Portfolio Commentary

Small Cap Growth

Market Review

The U.S. economy continues to grow and is likely stronger than recent headlines imply, providing a level of comfort for domestic investors. There are, however, two fault lines underneath the global economy: slowing momentum in Europe, China, and the United States; and rising trade tensions. The two lines are interdependent and in combination add an increasing level of uncertainty to economic prognosticators.

The financial markets felt the effects of increasing uncertainty in the second quarter. Bond yields fell to about 2% for the U. S. Treasury 10-year note, a level not seen since 2017. Stocks gyrated, particularly in May as trade tensions spiked, yet finished the quarter up about 3%. Oil prices collapsed only to stabilize late in the quarter. The most significant of these moves may be the bond yields themselves.

A few months ago, it appeared that global central banks were set to end their decade long experiment in quantitative easing by decreasing their own balance sheets and raising rates. As recently as December, the Federal Reserve (Fed) hiked short-term rates in the U.S. As the quarter progressed, it became clear that both domestic and global momentum had slowed, precipitating a U-turn by central banks. Interest rate increases are now on hold and balance sheets are as likely to expand as they are to shrink.

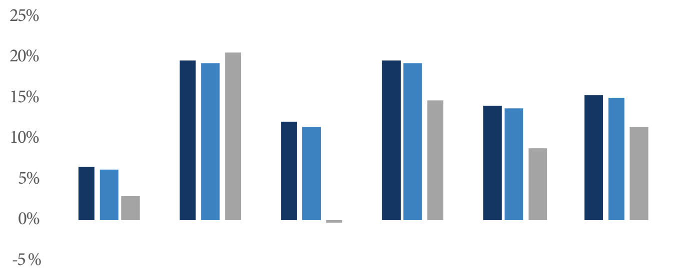
The Fed and other central banks have the ability (and it appears the inclination) to react to weakening indicators because of subdued inflation readings. To be sure, developed economies world-wide remain in a systemically low inflation environment. Rarely have we experienced this phenomenon. The implications are far ranging and include negative interest rates in Europe and low rates elsewhere, adversely effecting both pensioners and investors.

Performance Overview

The Small Cap Growth Portfolio ("the Portfolio") returned 6.3% (gross of fees) during the second quarter, while the Russell 2000 Growth Index ("The Index") returned 2.8%.

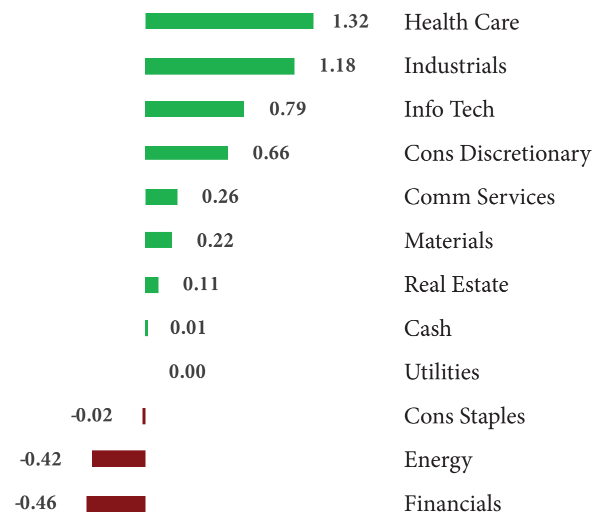
The Portfolio benefited from security selection in the Health Care, Information Technology, Industrials, and Consumer Discretionary sectors. However, security selection in Energy and Financials, as well as an underweight allocation to Financials detracted from relative performance during the quarter.

Average Annualized Performance % as of 6/30/2019



		QTD	YTD	1 Yr	3 Yrs	5 Yrs	Inception 7/1/2013
Small Cap Growth (Gross)	■	6.3	19.4	11.9	19.6	13.9	15.3
Small Cap Growth (Net)	■	6.2	19.2	11.5	19.2	13.5	15.0
Russell 2000 Growth *	■	2.8	20.4	-0.5	14.7	8.6	11.2

% Total Effect Portfolio vs. Index[1] (3/31/2019 - 6/30/2019)



Information is as of 6/30/2019. 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.

[1]The information shown is for a representative account as of 6/30/2019. Actual client account holdings and sector allocations may vary.

2Q 2019 Attribution Highlights

Overall Contributors

- Security selection in Health Care, Information Technology, Industrials & Consumer Discretionary

Overall Detractors

- Security selection in Energy & Financials
- Underweight allocation to Financials

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Repligen Corporation	2.60	1.06
RBC Bearings, Inc.	2.61	0.76
ESCO Technologies, Inc.	2.71	0.60
Boot Barn Holdings, Inc.	2.63	0.56
Fox Factory Holding Corp.	2.99	0.54

Detractors

Stock	Avg. Weight%	Detraction%
*Core Laboratories NV	1.83	-0.62
**Inogen, Inc.	0.50	-0.38
Inter Parfums, Inc.	2.83	-0.38
Ruth's Hospitality Group, Inc.	2.24	-0.27
Ligand Pharmaceuticals, Inc.	1.60	-0.15

*purchased during the quarter **sold during the quarter

Repligen Corporation (RGEN) is a leading provider of advanced bioprocessing technology and solutions used in the process of manufacturing biologic drugs. First quarter earnings continued to show accelerating organic growth, up 38%, while raised full year guidance, strong order growth and planned capacity expansions are supported by a robust outlook for biologic drug development activity.

RBC Bearings Incorporated (ROLL) is a leading manufacturer of highly engineered, custom, critical bearings and components to the aerospace, defense and industrial end markets. Despite the industrial slowdown, ROLL delivered stronger than expected first quarter results and guidance on the strength of its aerospace and defense business which delivered double digit growth and backlog increased, unaffected by the Boeing 737 MAX grounding, with acceleration expected from new capacity now in place.

ESCO Technologies, Inc. (ESE) is a multi-industrial producing engineered products and systems from a portfolio of businesses towards utility, industrial, aerospace, and commercial applications. ESE reported second quarter earnings exceeding expectations, with impressive sales growth and bookings across businesses. A lower cost structure and operational improvements are also driving stronger than expected margins, enhancing the long-term outlook.

Boot Barn Holdings, Inc. (BOOT) is a differentiated retailer specializing in western lifestyle and work-related footwear and apparel. Same store sales have been resilient, exceeding expectations despite difficult year over year comparisons and challenging conditions in the apparel industry. Recent product launches in its private label brands have resulted in accelerating sales growth at a higher margin.

Fox Factory Holding Corp. (FOXF) is a manufacturer of high-performance suspension products for the mountain bike and powered vehicle end-markets. First quarter results beat expectations and full year guidance was raised significantly after the company delivered 13% organic growth in specialty sports and 34% growth in powered vehicles sales. Market share gains are the result of expanded relationships with OEM's and new product launches.

Core Laboratories NV (CLB) is a leading provider of reservoir description and production enhancement services and products to the oil and gas industry. Oil price volatility and slow activity levels in US shale developments drove stock action in the oil services industry. Meanwhile the expected market share gains from new product launches and the nascent recovery in reservoir description activity have yet to impact quarterly results.

Inogen, Inc. (INGN) manufactures portable oxygen concentrators used in the delivery of supplemental long-term oxygen to patients with chronic respiratory conditions. First quarter results included a significant reduction to full year guidance and a change of strategy. The headwind to sales which management had attributed to a single customer is now described a broader industry problem. The company also abandoned its salesforce investments and announced an initiative to build the rental business. The stock was removed from the Portfolio.

Inter Parfums, Inc. (IPAR) develops and markets a wide array of branded fragrances. Sales growth is hampered by currency translation due to the strength of the US dollar, and this year's product launch schedule doesn't pick up until later in 2019. These dynamics make IPAR's premium valuation multiple less attractive in the short term.

Ruth's Hospitality Group, Inc. (RUTH) is a leader in fine dining restaurants under the Ruth's Chris Steak House brand. During the quarter, a slowing economy and consumer spending trends drove many restaurant stocks lower.

Ligand Pharmaceuticals, Inc. (LGND) licenses its drug technology platform to its partners to enable their drug development efforts and receives royalties upon drug commercialization. LGND underperformed during a lackluster quarter for small cap Biotech stocks as investors continue to digest the strategic sale of the company's largest royalty stream.

2Q 2019 Transaction Summary

Sector Allocation Changes	Purchased	Sold
• Increase in Energy & Financials	• Core Labratories N.V. (CLB) - Energy	• Inogen, Inc. (INGN) - Health Care
• Decrease in Health Care	• Cohen & Steers, Inc. (CNS) - Financials	

Purchased

Core Laboratories NV (CLB) is a leading provider of niche services and products to the oil and gas industry. Its Reservoir Description segment provides lab based reservoir characterization services, leveraged to the recovery of international and offshore oil development. The Production Enhancement segment manufactures perforation charges which benefit from rising US fracking activity and new product launches. CLB's technology focus supports exceptional financials, including resilient profitability and cash flow through downturns as well as high incremental margins during the upcycle, while excess cash flow is returned to shareholders.

Cohen & Steers, Inc. (CNS) is a differentiated investment manager specializing in liquid real assets, which include real estate securities, listed infrastructure, commodities, natural resource equities, and preferred securities. These niche products benefit from investor shifts to alternatives and income producing asset classes. They enjoy higher, more resilient fee rates which result in CNS's leading margin and cash flow profile. With an excellent product performance track record and beneficial distribution trends, organic growth is in position to accelerate.

Sold

Inogen, Inc. (INGN) manufactures portable oxygen concentrators used in the delivery of supplemental long-term oxygen to patients with chronic respiratory conditions. The stock was removed from the Portfolio after first quarter results included a significant reduction to full year guidance and a change of strategy. The headwind to sales which management had attributed to a single customer is now described a broader industry problem. The company also abandoned its salesforce investments and announced an initiative to build the rental business.

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 two purchases and one sale in the Portfolio during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Energy and Financials weightings, while reducing the Health Care weighting.

Outlook

The U.S. is not immune to economic lethargy. Spending on capital equipment has slowed and manufacturers are facing their own perfect storm: tariff-induced higher component costs, a strong dollar affecting overseas sales, and the anniversary of tax incentives, which pulled orders into 2018. Farmers in the corn belt are facing a trying year hindered by a wet planting season and curtailed exports. The bond market has noticed. While we do not face negative rates, part of the yield curve has inverted with some short-term bonds in the unusual position of yielding more than longer term bonds, indicating a recession could be in the offing. That inversion would likely disappear should the Fed lower rates as expected in July.

The current economic malaise represents more a pause in activity than a trend. Low interest rates act as both a warning to investors and a stimulant. The combined effect of low foreign rates and the Fed intimating a policy change has had the effect of lowering mortgage and loan rates. Lower rates will work through the economy over time and will increase home affordability and could foster investment in long lived assets, benefiting consumers and businesses.

May's headline job growth was weak, but it appears to be an outlier as other measures of employment remained strong and workers' compensation continues to improve. In a positive development, productivity rose over 3%, the highest level this cycle, with positive implications for efficiency, profitability, and inflation.

Whether consumer spending, backed by strong employment metrics, will be enough to offset sluggish business spending and keep the economy on a growth path remains to be seen. A decade of recovery after the financial crisis has left the consumer in a strong position, though. Consumer debt burden is very manageable, household net worth is at its highest level and continues to grow, and the savings rate at over 6% suggests that the consumer can support the economy in the face of business uncertainty.

To a large extent, the challenges facing the economy and markets now result from uncertainties caused by a significant change in our trade policies. Global trade has been espoused and endorsed by most countries for decades as a source of growth and the best method to improve their standards of living. Laws and business practices had adapted to encourage the flow of goods and services. Brexit and tariff concerns have changed this global view. Trade policies are in flux with no clear end game in sight. Stock markets are likely to react to every pronouncement, positive or negative, with the unintended effect of increased market volatility.

Restrictive trade policies will affect growth to some degree but are unlikely in themselves to cause a recession. By July, the U.S. expansion will have reached the ten-year mark and will have become the longest domestic expansion on record. More than 20 million jobs have been created in the last decade, unemployment is at 50-year lows, and inflation remains benign. Economic momentum is strong enough to withstand the current round of trade friction.

Financial markets are understandably jittery given the ever-changing trade environment. Bond yields are low by historical standards but provide an attractive return relative to other developed nations. Stocks are likely to be more volatile as investors digest how trade dynamics will affect future earnings. Longer term, stocks remain the preferred asset class.

Information is as of 6/30/2019

Congress Asset Management Co.
Small Cap Growth Composite
7/1/2013 - 12/31/2018

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 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)
2018	2.1	1.7	-9.3	17.4	16.5	103	0.69	30	<1%	7,102	10,234
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 – 12/31/18. 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. The Small Cap Growth Composite has been examined for the periods 1/1/2018 – 12/31/18. The verification and performance examination reports are available upon request.

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. It 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.