

Portfolio Commentary

Small Cap Growth

Market Review

Rarely is there such dramatic change in one quarter. The fourth quarter of 2019 was the exception, with major policy developments in several arenas providing at least partial relief from the tensions festering in the summer. Domestically, the Federal Reserve Board (Fed) reduced its federal funds rate by one quarter of one percent during October, the third reduction since July, cementing the reversal of its raise one year prior. The Fed also committed to reflating its balance sheet once again, allaying fears of a credit crunch in short term investment funding circles. The uncharacteristically bold actions by the Fed signaled that they understood clearly the threats to the financial markets from higher rates and economic slowdowns in Europe and China.

The relaxation of trade tensions signaled that both the United States and China realized spiraling trade restrictions dampen sentiment and elevate uncertainty, hindering capital investment. Whether the détente lasts through the new year remains to be seen but a spirit of cooperation broke out in North America with the recently passed USMCA trade deal between the U.S., Mexico, and Canada.

Foreign governments and central banks took their cues from the Fed. To combat the economic pause experienced in 2019, central banks began expanding their balance sheets again, pumping money

into the banking system to induce more investment. In addition, over the past few months, over 60 central banks cut interest rates including Mexico, Russia, Turkey, and Brazil. Interest rate and short-term funding arrangements are perceived to be the quickest method to shore up sagging economies.

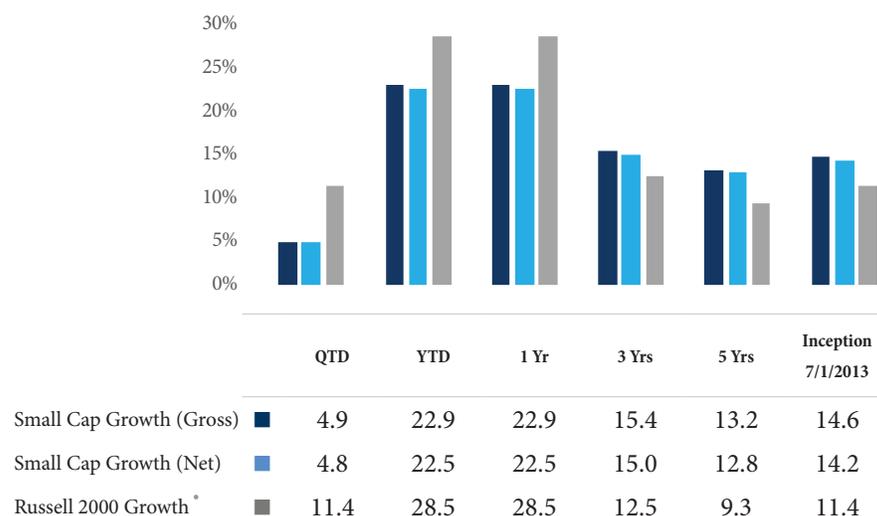
The uncoordinated policies had a salutary effect on U.S. markets. Stocks and bonds had their biggest simultaneous gains in over two decades. The S&P 500 returned about 30% for the year and bond prices rose, pushing the yield on the benchmark 10-year Treasury to under 2%. Oil and gold also returned over 10% for the year.

Performance Overview

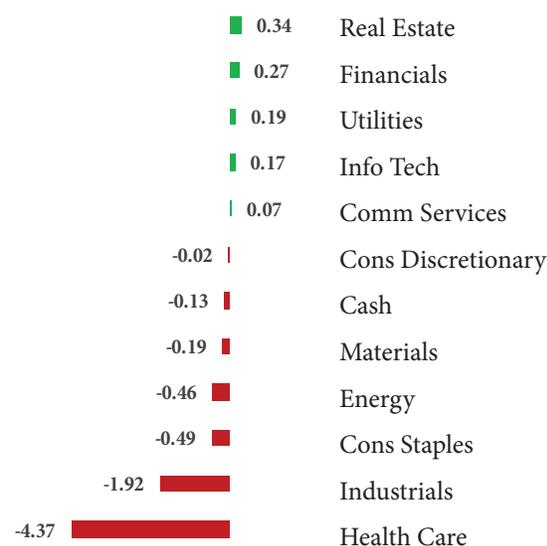
The Small Cap Growth Portfolio (“the Portfolio”) returned 4.85% (gross of fees) during the Fourth quarter, while the Russell 2000 Growth Index (“The Index”) returned 11.39%.

The Portfolio benefited from security selection in the Information Technology and Financials sectors, as well as maintaining no exposure to Real Estate. However, security selection in the Health Care and Industrials sectors and an underweight relative allocation to Health Care detracted from performance.

Average Annualized Performance % as of 12/31/2019



% Total Effect Portfolio vs. Index¹ (9/30/2019 - 12/31/2019)



Information is as of 12/31/2019. 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.

¹The information shown is for a representative account as of 12/31/2019. Actual client account holdings and sector allocations may vary.

4Q 2019 Attribution Highlights

Overall Contributors

- Underweight allocation to Real Estate
- Security selection in Information Technology & Financials

Overall Detractors

- Security selection in Health Care & Industrials
- Underweight allocation to Health Care

Top 5 Stock Contributors and Detractors

Contributors

STOCK	AVG. WEIGHT%	CONTRIBUTION%
Boot Barn Holdings, Inc.	2.94	0.76
Repligen Corporation	2.98	0.58
Cohen & Steers, Inc.	3.02	0.53
ESCO Technologies Inc.	2.97	0.47
SiteOne Landscape Supply, Inc.	2.32	0.47

Detractors

*sold during the quarter

STOCK	AVG. WEIGHT%	DETRACTION%
Mercury Systems, Inc.	3.19	-0.60
HMS Holdings Corp.	2.56	-0.42
Core Laboratories NV	1.59	-0.29
US Ecology, Inc.	2.45	-0.25
Children's Place, Inc.*	1.04	-0.24

Boot Barn Holdings, Inc. (BOOT) is a differentiated retailer specializing in western lifestyle and work-related footwear and apparel. Broad-based growth of same store sales continues to exceed expectations, growing 8% in the 3rd quarter despite difficult prior year comparisons and a challenged apparel industry. With about half of its sales coming from goods sourced from China, the anticipation of a trade deal also improved sentiment towards the stock.

Repligen Corporation (RGEN) is a leading provider of advanced bioprocessing technology and solutions used in the process of manufacturing biologic drugs. 3rd quarter earnings continued to show organic growth of about 30%, leading to another increase to full year guidance. Strong demand from antibody, vaccine, and gene therapy customers for RGEN's filtration and chromatography solutions is driving 40% growth in its direct business.

Cohen & Steers, Inc. (CNS) is a differentiated investment manager specializing in liquid real assets including real estate, infrastructure, commodities, natural resources, and preferred securities. Asset inflows have strengthened, aided by CNS's performance history, positioning in distribution channels, and demand for income producing alternatives in a low interest rate environment. With expense growth now expected to moderate, margin expansion should follow.

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 its 3rd quarter that beat expectations across the board with impressive sales and bookings growth. The announced sale of its Packaging business should raise ESE's growth and margin profile and improve balance sheet flexibility.

SiteOne Landscape Supply, Inc. (SITE) is the only national wholesale distributor of landscape supplies in the US. Organic growth accelerated to +7% in the 3rd quarter, benefiting from healthy construction activity and a return to favorable weather. The resulting +18% improvement in operating earnings displayed the benefits of recent efficiency initiatives during a seasonally strong quarter.

Mercury Systems, Inc. (MRCY) is a defense electronics company, providing critical sensors and systems for use onboard military aerospace platforms. New design wins and complementary M&A continue to drive surprisingly strong results and improved guidance. The stock, which entered the quarter up 72% for the year, was likely impacted by defense budget delays in the near term and potential long term implications of political developments.

HMS Holdings Corp. (HMSY) is the leading provider of cost containment solutions in the U.S. healthcare marketplace. 3rd quarter results were disappointing as its Coordination of Benefits segment missed expectations and the Population Health segment struggled to gain momentum. Coordination of Benefits results should improve over the next few quarters as the shortfall was the result of delayed timing of recoveries at certain customers.

Core Laboratories NV (CLB) is a leading provider of reservoir description and production enhancement services and products to the oil and gas industry. US land activity declined more rapidly than expected during the 4th quarter, causing CLB to reduce its guidance. The dividend was also cut as slower progress in international and offshore projects will limit growth in the near term, while dividend payments have exceeded cash flow in recent quarters.

US Ecology, Inc. (ECOL) is a leading North American provider of environmental services surrounding the treatment, disposal, and recycling of hazardous and radioactive waste. Strong 3rd quarter results were overshadowed as the slowdown in US industrial activity should moderate growth in ECOL's recurring base business, and slower oil & gas industry activity will impact the energy waste business of newly-acquired NRCG.

The Children's Place (PLCE) is a children's specialty apparel retailer. 3rd quarter results and 4th quarter guidance revealed deteriorating sales growth and disappointing margin performance, this coming at a time when results should be recovering from the headwinds of recent competitor liquidations. With new doubt that strategic initiatives can overcome challenging industry dynamics, the stock was removed from the Portfolio.

4Q 2019 Transaction Summary

Sector Allocation Changes

- Increase in Information Technology
- Decrease in Consumer Discretionary & Health Care

Purchased

- Power Integrations, Inc. (POWI) - Information Technology
- Clarus Corp. (CLAR) - Consumer Discretionary
- Quidel Corp. (QDEL) - Health Care

Sold

- Merit Medical Systems, Inc. (MMSI) - Health Care
- Emergent BioSolutions, Inc. (EBS) - Health Care
- The Children's Place, Inc. (PLCE) - Consumer Discretionary
- BJ's Restaurants, Inc. (BJRI) - Consumer Discretionary

Purchased

Power Integrations, Inc. (POWI) is a leading designer of semiconductor components for power converters and the market leader in integrated circuit power supplies. Its products enable compact, energy-efficient power converters for a broad range of electronic products. Above-market growth is accelerating as a result of demand for its fast-charging technology for smartphones, which should see increased traction ahead as energy hungry 5G handsets are introduced. The outlook should further benefit from significant competitive and patent litigation victories, increased dollar content on new product launches, fading trade headwinds for the consumer segment, and stabilizing global industrial growth.

Quidel Corporation (QDEL) is a leader in diagnostic solutions for the point of care; its primary markets are in the physician office, hospital, clinical and reference labs. Favorable healthcare trends towards cost containment and the decentralization of care are enhancing the adoption of point of care diagnostics. In this environment, QDEL is expected to drive sustained growth at attractive margins, with the stability of a consumables-based revenue stream. This growth should be augmented by its significant pipeline of new product introductions, and the company is again poised to grow through M&A.

Clarus Corporation (CLAR) is a consumer products company with leading brands in niche outdoor recreation equipment markets. Its primary brand, Black Diamond, makes climbing, mountain, and skiing equipment, where CLAR's industry leading innovation together with secular growth in outdoor leisure spending have driven consistently strong growth, now accelerating from the successful leverage of this authentic athlete-driven brand into the apparel space. Sierra Bullets, another Clarus brand, enjoys an attractive margin and cash flow profile while its markets (shooting, hunting & defense) have been cyclically soft, masking CLAR's core improvement.

Sold

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

the treatment of coronary arterial, peripheral vascular, and non-vascular diseases. Margins have deteriorated rapidly over the past two quarters, guidance was again lowered, and recently issued 2020 guidance was eliminated. Management's ability to forecast the business is now compromised and new restructuring activity implies little confidence for recovery.

Emergent BioSolutions Inc. (EBS) is a specialty biopharmaceutical company focused on the threat of biological and chemical weapons as well as emerging infectious diseases. After investors' primary concerns were alleviated by strong Narcan sales and successful negotiations for EBS's smallpox vaccine, 3rd quarter results revealed some risk to the outlook for its core Anthrax business. The stock was removed from the Portfolio in favor of a more attractive opportunity.

BJ's Restaurants, Inc. (BJRI) owns and operates approximately 200 restaurants in 26 states, primarily BJ's Restaurant & Brewhouse, a differentiated concept within casual dining. Sales momentum has been disappointing, slowing with the casual dining industry. Traffic in BJ's restaurants has now declined for two consecutive quarters, putting additional pressure on margins already impacted by commodity and wage inflation.

The Children's Place (PLCE) is a children's specialty apparel retailer. Disappointing 3rd quarter results and 4th quarter guidance revealed deteriorating sales growth and disappointing margin performance, this coming at a time when results should be recovering from the headwinds of recent competitor liquidations. With new doubt that strategic initiatives can overcome challenging industry dynamics, the stock was removed from the Portfolio.

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 four sales in the Portfolio during the quarter, and they are reflective of this philosophy. These combined transactions essentially increased the Portfolio's Information Technology weighting, while reducing the weightings in Consumer Discretionary and Health Care.

Outlook

In our opinion the outlook for equities is positive. After a strong 2019 however, it is not difficult to postulate a decline in equity values. At the very least a corrective phase seems a reasonable expectation, and inflammatory headlines constantly offer a rationale for things going dreadfully wrong. Headlines make very poor investment strategy. The gain in stock values in recent years reflects fundamental developments, many of them positive for equity valuations. These include the declines in interest rates and inflation, the best job market since the 1960s, technology induced capacity increases and productivity gains, and an improving housing market. Stock values will increasingly follow their individual company and industry fortunes within a generally favorable overall environment for financial investments.

As we view the worldwide financial condition, we find the view of some that the rise in the price of financial assets represents a bubble about to burst, improbable. At virtually full employment, with rising real income wages, stable interest rates, and placid inflation conditions, the forces underpinning the rise are impressive. Despite political controversies, the United States remains an island of stability and a paragon of growth and opportunity in a destabilized world. This does not mean the coming year will be free of crises and just as in the past three years, sudden and steep corrections will occur. A focus on fundamental and a longer-term horizon will serve investors best in this environment.

Congress Asset Management Co.
Small Cap Growth Composite
7/1/2013 - 12/31/2019

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 Disper- sion %	Total Com- posite Assets End of Period (\$ millions)	% of com- posite repre- sented by non fee paying account	Total Firm Discretionary Assets End of Period (\$ millions)	Total Firm Assets End of Period # (\$ millions)
2019	22.9	22.5	28.5	16.9	16.4	128	0.90	41	<1%	8,445	12,528
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 – 12/31/19. 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. The Small Cap Growth Composite has been examined for the periods 1/1/18 – 12/31/19. 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.