CONGRESS ASSET MANAGEMENT COMPANY

1Q 2018

Portfolio Commentary

SMid Core Opportunity[1]

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.

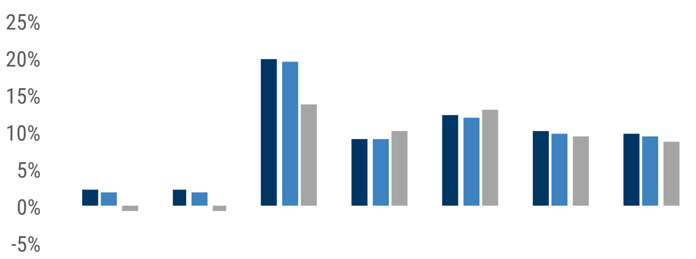
It is the right time for the Fed to lessen its role. Employment is the most vital of economic data. By almost every measure, employment continues to strengthen from levels not seen in a generation. Unemployment claims, for instance, are hovering near 50-year lows reflecting record job openings.

Performance Overview

For the quarter ending March 31, 2018 the SMid Core Opportunity Portfolio outperformed its benchmark, the Russell 3000 Index© ("the Index"). The Portfolio returned 2.17% gross of fees while the Index returned -0.64% for the quarter.

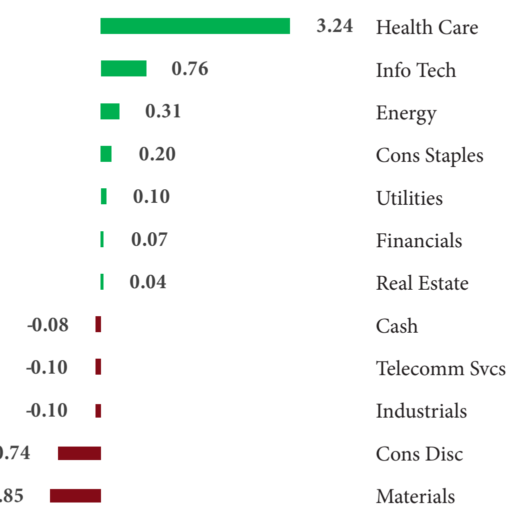
Relative performance was aided by security selection in the Health Care and Information Technology sectors, as well as asset allocation to Consumer Staples. However, relative performance was negatively impacted by security selection in the Materials and Consumer Discretionary sectors and by asset allocation to the Real Estate sector.

Average Annualized Performance % as of 3/31/2018



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 5/2005
SMid Core Opp[1] (Gross)	2.2	2.2	20.1	9.3	12.5	10.3	9.9
SMid Core Opp[1] (Net)	2.1	2.1	19.7	9.0	12.1	10.0	9.6
Russell 3000*	-0.6	-0.6	13.8	10.2	13.0	9.6	8.8

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



[1]Prior to March 31, 2018, the Portfolio was known as the Congress All Cap Opportunity Strategy.

[2]On March 31, 2018, the Portfolio's stated investment strategy was updated to reflect its focus of investing in publicly traded stocks of U.S. small and mid capitalization companies with either growth or value characteristics.

1Q 2018 Attribution Highlights

Overall Contributors

- Security selection in Health Care & Information Technology
- Allocation to Consumer Staples

Overall Detractors

- Security selection in Materials & Consumer Discretionary
- Allocation to Real Estate

Top Stock Contributors and Detractors

Contributors

Stock	Ticker	Contribution
ABIOMED, Inc.	ABMD	2.28%
NVIDIA Corporation	NVDA	1.06%
Zoetis, Inc. - Class A	ZTS	0.68%

Detractors

Stock	Ticker	Detraction
Albemarle Corporation	ALB	-0.97%
Builders FirstSource, Inc.	BLDR	-0.40%
Darden Restaurants, Inc.	DRI	-0.40%

ABIOMED, Inc. (ABMD) engages in the research, development, manufacture, and sale of cardiac support, recovery, and replacement devices. ABMD stock gained 55% for the first quarter as its products are being adopted on a wider basis by physicians and hospitals both domestically and internationally. The FDA has approved their devices for multiple new applications which should continue to support their growth trajectory.

NVIDIA Corporation (NVDA) designs and manufactures computer graphics chips. Shares of NVDA were up nearly 20% over the first quarter as the company once again posted impressive results, including net income of over $1 billion. Each of its operating segments showed revenue growth on a year-over-year basis, led by its Data Center segment which grew 105% year-over-year.

Zoetis, Inc. (ZTS) is engaged in the discovery, development, manufacture, and commercialization of animal health medicines and vaccines, with a focus on both livestock and companion animals. ZTS stock grew 16% last quarter as the company posted excellent operating results highlighted by strong growth in its international segment. Non-U.S. revenues grew 13%, excluding the impact of foreign exchange, with pockets of strength seen in Brazil, Japan, France, and Mexico.

Albemarle Corporation (ALB) is a chemicals company that specializes in the production, manufacturing and marketing of Lithium, Bromine, and refining catalysts. ALB saw its shares fall 27% despite reporting good quarterly results. Instead, investors worried about a possible oversupply of Lithium by 2020 as producers continue to add capacity, threatening to depress the commodity's price in the future.

Builders FirstSource, Inc. (BLDR) engages in the supply and manufacture of building materials, manufactured components, and construction services to professional contractors, sub-contractors, and consumers. BLDR stock was challenged over the quarter, falling 9% in sympathy with home builders. The Census bureau reported housing start and building permit data that was weaker than expected, challenging both homebuilders and building material suppliers.

Darden Restaurants, Inc. (DRI) owns and operates full service dining restaurants Olive Garden, LongHorn Steakhouse, Capital Grille, Yard House, Bahama Breeze, Seasons 52, Eddie V's Prime Seafood, Wildfish Seafood Grille, and Cheddar's Scratch Kitchen. DRI stock lost 11% last quarter as revenues and restaurant traffic were lighter than expected by analysts. Notwithstanding, the company expects future visits to remain strong and is trimming back some of its promotional activity to boost margins.

1Q 2018 Transaction Summary

Purchased

- Fortinet, Inc. (FTNT) - Information Technology
- Huntington Bancshares Inc. (HBAN) - Financials
- Norwegian Cruise Lines Holdings (NCLH) - Consumer Discretionary
- Performance Food Group Co. (PFGC) - Consumer Staples

Sold

- Orbital ATK, Inc. (OA) - Industrials
- People's United Financial, Inc. (PBCT) - Financials

Purchased

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT's products and services are designed to address the fundamental problems of an increasingly bandwidth-intensive network environment and a more sophisticated threat landscape. With revenue growth rates now normalizing across the industry, Fortinet is emerging as a successful manager through an ongoing transition to a higher margin and recurring revenue model that has shown early success at capturing larger sized customers in the enterprise space.

Huntington Bancshares Incorporated (HBAN) is a midwestern bank with $100 billion in assets and is headquartered in Columbus, Ohio. The bank focuses on consumer banking, small business, and auto finance, mostly in Ohio and Michigan, but operates in eight states overall. A recent acquisition has led to much better growth prospects and expected tax reform and fiscal stimulus should extend the credit cycle for auto loans.

Norwegian Cruise Lines Holdings (NCLH) is a leading global cruise company which operates the Norwegian Cruise Line, Oceania Cruises, and Regent Seven Seas Cruises brands. Norwegian has historically traded at a modest discount to its much larger peers. The company is enjoying a strong booking season and improved pricing in both North America and Europe as the cruise industry appears to be on an upswing.

Performance Food Group Company (PFGC) is the third largest broadliner in foodservice distribution and the largest distributor to casual dining chains. PFGC's strength is in independent operators that focus on Pizza and Italian foods versus larger, less profitable chains. It's Vistar segment has shown good growth and stands out as a differentiator. The company has shown both volume growth and pricing power over time and heralds its customer centric focus as the basis for its success.

Sold

Orbital ATK, Inc. (OA) is a global aerospace and defense systems company that designs, builds, and delivers space, defense, and aviation-related systems. OA agreed to be acquired by Northrop Grumman (NOC) for $7.8 billion in cash plus the assumption of $1.4 billion in net debt. The deal was announced late in the third quarter and is expected to close in the first half of 2018. OA was sold from the Portfolio as its stock price rose following the announcement and plateaued, leaving little upside to holding onto the stock.

People's United Financial, Inc. (PBCT) is a savings and loan holding company. It provides commercial banking, retail and business banking, and wealth management services to individual, corporate, and municipal customers through People's United Bank and its subsidiaries. While PBCT is an excellent operator with clean credit metrics, there was a disconnect between the company's results and the lackluster performance of its stock. PBCT was sold in hopes of finding better returns from another banking company.

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.

Information is as of 3/31/2018

Congress Asset Management Co. SMid Core Opportunity Composite 6/1/2005 - 3/31/2018

Year	Total Return Gross of Fees %	Total Return Net of Fees %	Russell 3000 Return % (dividends reinvested)	Composite Gross 3-Yr annualized ex-post St Dev (%)	Russell 3000 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)
YTD	2.2	2.1	-0.6	n/a	n/a	263	n/a	141	n/a	7,427	10,727
2017	24.0	23.6	21.1	13.9	10.1	254	1.50	135	n/a	7,272	10,546
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	n/a	5,693	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	n/a	5,941	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	n/a	6,328	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	n/a	6,489	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	n/a	6,755	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	n/a	6,329	7,014
2010	19.9	19.5	16.9			≤5	n/a	3	n/a	6,416	6,678
2009	25.5	25.4	28.3			≤5	n/a	1	n/a	5,263	5,463
2008	-35.7	-35.7	-37.3			≤5	n/a	1	100%	4,292	4,371
2007	11.2	11.2	5.1			≤5	n/a	1	100%	5,812	5,846
2006	15.1	15.1	15.7			≤5	n/a	1	100%	5,464	5,469
5/31/05 – 12/31/05	7.0	7.0	6.4			≤5	n/a	1	100%	4,750	4,751

#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. 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 SMID Core Opportunity Composite has been examined for the periods 4/1/13 – 12/31/16. 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 SMID Core Opportunity Composite was created on December 31, 2005 and has an inception date of May 31, 2005. This inception date reflects the first full month an account was fully invested in the strategy and met the inclusion criteria. As of March 1, 2018 the All Cap Opportunity Composite was renamed the SMID Core Opportunity composite. The composite includes all fully discretionary accounts with a value over $100 thousand (US dollars) managed in the SMID core opportunity style for a minimum of one full month. The SMID core opportunity strategy's investment premise is that market efficiencies exist between fixed income and equity valuation techniques. We seek to uncover these efficiencies, and identify equity investment opportunities in order to pursue long term capital appreciation. We employ a combination of formal quantitative screening followed by bottom up fundamental analysis. We focus on stocks with market capitalizations between $300 million and $40 billion (at the time of purchase). The strategy is opportunistic, providing management flexibility to focus on securities and industries that are often under researched and we believe poised to experience earning growth. Accounts with wrap commissions are excluded from the composite. Prior to January 1, 2016 the composite minimum was $500 thousand (US dollars). The composite benchmark is the Russell 3000 Index. Effective January 1, 2009 the SMID Core Opportunity benchmark was changed retroactively from the S&P 500 Index to the Russell 3000 Index due to closer correlation of returns and market cap allocation. The benchmark returns are not covered by the report of 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 fixed income and 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 for 2005 through 2010 as it is not required for periods prior to 2011.

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: From inception until mid-2009 the SMID Core Opportunity Composite included one non-fee paying account (which was the only account in the composite). The annual percentage of the composite comprised of non-fee paying assets is listed in the table above. 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.