% which was well ahead of consensus estimates of (-0.8%) and was the result of new all day breakfast offerings, a new Big Mac, and beverage promotions. International comps of +2.8% were also much better than consensus estimates of +1.7%. The UK and Australia continue to be strong MCD markets. Several upgrades followed the May earnings report as the stock rallied for the remainder of the quarter.

O'Reilly Automotive, Inc. (ORLY) is one of the largest sellers of aftermarket automotive parts, tools, and accessories, serving both professional and do-it-yourself (DIY) customers in the U.S. ORLY has more than 4,800 stores across 47 states. ORLY reported a disappointing first quarter in April. Revenue, earnings per share, and same-store sales comps were all lower than expected. Management noted that mild January temperatures and the absence of typical spring weather in many of their markets created headwinds. The delay in first-quarter U.S. tax refunds also contributed to the lower comps. ORLY noted that its April comps were improving and then management provided same-store sales guidance for the second quarter to be in the range of +3% to +5%. In May, ORLY announced an additional $1 billion share repurchase authorization. The stock continued to weaken during the quarter due to AMZN fears, a slower do-it-yourself market, and sell-side downgrades.

TJX Companies Inc. (TJX) is the nation's largest off-price retailer of brand-name and designer apparel and home fashions, selling its assortment at prices that are usually 20%-60% lower than regular prices. TJX operates more than 2,800 stores in the U.S. (T.J. Maxx, Marshalls, HomeGoods) and about 1,000 stores in Canada, Australia, and Europe (Winners, HomeSense, Marshalls, Trade Secret and T.K. Maxx). TJX's momentum at the start of the second quarter faded after they announced first quarter results in May. Comparable store sales growth (+1%) was lower than consensus expectations but in line with management's guidance (0% to +1%). It was the slowest comp sales growth since the first quarter of 2014 and it appears that the first quarter is becoming more weather sensitive each year. Management's earning guidance ($0.81 to $0.83) was much lower than consensus estimates ($0.92). TJX noted that sales trends had accelerated in April and had held up through early May. TJX's underlying margin trends are positive and inventories remain lean. Despite the positives, the underwhelming comparables and management's soft guidance weighed on the stock.

Akamai Technologies, Inc. (AKAM) provides cloud services for delivering, optimizing, and securing online content and business applications. AKAM announced first-quarter results of $0.69, which exceeded consensus expectations by two cents. Revenue for the quarter was also better than expected. However, second quarter revenue and earnings guidance fell well short of expectations largely related to AKAM's media business and weaker gaming traffic. Excluding AKAM's top six internet customers, revenue from AKAM's other customers weakened significantly. The media business has a history of being lumpy and inconsistent so we opted to find more consistent growth opportunities and exited the stock.

Q2 2017 Transaction Summary

Sector Allocation Changes

- Decrease in Energy, Information Technology & Consumer Discretionary
- Increase in Industrials and Financials

Purchased

- Roper Technologies, Inc. (ROP) - Industrials
- Progressive Corp. (PGR) - Financials
- Northrop Grumman Corp. (NOC) - Industrials

Sold

- Schlumberger NV (SLB) - Energy
- Akamai Technologies, Inc. (AKAM) - Information Technology
- Walt Disney Company (DIS) - Consumer Discretionary

Purchased

Roper Technologies, Inc. (ROP) designs and develops software-as-a-service and licensed products for healthcare, transportation, food, energy, water, education, and academic research markets. ROP has a history of making accretive acquisitions and their industrial profile has become more software oriented in recent years. This technology orientation has lifted profit margins while also reducing their industrial cyclicality. ROP's portfolio splits more than 40 different businesses into four different segments. The Industrial Technology segment houses a collection of industrial pumps and water meters. The Energy and Controls segment sells sensors, valves, process control systems, and nondestructive measurement and testing equipment. The RF Technology segment offers highway tolling systems and SaaS brokerage for freight and food markets. Finally, the Medical and Scientific segment provides highly specialized equipment, digital imaging, and software systems. Over the past three years ROP has experienced a compounded annual growth rate of sales and earnings in the mid-single digit range or higher.

Progressive Corporation (PGR) is an insurance holding company that provides personal and commercial auto insurance, residential property insurance, and other specialty property-casualty insurance. PGR has more than 14 million policies in force and is the fourth-largest auto insurer in the United States. PGR markets its policies through more than 35,000 independent insurance agencies in the U.S. and Canada and directly via the internet and telephone. PGR premiums are split nearly equally between the agent and the direct channel. After two years of elevated loss rates in the auto insurance market, insurers are increasing rates, which in turn is driving customers to PGR's low-cost, online direct channel. In addition, the agency channel has grown by bundling home and auto products, deepening relationships with independent agents, and improving the PGR customer profile. Sales and earnings are expected to grow at high single digit rates over the next couple of years and the company maintains attractive quality metrics including significant free cash flow (more than $2 billion), low leverage ratios, and double-digit returns on equity.

Northrop Grumman Corp (NOC) engages in the development and provision of security products and solutions. NOC operates three segments, aerospace systems, mission systems, and technology systems. Aerospace (40% of sales) includes aircraft and space systems. Mission systems (40% of sales) consists of radars, sensors, and systems for surveillance and targeting. Technology services (20% of sales) provides cybersecurity and information technology to government clients, as well as logistics and maintenance on various products. The defense industry is in the early years of what may be a multi-year recovery. In May, the White House released its 2018 budget request, which calls for more than a 5% increase year over year in total Department of Defense investment authority. NOC earnings are expected to grow single digits in 2017 and that growth is expected to increase further in 2018. NOC generates nearly $2 billion in free cash flow and sports a dividend yield of nearly 1.5%.

Sold

Schlumberger NV (SLB) is the world's largest supplier of products and services to the oil and gas industry. SLB segments include reservoir characterization, drilling, production, and Cameron. In April, SLB announced first quarter earnings of $0.25 which were in line with consensus estimates while revenue was lower than expected at $6.89 billion. The North America land market delivered strong activity and pricing sequentially, however the U.S. Gulf of Mexico saw a sequential decline in revenue and deep-water rig count. International revenue fell 7% sequentially with stronger-than-expected declines in the North Sea, continental Russia, and China. Revenue in Europe, Africa, and the Middle East all declined sequentially as well. Despite SLB being the best-in-class operator, we believed that its end markets would weaken further in 2017 and decided to pursue better growth opportunities.

Akamai Technologies, Inc. (AKAM) provides cloud services for delivering, optimizing, and securing online content and business applications. It provides its services to improve the delivery of content and applications over the internet. AKAM announced first quarter results of $0.69, which exceeded consensus expectations by two cents. Revenue for the quarter was also better than expected. However, second-quarter revenue and earnings guidance fell well short of expectations largely related to AKAM's media business and weaker gaming traffic. Excluding AKAM's top six internet customers, revenue from AKAM's other customers weakened significantly. The media business has a history of being lumpy and inconsistent so we opted to find more consistent growth opportunities and exited the stock.

Walt Disney Company (DIS) is a diversified international family entertainment and media enterprise. DIS operates four business, Media Networks, Parks & Resorts, Studio Entertainment, and Consumer Products and Interactive Media. In May, DIS announced second-quarter results and despite record revenue from the Studio Entertainment segment, the stock was pressured. Subscriber losses at ESPN have weakened media affiliate revenue and in turn have put downward pressure on the stock. The Studio Entertainment and Parks & Resorts segments have helped offset some of the Media Network's weakness. Nonetheless, the Media Network business represents more than 40% of DIS revenue and its growth rate is clearly slowing. We decided to exit DIS for better growth opportunities.

Information is as of 6/30/2017

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. There were three purchases and three sales during the second quarter and they are reflective of this strategy. These combined transactions essentially reduced the Energy, Information Technology, and Consumer Discretionary sector weights while increasing the Industrial and Financial sector weights.

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. 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.