CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

Q4 2016
Large Cap Growth

Market Review

The November presidential election was the seminal event of the fourth quarter and may prove to be the most important single event since the financial crisis. The end of the campaign may have been a relief for the market. But relief does not explain the price swings between different asset classes or even between different stock market sectors. As December progressed, the S&P 500 closed most days near a record high and the Dow Jones Industrial Average marched inexorably towards the psychologically important 20,000 mark. Bond prices fell, leaving the ten year yield near 2.60%, a high for the year. The dollar, riding a wave of optimism and higher rates has risen to levels not seen in decades.

There were vast return differences within the stock market as well. Small company stocks, considered both a tax reform beneficiary and sheltered from a rising dollar have soared since the election. Bank stocks, weighed down by regulations and low interest rates for the past decade, sprung to life at the expense of utilities and other "bond proxy" stocks. The promise of robust government funded infrastructure projects helped support industrial and material stocks.

In the months leading up to the election and since, the election took on a life of its own. Lost in the election headlines were the more mundane measures of economic output that tell an interesting economic story.

The economy has grown at about a 2% pace since the recession ended in 2009, marking the slowest average rate of any expansion since at least 1949. Measures of economic activity, however improved notably as the year progressed. Gross domestic product (GDP), the broadest measure of our economy ended the 3rd quarter at 3.5% growth, the strongest level in two years and substantially better than the lackluster readings from earlier in the year. Another broad measure, the unemployment rate was similarly positive measuring 4.6% in December. There are jobs to be had and we have more employed than ever before.

In spite of the recent run up in interest rates, we remain in a historically low interest rate environment. Low rates combined with new job creation have had a sustained positive impact on the housing and auto markets. Millennials, for whom jobs were scarce five years ago, are finding work and creating new households providing a solid foundation for home sales and prices. Consumers are more positive than they have been in years, the December confidence expectations index jumped to the highest level since December 2003.

The negative effects of a deflationary energy market are largely behind us. With oil hovering around $55 per barrel, business investment is likely to increase. Business investment has not recovered from its unprecedented collapse during the financial crisis and has been a drag on economic growth. OPEC's recent production agreement, their first in 10 years combined with non-OPEC producers' similar agreement should provide a conducive floor for investment spending.

In our opinion, economic prospects are strengthening, not-withstanding the proposals proffered by President-elect Trump to jump start the economy. Trump's proposals, if made policy, could bolster growth but probably not as fast or to the degree many envision. The proposals are far reaching impacting fiscal, tax, and trade policies. For that reason, forecasting the impacts on our economy or the markets is inexact at best.

One thing is almost certain, there will be less regulation emanating from Washington. In the wake of the financial crisis, the regulatory burden on business increased considerably effecting small businesses disproportionately. Less regulation would allow small businesses to hire more freely, positively impacting job growth, increasing competitiveness and fostering innovation. Financial firms, and banks in particular, would also benefit from an easing regulatory environment.

Trump's fiscal spending plans are less clear. The last big infrastructure plan was initiated in the early stages of the Obama administration and included "shovel ready" projects. Trump's fiscal spending plan appears similar to the Obama plan and promises improved roadways, airports, and rail services. These type of initiatives usually take longer to implement and take root. Furthermore, repairing existing infrastructure has a more muted economic benefit than new greenfield projects. In this regard, new plans agreed to in 2017 would benefit 2018 and beyond.

A proactive fiscal spending plan may reduce dependency on the Federal Reserve Bank's (Fed) monetary programs, a welcome outcome in our view. After eight years of monetary expansion and quantitative easing, the Fed's ability to kick start growth has waned. A more aggressive fiscal policy may help limit any negative effect of Fed's latest increase in the federal funds rate.

Trump's tax proposals are ambitious and encompass broad corporate tax reform and lower tax rates for individuals. Broad tax reform is often discussed but has eluded the previous four administrations. With party support in both houses of Congress, we should experience, at a minimum, lower personal and corporate tax rates. Lower rates would bolster spending and provide some growth at the possible expense of lower federal tax revenues.

Performance Overview

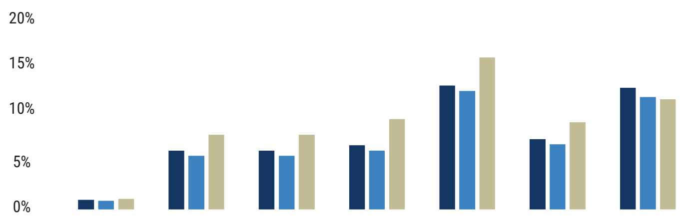
The Large Cap Growth Portfolio narrowly underperformed the Russell 1000 Growth Index® during the fourth quarter. The Large Cap Portfolio return was 0.92% versus the Russell 1000 Growth Index's® performance of 1.01%.

Security selection had the largest impact on performance. The Portfolio benefited from positive security selection within the Health Care and Energy sectors. Security selection in the Consumer Staples, Materials, and Financial sectors detracted from performance. Asset allocation had a small positive impact on performance, led by the Portfolio's overweight to the Financial sector.

The holdings that made the highest contribution to the Portfolio's quarterly total return were J.B. Hunt Transport Services, Inc. (JBHT +19.96%), UnitedHealth Group, Inc. (UNH +14.77%), and Akamai Technologies, Inc. (AKAM +25.84%).

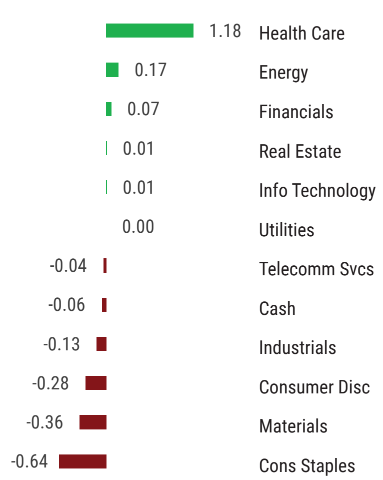
The holdings that detracted the most from the Portfolio's total return were Under Armour, Inc. (UAA -24.90%), Estee Lauder Companies Inc. (EL -13.25%), and Colgate–Palmolive Company (CL -11.25%).

Annualized Returns % as of 12/31/2016



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Large Cap Growth (Gross)	0.9	5.6	5.6	6.1	11.8	6.7	11.6
Large Cap Growth (Net)	0.8	5.1	5.1	5.6	11.3	6.2	10.7
Russell 1000 Growth®	1.0	7.1	7.1	8.6	14.5	8.3	10.5

% Total Effect Portfolio vs. Index (9/30/2016 - 12/31/2016) (bps)



Q4 2016 Attribution Highlights

Overall Contributors

- Security Selection in Health Care
- Security Selection in Energy

Overall Detractors

- Security Selection in Consumer Staples
- Security Selection in Materials
- Security Selection in Financials

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
J.B. Hunt Transport	JBHT	0.49%
UnitedHealth Group, Inc.	UNH	0.47%
Akamai Technologies, Inc.	AKAM	0.46%

J.B. Hunt Transport Services, Inc. (JBHT) and its wholly owned subsidiaries provide transportation and delivery services to customers and consumers throughout the continental United States, Canada, and Mexico. JBHT's service offerings include transportation of full-truckload containerized freight, which it directly transports utilizing JBHT's equipment and drivers or independent contractors. The Company operates in four segments, Intermodal (JBI), Dedicated Contract Services (DCS), Integrated Capacity Solutions (ICS), and Truck (JBT). JBHT has faced pricing pressures for several quarters due to slack within the trucking market. The pricing pressures have become more significant and margins have deteriorated within the JBI, JBT and ICS divisions. However, since the U.S. presidential election JBHT has rallied nearly 25% as investors see a potential lower corporate tax rate in the future for the Company (currently at ~ 38%) as well as improved prospects for economic activity.

UnitedHealth Group, Inc. (UNH) designs products, provides services, and applies technologies that improve access to health and well-being services, simplify the health care experience, and make it more affordable. UNH has four reportable segments across two business platforms, United Healthcare and Optum. UNH increased nearly 15% in the fourth quarter, driven largely by news flow from their investor conference as well as several sell side analyst upgrades. At the UNH investor conference in November, the UNH management team reaffirmed both their revenue and earnings guidance for 2016 and provided above consensus guidance for 2017 (adjusted EPS of $9.30 - $9.60). Regardless of any potential changes to the Affordable Care Act, UNH believes that they are well positioned for continued growth.

Akamai Technologies, Inc. (AKAM) provides cloud services for delivering, optimizing, and securing online content and business applications. Its solutions are designed for businesses, government agencies, and other enterprises to enhance their revenue streams and reduce costs by maximizing the performance of their online businesses. AKAM's solutions range from delivery of conventional content on websites, to tools that support the delivery and operation of cloud-based applications, to live and on-demand streaming video capabilities. These solutions are designed to help its customers interact with people accessing the internet from myriad devices. AKAM increased more than 25% during the fourth quarter, primarily fueled by very strong third quarter earnings results. AKAM delivered both a top line revenue beat ($584 million vs. consensus $572 million) and a seven cents earnings beat ($0.68 vs consensus $0.61) largely driven by their security business. In addition, AKAM provided fourth quarter earnings guidance that was better than expected.

Detractors

Stock	Ticker	Detraction
Under Armour, Inc.	UAA	-0.37%
Estee Lauder Companies, Inc.	EL	-0.35%
Colgate-Palmolive Company	CL	-0.30%

Under Armour, Inc. (UAA) is a developer, marketer, and distributor of branded performance apparel, footwear, and accessories for men and women of all ages. UAA sells its products domestically through wholesale channels, including national and regional sporting goods chains, independent and specialty retailers, department store chains, institutional athletic departments, and leagues and teams. Internationally, it sells products to independent distributors in various countries. UAA declined nearly 25% during the fourth quarter, with much of that decline resulting from their third quarter earnings report. The third quarter itself was actually better than expected ($0.29 vs. $0.25 consensus EPS estimates) however, UAA announced a significantly reduced profitability outlook for 2018. The amended outlook for 2018 resulted in numerous revisions to earnings estimates, which in turn resulted in several sell side downgrades on UAA. UAA noted that this reduced profitability outlook is due to a negative future product mix that favors lower margin footwear over apparel, as well as a significant step up in SG&A investments. These investments are necessary for UAA to compete globally.

Estee Lauder Companies Inc. (EL) is engaged in the manufacturing and marketing of skin care, makeup, fragrance, and hair care products. EL sells its products through limited distribution channels including upscale department stores, specialty multi-brand retailers, upscale perfumeries and pharmacies, and prestige salons and spas. EL declined more than 13% during the quarter, with most of that decline following their first quarter 2017 results. Revenue for the quarter was $2.87 billion, which was less than consensus estimates of $2.89 billion. Despite the top line miss, earnings were actually four cents better than expected ($0.84 vs. consensus of $0.80) due to EL's disciplined expense management. Small and mid-size brands were strong contributors during the first quarter, as was the travel retail channel and some emerging markets. Global economic challenges weighed on the quarterly results, namely the broad weakness in US department stores and economic softness in Hong Kong. EL's second quarter guidance, as well as their full year 2017 guidance, were both softer than consensus estimates. On a positive note, EL did announce a 13% increase to their quarterly dividend.

Colgate–Palmolive Company (CL) is a consumer products company. Its products are marketed in over 200 countries and territories throughout the world. CL operates in two product segments; Oral, Personal, and Home Care and Pet Nutrition. CL declined more than 11% in the quarter. CL's third quarter revenue was less than expected ($3.87 billion vs $3.94 billion consensus) however, earnings met consensus estimates ($0.73). Organic growth of +4.5% was in line with consensus expectations with specific organic growth strength cited in Latin America (+10.5%), Africa/Eurasia (+8.50%), and Asia Pacific (+3.0%). CL noted that both foreign exchange volatility and macroeconomic conditions will be significant challenges during 2017. Despite these challenges, CL still expects to see gross margin expansion in 2017, and believes that it can still deliver double digit earnings per share growth.

Information is as of 12/31/2016

Q4 2016 Transaction Summary

Sector Allocation Changes

- Increase in Energy

Purchased

- Acuity Brands Inc. (AYI)
- O'Reilly Automotive Inc. (ORLY)
- Chevron Corp. (CVX)
- Sun Trust Banks, Inc. (STI)

Sold

- Starbucks Corp. (SBUX)
- McGraw Hill Financial Inc. (SPGI)
- JB Hunt Transport Services (JBHT)

Purchased

Acuity Brands Inc. (AYI) designs, produces, and distributes lighting solutions, components, and services to commercial, institutional, industrial, infrastructure, and residential applications throughout North America and international markets. AYI continues to expand its solutions portfolio, including software and services, to provide a host of economic benefits resulting from data analytics that enable the Internet of Things and support the advancement of smart buildings, smart cities, and the smart grid. Its customers include electrical distributors, system integrators, retail home improvement centers, electric utilities, lighting showrooms, national accounts, and energy service companies located in North America and select international markets serving new construction, renovation, and maintenance and repair applications. The lighting industry is in the early stages of a secular transition to LED lighting systems. At less than 10% market penetration, LED systems are set to accelerate their gains as both prices and customer payback periods decline. AYI is the lighting market leader with compounded annual sales growth of more than 12%, EBITDA of more than 19%, and increasing levels of free cash flow. In October AYI announced that supply chain decisions had resulted in lost orders and additional expenses during the fourth quarter, which led AYI to report a softer quarterly earnings release than expected. AYI implemented several actions to better leverage their supply chain and reiterated the overall secular demand within their end markets. We took advantage of AYI price weakness to add this high quality growth stock to the portfolio.

O'Reilly Automotive Inc. (ORLY) is a specialty retailer of automotive aftermarket parts, tools, supplies, equipment, and accessories in the United States. ORLY sells its products to both do-it-yourself and professional service providers. ORLY operates 4,571 stores in 44 states. ORLY stores carry an extensive product line including; new and re-manufactured automotive hard parts (starters, pumps, brake systems etc.), maintenance items (oil, antifreeze, filters etc.), and accessories (floor mats, seat covers etc.). ORLY also offers services and programs to its customers, such as used oil, oil filter, and battery recycling, battery, wiper and bulb replacement, battery diagnostic testing, electrical and module testing, check engine light code extraction, etc. Fundamentally, the Company has delivered strong compounded annual growth rates in sales (+8%), EBITDA (+14%), EPS (+25%), and free cash flow (+20%) over the past five years. ORLY has significant geographic expansion opportunity still available, as they are underpenetrated on the East Coast. ORLY's leading market share and solid financials, along with an opportunity to still expand their U.S footprint, led us to add the position to the portfolio.

Chevron Corp. (CVX) engages in the business of integrated energy and chemical operations. It operates through two segments, Upstream and Downstream. The Upstream segment consists of exploring for, developing, and producing, crude oil and natural gas. The Downstream segment focuses on refining crude oil into petroleum products. After a decade of heightened capital expenditures to develop long-cycle liquefied natural gas projects spending is set to decline, while production volume begins to ramp. Further, CVX has strategically shifted its priorities to short-cycle U.S. shale with its valuable Permian acreage, which should increase flexibility and lower execution risk for the company. The combination of lower capital outlays and increasing production should allow for free cash flow improvements. With oil prices increasing, lower costs, production gains, and higher free cash flow, CVX is a high quality Energy sector addition to the portfolio.

Sun Trust Banks, Inc. (STI) is a bank and financial holding company with commercial banking organizations that provide financial services to both consumer and corporate clients. Additional subsidiaries provide asset management, securities brokerage, and capital market services. The Company operates within Florida, Georgia, Maryland, North Carolina, South Carolina, Tennessee, Virginia, and the District of Columbia. STI has made progress improving the efficiency of its balance sheet in recent years by lowering expenses, maintaining a disciplined approach to credit, and conservative management of the capital base (organic growth, share repurchases, and dividends over acquisitions). STI plans to further reduce their efficiency ratio in 2017, even without the benefit of any rate hikes, by improving branch efficiency as well as planning to grow revenues faster than expenses. Like its peers, STI should benefit from any policy changes on corporate taxes or regulatory relief. The recent acquisition of Pillar Financial is expected to add about $90 million to STI's Wholesale Banking's annual revenue beginning in 2017. Improved efficiency, revenue, and earnings growth potential led us to add this Financial sector position to the portfolio.

Sold

Starbucks Corp. (SBUX) is a roaster, marketer, and retailer of specialty coffee in 65 countries worldwide. It sells a variety of coffee and tea products. In addition to its flagship Starbucks Coffee brand, it also sells goods and services under brands such as Teavana, Tazo, Seattle's Best Coffee, Evolution Fresh, La Boulange, and Ethos. SBUX delivered a disappointing third quarter, as both global and U.S. same store sales comps, year over year, were weaker than expected for the second consecutive quarter. The U.S comps were particularly disappointing as they fell below 5% for the first time in 25 quarters. SBUX noted that running two major marketing messages simultaneously resulted in softer comps. Operating margins are under pressure due to increased healthcare and wage expenses which are expected to bleed into 2017. The volatility in same store sales comps is likely to persist in future quarters, so we decided to exit the stock.

McGraw Hill Financial Inc. (SPGI) is a benchmark and ratings, analytics, data, and research provider serving the capital, commodities, and commercial markets. The capital markets include asset managers, investment banks, commercial banks, insurance companies, exchanges, and issuers; the commodities markets include producers, traders, and intermediaries within energy, metals, petrochemicals and agriculture; and the commercial markets include professionals and corporate executives within automotive, financial services, insurance, and marketing/research information services. Since the U.S. presidential election, interest rates have increased significantly, which may result in a slowdown in global bond issuance. Despite a strong third quarter earnings report, we believe that higher future interest rates will potentially slow growth. We exited the stock for better growth ideas.

JB Hunt Transport Services Inc. (JBHT) and its wholly owned subsidiaries provide transportation and delivery services to customers and consumers throughout the continental United States, Canada, and Mexico. JBHT's service offerings include transportation of full-truckload containerized freight, which it directly transports utilizing JBHT's equipment and drivers or independent contractors. The Company operates in four segments, Intermodal (JBI), Dedicated Contract Services (DCS),

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 12/31/2016

Integrated Capacity Solutions (ICS), and Truck (JBT). JBHT has faced pricing pressures for several quarters due to slack within the trucking market. The pricing pressures have become more significant and margins have deteriorated within the JBI, JBT and ICS divisions. However, since the U.S. presidential election JBHT has rallied nearly 25% as investors see a potential lower corporate tax rate in the future for the Company (currently at ~ 38%), as well as improved prospects for economic activity. Given the significant run up in the stock during the quarter and the industry pricing challenges, we decided it was time to exit the stock.

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 four purchases and three sales during the fourth quarter, and they are reflective of this strategy. These combined transactions essentially increased the Energy sector weight of the Portfolio.

Outlook

As we enter 2017, the driving factors behind our economic picture are largely established. Job growth and low interest rates are supporting enhanced growth. Wages are trending up, supporting an already optimistic consumer. Interest rates are likely to gradually increase reflecting a stronger economy. The new administration's policies, if enacted as proposed, would likely benefit the latter half of 2017 and 2018.

Stocks remain the preferred asset class. Policy uncertainty has increased and will present opportunities as the year progresses, but valuations are reasonable and the prospects for earnings growth are sound.

Congress Asset Management Co. Large Cap Growth Composite 1/1/1985 - 12/31/2016

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)
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 – 6/30/16. 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 – 12/31/15. 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.