

Market Review

Contradictory forces seem to be at play in the domestic markets. On the one hand bonds rallied during the quarter with the ten-year yield falling to 2.15%, down from 2.40% in late March. The fall in yields would seem to indicate concerns for our economic vitality. On the other hand, stock returns indicate a more robust view of the future with the S&P 500 continuing to climb, up about 3% for the quarter. Movements in both markets merit comment.

In part, the bond rally likely reflects the subdued inflation readings reported over the past two months. Yet, the rally comes in the face of the Federal Reserve's fourth interest rate hike since December 2015 and confirmation that it is likely to begin shrinking its balance sheet later in the year. By shrinking the balance sheet, the Fed will start to unwind its quantitative easing programs. In so doing, it will also increase the inventory of government bonds available to investors...So why such a strong bond rally?

The world is still hunting for yield. A recent survey of sovereign debt indicated that the bonds of 13 countries sported negative yields out to five years. Argentina—a country that has defaulted seven times in 200 years—experienced robust demand for a recent 100-year bond issue. This hunt is driving foreign investors to U.S. shores for both yield and safety. According to Bloomberg, foreign central bank holdings of U. S. Treasuries stand at close to \$3 trillion.

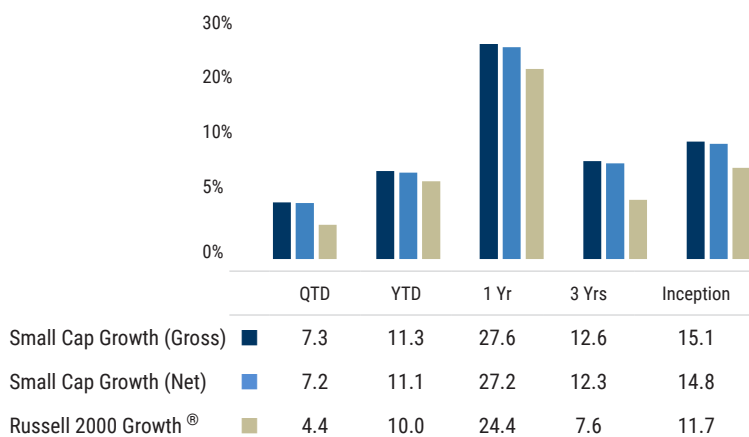
In contrast to bonds, the stock market eschewed economic concerns and rallied, once again with limited volatility. Corporate profits were up 12% over the prior year, which provided heft and

supported the rise. The rally was broader than just the big tech companies, too. In fact, bolstered by the still expansionary policies of many central banks, stocks rallied globally with Europe up 18%, Japan up 22%, and emerging markets up 24%.

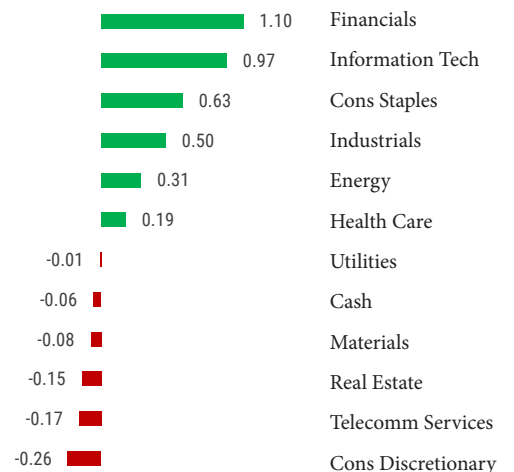
Performance Overview

The Congress Small Cap Growth Portfolio outperformed its benchmark, the Russell 2000 Growth Index®, during the second quarter. The portfolio returned 7.31% versus the Index's return of 4.39%. Relative performance was aided by security selection in the Information Technology, Financial, and Consumer Staples sectors. Relative performance was negatively impacted by security selection in the Consumer Discretionary and Materials sectors, as well as an overweight allocation to the Consumer Staples sector.

Average Annualized Performance % as of 6/30/2017



% Total Effect Portfolio vs. Index (3/31/2017- 6/30/2017) (bps)



Information is as of 6/30/2017. 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.

Q2 2017 Attribution Highlights

Overall Contributors

- Security selection in Financials
- Security selection in Information Technology
- Security selection in Consumer Staples

Overall Detractors

- Security selection in Consumer Discretionary
- Allocation to Consumer Staples
- Security selection in Materials

Top 3 Stock Contributors and Detractors

Contributors			Detractors		
STOCK	TICKER	CONTRIBUTION	STOCK	TICKER	DETRACTION
Lending Tree, Inc.	TREE	0.87%	Sapiens International Corp.	SPNS	-0.28%
LeMaitre Vascular, Inc.	LMAT	0.67%	Duluth Holdings, Inc.	DLTH	-0.28%
CEVA, Inc.	CEVA	0.67%	Standex International Corp.	SXI	-0.27%

LendingTree, Inc. (TREE) operates a leading online loan marketplace for consumers seeking loans and other credit-based offerings. As the leading performance-marketing provider to lenders in the mortgage space, TREE's market share gains have supported surprisingly resilient growth despite the headwind from higher interest rates. Sustained growth in the non-mortgage business, particularly credit cards and home equity, also drove the first quarter earnings beat. Management raised full-year revenue guidance by 6%.

LeMaitre Vascular (LMAT) is a global medical device company that develops products for the treatment of peripheral vascular disease. Both the company's product lineup and its direct sales force are focused on the vascular surgeon, a niche market, which enables LMAT to build leading product positions and leverage a growing sales force. First quarter earnings results beat expectations after 19% sales growth and expanding margins drove 42% earnings growth.

Ceva Inc. (CEVA) is a leading licensor of signal processing Internet Protocol (IP). CEVA is benefiting from new royalty sources on top of their mobile handset baseband royalty stream. The Company has signed over 40 design wins for its Bluetooth/WIFI connectivity capabilities, a Tier 1 Automobile Original Equipment Manufacturers (OEM) to help build an internal autonomous driving platform, and a royalty agreement worth \$10-\$20 million annually from two of the four main cellular base station vendors for the design and use of 5G base station chips.

Sapiens International Corp. (SPNS) supplies core record-keeping software solutions for retirement services and a complete offering for reinsurance providers. Its solutions possess modern and modular architecture, are digital-ready, and help customers respond to evolving market needs and regulatory changes while improving the efficiency of core operations. These enhancements increase revenues and reduce costs. Sapiens first quarter results were negatively impacted by the previously announced halt of a software development project at a large life insurer. Management reiterated its revised 2017 total revenue guidance of 23%–27% growth. Strong customer wins in the quarter at Alexander Forbes and Nordics P&C insurer will offset much of the headwind.

Duluth Holdings, Inc. (DLTH) is a rapidly growing lifestyle brand of high quality, solution-based casual wear, workwear and accessories for men and women. While first quarter earnings results showed 22% sales growth, shares were weak due to a larger-than-expected deceleration in the direct business, its largest channel, which grew only 5.7%. The company maintained its 2017 revenue and earnings per share guidance, including the benefit of an additional planned store opening.

Standex International Corp. (SXI) is a leading manufacturer of a variety of products and services for diverse commercial and industrial markets including Food Service Equipment, Engraving, Engineering Technologies, Electronics, and Hydraulics. Strong organic third quarter growth in Engraving, Engineering Technologies and Electronics were offset by weakness in the company's Cooking Solutions and Hydraulics segments. Demand for Refrigeration was strong during the quarter; however, SXI was unable to capitalize on the increased orders and backlog due to operational difficulties tied to the introduction of new foam for the walk-in freezer panels in one of their facilities. SXI completed the acquisition of the OKI Sensor Device Corporation and the integration is going well. This accelerates SXI's strategy to grow the Electronics group in Asia. Management expects higher year-over-year Refrigeration sales and a near-term pick up in its Hydraulics segment given increasing orders and higher backlogs.

Q2 2017 Transaction Summary

Sector Allocation Changes

- none

Purchased

- none

Sold

- none

Purchased

No purchases during the quarter

Sold

No sales during the quarter

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.

Outlook

The stock market's measured return so far this year highlights that the remnants of the financial crisis are receding at a quickening pace. The Fed's balance sheet reduction can be interpreted as a signal that the world's largest central bank is prepared to partially return the economic reins to consumers and businesses thus allowing more rational investing, spending, and savings decisions. The timing is propitious. Corporate earnings are growing at a reasonable rate, inflation is in check, and the consumer is in solid economic shape with good job prospects. The U.S. stock market remains the preferred asset class.

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

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	11.3	11.1	10.0	n/a	n/a	59	n/a	24	n/a	6,261	9,122
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 – 12/31/2016. 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 \$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. 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.