CONGRESS ASSET MANAGEMENT COMPANY

Q4 2017

Multi-Cap Growth

Portfolio Commentary

Market Review

The year 2017 should be remembered as the year we left the financial crisis behind. A strengthening domestic economy is now supported by a synchronized global expansion – the newest investment phrase meant to capture a mood and secular trend, much as global financial crisis did a decade ago. We ended the year with nearly idyllic investment conditions: negligible inflation, low interest rates, record employment and strong corporate earnings. Hopes for the recently enacted tax reform bill suggest the good times could last.

The stock market captured the optimism of the investment community. For the first time ever the S&P 500 increased every month of the year. This gentle market witnessed few meaningful downturns and was accompanied by positive returns in foreign markets as well. The long anticipated rise in market interest rates remained in abeyance, keeping financing costs low and supporting riskier investments. While the absence of significant down trading days is unusual, it is not alarming and does not portend a market collapse.

If exuberance is evident, it may well be in the burgeoning market for crypto-currencies. These digital currencies act more like trading vehicles, not currencies in the traditional meaning of the word. The Wall Street Journal recently reported that there are 31 digital currencies with values over $1 billion. Some forms of digital currencies are likely to survive but their purpose and format as a means of exchange or store of value are unclear. A shakeout is coming and those over-exposed will feel the pain.

Much has been made about the length of the current economic expansion, one of the longest on record, as if time should dictate when it should end. The magnitude of the expansion does not match its longevity, however. A robust expansion typically puts inordinate demands on productive resources, causing inflation or excess speculation. There is little evidence that either is occurring. Employment, an important ingredient for production, has been strong. Unemployment is hovering around 4%. It appears that people are being drawn back into the workforce, alleviating wage pressures that could arise in this strong employment environment.

The new tax package supports growth as well. By lowering the corporate tax rate and allowing for immediate expensing of big ticket items, companies should be incentivized to return profits earned elsewhere and invest in productive capacity, meeting anticipated demand in a more cost efficient manner. Many consumers and employees should benefit from tax reform as well. The new tax package will increase the use of the standard deduction, easing the tax burden on 70% of all filers, a number which is anticipated to rise. In addition, many companies, from AT&T to Wells Fargo, have announced bonuses or wage increases as they share the benefits of lower tax rates with employees.

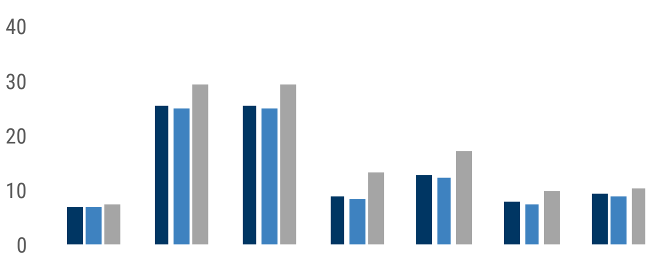
In short, the economy should continue along its growth path. Some secondary measures of future growth indicate that caution is warranted but these readings are inconsistent and probably reflect normal pockets of weaker growth.

Performance Overview

The Congress Asset Multi-Cap Growth Portfolio returned 6.79% gross of fees during the fourth quarter of 2017 while the Russell 3000 Growth Index returned 7.61%.

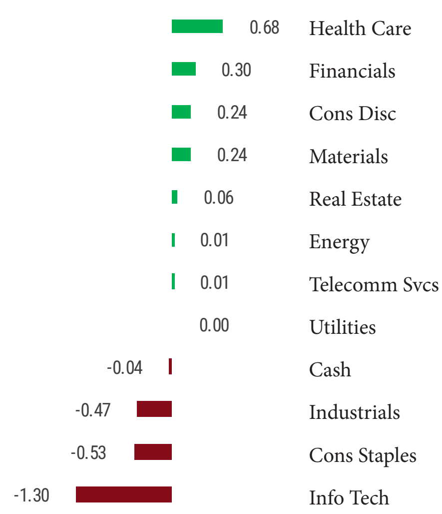
Security selection hindered performance by approximately 65 basis points relative to the benchmark. The portfolio benefited from security selection within Health Care, Financials, and Consumer Discretionary. Security selection within Information Technology, Consumer Staples and Industrials detracted from relative performance. Asset allocation had a small impact on performance (-17 basis points), largely related to the portfolio's overweight to the Health Care sector (17.1% vs benchmark weight of 14.0%).

Annualized Returns % as of 12/31/2017



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception
Multi-Cap Growth (Gross)	6.8	25.4	25.4	8.9	12.7	7.8	9.4
Multi-Cap Growth (Net)	6.7	24.9	24.9	8.6	12.2	7.5	8.9
Russell 3000 Growth®	7.6	29.6	29.6	13.5	17.2	9.9	10.2

% Total Effect Portfolio vs. Index (9/30/2017- 12/31/2017) (bps)



Q4 2017 Attribution Highlights

Overall Contributors

- Security selection in Health Care, Financials & Consumer Discretionary

Overall Detractors

- Security selection in Information Technology, Consumer Staples & Industrials

Top 3 Contributors and Detractors

Contributors

Stock	Ticker	Contribution
Lending Tree, Inc.	TREE	0.82%
Align Technologies, Inc.	ALGN	0.56%
Thor Industries Inc.	THO	0.46%

Detractors

Stock	Ticker	Detraction
Newell Brands, Inc.	NWL	-0.39%
First Republic Bank	FRC	-0.37%
Alexion Pharmaceuticals, Inc.	ALXN	-0.33%

Lending Tree, Inc. (TREE +39.3%) is an online lender exchange that connects consumers with lenders. TREE rallied more than 17% after reporting Fourth Quarter results. Revenue was $171.49 million, an increase of 81% year over year, and $13 million higher than expected. Earnings per share of $1.17 were 21 cents better than expected. Mortgage product revenue increased 38% year over year, non-mortgage product revenue increased 138% year over year, with notable strength in both personal loans and credit cards. TREE management also offered fourth quarter revenue guidance that was higher than expected. In December, the stock rallied again following TREE's investor day. The meeting focused on enhancing the consumer experience with new service offerings including credit monitoring and repair, as well as home value and equity tracking. TREE also provided updated 2018 guidance of $770 - $790 million in revenue (27% - 30% growth).

Align Technology, Inc. (ALGN +19.3%) 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 rallied more than 16% after announcing Fourth Quarter earnings with both revenue and earnings coming in well above expectations. Revenue increased 38% year over year to $385 million, while earnings per share increased more than 60% to $1.01. Management guidance for the Fourth Quarter was also better than expected. Key takeaways from the quarter included a 30% increase in Invisalign aligner shipments, strong growth from Orthodontics, and the opportunity to further penetrate international markets.

Thor Industries Inc. (THO +20.3%) manufactures and sells recreational vehicles in the U.S. and Canada. THO's business segments include Towable Recreational Vehicles (72% of total sales) and Motorized Recreational Vehicles (24% of total sales). THO rallied more than 13% after announcing another strong quarter. First quarter revenue and earnings were both much better than expected. Revenue increased more than 30% year over year to $2.23 billion and earnings per share of $2.42 increased 63% year over year. THOR's consolidated backlog also increased nearly 70% and the secular trend within the RV industry appears strong as we enter 2018. Improvement in THOR's gross margins were particularly noteworthy given rising input costs and a tighter labor market.

Newell Brands, Inc. (NWL -27.0%) is a global consumer goods company. NWL's products include writing, home solutions, baby and parenting, commercial products, and tools. NWL announced disappointing quarterly results in November and the stock declined more than 26%. Both revenue ($3.68 billion) and earnings per share ($0.86) were lower than expected. Management noted weak late quarterly sales due to a slow back to school period. NWL lowered their full year 2017 earnings guidance to $2.80 - $2.85 (prior was $2.95 - $3.05). NWL also announced a three year $1 billion share repurchase plan. Overall, it was a very weak quarter for NWL, but NWL is led by a seasoned and well respected management team that we believe can navigate through this difficult retail environment.

First Republic Bank (FRC -16.9%) engages in private banking, private business banking, and private wealth management, including investment, trust and brokerage services. FRC was off more than 7% after announcing their Fourth Quarter results. Both net interest income and earnings were softer than expected, however loan growth remained strong and increased 12%. FRC is experiencing greater competition and higher deposit costs and correspondingly, it's efficiency ratio increased to 62.5%. FRC initiated a secondary share offering in November that put additional pressure on the stock. Later in the quarter, many regional banks experienced softness as Congress worked through the tax reform bill. Specifically, there were concerns regarding a potential slow - down in jumbo mortgage origination due to parts of the bill.

Alexion Pharmaceuticals, Inc. (ALXN -14.8%) is a biopharmaceutical company that serves patients with devastating and rare disorders through the development and commercialization of life-transforming therapeutic products. In October, ALXN announced Fourth Quarter results that did not meet expectations . Revenue increased more than 7% to $859 million, but sales of the drug Soliris disappointed. Earnings per share of $1.44 were twelve cents better than expected. ALXN narrowed their full year revenue guidance to $3.475 billion - $3.525 billion. In late October, the FDA did approve a new indication for Soliris for the treatment of patients with generalized myasthenia gravis, and the expectation is that this new indication could generate more than $1billion in additional revenue.

Q4 2017 Transaction Summary

Sector Allocation Changes	Purchased	Sold
• None	• None	• None

Purchased

none

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.

Outlook

The stock market has risen for the better part of the expansion supported by the aforementioned economic growth and low interest rates. As corporate earnings continue to grow, the market should respond in kind. Yet the market is more forward-looking and we see some risks that heretofore the stock market has not registered, largely confined to central bank actions and fiscal policy.

The Federal Reserve has been in a tightening mode for two years. Its adjustments to monetary policy have been gradual and communicated in advance, easing financial markets through the transition. A new chair will take the helm in February and, while he is likely to continue communicating the Fed's intentions, the cumulative effect of changes since 2015 could result in investors adjusting their risk preferences.

Other central banks, notably the European Central Bank and Japanese Central Bank, followed the Fed's aggressive easing steps after the financial crises. Neither of these two important players have begun to tighten, however. When other major central banks do begin tapering investment dollars may be deflected elsewhere, causing the liquidity pool available for stocks to suffer. This tapering may begin as early as 2018, depending on economic circumstances.

The U.S. at some point needs to address its fiscal deficits which will likely be exacerbated by the tax cuts. Deficit predictions are imprecise at best but we are running an unusually high deficit for an economy expanding at a 3% clip. This could represent a longer term economic health issue, one to which stocks typically pay little attention until a more acute response is required.

These concerns are notable, but unlikely to weigh materially on stocks in 2018. We expect the upward trending market to continue, albeit with more normal volatility as investors begin to discount growth and inflation levels into 2019 and beyond. Stocks are preferred to bonds as interest rates remain historically low and liquidity high.

Congress Asset Management Co. Multi-Cap Growth composite 7/1/2003 - 12/31/2017

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 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)
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 – 6/30/17. 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. 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 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.