CONGRESS ASSET MANAGEMENT COMPANY

Portfolio Commentary

3Q 2018

Multi-Cap Growth Portfolio

Market Review

Ten years after the financial crisis, the United States economy is the strongest it has been since 2004. Gross domestic product was revised up for the second quarter to 4.2%, the strongest reading in about 4 years. The expansion has been driven by a robust labor market, low inflation, and more recently, tax cuts and deregulation.

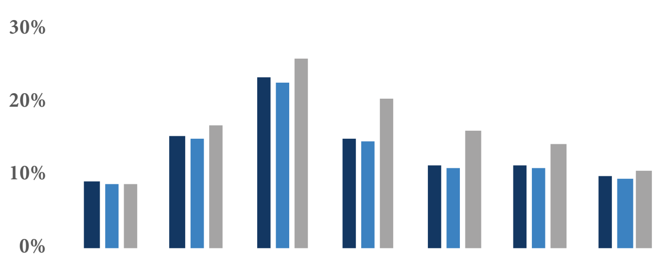
The domestic financial markets have noticed. Bolstered by strong corporate earnings reports, the S&P 500 returned 7.7% during the third quarter. Two stalwarts, Apple and Amazon, both eclipsed $1 trillion in market capitalization. Bond investors have been more recalcitrant. Fearing growth-induced inflation, ten-year treasury bond yields fluctuated throughout the quarter, ending near their high of 3.10%.

The summer months exposed the divergent paths of the U.S. economy and those of the major European countries. The U.S. continues to accelerate while France, Germany, Italy, and the U.K. stagnate. China's official growth rate remains above 6%, but its stock market, along with many in emerging economies, has struggled this year.

Performance Overview

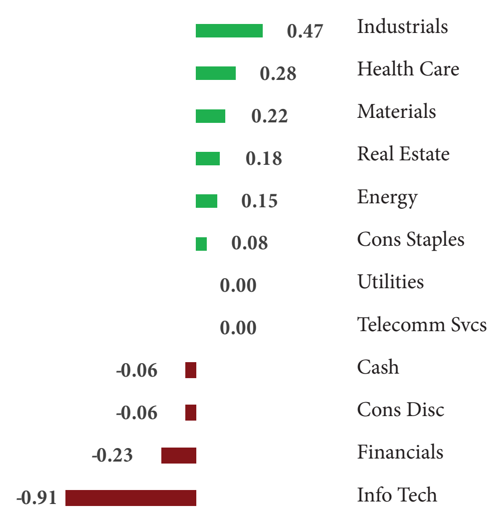
The Congress Multi-Cap Growth Portfolio (the Portfolio) returned 8.98% (gross of fees) during the Third Quarter, while the Russell 3000 Growth Index ("The Index") returned 8.88%. The Portfolio benefited from security selection within Industrials, Materials, and Health Care. However, security selection within Information Technology detracted from performance. In addition, overweight allocations in Financials and Materials relative to the Index detracted from performance.

Annualized Returns % as of 9/30/2018



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 7/1/2003
Multi-Cap Growth (Gross)	9.0	15.5	23.3	14.9	11.3	11.5	10.0
Multi-Cap Growth (Net)	8.9	15.2	22.9	14.5	10.9	11.1	9.5
Russell 3000 Growth®	8.9	17.0	25.9	20.4	16.2	14.2	10.8

% Total Effect Portfolio vs. Index (6/30/2018 - 9/30/2018) (bps)



Q3 2018 Attribution Highlights

Overall Contributors

- Security selection in Industrials, Materials & Health Care

Overall Detractors

- Security selection in Information Technology
- Allocation to Financials & Materials

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight	Contribution
Illumina, Inc.	2.64%	0.77%
Five Below, Inc.	2.08%	0.62%
HEICO Corporation	2.54%	0.62%
Apple, Inc.	2.44%	0.51%
Trimble, Inc.	1.68%	0.48%

Detractors

Stock	Avg. Weight	Detraction
Electronic Arts, Inc.	2.18%	-0.35%
Thor Industries, Inc.	1.33%	-0.19%
Facebook, Inc. - Class A	1.07%	-0.17%
A.O. Smith Corporation	1.62%	-0.15%
Stamps.com, Inc.	1.26%	-0.13%

Illumina, Inc. (ILMN) is a global leader in sequencing and array-based solutions for genetic analysis. The stock posted a solid return in the quarter after reporting results that were fueled by strength in its sequencing consumables. As a result, the company raised its full year guidance.

Five Below, Inc. (FIVE) is a value retailer offering trend-right, high quality products for pre-teens and teens at a cost of just $5 and below. The company reported quarterly results that exceeded expectations driven by broad based strength. Same store sales growth of 2.7% was particularly impressive given that the company faced difficult year-over-year comps (+9.3% last year). Elsewhere, the Toys R Us bankruptcy has created a tailwind for the company.

HEICO Corporation (HEI) is a manufacturer of Federal Aviation Administration (FAA) approved jet engine and aircraft component replacement parts. The company announced better than expected results for the second quarter. Also, due to increased demand across most of its product lines for the remainder of 2018, it raised its full year sales and net income growth forecast.

Apple, Inc. (AAPL) designs, manufactures, and markets mobile communication, media devices, personal computers, and portable digital music players. The stock posted strong returns in the quarter as the company reported excellent results. AAPL's pricing strategy within the high-end smartphone market is working well. Consumer demand is strong for innovative products with higher price points as evident in the year-over-year price increases along with stable volume shipments.

Trimble, Inc. (TRMB) is a leading provider of technology that enables professionals and field mobile workers to improve their work processes through products and services that "connect the physical and digital worlds." The company reported solid quarterly results that exceeded expectations. Management noted that the quarter was one of the best executed quarters in the history of the company with organic growth above 10% across its business segments.

Electronic Arts, Inc. (EA) is a global leader in digital interactive entertainment. The company develops and delivers games, content, and online services for Internet-connected consoles, mobile devices and personal computers. The stock was under pressure during the quarter due in part to weakness from its FIFA Ultimate Team game. In addition, management's guidance for the upcoming quarter was below expectations. Elsewhere, management does not expect a $100 million benefit from foreign exchange due to its currency forecast.

Thor Industries, Inc. (THO) manufactures a wide range of recreational vehicles (RVs) in the U.S. The company reported disappointing results due to higher dealer incentives as well as deleveraging raw materials, warranty expenses, and fixed costs. Elsewhere, commentary from management suggests margin weakness may continue until late 2019.

Facebook, Inc. Class A (FB) is a social networking platform with nearly two billion monthly active users. FB reported a disappointing quarter as ad revenue decelerated, particularly in mobile. Europe decelerated faster than the U.S. due to currency headwinds and the newly instituted General Data Protection Regulation (GDPR). In addition, average price per ad rates decelerated quarter over quarter (+17% vs. +39%).

A.O. Smith Corp. (AOS) manufactures and markets water heaters and boilers for residential and commercial end markets. Nearly 60% of AOS's revenue is generated within the U.S. and approximately 30% is generated in China. AOS reported a mixed quarter as North America sales increased 14% while China sales only increased 4%.

Stamps.com, Inc. (STMP) is a provider of internet-based postage solutions. Customers use its service to mail and ship a variety of mail pieces. The stock was pressured on news that the United States Postal Service requested to renegotiate one of their key arrangements, which could negatively impact STMP's revenue.

3Q 2018 Transaction Summary

Sector Allocation Changes	Purchased	Sold
• Increase in Information Technology	• Xilinx, Inc. (XLNX) - Information Technology • GrubHub, Inc. (GRUB) - Information Technology	• none

Purchased

Xilinx, Inc. (XLNX) designs and manufactures field programmable gate arrays (FPGAs), integrated circuits designed to be configured by a customer after manufacturing. XLNX has developed a solid product foundation over the last 10 years which has led to a significant lead over its competitors in terms of innovation. The company is currently transitioning to a new CEO that will target high growth opportunities such as Industrial IoT, Data Centers, and 5G. In addition, XLNX should continue to benefit from the expanding growth of programmable logic devices, given the flexibility and cost compared to alternatives that typically layer on software for specific application purposes.

GrubHub, Inc. (GRUB) is the leading online and mobile platform for restaurant pick-up and delivery orders. GRUB connects over 80,000 local restaurants with hungry diners in over 1,600 cities across the U.S. and is focused on transforming the takeout experience. The company has thus far held off competitive threats such as UberEats and DoorDash due to successful execution. The rollout of online ordering to Yum Brands (which operates KFC, Taco Bell, and Pizza Hut) will drive order growth. Elsewhere, the acquisition of LevelUp helps GRUB's point of sale (POS) integration as well as becoming the back end for the restaurant's ordering platforms.

Sold

none

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 two purchases during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Information Technology sector weighting for the Portfolio.

Outlook

The strength in employment supports long term growth, spending, and consumer confidence. Yet, the saving rate at 6% is elevated given the strong job market. This may reflect the caution younger workers have given the depth of the last recession and the difficulty they experienced in finding jobs. It may also act as an economic cushion and provide an impetus for future spending.

Somewhat tempering our enthusiasm are moderating housing and automobile markets. Mortgage rates have ticked up, coinciding with lower levels of home sales. At the same time, domestic and global auto sales may have peaked for this cycle. Both housing and automobiles have broad influence and affect spending across the economy.

It appears that businesses will make up for any slack on the consumer side. Small business optimism is close to record highs and applications for new Employer Identification Numbers indicate that entrepreneurial drive is not dead and is in fact flourishing. Orders for capital goods continue to improve while the ISM Manufacturing Index is solidly in expansionary territory. In response to the tax changes enacted this year, companies are repatriating cash and investing in capital equipment. Regulatory relief is deflationary and over time encourages new business investment and fosters competition.

The technology sector has been an outsized recipient of business spending as the digital economy is transforming work flow and information gathering. Data now has value and how organizations store, analyze, and use data will continue to transform our economy for many years. Technology companies are the natural beneficiaries of this trend. The productivity benefits also accrue to technology users who can experience enhanced efficiencies amongst other ancillary benefits.

Both the stock and bond markets have done well over the past decade. The risks to both are vastly different than they were ten years ago. Inflation, for one, has started to percolate. The Fed remains concerned about inflation's erosion of asset values. In response, the Fed raised short term rates in September and suggested they will maintain a course of gradual increases over the next year. At current levels, U. S. interest rates remain an attractive alternative to interest rates available in many other developed nations. Therefore, it is difficult to predict how either the stock or bond market responds to Fed initiated short term rate hikes.

Of considerable concern to markets is the fluidity of U.S. trade policy. Negotiations with our North American partners are largely complete. Talks with China, however, have stalled, and it is unclear whether the issues are about trade policy or the protection of intellectual property rights. In the short term, trade uncertainty weighs on exporters and those that source product from China. Longer term, tariffs are generally considered inflationary and hinder growth. However, organizations eventually adapt to policy changes and predicting winners and losers is not as obvious as it may appear.

As the fourth quarter progresses, we look for the economic momentum to continue. The U.S. economy's potential is greater now than it was a few years ago allowing for stronger, non-inflationary growth. Consumers and businesses should both continue to fare well. Treasury yields at greater than 3% are attractive, but stocks remain the preferred asset class.

Information is as of 9/30/2018

Congress Asset Management Co. Multi-Cap Growth Composite 7/1/2003 - 9/30/2018

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 annualized ex-post St Dev (%)	Russell 3000 Growth 3-Yr annualized ex-post St Dev (%)	S&P 500 3-Yr annualized ex-post 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	15.5	15.2	17.0	10.6	n/a	n/a	n/a	28	n/a	249	n/a	7,900	11,524
2017	25.4	24.9	29.6	21.8	10.3	10.6	9.9	23	0.51	215	n/a	7,272	10,546
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 – 12/31/17. 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. CAM acquired certain strategies of Century Capital Management, LLC on September 15, 2017.

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. 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 ex-post 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.