CONGRESS ASSET MANAGEMENT COMPANY

Q1 2017

Small Cap Growth

Portfolio Commentary

Market Review

For almost six months investors, not to mention the general public and politicians, have been trying to discern what President Trump's election means for the markets and both US domestic and foreign policies. Rarely have we seen such an ambitious agenda without a clear path forward. The transition to the new administration has not been smooth. Transitions though are temporary and as the days pass, investors and others will adjust.

While our economy is driven by a combination of consumer, corporate, and government activities, our financial markets are more fickle and susceptible to headlines and emotions. With that in mind, the stock market continued its post Trump Election Day rally into 2017. The S&P 500 Index proved remarkably resilient throughout the quarter gaining more than 6%. At one point, the market experienced over 100 consecutive days without moving more than 1%, a feat last witnessed in the mid 1980's.

Bonds, normally more staid than stocks, have demonstrated more volatility since the election. Ten year bond yields rose from 1.8% to 2.6%, only to later fall to 2.4% after the failed health care reform vote. Some observers believe that the ten year bond yield changes telegraph President Trump's approval ratings.

All new administrations come with their own agendas. The Trump administration has proffered ambitious plans for fiscal stimulus, trade policy, tax reform, and healthcare. To the extent that the stock market rally represents only a Trump policy premium, the stock market could be ahead of itself. Fortunately, there is more that drives the market than just the expected passage of complex policy legislation.

Our economy is stronger than the winds that blow through Washington. The steady, albeit unspectacular growth since the nadir of the 2008 financial crisis continues apace. Strengthening growth prospects will determine the intermediate and longer term performance of both the stock and bond markets.

We are optimistic that the economy's momentum is picking up. Vagaries of monthly economic data fog a clear view, yet key underpinnings are strengthening. Job growth reaccelerated in February with over 235,000 jobs created. Importantly, participation in the key 25-54 year age group is close to 82% and is in a multi-year uptrend. College graduates are also finding jobs. Years of consistent job growth have lowered the unemployment rate below 5% while wages have steadily risen since 2014.

There are hints now that capital spending and manufacturing may finally be strengthening. The US oil and gas rig count has doubled over the past year. This has the dual effect of supporting capital spending while dampening oil prices even as demand for energy ticks higher. In addition, industrial production and durable good shipments are also improving. Could the long awaited awakening of our industrial base finally be taking root?

Housing remains a stalwart. In spite of higher mortgage rates since November, housing affordability remains at constructive levels. Household debt service as a percent of disposable income is down 25% from its peak just before the financial crisis. Years of underinvesting in new housing construction has contributed to pent up demand. While notoriously volatile, house prices were up 7% in February. That is unlikely to turn around abruptly.

Performance Overview

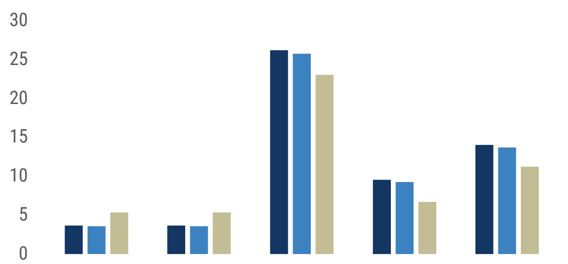
The Small Cap Growth Portfolio underperformed the Russell 2000 Growth Index® during the first quarter of 2017. The Small Cap Growth Portfolio's return was 3.68% versus the 5.35% return of the Russell 2000 Growth Index®.

The largest positive impact on performance for the quarter was security selection in Consumer Staples (+93 bps) followed by security selection in Industrials (+34 bps) and an underweight allocation to Real Estate. Security selection in Health Care (-175 bps), Information Technology (-48 bps), and Materials (-31 bps) detracted.

The Portfolio's top contributors to quarterly performance were National Beverage Corp. (+122 bps), Masimo Corp. (+93 bps), Paycom Software Inc. (+63 bps), Inogen Inc. (+38 bps) and Pool Corp. (+38 bps).

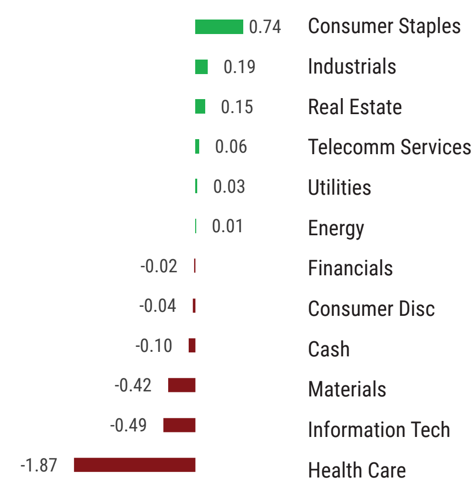
The Portfolio's primary detractors were Duluth Holdings Inc. (-34 bps), Reis, Inc. (-33 bps), Landec Corp. (-32 bps), Emergent BioSolutions (-31 bps) and Fabrinet (-31 bps).

Annualized Returns % as of 3/31/2017



	QTD	YTD	1 Yr	3 Yrs	Inception
Small Cap Growth (Gross)	3.7	3.7	26.2	9.6	14.0
Small Cap Growth (Net)	3.6	3.6	25.7	9.2	13.7
Russell 2000 Growth®	5.4	5.4	23.0	6.7	11.2

% Total Effect Portfolio vs. Index (12/31/2016 - 3/31/2017) (bps)



Q1 2017 Attribution Highlights

Overall Contributors

- Security selection in Consumer Staples
- Security selection in Industrials
- Allocation to Real Estate

Overall Detractors

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

Top 3 Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
National Beverage Corp.	FIZZ	1.22%
Masimo Corporation	MASI	0.93%
Paycom Software, Inc.	PAYC	0.63%

Detractors

Stock	Ticker	Detraction
Duluth Holdings, Inc. - class B	DLTH	-0.34%
*Reis, Inc.	REIS	-0.33%
Landec Corporation	LNDC	-0.32%

*sold during the quarter

National Beverage Corp. (FIZZ) is an American beverage developer, manufacturer, and distributor focused on flavored soft drinks. This Consumer Staples company has a distinctive portfolio of sparkling waters, juices, energy drinks, and carbonated soft drinks, and its product designs, innovative packaging, and imaginative flavors serve as differentiators. A significant increase in health and wellness awareness has led to growing demand for beverages with little or no calories and wholesome, natural ingredients. The popular LaCroix brand, which offers 12 flavors, accounts for 35% of total sales and is the company's highest margin product. The company posted strong third quarter results as La Croix fueled sales growth of 20% and gross margin expansion of 650 basis points.

Masimo Corp. (MASI) is an Irvine, California-based manufacturer of noninvasive patient monitoring technologies. This Health Care company posted strong fourth quarter revenue growth due to a combination of higher utilization, new customers, and incremental revenues from new products (Nomoline Capnography, O3 Regional Oximetry, SedLine Brain Function Monitoring, and Root Patient Monitor and Connectivity Hub). Masimo shipped 48,600 oximeters in the fourth quarter--a new quarterly record--which allowed it to reach 1.5 million installed oximeters. The other major fourth quarter event was the announcement of its partnership with Philips, which expand the reach of Masimo Rainbow, SedLine, Nomoline, and O3 to more hospitals around the world.

Paycom Software Inc. (PAYC) provides a comprehensive set of software solutions including recruiting, compensation, training, and HR benefits administration. This Information Technology company easily beat the street's fourth quarter estimates as it grew revenue, added new clients across the country, and further extended product development. The Paycom solution continues to gain traction in a wide range of industries, and subscription revenue was up 36%. During the quarter PAYC signed a 3,200-employee trucking company, a 3,500-employee retail service company, and an 8,000-employee health services company.

Duluth Holdings Inc. (DLTH) sells men's and women's casual wear, workwear, and accessories. Despite the highly promotional retail sales environment driven by customers waiting longer and longer to make their purchases, Duluth posted an excellent fourth quarter sales increase of 24%. Net sales growth was driven by a 14.5% increase in direct net sales and a 105% increase in the retail segment. Growth was achieved across all product categories. Weak share performance could be attributed to the deceleration of their direct business. The company's gross margin is not likely to grow as it is expanding its lower-margin retail store base and shipping revenue as a percentage of gross revenue is expected to decline. New product categories targeting women and children show promise.

Landec Corporation (LNDC) is a materials science company that leverages its proprietary polymer technology in a variety of end markets including packaged food, agriculture, and health care. The company posted a 5% increase in third quarter sales as a 1% decrease from its Apio packaged fresh vegetable business was offset by a 50% increase in revenues at Lifecore. Apio lost some slotting at Costco and faced management's strategic decision to reduce low-margin business in the packaged fresh vegetable segment. Landec's Lifecore segment posted strong quarterly growth driven by a shift in its business model from a hyaluronic acid supplier to a fully integrated contract development and manufacturing organization. Lifecore can now offer expertise in fermentation, specialty formulation, aseptic filling, and final packaging of both devices and drugs.

Emergent BioSolutions Inc. (EBS) is a multinational biopharmaceutical company that provides specialty products for civilian and military populations that address intentional and naturally emerging public threats. Sales came in light versus last year primarily because of lower BioThrax sales, which were partially offset by increases in other product sales, contract manufacturing revenue, and grant and contract revenue. Emergent spoke of many accomplishments in the quarter including a signed follow-on contract with the Center for Disease Control. The contract is valued at up to $911 million to supply the Strategic National Stockpile (SNS) with BioThrax through 9/2021. In addition, the Biomedical Advanced Research and Development Authority (BARDA) ordered $100 million in BioThrax for the first half of 2017 and signed a contract valued at up to $1.6 billion for the development and procurement of NuThrax, Emergent's next-generation anthrax vaccine candidate.

Q1 2017 Transaction Summary

Sector Allocation Changes

- Increase to Financials
- Increase to Industrials
- Increase to Information Technology
- Decrease to Consumer Discretionary
- Decrease to Health Care
- Decrease to Energy

Purchased

- Fabrinet (FN)
- LeMaitre Vascular, Inc. (LMAT)
- LendingTree, Inc. (TREE)
- Osi Systems, Inc. (OSIS)
- RBC Bearing, Inc. (ROLL)
- Rogers Corporation (ROG)
- Silicon Motion Technology Corp (SIMO)

Sold

- Cognex Corp. (CGNX)
- Vascular Solutions, Inc. (VASC)
- Luminex Corp. (LMNX)
- Dril-Quip, Inc. (DRQ)
- Buffalo Wild Wings, Inc. (BWLD)
- Reis, Inc. (REIS)
- U.S. Physical Therapy, Inc. (USPH)

Purchased

Fabrinet (FN) is a contract manufacturer focusing on the production of high complexity products in optical communications for the telecom, datacom, laser, sensor, and automotive markets. The company fosters "sticky" relationships with its customers by winning business from a product's cradle to its grave. Optical is growing fast, prompting Fabrinet to open a new manufacturing facility in Thailand to handle the business.

LeMaitre Vascular, Inc. (LMAT) makes veins run on time. The company makes both disposable and implanted surgical vascular devices, including catheters and stents, under such brands as AnastoClip, EndoFit, and Pruitt-Inahara. Originally founded by a vascular surgeon to develop a valve to prepare veins for arterial bypass surgery, the company has since expanded its offerings to include a device to create dialysis access sites and another to treat aortic aneurysms. LeMaitre sells 12 product lines, most of which are used in open vascular surgery and some of which are used in endovascular procedures.

LendingTree Inc (TREE) matches in-market consumers with multiple lenders who can provide them with competing quotes. LendingTree serves as a valued partner to lenders seeking an efficient, scalable, and flexible source of customer acquisition with measurable benefits by matching consumer loans with lenders. Big banks are moving down the chain to start online offerings of home equity loans, small business loans, student loans, and personal loans. In March 2017, the company announced its expansion into insurance. Overall revenue is projected to grow above 20% for the coming year.

Osi Systems Inc. (OSIS) produces medical monitoring and anesthesia systems, security and inspection systems, as well as lasers, optics, and optoelectronic components. The company's products include blood pressure monitors, anesthesia machines, hemoglobin saturation monitors, systems for inspecting baggage, people, and vehicles, as well as lasers, lenses, prisms, and microelectronic components.

RBC Bearing Inc. (ROLL) manufacturers highly engineered precision bearings and products that are integral to the manufacturing and operation of most machines, aircraft and mechanical systems to reduce wear to moving parts, facilitate proper power transmission, reduce damage and energy loss caused by friction and control pressure and flow. Targeting high-end markets, its precision lineup satisfies thousands of applications from engine controls to radar systems, mining tools, and gear pumps. RBC Bearing's top customers include the Boeing Company, General Electric, Lockheed Martin, and the U.S. Department of Defense. Customers include global industrial, aerospace, and defense customers requiring unique design solutions to complex problems.

Rogers Corporation (ROG) manufactures and markets specialty materials and components for applications in the communications, computer, imaging, consumer, and transportation markets. The company's products include elastomers, high frequency circuit materials, flexible circuit materials, molding materials, and composite materials. The company's specialty materials are used in a variety of electronic and consumer products. Its products include printed circuit board laminates and polyester-based industrial laminates, which are used in wireless communications systems, including hand-held devices, GPS, and direct broadcast TV. Rogers is a global leader in engineered materials offering a broad range of solutions that improve the reliability and performance of clean energy, internet connectivity, and safety and protection applications, industrial, and defense.

Silicon Motion Technology Corp (SIMO) is a global leader and pioneer in developing NAND flash controller integrated circuits for solid-state storage devices and specialty radio frequency integrated circuits for mobile devices. Silicon Motion's products are widely used in consumer devices such as smartphones, tablets and PCs, as well as for industrial, enterprise, commercial, and other applications. It is also the world's leading merchant supplier of controllers for embedded multi-media controllers (eMMCs) used in smartphones and tablets, and the leading merchant supplier of controllers for client solid-state drives (SSDs) used in PCs and the Chinese hyperscale data center market. Silicon Motion's controllers are used in NAND flash products produced by Intel, Micron, Samsung, SanDisk, SK Hynix, and Toshiba. On the fourth quarter call the company stated that due to the market's tight supply of flash inventory, the company expects its SSD solutions to rebound in the second quarter and to increase 20-25% for the full-year. Customers are managing the NAND issues with lower power, cost, and easier to use products.

Sold

Cognex Corp. (CGNX) designs, develops, manufactures and markets a range of products that incorporate sophisticated machine vision technology. The stock reached our maximum market capitalization of $5 billion during the quarter and was sold due to this self-imposed limit.

Vascular Solutions Inc. (VASC): is a medical device company committed to providing superior clinical solutions for diagnostic and interventional vascular procedures. It was acquired by Teleflex Inc. during the quarter.

Sources: Congress Asset Management (CAM) PSN and Factset. The views expressed in this document are as of publication date and are subject to change at any time due to changes in market or economic conditions.

Luminex Corp. (LMNX) develops, manufactures, and markets biological testing technologies in the clinical diagnostic and life science industries. The company lost a large business account to LabCorp and also made a large acquisition of a lower margin business. With the loss of a substantial account and addition of a lower margin business, Luminex seems to be limited to an organic growth rate in the low single digits for the foreseeable future.

Dril-Quip Inc. (DRQ) is an oilfield services company with an emphasis on subsea and system solutions. The company announced a disappointing end to 2016 and gave a cautious outlook for 2017. Given the weak outlook and near-term uncertainty of management, the security was removed from the model.

Buffalo Wild Wings Inc. (BWLD) is an American casual dining restaurant and sports bar franchise. The company is facing pressure along with most casual dining chains. Fourth quarter earnings came in weak and same-store sales were off 4%. Given the competitive market and rising costs, management guided 2017 earnings well below street estimates.

Reis, Inc. (REIS) provides commercial real estate market information and analytical tools to real estate professionals at banks, lenders, investment banks, insurance companies, brokerage firms, and developers. After moving to a subscription model for their software and database access Reis exhibited several quarters of weaker than expected earnings. Additionally, the company's expenses have been growing faster than sales causing operating margins and earnings to be under pressure.

U.S. Physical Therapy, Inc. (USPH) develops, owns, and operates outpatient physical therapy clinics in partnership with physical therapists throughout the United States. Clinics provide pre-and post-operative care for a variety of orthopedic-related disorders and sports related injuries. U.S. Physical Therapy exhibited a lack of internal controls over their financial reporting. The company indicated that it would be re-stating its financial statements and re-classifying some of its non-controlling interests.

Positioning

Portfolio 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. The seven purchases and seven sales in the Portfolio during the quarter reflect this strategy. The combined effect of these transactions increased our allocation to the Financials, Industrials, and Information Technology sectors while reducing our allocation to the Consumer Discretionary, Health Care, and Energy sectors.

Outlook

The Federal Reserve seems to have recognized the budding momentum with two interest rate increases in the past few months. Inflation is closing in on the Fed's target inflation rate of 2%. Yet market interest rates have not risen as some anticipated. Europe and Japan are still mired in low to negative rate policies, creating demand for US fixed income in spite of increases in short term rates.

Federal Reserve monetary policy requires further mention. The Fed has now raised short term rates three times in slightly over a year. In all likelihood, this is the start of a longer "normalization" process in which the Fed begins to shrink its own balance sheet by not reinvesting its maturing bonds. The end of so called quantitative easing will be gradual and likely well telegraphed. The Fed's aggressiveness throughout the financial crisis provided liquidity for the bond market, and in that vein can probably be viewed as a success. It also likely contributed to distorted valuations for both bonds and stocks earlier in the expansion. We view the Fed pull back, when it happens, as distinctly positive for both stocks and bonds.

There is always noise surrounding the markets. In the past few years investors have experienced numerous events that would not have been on their radar a decade prior: a government sequester, quantitative easing, and the Affordable Care Act to name a few. Companies adapted to these challenges. And while not all have flourished, the resiliency of our system has shown through. Cash flows and balance sheets remain strong. The stock market has persevered with remarkably low volatility while interest rates remain conducive for investment.

The noise surrounding the markets now is more political than economic. President Trump's sweeping agenda, which includes taxes, trade, fiscal policy, and regulatory easing, is far more ambitious than most new administrations. Investors have factored in some level of pro-growth legislation. Policy overhauls however are complex and usually result in some unanticipated consequences. In addition, consumers and businesses need clarity in order to evaluate capital and spending decisions. So far, investors have been patient reflecting expectations of some success in establishing pro-growth policies.

We are confident that the economy's foundation is strong enough to withstand the uncertainty derived from political changes. Over the intermediate and longer term, stocks will respond to earnings growth in conjunction with interest rates and inflation levels. We expect the momentum experienced over the last eight years will accelerate as this year progresses and that under-utilized capacity will keep inflation in check. Stocks remain the preferred asset class although ten year Treasury bond yields in the 2.5% range are also attractive.

Congress Asset Management Co.
Small Cap Growth composite
6/30/2013 - 03/31/2017

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 2000 Growth Return % (dividends reinvested)	Composite Gross 3-Yr St Dev (%)	Russell 2000 Growth 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	3.7	3.6	5.4	n/a	n/a	45	n/a	18	n/a	5,976	8,668
2016	17.3	16.9	11.3	16.2	16.7	15	n/a	9	1%	5,693	8,139
2015	3.0	2.8	-1.4	n/a	n/a	≤5	n/a	1	n/a	5,941	7,094
2014	6.1	5.9	5.6	n/a	n/a	≤5	n/a	0.6	n/a	6,328	7,449
6/30/13 - 12/31/13	23.0	22.9	22.0	n/a	n/a	≤5	n/a	0.6	n/a	6,489	7,467

#The "Total Firm Assets" column is provided as supplemental information and also includes unified managed account (UMA) assets

Congress Asset Management claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Congress Asset Management has been independently verified for the periods 12/31/95 – 6/30/16. 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 Small Cap Growth Composite was created on July 1, 2013. 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 small cap growth style for a minimum of one consecutive month. The small cap growth strategy invests in the equity of high quality companies with market capitalizations between $250 million and $4 billion (at the time of purchase) exhibiting consistent earnings growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $50 thousand (US dollars). The primary composite benchmark is the Russell 2000 Growth. The benchmark returns are not covered by the report of the 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. 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 prior to 2016 because 36-month returns were not available

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.