CONGRESS ASSET MANAGEMENT COMPANY

Q2 2017

Multi-Cap Growth

Portfolio Commentary

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.

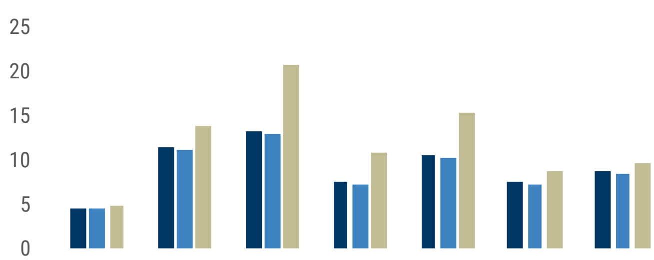
In contrast to bonds, the stock market eschewed economic concerns and rallied, once again with limited volatility. Corporate profits were up 12% over the prior year, which provided heft and supported the rise. The rally was broader than just the big tech companies, too. In fact, bolstered by the still 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

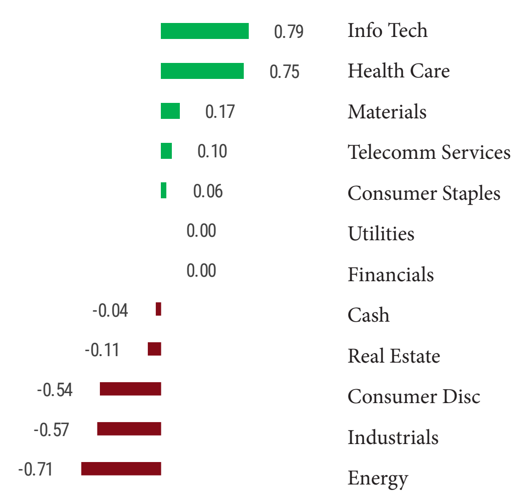
The Congress Multi-Cap Growth Portfolio underperformed the Russell 3000 Growth Index© during the second quarter. The Multi-Cap Growth Portfolio returned approximately 4.52% versus the Russell 3000 Growth Index's© performance of 4.65%.
Stock selection drove the portfolio's performance. The portfolio benefited from security selection within the Information Technology, Health Care, and Material sectors, while Industrials and Consumer Discretionary security selection lagged. Asset allocation detracted from performance due to the portfolio's overweight to the Energy sector.

Annualized Returns % as of 6/30/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Multi-Cap Growth (Gross)	4.5	11.4	13.3	7.6	10.5	7.4	8.8
Multi-Cap Growth (Net)	4.4	11.2	12.9	7.2	10.1	7.1	8.4
Russell 3000 Growth®	4.7	13.7	20.7	10.8	15.2	8.8	9.5

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



Q2 2017 Attribution Highlights

Overall Contributors

- Security selection in Information Technology, Health Care & Materials

Overall Detractors

- Security selection in Industrials & Consumer Discretionary
- Allocation to Energy

Top 3 Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Align Technology, Inc.	ALGN	0.77%
PayPal Holdings, Inc.	PYPL	0.54%
Edwards Lifesciences	EW	0.44%

Detractors

Stock	Ticker	Detraction
O'Reilly Automotive, Inc.	ORLY	-0.37%
Helmerich & Payne, Inc.	HP	-0.28%
Gentex Corp.	GNTX	-0.23%

Align Technology, Inc. (ALGN) designs, manufactures, and markets a system of clear aligner therapy, intra-oral scanners, and CAD/CAM digital services used in dentistry, orthodontics, and dental records storage. ALGN has two operating segments, Clear Aligner and Scanners and Services. The Clear Aligner segment consists of ALGN's Invisalign System along with its products for treating the misalignment of teeth. The Scanners and Services segment consists of intra-oral scanning systems and services that provide digital alternatives to traditional cast models. ALGN shares increased over 9% when first quarter earnings were announced in April. Revenue for the Clear Aligner segment increased 28% year over year. Gross (75.9%) and operating margins (19.9%) both improved, and earnings were well ahead of expectations. ALGN then provided better than expected guidance for the second quarter. In May, ALGN announced a $50 million accelerated share repurchase plan that would be funded with ALGN's cash on hand. In June, ALGN was added to the S&P 500 Index.

PayPal Holdings, Inc. (PYPL) provides electronic payment solutions. PYPL's digital wallet securely and conveniently stores customer account data. PayPal also facilitates payment processing for merchants. 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 were 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 is 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 that they are well positioned to take advantage of the secular growth within digital payment solutions.

Edwards Lifesciences Corp. (EW) designs, manufactures, and markets a range of medical devices and equipment for treating advanced stage heart disease. EW's key products include tissue heart valves, surgical clips, catheters and retractors, and monitoring systems. EW shares increased more than 9% following the release of their first quarter results. Revenue easily beat consensus expectations by more than 13% and earnings were twelve cents better than expected. Gross margins improved more than 100 basis points. Finally, Transcatheter aortic valve replacement (TAVR) sales were much better than expected ($539 million vs $447.3 million.)

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 operates 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 their 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 competitive fears from online retailers, a slower do-it–yourself market, and sell side downgrades.

Helmerich & Payne, Inc. (HP) operates the largest fleet of U.S. land drilling rigs. HP's FlexRig line is the leading choice to drill horizontal wells for the production of U.S. tight oil and gas. HP is engaged in contract drilling of oil and gas wells for other producers, and owns, develops, and operates commercial real estate. HP has had a couple of disappointing quarters despite modest improvements in FlexRig activity and pricing. The activity and pricing just isn't robust enough, so we decided to exit the stock in May for other growth opportunities.

Gentex Corp. (GNTX) designs and manufactures automatic-dimming rearview mirrors and electronics for the automotive industry, dimmable aircraft windows for the aviation industry, and commercial smoke alarms and signaling devices for the fire protection industry. Automotive revenue is a significant portion of GNTX's total revenue. GNTX's first quarter results were better than expected. Revenue of $453.5 million exceeded consensus expectations of $449 million and earnings of $0.33 were better than the $0.31 consensus estimate. GNTX noted that weakening light vehicle production estimates in both Europe and North America would pressure the second and third quarter revenue estimates. GNTX management also expects revenue to be at the lower end of their guidance.

Q2 2017 Transaction Summary

Sector Allocation Changes

- Decrease in Energy & Real Estate
- Increase in Industrial & Financials

Purchased

- CEVA, Inc.
- Global Payments Inc.
- Cummins Inc.
- Pool Corporation
- A.O. Smith Corp.
- Lending Tree, Inc.

Sold

- Schlumberger NV
- Paychex, Inc.
- Manhattan Associates, Inc.
- Tractor Supply Company
- Public Storage
- HollyFrontier Corp.
- Helmerich & Payne, Inc.

Purchased

CEVA, Inc. (CEVA) licenses a family of programmable digital signal processor (DSP) cores and application-specific platforms, vision, imaging, audio and voice, as well as communications technologies. CEVA's technologies are licensed to semiconductor and original equipment manufacturer companies such as Fujitsu, Intel, LG Electronics, NXP, Panasonic, Samsung, Sony, and Toshiba. CEVA was added to the portfolio in May, and shortly thereafter announced first quarter results. CEVA reported its highest quarterly revenue and strongest licensing quarter (45% revenue) ever, including several marquee customer wins. Revenue increased 29% year over year. CEVA announced 11 new non-handset baseband application deals. Royalty revenue (55% revenue) was stronger than expected, and earnings more than doubled year over year.

Global Payments Inc. (GPN) is a provider of payment solutions for merchants, value-added resellers, enterprise software providers, financial institutions, government agencies, multi-national corporations, and independent sales organizations. GPN is a key conduit in the chain that links the end consumer to the institutions behind the credit card infrastructure. Many of GPN's customers are small and midsized merchants in the U.S. The secular shift toward electronic payments both in the US and internationally supports the demand for GPN's products and services. In May, GPN announced very strong first quarter results including double digit organic revenue growth and earnings per share ($0.85) that were well ahead of consensus expectations ($0.80). Operating margins expanded significantly and GPN increased its full year (2017) earnings per share estimate from $3.70-$3.90 to $3.78-$3.95.

Cummins Inc. (CMI) designs, manufactures, distributes, and services diesel and natural gas engines, electric power generation systems, and engine-related component products. CMI sells components directly to equipment manufacturers, including Paccar and Daimler, as well as a network of roughly 600 distributors and 7,200 dealer locations. In May, CMI announced first quarter results that were much better than expected. Revenue increased 7% year over year and earnings per share of $2.36 easily exceeded consensus expectations of $1.81. CMI had previously guided 2017 sales from flat to down 5%. After the release of their first quarter results, sales guidance was revised up significantly to +4 to +7% year over year. CMI expects sales to be better in every segment, and in turn, raised its 2017 earnings guidance.

Pool Corporation (POOL) is a wholesale distributor of swimming pool supplies and irrigation and landscape products in the United States. Products include non-discretionary pool-maintenance products such as chemicals and replacement parts, as well as pool equipment, including kits to build swimming pools, cleaners, filters, heaters, pumps, and lights. POOL announced first quarter results with revenue 5% better than consensus estimates and earnings better than expected. POOL also increased their full year guidance. Finally, POOL authorized an additional $150 million to their share repurchase program and a 19% increase in their quarterly dividend. POOL is benefiting from strong industry growth and replacement/remodeling activity. This remodeling trend is expected to continue for the next several years.

A.O. Smith Corp. (AOS) manufactures and markets water heaters and boilers for residential and commercial end markets. AOS has two reporting segments: North America and Rest of World (China, Europe and India). Both segments manufacture and market comprehensive lines of residential gas, gas tank-less, electric water heaters, and commercial water heating equipment. AOS announced strong first quarter results in April. Revenue was 6% ahead of expectations while earnings were three cents better. Management increased their full year guidance with revenue expected to grow between 9-10% and earnings ranging between $2.03-$2.09 per share. We like the recurring and replacement market characteristics of AOS's business, as well as the fact that their consumer products in China and end markets in the US continue to be strong.

Lending Tree, Inc. (TREE) is an online exchange that connects consumers with lenders. TREE serves as an ally to consumers who are looking to comparison shop and make informed purchase decisions for loans (mortgages, home equity loans etc.) It provides consumers with an array of information and tools conveniently located on its websites. In addition, it provides consumers with access to offers from multiple providers that can compete for their business, usually through a single inquiry form. We like the prospect that TREE may be in the early stages of a fundamental shift that takes financial services online, similar to the shift that the retail and travel industries experienced. The mortgage business has traditionally represented the bulk of TREE's revenues, but they are in the process of diversifying their business mix into non–mortgage categories (home equity, student loans, small business loans, and credit cards). Over the past five years, TREE has a compounded annual sales growth rate of more than 40%. TREE has no long-term debt and generates more than $25 million in free cash flow.

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, and production. Reservoir characterization consists of the principal technologies used in finding and defining hydrocarbon resources. Drilling is comprised of the principal technologies used in the drilling and positioning of oil and gas wells. Production group provides technologies utilized in the lifetime production of oil and gas reservoirs. In April, SLB announced first quarter earnings of $0.25 which were in line with consensus earnings estimates, while revenue was lower than expected at $6.89 billion. The North American 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, Russia land, and China. Revenue in Europe, Africa, and the Middle East all declined sequentially as well. We felt that there were better growth opportunities available elsewhere.

Paychex, Inc. (PAYX) is the second largest provider of integrated payroll, human resource, insurance, and benefits outsourcing solutions for small to medium-sized businesses in the United States. PAYX announced third quarter earnings at the end of March. Revenue was less than expected, however earnings per share exceeded expectations. PAYX lowered their full year revenue guidance for both payroll and human resource services. PAYX also outlined softer human resource revenue expectations for 2018. The softer 2018 outlook prompted our exit from the stock.

Manhattan Associates, Inc. (MANH) develops, sells, deploys, services, and maintains software solutions designed to manage supply chains, inventory, and omni-channel operations for retailers, wholesalers, manufacturers, and logistics providers. Supply Chain provides tools to manage distribution and optimize transportation costs. Omni-Channel provides solutions that manage inventory availability across all channels and locations. Inventory provides distributors (apparel, food, auto parts, pharmaceuticals, etc.) the ability to forecast demand, determine when, where, and how much inventory is needed and translate this into a profitable inventory buying plan. MANH announced another disappointing quarter with first quarter revenue coming in less than expected ($143.5 million vs consensus $146.5 million,) although earnings were better than expectations. Pressure from the retail sector continues to impact the stock, and MANH reduced their guidance for the full year. Retail store closures have increased significantly in 2017, as retailers reevaluate their strategies as well as their asset base. Given these weaker end markets, we decided to exit MANH.

Tractor Supply Company (TSCO) is the largest operator of rural lifestyle retail stores in the United States. TSCO targets recreational farmers and ranchers and has little exposure to commercial and industrial farm operations. In April, TSCO preannounced first quarter earnings and noted a range of $0.45-$0.46 per share with comparable store sales of -2.2%. Both estimates were well below consensus expectations. After two consecutive disappointing quarters, we decided to exit the stock.

Public Storage (PSA) owns and operates approximately 2,300 self-storage facilities in 38 states. PSA offers storage spaces for lease, generally on a month-to-month basis, for personal and business use. In April, PSA reported revenue and core funds from operations per share that were less than consensus estimates. PSA had underperformed year to date, and after this soft first quarter we decided to exit the stock.

HollyFrontier Corporation (HFC) is an independent petroleum refiner. HFC produces high-value light products such as gasoline, diesel fuel, jet fuel, specialty lubricants, and modified asphalt. HFC has a 39% ownership stake in Holly Energy Partners, which owns and operates petroleum product pipelines and terminals. HFC's current operational focus is on their acquisition of Petro-Canada Lubricants Inc. which occurred in 2016. Petro–Canada will diversify HFC, and should help improve HFC's margin profile. Despite the recent acquisition, the company has had several quarters of disappointing earnings, so we exited the position.

Helmerich & Payne, Inc. (HP) has the largest fleet of U.S. land drilling rigs. HP's FlexRig line is the leading choice to drill horizontal wells for production of U.S. tight oil and gas. HP is engaged in contract drilling of oil and gas wells for other companies, as well as the ownership, development, and operation of commercial real estate. HP has had a couple of disappointing quarters despite modest improvements in FlexRig activity and pricing. The activity and pricing is not robust enough, so we decided to exit the stock in May 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. There were six purchases and seven sales during the second quarter and they are reflective of this strategy. These combined transactions essentially reduced the Energy and Real Estate sector weightings, 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. Multi-Cap Growth composite 7/1/2003 - 6/30/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	*Russell 3000 Growth % (dividends reinvested)*	S&P500 Return % (dividends reinvested)	Composite Gross 3-Yr St Dev(%)	Russell 3000 Growth 3-yr St Dev (%)	S&P 500 3-Yr St Dev (%)	Number of Portfolios	Gross Dispersion %	Total Composite Assets End of Period ($ millions)	% of composite represented by non-fee paying account	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
YTD	11.4	11.2	13.7	9.3	n/a	n/a	n/a	23	n/a	193	n/a	6,261	9,122
2016	0.5	0.1	7.4	12.0	11.4	11.3	10.6	6	n/a	131	n/a	5,693	8,139
2015	2.7	2.3	5.1	1.4	10.8	10.8	10.5	≤5	n/a	135	n/a	5,941	7,094
2014	7.0	6.6	12.4	13.7	10.4	9.7	9.0	≤5	n/a	134	n/a	6,328	7,449
2013	31.2	30.7	34.2	32.4	12.6	12.5	11.9	≤5	n/a	127	n/a	6,489	7,467
2012	15.9	15.5	15.2	16.0	16.7	16.0	15.1	≤5	n/a	100	n/a	6,755	7,498
2011	1.8	1.5	2.2	2.1	18.2	18.2	18.7	≤5	n/a	87	n/a	6,329	7,014
2010	14.1	13.7	17.6	15.1				≤5	n/a	82	n/a	6,416	6,678
2009	34.9	34.4	37.0	26.5				≤5	n/a	72	n/a	5,263	5,463
2008	-35.5	-35.7	-38.4	-37.0				≤5	n/a	54	1%	4,292	4,371
2007	14.3	13.9	11.4	5.5				≤5	n/a	83	n/a	5,812	5,846
2006	8.0	7.4	9.5	15.8				≤5	n/a	103	n/a	5,464	5,469
2005	2.9	2.3	5.2	4.9				≤5	n/a	100	n/a	4,750	4,751
2004	16.6	15.8	6.9	10.9				≤5	n/a	89	n/a	3,844	3,844
2H '03	16.9	16.6	15.4	15.2				≤5	n/a	56	n/a	3,697	3,697

#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. The verification report is available upon request. 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. Verification does not ensure the accuracy of any specific composite presentation.

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 Multi-Cap Growth Composite was created on July 1, 2003. This inception date reflects the first full month 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 multi cap growth style for a minimum of one consecutive month. The multi-cap growth strategy invests in the equity of high quality companies with market capitalizations over $500 million exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). The primary composite benchmark is the Russell 3000 Growth and the S&P 500 is a supplemental index. Effective January 1, 2008 the Multi-Cap Growth benchmark was changed retroactively from the S&P 500 and S&P MidCap 400 indices to the Russell 3000 Growth index in order to better represent the investable universe. The returns for the S&P MidCap 400 were 20.7% for the 2H'03, 16.5% for 2004, 12.6% for 2005, 10.3% for 2006 and 8.0% for 2007. 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 Multi-Cap Growth composite, which is 0.63%. 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 2003 through 2010 as it is not required for periods prior to 2011.

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.