Portfolio Commentary

Large Cap Growth

Market Review

The economy is strengthening. Ten years after the financial crisis and in spite of a divisive domestic political climate, a potent Atlantic storm season, and an increasingly rambunctious North Korea, economic growth is improving. Importantly, growth is expanding outside the U.S. as Europe and Asia are exhibiting positive economic trends. The apparent synchronized nature of this expansion will present new challenges for policy makers and opportunities for investors.

World stock markets reflect the more optimistic outlook. Most European markets have increased greater than 10% during the past year, while the Asian markets reflect returns greater than 20%. After a respectable 4.5% return in the third quarter, the S&P 500 has increased more than 18% during the past year. Global interest rates have risen as well, albeit modestly, with most European sovereigns now showing positive yields in contrast to just three months ago.

The U.S. Federal Reserve's announcement that it would begin removing the monetary stimulus it introduced in response to the financial crisis highlights the challenge faced by policy makers. Official inflation readings remain comfortably below the Fed's preferred target rate of 2%. Some large foreign central banks face similar challenges but remain more accommodative, in spite of seemingly stronger growth (though not inflation) readings. Yet, the Fed has decided to inch forward suggesting that strong employment readings will persist and caution regarding inflation is warranted. This process, often referred to as "tapering," puts the Fed in uncharted territory: withdrawing stimulus in the absence of meaningful inflation. The Fed is being prudent. As the leader of the free money world, the Fed is walking a tight rope with the world's other central bankers and investors watching for any misstep.

The challenge for investors is equally hazy. The economy has been lackluster, car sales have likely peaked and investors are bombarded with negative news sentiment. Adding to the challenge, high frequency economic statistics are likely to be disrupted by the recent hurricanes. Peering through the haze, we see a more robust story.

Domestically the renewed robustness will be led by the consumer. Demographics suggest we are in a prolonged period of elevated expenditures as the millennial generation meets its prime spending age, similar to the baby boomers in the 1990's. The generational cohorts are similar in size with the millennials now entering their household formation and family growth stage. With jobs more plentiful than they've been in a decade, confidence among this group runs high. Consumer net worth has increased nearly double digits in the past year. While millennial spending preferences may differ from prior generations, the patterns should rhyme, stoking demand for various goods and services.

The economy also stands to benefit from the improved balance sheets of business and consumers. In this sense, the Fed's efforts to maintain low interest rates have worked. Household debt service remains historically low at a time when small business surveys indicate that capital expansion plans are moving higher. The expanding economy shows few signs of stress.

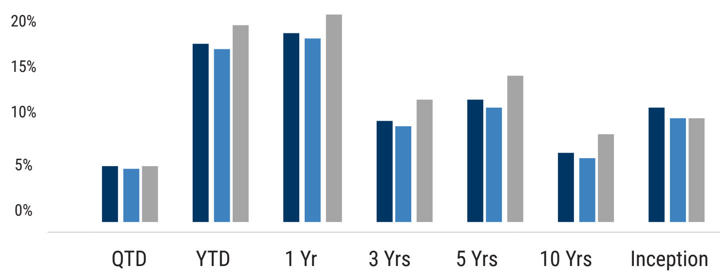
Performance Overview

The Congress Large Cap Growth Portfolio returned 5.78% gross of fees (5.65% net) in the third quarter while the Russell 1000 Growth Index© returned 5.90%.

Sector allocation had the largest impact on performance. The portfolio's underweight within the Consumer Discretionary sector relative to the Index (11.3% vs. 18.1%) benefited the portfolio, but some of that benefit was offset by its overweight to the Consumer Staples sector (11.5% vs 7.1%). Security selection also had an impact on performance. The portfolio benefited from security selection within the Consumer Staples and Information Technology sectors. Security selection in the Materials and Industrials sectors detracted from performance.

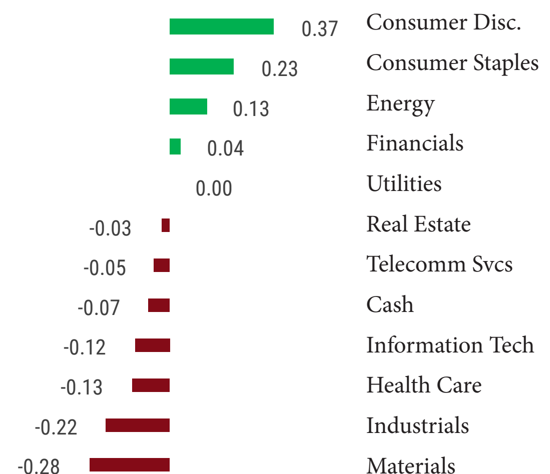
The holdings that made the highest contribution to the portfolio's total return were PayPal Holdings Inc. (PYPL, + 19.30%), Visa, Inc. (V, +12.40%) and Facebook, Inc. (FB, +13.17%). The holdings that detracted the most from the portfolio's total return were Acuity Brands, Inc. (AYI, -13.42%), O'Reilly Automotive, Inc. (ORLY, -7.52%) and Ecolab, Inc. (ECL, -2.84%).

Average Annualized Performance % as of 9/30/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Large Cap Growth (Gross)	5.8	18.6	19.7	10.7	12.7	7.3	11.9
Large Cap Growth (Net)	5.7	18.2	19.2	10.1	12.1	6.8	11.0
Russell 1000 Growth©	5.9	20.7	21.9	12.7	15.3	9.1	10.9

% Total Effect Portfolio vs. Index (6/30/2017 - 9/30/2017) (bps)



Information is as of 9/30/2017. Sources: Congress Asset Management, Factset, 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 throughout this presentation 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 annualized. S&P 500 performance is the actual performance of the index. Indices are unmanaged. The figures for the index reflect the reinvestment of all income or dividends, as applicable, but do not reflect the deduction of any fees or expenses which would reduce returns. Investors cannot invest directly in indices.

Q3 2017 Attribution Highlights

Overall Contributors

- Security selection in Consumer Staples
- Allocation to Consumer Discretionary
- Security selection in Information Technology

Overall Detractors

- Allocation to Consumer Staples
- Security selection in Materials
- Security selection in Industrials

Top 3 Stock Contributors and Detractors

*Sold during the quarter

Contributors

Stock	Ticker	Contribution
PayPal Holdings Inc	PYPL	0.55%
Visa Inc. Class A	V	0.37%
Facebook, Inc. Class A	FB	0.37%

Detractors

Stock	Ticker	Detraction
*Acuity Brands, Inc.	AYI	-0.20%
*O'Reilly Automotive, Inc.	ORLY	-0.18%
Ecolab Inc.	ECL	-0.07%

PayPal Holdings Inc. (PYPL) engages in digital and mobile payments on behalf of consumers and merchants worldwide. PYPL accepts payments from merchant websites, mobile devices, and applications. PYPL along with many technology stocks trended higher during the third quarter. PYPL reported better-than-expected second quarter revenue ($3.1 billion) and earnings ($0.46). PYPL also offered better-than-expected third quarter and full-year guidance. The strong quarterly results along with multiple payment agreements with Apple, Visa, and JP Morgan have provided a tailwind for the stock. In August, PYPL was featured positively in Barron's highlighting multiple payment agreements over the past year. In September, CEO Dan Schulman noted that PYPL is looking for strategic acquisitions to complement its expanding payment platform.

Visa Inc. (V) manages payment in an "open loop" global payment network, which allows V to provide authorization, clearing, and settlement of electronic payment transactions. In July, V announced third quarter results that were stronger than expected, revenue of $4.6 billion and earnings per share of $0.86. V reported strong payment volume (+37%), cross-border volume (+11%), and processed transactions (+44%). Global economic tailwinds are driving V's growth.

Facebook, Inc. (FB) is a social networking company that allows people to communicate with family, friends, and coworkers. FB offers advertisers a combination of reach, relevance, social context, and engagement to enhance the value of their advertisements. FB rallied for much of July as investors expected strong quarterly results, and FB did not disappoint. Advertising revenue of $9.2 billion beat the $9.0 billion consensus expectation. Ad revenue increased 49% year over year led by pricing growth. Monthly active users grew for the sixth straight quarter and now exceed 2 billion. Ad revenue is expected to decelerate in the second half of 2017 and video is expected to pick up some of the slowdown over the next couple of years. In addition, FB reduced its full-year expense growth estimate from 40-50% to 40-45%.

Acuity Brands, Inc. (AYI) is engaged in designing, producing and distributing lighting solutions, components and services for commercial, institutional, industrial, infrastructure, and residential applications throughout North America and international markets. After three disappointing quarters, AYI announced better-than-expected third quarter results as revenue increased more than 4%, led by a 6% increase in volume. However, gross margins declined by more than 200 basis points year over year as AYI's supply chain continues to be challenged by concerns ranging from supplier issues to freight issues. Despite a better quarter, we decided exit the stock for better growth opportunities.

O'Reilly Automotive, Inc. (ORLY) is one of the largest sellers of aftermarket automotive parts, tools, and accessories serving professional and do-it-yourself (DIY) customers in the United States. ORLY sells branded as well as own-label products. Many retail stocks have seen increased volatility as the Amazon impact broadens. ORLY did not escape this volatility or fear and same-store sales comparisons continued to slide. Despite an older U.S. auto fleet and a favorable outlook for miles driven—two key growth drivers for ORLY--the stock has not performed as expected. We decided to exit the stock for better growth opportunities.

Ecolab, Inc. (ECL) produces and markets cleaning and sanitation products for the hospitality, health care, water, energy, and industrial markets. ECL announced second quarter results that were ahead of expectations with revenue of $3.5 billion and $1.13 earnings per share. ECL cited solid new business and pricing momentum across all of its segments. ECL expects a strong second half of 2017 with excellent momentum heading into 2018. In September, Hurricane Harvey required ECL to adjust third quarter earnings guidance to the lower end or slightly below its previous earnings guidance. Many of its industrial and refining customers were forced to shut down operations. ECL was also forced to shut down three of its manufacturing plants in the Houston area. ECL sees a temporary impact from Hurricane Harvey and does not expect any meaningful impact on 2018 results.

Q3 2017 Transaction Summary

Sector Allocation Changes

- Increase in Health Care
- Reduction in Consumer Discretionary

Purchased

- Cintas Corp. (CTAS) - Industrials
- Zoetis, Inc. (ZTS) - Health Care
- BorgWarner Inc. (BWA) - Consumer Discretionary

Sold

- Acuity Brands, Inc. (AYI) - Industrials
- O'Reilly Automotive, Inc. (ORLY) - Consumer Discretionary
- McDonald's Corporation (MCD) - Consumer Discretionary

Purchased

Cintas Corp. (CTAS) provides uniform rental programs to businesses across North America. The core uniform and facility services (the rental and sale of entrance mats, mops, shop towels, and restroom supplies) represents approximately 80% of total sales. The first aid and safety service segment represents approximately 10% of total sales, and the other business segment includes direct uniform sales and fire-suppression systems maintenance. CTAS has broadened and diversified its customer base to include health care, hospitality, service-based, and industrial markets. Uniform rental organic growth has been growing faster than nonfarm employment as companies seek to outsource functions. CTAS has experienced sales growth in excess of 5% and earnings of more than 12% annually over the last five years. CTAS has also steadily improved margins over the past five years and generates more than $400 million in annual free cash flow. In March of this year, CTAS completed the acquisition of G&K Services and the associated integration and synergies appear to be moving faster than originally expected.

Zoetis, Inc. (ZTS) sells anti-infectives, vaccines, diagnostics, and other health care products for animals. ZTS earns the majority of its revenue from production animals (cattle, pigs, poultry, etc.) but also sells companion animal products (i.e. dogs, horses, cats). ZTS has consistently grown sales and earnings since its 2013 spin off from Pfizer. ZTS delivered another solid quarter in August with total revenue growth of 5% and earnings growth of 7% year over year. Livestock revenues, both in the United States and internationally have benefited from increased sales of cattle and poultry products. U.S. companion animal revenue has experience strong growth largely driven by increased demand and sales within ZTS' dermatology portfolio (Apoquel, an anti-inflammatory drug, provides itchy dogs and cats with relief after just four hours and controls the itch within 24 hours). Allergic or itchy skin is among the leading reasons for pets visiting veterinarians. ZTS is a unique animal health care investment with consistent fundamentals.

BorgWarner Inc. (BWA) is a supplier of engineered automotive systems and components for powertrain applications. BWA provides key technologies for combustion, hybrid and electric vehicles. BWA reported a very strong second quarter with better-than-expected revenue and earnings. BWA raised its full-year guidance on higher organic sales outlook. At BWA's analyst day in August, BWA reiterated its belief in a propulsion agnostic portfolio (i.e., gasoline, diesel, electric). BWA expects revenue to grow to $11.5 billion by 2020 (a 7% compounded annual growth rate), higher than previous forecasts. BWA confidence is coming from its visibility into its hybrid order book. BWA appears to be well ahead of internal targets. Regardless of propulsion systems, BWA expects low double-digit earnings and earnings per share growth of 10–11% through 2020.

Sold

Acuity Brands, Inc. (AYI) is engaged in designing, producing and distributing lighting solutions, components and services for commercial, institutional, industrial, infrastructure, and residential applications throughout North America and international markets. After three disappointing quarters, AYI announced better-than-expected third quarter results as revenue increased more than 4%, led by a 6% increase in volume. However, gross margins declined by more than 200 basis points year over year as AYI's supply chain continues to be challenged by concerns ranging from supplier issues to freight issues. Despite a better quarter, we decided exit the stock for other growth opportunities.

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McDonald's Corporation (MCD) operates a chain of restaurants with over 30,000 restaurants in more than 100 countries. MCD generates revenue through company-owned restaurants, franchise royalties, and licensing pacts. MCD reported a strong second quarter with both revenue and earnings well ahead of expectations. Same store sales were higher from each region and accelerated from the first quarter of this year. Menu innovations and technology have both been a tailwind. In September, MCD increased its quarterly dividend by more than 7%. Despite a strong second quarter from MCD, the restaurant industry has been one of the more challenging industries this year and we decided to harvest the stock's nearly 30% year-to-date return.

Information is as of 9/30/2017

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 third quarter of 2017 and they are reflective of this philosophy. These combined transactions essentially increased the portfolio's Health Care position and reduced its Consumer Discretionary position.

Outlook

Interest rates remain at historically low levels, balance sheets are strong, and confidence remains high. This backdrop supports stronger growth; it is not a falling out of bed scenario. In short, the U.S. economy appears to be gaining steam from the lackluster pace we've experienced.

One could argue that the stock market reflects this sanguine view. After all, measured by the S&P 500, volatility has been scant. The market has not experienced a 5% drawdown since the Brexit scare of June, 2016—an unusually long period of time. From our perspective, however, the economic risk is to the upside.

Europe and China appear to have turned the corner, supporting the growth scenario. After years of negative news regarding Greece, Spain, and others, we may have reached a crescendo in 2016 with the Brexit vote. These concerns have now passed. While Europe is unlikely to be confused with China, growth has begun to accelerate. Germany is experiencing a labor shortage while consumer spending has consistently grown for over three years. Spain and Italy, causes of concern not long ago, are now on solid footing. The European Central Bank remains accommodative, encouraging investment through low interest rates and an expanded balance sheet. China also seems past the 2014–2016 lull. China's growth stands close to 7%, a heady number for an economy of that size.

There are some notable short and intermediate term risks to watch. Most immediately, the hurricane season has devastated large areas of the country, likely affecting millions for years to come. History suggests that economic readings over the next few months will be weaker than non-hurricane-impacted forecasts. To the extent that these readings are more severe than currently anticipated, the markets would react negatively.

One of the primary intermediate term risks goes hand in glove with our call for a strengthening economy. Strong employment often foreshadows higher labor costs. If we are not at full employment, we are close. As such, should employment costs accelerate to a higher plateau, inflation above the Fed's preferred level of 2% could be in the offing. This would be negative for both stocks and bonds.

Political risks and machinations are too numerous to elaborate on here. From Washington, we expect more proposals on taxes, trade, and health care. It is impossible to determine winners and losers until legislators can agree on their own goals and objectives.

As we head into the final quarter of 2017, in spite of the hurricane effects, the economy is stronger than it has been in years. This benign growth period--characterized by stronger corporate earnings, low inflation and a receding Fed, should continue into 2018. Equities are the preferred class in this environment, with bond returns likely restricted to their inherent coupon rates assuming a continued gentle path for inflation.

Congress Asset Management Co. Large Cap Growth Composite 1/1/1985 - 9/30/2017

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	18.6	18.2	14.2	20.7	n/a	n/a	n/a	79	n/a	111	7,024	10,087
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 1/1/96 – 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 1/1/96 – 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. CAM acquired Century Capital Management, LLC on September 15, 2017.

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 full 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. 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, composites are 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 management fee in the Large Cap Growth composite, which was 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.