CONGRESS ASSET MANAGEMENT COMPANY

Q3 2017

Multi-Cap Growth

Portfolio Commentary

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.

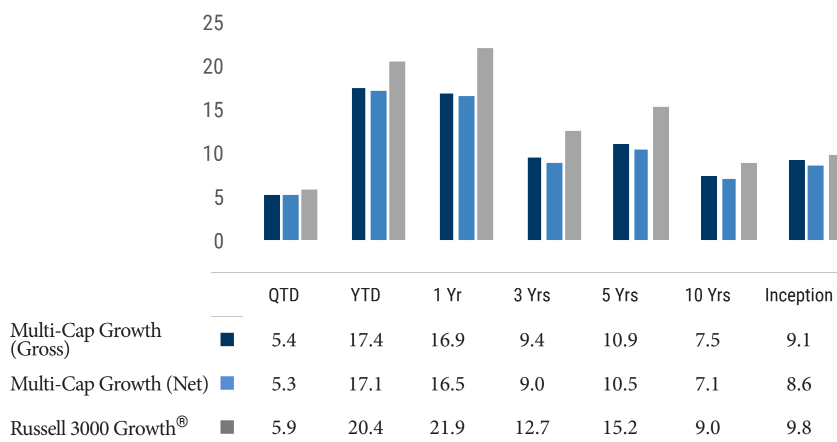
Domestically the renewed robustness will be led by the consumer. Demographics suggest we are in a prolonged period of elevated expenditures as the millennial generation meets its prime spending age, similar to the baby boomers in the 1990's. The generational cohorts are similar in size with the millennials 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

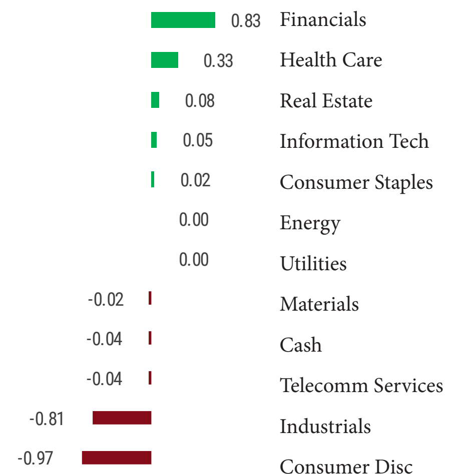
The Congress Multi-Cap Growth Portfolio underperformed the Russell 3000 Growth Index© during the third quarter. The Multi-Cap Growth Portfolio returned approximately 5.38% gross of fees (5.29% net) during the third quarter of 2017 while the Russell 3000 Growth Index© returned 5.93%. Stock selection hindered performance by approximately 48 basis points relative to the benchmark. The portfolio benefited from security selection within Financials, Health Care and Information Technology, while security selection within Consumer Discretionary and Industrial sectors detracted. Asset allocation had a small impact on performance (-8 basis points) largely related to the portfolio's underweight within the Information Technology sector (29.5% vs. 36.3% for the portfolio and benchmark, respectively).

Annualized Returns % as of 9/30/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Multi-Cap Growth (Gross)	5.4	17.4	16.9	9.4	10.9	7.5	9.1
Multi-Cap Growth (Net)	5.3	17.1	16.5	9.0	10.5	7.1	8.6
Russell 3000 Growth®	5.9	20.4	21.9	12.7	15.2	9.0	9.8

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



Information is as of 9/30/2017. Sources: Congress Asset Management, Factset, Russell Investments 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. Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or underlying data contained in this communication. No further distribution of Russell data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

Q3 2017 Attribution Highlights

Overall Contributors

- Security selection in Financials
- Security selection in Health Care
- Security selection in Information Technology

Overall Detractors

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

Top 3 Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Lending Tree, Inc.	TREE	0.83%
Align Technology, Inc.	ALGN	0.58%
PayPal Holdings, Inc.	PYPL	0.50%

Detractors

Stock	Ticker	Detraction
Ulta Beauty, Inc.	ULTA	-0.48%
Newell Brands, Inc.	NWL	-0.37%
Apogee Enterprises, Inc.	APOG	-0.29%

Lending Tree, Inc. (TREE, +41.96%) is an online lender exchange that connects consumers with lenders. TREE faces competition from lenders that source consumer loan originations directly through their websites or by phone. In July, TREE announced healthy second quarter results. Revenue was well ahead of management's guidance ($152.8 million vs. $133 to $137 million) as total loans requested increased 48% year over year. TREE continues to use capital for acquisitions and in September TREE announced the acquisition of Snap Capital. Snap Capital connects business owners with lenders for small business loans, lines of credit and cash products.

Align Technology, Inc. (ALGN, +24.08%) designs, manufactures and markets a system of clear aligner therapy, intra-oral scanners and CAD/CAM (computer-aided design and computer-aided manufacturing) digital services used in dentistry, orthodontics, and dental records storage. ALGN pushed higher for most of the third quarter. In July, ALGN reported robust second quarter results with revenue and earnings well ahead of consensus expectations ($356.5 million in revenue and $0.85 in earnings per share). Teen case volumes continue to grow strongly. Teen cases represented 20% of volume in 2016 and have now grown to more than 35% in 2017. That growth is significant since teens represent a significant portion of the orthodontic market. ALGN appears to be taking share from the traditional wires and brackets approach, and we believe that its growth runway can continue.

PayPal Holdings, Inc. (PYPL, +19.30%) 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 of $3.1 billion and earnings per share of $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 the multiple new payment agreements over the past year. In September, PYPL's CEO Dan Schulman noted that PYPL is looking for strategic acquisitions to complement its expanding payment platform.

Ulta Beauty, Inc. (ULTA, -21.33%) offers beauty products across the categories of cosmetics, fragrance, haircare, skincare, and bath and body in addition to salon styling tools. ULTA also offers a full-service salon in all of its stores. ULTA trended lower most of the third quarter due to competition and growth concerns. In July, the Wall Street Journal noted that department stores were offering lower prices on prestige beauty products in order to drive traffic. Amazon was also reportedly considering partnerships with cosmetic sellers. These competition concerns led to several sell-side downgrades. In August, ULTA announced second quarter results and both sales and earnings exceeded expectations. ULTA's same-store sales comp of only +11.7% concerned some despite being within their 10-12% guidance for the quarter. ULTA decided to forgo promotions in order to drive earnings growth and margin expansion.

Newell Brands, Inc. (NWL, -20.04%) is a global consumer goods company. NWL's revenue segments by product include writing, home solutions, baby and parenting, and tools. NWL shares declined 4% after the release of second quarter results. Revenue ($4.05 billion) was stronger than expected with core sales growth of 2.5%. Earnings per share of $0.87 were in line with expectations. NWL reaffirmed their full-year 2017 guidance with core sales growth of 2.5–4.0%. The disappointment in the quarter was core sales that were at the lower end of NWL's guidance. NWL expects core sales growth to strengthen in the second half of 2017 led by innovation and e-commerce growth. In September, NWL lowered its full-year earnings guidance after Hurricane Harvey. The effects of Harvey resulted in a significant disruption to U.S. manufactured resin suppliers and significantly higher costs than originally planned.

Apogee Enterprises, Inc. (APOG, -14.88%) is engaged in the design and development of value-added glass solutions for enclosing commercial buildings and framing art. In August, ahead of second quarter earnings, APOG revised its 2018 outlook lower primarily related to the acquisition of EFCO. APG management noted that revenues and margins from EFCO would be lower than originally anticipated due to revised cost estimates made after the EFCO closing. In September, APOG announced second quarter results that were lower than expected, $343 million in revenue and $0.75 in earnings per share. Despite the weakness, APOG management believes that based upon bidding activity, order pipeline and backlog, that market growth will improve for the next three years. APOG expects double-digit revenue growth and triple digit operating margin improvements through 2019.

Q3 2017 Transaction Summary

Sector Allocation Changes

- Decrease in Industrials
- Increase in Information Technology

Purchased

- Thor Industries Inc. (THO) - Consumer Discretionary
- Stamps.com (STMP) - Information Technology
- Heico Corp. (HEI) - Industrials
- Mohawk Industries (MHK) - Consumer Discretionary

Sold

- Starbucks (SBUX) - Consumer Discretionary
- General Electric Co. (GE) - Industrials
- O'Reilly Automotive, Inc. (ORLY) - Consumer Discretionary
- Acuity Brands, Inc. (AYI) - Industrials

Purchased

Thor Industries Inc. (THO) is engaged in manufacturing of recreational vehicles (RVs) and sells those vehicles and additional supplies in the United States and Canada. Recreational vehicles have experienced strong growth driven by both demographics and the popularity of the RV lifestyle. Since 2010, all RV sales growth (towable and motorhomes) have ranged between 5% and 20% annually. Both sales and earnings have increased by double digits for THO over the past five years while margins, return on equity, and cash flow have also increased significantly. The RV cycle is certainly economically sensitive but there are no current signs of slowing momentum. Strong underlying fundamentals combined with positive industry trends led us to add THO to the portfolio.

Stamps.com Inc. (STMP) is a provider of internet-based postage solutions. STMP's customers use its service to mail and ship a variety of mail pieces. STMP is benefiting from ecommerce and internet retail growth. STMP has delivered double-digit revenue and earnings growth over the past five years. STMP announced another strong quarter in August. Revenue of $116 million was well ahead of consensus expectations of $98 million, and earnings per share of $0.44 cents were better than expected. Management raised its full-year earnings per share guidance to $7.50–$8.50 (was $7.00–$8.00). Solid fundamentals and the belief that e-commerce and internet retailing will continue to grow led us to add STMP to the portfolio.

Heico Corp. (HEI) is a manufacturer of Federal Aviation Administration (FAA) approved jet engine and aircraft component replacement parts. HEI is comprised of two operating segments, the Flight Support Group (64% of total sales) and the Electronic Technologies Group (36% of total sales). The Flight Support Group designs and manufactures jet engine and aircraft component replacement parts. These parts are approved by the FAA and are the equivalent of original equipment maker (OEM) parts. The Electronic Technologies Group designs, manufactures and sells electronic, microwave and electro-optical products. HEI sales and earnings have compounded at double-digit rates over the last ten years. The aircraft replacement parts market is nearly $50 billion. An aircraft's life can be upwards of 25 years so replacement parts are regularly needed. This replacement cycle drives recurring revenue and requires a trustworthy partner. HEI produces high quality replacement parts at a 30-50% discount from OEM's. HEI's unique position within the aerospace business and its fundamentals led us to add HEI to the portfolio.

Mohawk Industries, Inc. (MHK) is a leading global player in the diversified flooring market. MHK manufactures flooring products, including carpets, rugs, ceramic tile, laminate, wood, luxury vinyl tile, and vinyl flooring. MHK operates three reporting segments: North America Flooring (43% of total sales), Global Ceramic (35% of total sales) and rest of the world (ROW) Flooring (21% of total sales). More than 65% of total sales are in the U.S. MHK sales have compounded at nearly 10% and earnings have compounded at more than 30% over the past five years. MHK announced stronger than expected second quarter results in July and expects organic sales to grow more than 5% in 2017. North America Flooring organic sales grew more than 6% as hard surfaces grew faster than carpeting with residential sales outpacing commercial sales. Global Ceramic's sales rose more than 9% (3% organic) led by Europe and Russia. ROW Flooring grew 2%. Flooring is a core holding within the buildings product industry and MHK's significant share and leadership position led us to add it to the portfolio.

Sold

Starbucks Corp. (SBUX) sells coffee, espresso, teas, cold blended beverages, food, and accessories. SBUX announced disappointing third quarter results in July. Same-store sales were still positive at 4% but were lower than the mid-single-digit management guidance. Revenue of $5.7 billion was less than expected, but earnings were in line at $0.55. SBUX lowered its revenue outlook for 2017 and announced the closing of 379 Teavana mall stores along with a corresponding impairment charge. The management transition from Mr. Schultz to Mr. Johnson coupled with a sluggish restaurant environment and slowing same-store sales comps led us to exit the stock for other growth opportunities.

General Electric Company (GE) is a diversified manufacturer that operates seven separate businesses in its industrial segment: Power, Oil and Gas, Renewable Energy, Lighting, Aviation, Healthcare, and Transportation. In June, GE announced that John Flannery would become the CEO on August 1, 2017 and Chairman of the Board on January 1, 2018. Flannery is expected to outline his plans for GE in November, and many expect structural changes along with an adjustment to 2018 earnings expectations. GE also announced second quarter earnings in July. There were some improvements from the first quarter with organic growth of +2%, and Industrial operating margins improved. However, Industrial cash flow remains a concern despite being positive. Large uses of cash seem necessary to continue developing some of GE's businesses. Considering the management changes,

Information is as of 9/30/2017

potential adjustments to 2018 earnings, as well as challenged cash flow led us to 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, 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.

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 with concerns ranging from supplier issues to freight issues. Despite a better quarter, we decided to exit the stock for better growth opportunities.

Positioning

Investments are predicated on a company's future prospects rather than economic or market cycles. We seek companies with strong fundamentals and emphasize earnings growth consistency, free cash flow and solid balance sheet metrics. There were four purchases and four sales during the third quarter and they are reflective of this strategy. These combined transactions essentially reduced our position in the Industrial sector while increasing our position in the Information Technology sector.

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. Multi-Cap Growth composite 7/1/2003 - 9/30/2017

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	17.4	17.1	20.4	14.2	n/a	n/a	n/a	24	n/a	204	n/a	7,024	10,087
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.

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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 full 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. 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 the composite is 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 Multi-Cap Growth composite, which was 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.