

Market Review

For much of the last ten years, the U.S. economic expansion has been notable for its lack of sizzle. Even the stock market, which has done well, has been unremarkable relative to other expansions. That is about to change. We have shed the “two steps forward, one step back” readings of economic data.

What’s changed? The continued development of our job market. May’s unemployment reading reached a new low for this cycle at 3.8%. We currently have more jobs available than workers to fill them. Like a ball rolling downhill, we’ve picked up steam.

The momentum caused some volatility in financial markets, especially for bonds. Interest rates rose with the ten-year U.S. Treasury yield broaching the psychologically important 3% yield mark before falling back. Many bond market indices remain negative for the year. In contrast, stocks quelled some of the first quarter unease as the S&P 500 returned close to 3% for the quarter. Small stocks fared even better returning close to 8%.

The momentum exhibited in the second quarter is well grounded and likely to continue. The trickle of growth has become a torrent and expanded beyond the affluent. Lower income Americans are finally benefitting from tight labor markets and lower taxes resulting in higher confidence. This is captured in May’s retail sales increase of 5.9% over last year.

After some delay, the benefits of the expansion are spreading to millennials and younger demographic cohorts, who came of age during the financial crisis. Back then, weak job prospects and record student debt weighed on their confidence and ability to spend. Things are better now. Today, millennials are forming new households at a solid pace, bolstering spending on housing and other big-ticket items.

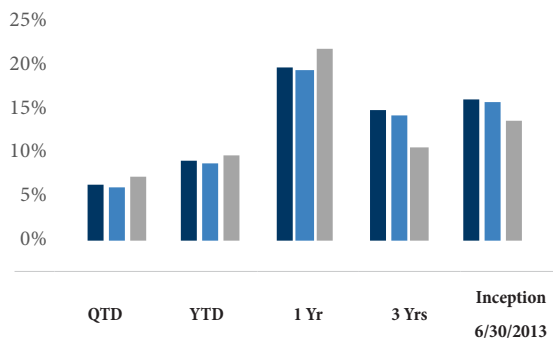
Corporate America continues to fare well. Record low interest rates, low inflation, tax cuts, and a large available work force resulted in strong 25% earnings growth in the first quarter. Small business trends are better now as optimism has risen with the improving profits outlook. To top it off, Federal spending was up 6% in May. This fiscal stimulus is sure to add fuel to the economic fire.

Performance Overview

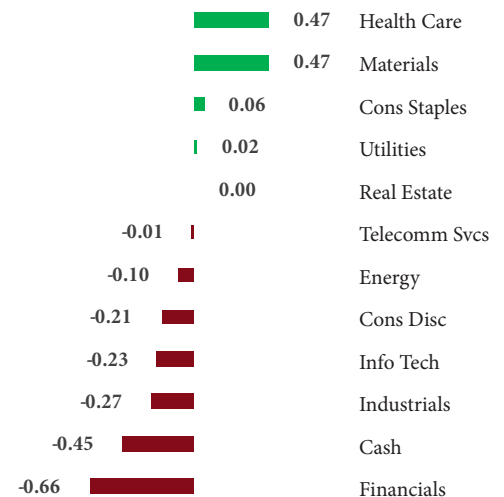
The Small Cap Growth Portfolio (“the Portfolio”) returned 6.28% gross of fees during the second quarter while the Russell 2000 Growth[®] returned 7.23%.

Relative performance was aided by security selection in the Health Care and Materials sectors and an overweight allocation to the Consumer Staples sector. However, relative performance was negatively impacted by security selection in the Financial, Consumer Discretionary, and Information Technology sectors.

Average Annualized Performance% as of 6/30/2018



% Total Effect Portfolio vs. Index (3/31/2018 -6/30/2018) (bps)



Information is as of 6/30/2018. 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 not 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 2018 Attribution Highlights

Overall Contributors

- Security selection in Health Care & Materials
- Allocation to Consumer Staples

Overall Detractors

- Security selection in Financials, Consumer Discretionary & Information Technology
- Allocation to Cash

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight	Contribution
Inogen, Inc.	3.12%	1.42%
Five Below, Inc.	3.00%	0.88%
Ligand Pharmaceuticals, Inc.	2.82%	0.68%
CyberArk Software Ltd.	2.61%	0.58%
Neogen Corporation	2.93%	0.54%

Inogen, Inc. (INGN) manufactures portable oxygen concentrators used in the delivery of supplemental long-term oxygen to patients suffering from chronic respiratory conditions. First quarter sales growth of 50% far outpaced expectations of +20% as the company's expanding sales force drove portable oxygen concentrator adoption worldwide.

Five Below Inc. (FIVE) is a niche specialty retailer catering to kids and their parents with merchandise priced at \$5 or less. First quarter results beat expectations despite a weather headwind. More importantly, guidance for flat same store sales in the second quarter dispelled the market's fear of a decline in comparison to last year's fidget-spinner craze. Above-average profitability at its newest stores reinforced FIVE's core growth story - expansion of its highly profitable store base.

Ligand Pharmaceuticals Inc (LGND) licenses its drug technology platform to its partners to enable their drug development efforts, and receives royalties upon drug commercialization. First quarter results beat expectations. Royalty revenues were healthy resulting from strong drug sales from key licensing partners, and the company executed significant licensing deals to advance new product platforms.

CyberArk Software Ltd., (CYBR) provides cyber security software primarily in the area of privileged access management. First quarter earnings continued to exhibit a recovering growth trend after a disappointing 2017; sales and profitability were both better than expected and management now sees full year revenues growing more than +20%.

Neogen Corporation (NEOG) provides products and services dedicated to food and animal safety, including test kits and sanitary systems that protect the food supply chain and animal health and control products. The stock continues to benefit from Neogen's unique position in these consistent, secular growth markets. Management's commentary around potential acquisitions and new product launches suggest the opportunity for near term acceleration.

Detractors

Stock	Avg. Weight	Detraction
Lending Tree, Inc.	2.10%	-0.88%
Mercury Systems, Inc.	1.60%	-0.45%
AAON, Inc.	2.08%	-0.42%
CEVA, Inc.	1.95%	-0.34%
LCI Industries	1.95%	-0.31%

Lending Tree, Inc. (TREE) operates a web platform that matches consumers with multiple lenders who can provide them with competing quotes. The stock declined despite a fundamentally strong earnings report where revenues and earnings grew over 30% despite the headwind of a mortgage market in decline. Rising interest rates are increasingly seen as a threat to lending activity on TREE's platform, particularly in the mortgage business.

Mercury Systems, Inc. (MRCY) is a defense electronics company, providing critical sensors and systems for use onboard military aerospace platforms. The stock declined as a result of a short seller's report. The company's messy first quarter earnings result, where Congress's brief budget impasse temporarily delayed some deliveries, further deflated investor confidence.

AAON, Inc (AAON) is a premium provider of commercial heating, ventilation and air conditioning (HVAC) products. The company's first quarter was operationally challenged in a seasonally slow quarter. The cadence of orders from a new product launch was poorly forecasted, its early production units are not yet profitable, and cost inflation is occurring ahead of price increases. Management expects the resulting margin impacts to be recovered over the near term.

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 and 6% in the first quarter should be predictive of long term growth.

LCI Industries (LCII) is a leading supplier of components for recreational vehicle (RV) manufacturers and adjacent industries. While LCII and industry growth continue, earnings have been pressured by a combination of labor inflation and raw material inflation. Concerns around the sustainability of the current RV cycle have also pressured the stock, with elevated attention given to inventory levels, unfavorable weather, and rising interest rates.

2Q 2018 Transaction Summary

Sector Allocation Changes	Purchased	Sold
<ul style="list-style-type: none"> Increase in Consumer Discretionary 	<ul style="list-style-type: none"> The Trade Desk, Inc. (TTD) - Information Technology 	<ul style="list-style-type: none"> Chase Corp. (CCF) - Materials
<ul style="list-style-type: none"> Decrease in Health Care & Materials 	<ul style="list-style-type: none"> SodaStream International Ltd. (SODA) - Consumer Discretionary Fox Factory Holding Corp. (FOXF) - Consumer Discretionary 	<ul style="list-style-type: none"> LeMaitre Vascular, Inc. (LMAT) - Health Care Cambrex Corp. (CBM) - Health Care Paycom Software, Inc. (PAYC) - Information Technology Dorman Products, Inc. (DORM) - Consumer Discretionary

Purchased

Trade Desk, Inc. (TTD) provides buyers of advertising with a self-service, cloud-based platform to optimize their digital ad campaigns across formats and devices. Growth is benefiting from a secular shift within the ad industry towards online advertising and programmatic trading of ad inventory, as well as share gains from client adoption and geographic expansion. The company's strong financial profile is supported by a highly profitable and scalable business model.

SodaStream International Ltd. (SODA) is the global market leader in home beverage carbonation systems, SODA's home sparkling water makers & flavorings are taking share of the \$350 B carbonated beverage market. Sales growth has reaccelerated following a shift in product positioning towards health and wellness and low sugar offerings, which supplement the product's benefits as a lower cost, more environmentally friendly option than cans and bottles. SODA's high profitability results from a razor/razorblade model as sparkling water maker sales drive consistent purchases of CO₂ cylinders, bottles, and flavorings.

Fox Factory Holding Corp. (FOXF) is a manufacturer of high-performance suspension products for the mountain bike and powered vehicle end-markets. The company's commitment to R&D and innovation has historically resulted in above-market growth in the teens with solid underlying demand for premium suspended mountain bikes and on- and off-road suspension products, favorable competitive positions with high growth bike OEM's, and launches on some of the best-selling pick-up truck models in the U.S. In this cyclical industry, FOXF financials are supportive, with little debt, strong margins, and consistently positive cash flow.

Sold

Chase Corporation (CCF) is a global chemicals company specializing in protective materials for high-reliability applications. Revenues are growing solidly but input costs spiked unexpectedly. With little pricing power to pass on cost increases, the Committee believed severe margin pressure is likely to continue to prohibit core earnings growth in the future.

LeMaitre Vascular (LMAT) produces medical devices used in vascular surgery. Earnings revealed a slowdown in organic growth. Historically a consistent grower, this occurred in the context of sales leadership disruption. The Committee found limited visibility towards improved results.

Cambrex Corp. (CBM) is a manufacturer of Active Pharmaceutical Ingredients for pharma and biotech companies. Capacity utilization at its facilities has continued to decline driven by a combination of new capacity expansions to fill future demand and decreasing Gilead API volumes resulting from a more competitive hepatitis C virus market. Low visibility into demand and ultimate product volume to fill that capacity puts further uncertainty on the growth and margin outlook going forward.

Paycom Software, Inc. (PAYC) is an industry leader in cloud payroll and human resources software. The stock was sold after it reached the Portfolio's \$5 B market cap limit.

Dorman Products, Inc. (DORM) is an industry leading manufacturer of aftermarket auto parts. The stock was sold after its 3rd consecutive disappointing quarter. An aging US auto fleet and return to more normal winter weather failed to improve demand trends. Core growth has decelerated, and now margins are under pressure.

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 three purchases and five sales during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Consumer Discretionary sector weight while decreasing exposure to Materials and Health Care.

Outlook

Ironically, the fiscal stimulus should be considered one of the risks to our outlook. Fiscal stimulus in a period of strong economic growth often results in inflation as government competes with business for limited resources. Indeed, the Federal Reserve (Fed) raised short term rates in June and hinted at more increases both this year and next year. Even with inflation still below the Fed's preferred 2% rate, it has continued to decrease its bond holdings, effectively taking money out of the system. Often criticized for being behind, the Fed appears to be anticipating inflation.

While domestic growth continues unabated, Europe and many emerging markets have stalled. The synchronized global expansion is now relying mainly on the U.S. and China to propel the next leg of growth. In this vein, the nascent trade war with China takes on increased importance.

President Trump is clearly putting his stamp on our trade policies by implementing new tariffs. Over time, tariffs reduce trade and increase costs. Undoubtedly, Chinese actors continue to steal proprietary technologies and new protections in that realm are long overdue. As currently constructed, however, the new tariffs are as hurtful to Canada and Mexico as they are to China.

The tariffs themselves are not significant enough on their own to cause major concern but they do set a tone and act as a harbinger of what may come. As the U.S. has indicated more tariffs will follow, this has led to fears of a full-blown trade war.

The tailwind from lower corporate taxes enacted late last year are now being offset by these tariff concerns, resulting in companies delaying capital projects and taking a more conservative view of the future. This has been less of a concern for small companies that produce and sell in the domestic market. That could change, however, as investors recognize that even small companies are indirectly tied to global markets.

Other than trade policy, most of the potential negative economic stimuli have offsetting positives. For instance, the European Central Bank remains accommodative and has indicated it is likely to remain so throughout this year. Low European interest rates should help keep U.S. rates lower than they otherwise may be. Also, the Japanese economy appears to be stronger than it has been in decades and, along with China, provides meaningful opportunities for growth in Asia.

The U.S. economy enters the summer firing on all cylinders. The two primary risks in our view are: unforeseen inflation and a tariff induced slow down. The Fed is doing its part on inflation. As for tariffs, we believe cooler heads will prevail as the importance of global trade has been acknowledged by the administration even as the sabre rattling has intensified.

The foundation built over the last decade remains intact and strong enough to weather the current storm. An economy in full employment can withstand many challenges. That and accelerating growth keep us positively disposed to equities. Bond volatility may continue but the ten-year treasury at 3% appears attractive.

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

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	9.0	8.7	9.7	n/a	n/a	97	n/a	43	n/a	7,444	10,862
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 – 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 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.