

Market Review

When train passengers pull into Boston's South Station, they are greeted by a large sign draped along a tractor-trailer advertising jobs available at the adjacent Post Office. Why is this important? It is visual evidence that job creation, perhaps the most important engine of economic growth and financial mobility, remains robust. Indeed, the economy grew at a 2.9% pace in the fourth quarter following readings of greater than 3% in the prior two quarters.

The building blocks put in place over the past few years, employment growth, low inflation, and stable energy prices have been joined by business and consumer optimism. In fact, a 3% growth rate is above the Federal Reserve's (Fed) estimate for long term potential growth of 1.8%. However, as March ended, it was difficult to remain focused on the positive economic background. News originating in Washington was focused on White House turnover, the potential negative consequences of two distinct tariff announcements, Facebook's mishandling of user data, and salacious gossip.

The bumpy end to the quarter erased all of January's stock market gains. Additionally, the staid bond market was down in January and February, an unusual occurrence that reflects inflation fears and uncertainty around the Fed's new management group. The U. S. ten-year bond now yields around 2.80% compared with 2.41% at year end. The S&P 500 was down about 1% during the quarter.

It appears that stock market volatility has returned, more than two years after the Fed first began raising interest rates. One under-reported cause may be the Fed's diminished role in the financial markets as it curtails quantitative easing measures. For an economy based on capitalism, this is positive and a return to normal market behavior. Over time the Fed's diminished role is more important than short lived Washington headlines, albeit less interesting.

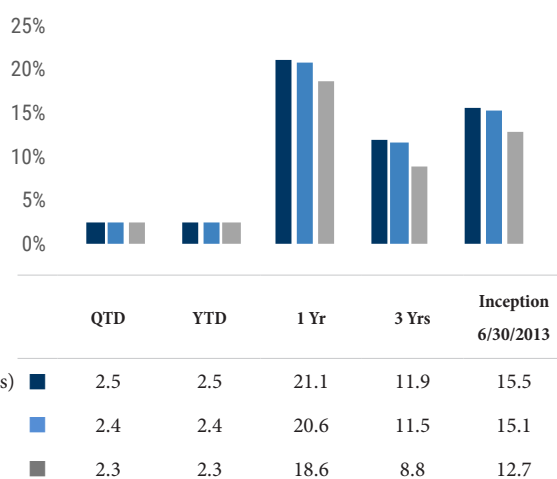
It is the right time for the Fed to lessen its role. Employment is the most vital of economic data. By almost every measure, employment continues to

strengthen from levels not seen in a generation. Unemployment claims, for instance, are hovering near 50-year lows reflecting record job openings.

Performance Overview

The Small Cap Growth Portfolio returned 2.51% (gross of fees) during the first quarter of 2018 while the Russell 2000 Growth Index® (the Index) returned 2.30%. The Portfolio benefitted from security selection within Consumer Discretionary, Industrials, and Health Care. However, security selection within Information Technology and Financials detracted from relative performance. An overweight allocation to Consumer Discretionary for the Portfolio relative to the Index also detracted from performance.

Average Annualized Performance % as of 3/31/2018



% Total Effect Portfolio vs. Index (12/31/2017 - 3/31/2018) (bps)



Information is as of 3/31/2018. 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.

1Q 2018 Attribution Highlights

Overall Contributors

- Security selection in Consumer Discretionary
- Security selection in Industrials
- Security selection in Health Care

Overall Detractors

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

Top 3 Stock Contributors and Detractors

Contributors			Detractors		
STOCK	TICKER	CONTRIBUTION	STOCK	TICKER	DETRACTION
Paycom Software, Inc.	PAYC	0.93%	Rogers Corporation	ROG	-0.77%
Ligand Pharmaceuticals Inc.	LGND	0.51%	CEVA, Inc.	CEVA	-0.55%
CyberArk Software Ltd.	CYBR	0.46%	LCI Industries	LCII	-0.47%

Paycom Software, Inc., (PAYC) is an industry leader in cloud payroll and human resources software. PAYC issued 2018 guidance that called for 25% revenue growth and impressive profitability. Moreover, new customer additions drove strong quarterly results and a lower corporate tax rate boosted already healthy cash generation.

Ligand Pharmaceuticals Incorporated, (LGND) licenses its drug technology platform enabling drug development efforts by pharmaceutical manufacturers. LGND also receives royalties upon drug commercialization. Quarterly earnings beat expectations and strong 2018 guidance is a result of LGND's base of royalty generating products. The early stage pipelines of LGND's partners also stand to benefit from the FDA's efforts to speed the review process for new drugs.

CyberArk Software Ltd., (CYBR) provides cyber security software primarily in the area of privileged access management. Fourth quarter earnings exhibited a recovering revenue growth trend after mid-year midyear results. Also, the company's first analyst day since its IPO presented a framework for sustained growth and robust margin improvement following years of investment.

Rogers Corporation, (ROG) was a top performer in 2017 as its stock price doubled, but 4th quarter earnings and guidance revealed operational issues and cost pressures which will hurt profitability in the near term. These issues were poorly communicated with investors, likely amplifying the impact on the stock's returns.

CEVA, Inc., (CEVA) licenses its technology to semiconductor manufacturers. While its current royalty base primarily serves handset baseband demand, new licensing has broadened the opportunity in non-handset applications. Weak global smartphone trends are impacting CEVA's near term royalty stream. However, licensing revenues, up 35% in 2017, should be predictive of long term growth.

LCI Industries, (LCII) is a leading supplier of a broad array of components to manufacturers of recreational vehicles (RV) and adjacent industries. Financial results have been pressured by weaker margins due to the combination of labor inflation and raw material inflation. The stock has also suffered from concerns that RV industry sales are unsustainable at the current level of growth.

1Q 2018 Transaction Summary

Sector Allocation Changes

- Increased exposure to Consumer Discretionary, Industrials, and Financials
- Decreased exposure to Technology

Purchased

- Oxford Industries, Inc. (OXM) - Consumer Discretionary
- WNS Holdings Ltd. (WNS) - Information Technology
- CenterState Bank Corporation (CSFL) - Financials
- Ruth's Hospitality Group, Inc. (RUTH) - Consumer Discretionary
- On Assignment, Inc. (ASGN) - Industrials
- Merit Medical Systems, Inc. (MMSI) - Health Care
- Mercury Systems, Inc. (MRCY) - Industrials

Sold

- Sapiens International Corp. NV (SPNS) - Information Technology
- OSI Systems, Inc. (OSIS) - Information Technology
- OraSure Technologies, Inc. (OSUR) - Health Care
- Marcus Corporation (MCS) - Consumer Discretionary
- Fair Isaac Corporation (FICO) - Information Technology

Purchased

Oxford Industries, Inc. (OXM) is a global apparel company with a portfolio of owned brands. Led by Tommy Bahama and Lilly Pulitzer, OXM's lifestyle brands earn customer loyalty and premium pricing. Store expansion and a faster growing e-commerce business have resulted in consistent top line growth in what has been a challenging environment for apparel retailers. Profitability is strong and improving as growth comes from high margin sources in Lilly Pulitzer and e-commerce, complemented by better execution at Tommy Bahama.

WNS Holdings Ltd. (WNS) is a global IT services provider delivering business process outsourcing primarily to travel, financial, and industrial customers. WNS has delivered organic growth in the double digits and excellent profitability resulting from BPO adoption at large enterprises. Its revenue stream is relatively defensive and highly visible due to long term contracts.

CenterState Bank Corporation (CSFL), a Florida Commercial Bank, CSFL is headquartered in Winter Haven, FL on the I-4 corridor. The bank's growth balanced between strong organic growth and accretive M&A while its profitability profile has been stable as a result of its high level of core deposits. Florida, already the #1 state for net domestic migration, could see outsized benefits from the stimulative impacts of tax reform.

Ruth's Hospitality Group, Inc. (RUTH) is a leader in fine dining restaurants under the Ruth's Chris Steak House brand. Balanced growth has been achieved via deliberate store growth, both company owned and franchised, together with same-store growth which has outpaced the industry. An affluent customer base and superior pricing power should insulate the company from inflationary pressure and sustain its high profitability and cash flow profile.

On Assignment, Inc. (ASGN) is one of the largest and fastest growing professional and IT service providers in North America providing IT, Creative, Digital, Engineering and Scientific talent to clients through a flexible labor pool.

Merit Medical Systems, Inc. (MMSI) provides single-use medical products for interventional and diagnostic procedures used in the treatment of

coronary arterial disease, peripheral vascular disease, and other non-vascular diseases. Strengthening organic growth is being supplemented via acquisitions while profitability, already benefiting from an ongoing mix shift to higher margin products, should be augmented by heavy recent acquisition activity.

Mercury Systems, Inc. (MRCY) is a defense electronics company, providing critical sensors and systems for use onboard military platforms, mostly in aerospace. The company is gaining share through innovation and an expanding product platform; its ability to deliver full systems rather than subcomponents is also attractive to defense prime customers focused on cost control. These trends are enhanced by its active M&A platform and a strengthening defense funding environment.

Sold

Sapiens International Corp. NV (SPNS), an insurance software provider, was removed from the model portfolio after three quarters of margin challenges which raised significant questions around the company's ability to return to historical levels of profitability.

OSI Systems, Inc. (OSIS), a leading manufacturer of security and inspection systems, was removed from the model after disclosing DOJ and SEC investigations into its activities.

OraSure Technologies, Inc. (OSUR) develops products for genetic and molecular testing at the point of care. The stock was removed from the model after the investment thesis came into question given turnover in the management team, a pivot within the company's growth drivers towards lower margin products, and the hiring of strategic consultants.

Marcus Corporation (MCS), a movie theater and hotel operator, was removed for fundamental reasons. Heavy capital spending on theater renovation is no longer delivering the same historical outperformance vs competitors, meanwhile hotel operations are underperforming.

Fair Isaac Corporation (FICO) was sold as it exceeded our \$5 billion market cap limit.

Positioning

Investments are predicated on a company's future prospects rather than economic or market cycles. We seek companies with strong fundamentals, emphasizing earnings growth consistency, free cash flow, and solid balance sheet metrics. There were seven purchases and five sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Consumer Discretionary, Industrial, and Financial sector weights while decreasing exposure to Technology.

Outlook

The economy had been under repair since the financial crisis before a more consistent path was developed last year. A strong domestic structure is now supported by an accelerating global economy partially fueled by aggressive policies of the European and Japanese central banks.

While we believe growth will accelerate, some caution is warranted. The Tax Cuts and Jobs Act, signed by President Trump last December, has positive ramifications for lower and middle-class tax payers and businesses. U.S. companies will be more competitive on a global stage and a significant number of large employers have promised to share savings with their employees. Tax cuts stimulate the economy, but it is unusual for the federal government to pass a meaningful tax cut during periods of economic expansion. As such, there is a risk of heightened inflation in future years should productive capacity not increase to offset any demand pressures.

Ironically, one of Congress' few acts of bipartisanship could also generate concern down the road. Washington has little inclination to live by a budget and the recently passed spending bill destroys any hope for a balanced budget in the intermediate term. The Treasury reported that our national debt exceeded \$21 trillion, up \$1 trillion over the past six months and about equal to the size of our economy. That debt level is a record, both in absolute terms and relative to our economy, other than in war time. This trend bears watching.

There is a third potential risk – tariffs. President Trump has announced two distinct tariff proposals. Economic nationalism sells well across the political spectrum but comes with serious negative consequences that cannot be measured by pure numbers. The \$50 billion tariff centered on China would, if enacted, cost far more to our economy as retaliatory measures would offset any supposed gain. We suspect the tariff trial balloons are just that and will be used to negotiate more defined trading agreements.

We remain sanguine regarding the stock market and prefer stocks to bonds notwithstanding the recent volatility and the acrimonious political drumbeat. The unbridled enthusiasm that greeted equity investors in January has been tempered even as the economy remains on solid footing. Inflation, a potential future risk, remains contained. Earnings growth measured nearly 15% during the 4th quarter of 2017. We expect earnings to increase double digits in 2018 as well, supporting current valuations.

Congress Asset Management Co.
Small Cap Growth Composite
6/30/2013 - 3/31/2018

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 2000 Growth Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 2000 Growth 3-Yr an- nualized ex-post St Dev (%)	Number of Portfolios	Gross Dis- persion %	Total Com- posite 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	2.5	2.4	2.3	n/a	n/a	86	n/a	35	n/a	7,427	10,727
2017	22.4	22.0	22.2	14.8	14.6	69	0.62	25	1%	7,272	10,546
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 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 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 full month. The small cap growth strategy invests in the equity of high quality companies with market capitalizations between \$300 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. 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. 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 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.