Portfolio Commentary

SMid Core Opportunity[1]

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.

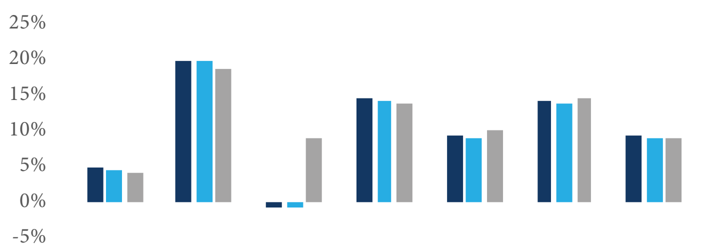
The Fed and other central banks have the ability (and it appears the inclination) to react to weakening indicators because of subdued inflation readings. To be sure, developed economies world-wide remain in a systemically low inflation environment. Rarely have we experienced this phenomenon. The implications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

Performance Overview

For the quarter ending June 30, 2019, the SMid Core Opportunity Portfolio ("the Portfolio") outperformed its benchmark, the Russell 3000 Index ("the Index"). The Portfolio returned 4.7% gross of fees while the Index returned 4.1% for the quarter.

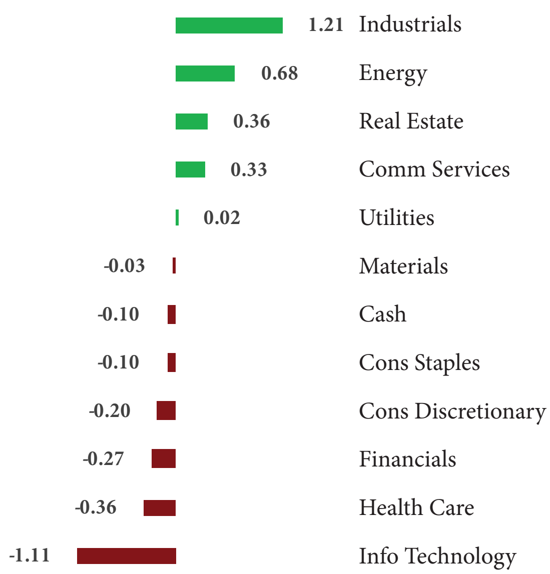
Relative performance was aided by security selection in the Industrials, Energy, and Communication Services sectors. However, relative performance was negatively impacted by security selection in the Information Technology sector as well as sector allocation in the Health Care and Financials sectors.

Average Annualized Performance % as of 6/30/2019



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 6/1/2005
SMid Core Opp[1] (Gross)	4.7	19.9	-0.6	14.7	9.4	14.3	9.4
SMid Core Opp[1] (Net)	4.6	19.7	-0.9	14.4	9.1	13.9	9.1
Russell 3000*	4.1	18.7	9.0	14.0	10.2	14.7	8.9

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



[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.

[3]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 Industrials, Energy, Communication Services & Real Estate

Overall Detractors

- Security selection in Information Technology
- Overweight allocation to Health Care & Underweight allocation to Financials

Top 5 Contributors

Stock	Avg. Weight%	Contribution%
Zoetis, Inc.	5.57	0.74
Interxion Holding N.V.	5.31	0.70
Canadian Pacific Railway Ltd.	4.33	0.60
United Rentals, Inc.	3.37	0.50
Carlisle Companies, Inc.	3.58	0.49

Bottom 5 Detractors/Contributors

Stock	Avg. Weight%	Detraction%
NETGEAR, Inc.	1.71	-0.53
STAAR Surgical Company	3.03	-0.51
Horizon Therapeutics Public Ltd.	4.53	-0.45
Fortinet, Inc.	4.43	-0.43
ABIOMED, Inc.	3.31	-0.32

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 rose last quarter as the company reported excellent operating results, highlighted by strength in its companion animal segment. Revenues for this segment grew 30% domestically and 15% internationally on a year-over-year basis.

Interxion Holding NV (INXN) engages in the provision of carrier and cloud neutral colocation data center services. INXN saw its stock rise in the quarter as the company continues to add capacity across multiple geographies and its end markets remain very strong. Pan-European demand for connectivity and colocation has spurred the company to reinvest in its business, portending elevated future growth.

Canadian Pacific Railway Limited (CP) operates transcontinental railways, provides logistics and supply chain expertise, and transports bulk commodities, merchandise freight, and intermodal traffic. CP stock climbed over the quarter as bad weather and a deadly derailment could not hold back good operating results. Reported revenues were up 6% year-over-year and as some bookings were pushed into the future due to the severe weather, it suggests that there is more growth to follow.

United Rentals (URI) is the largest equipment rental company in the world. URI's shares increased over the last quarter after it reported very good operating results with demand being broad-based across geography and verticals. URI has shown good organic growth supplemented by strategic acquisitions.

Carlisle Cos., Inc. (CSL) manufactures and markets a wide range of products that serve a diverse array of markets including commercial roofing, energy, agriculture, mining and construction equipment, aerospace and electronics, and healthcare. CSL stock price increased over the quarter as strong non-residential construction helped the company's revenues grow by 9%. The company continues see solid demand, a growing backlog, and an increasing volume of roofing projects.

NETGEAR, Inc. (NTGR) designs, develops, and sells networking and Internet connected products to consumers and growing businesses, operating in two segments: Connected Home and Small and Medium Business. NTGR stock fell during the quarter as it posted reasonable results, but its future guidance was not received well by analysts. The lackluster guidance stemmed from a service provider slowdown in its sales channel and lower margins due to the slowdown.

STAAR Surgical Company (STAA) designs, develops, manufactures, and sells implantable lenses for the eye and systems used to deliver the lenses into the eye. STAA stock fell in the second quarter after it received an FDA letter regarding the incompleteness of its approval application for the EVO ICL lenses, which are corrective lenses that are in use internationally, but not domestically. Management has repeatedly confirmed that they are working with the FDA to remedy any issues with the application.

Horizon Therapeutics plc (HZNP) is a biopharmaceutical company which is engaged in the research, development, and marketing of pharmaceutical products. The company's stock dropped during the quarter as investors grew concerned about possible Congressional oversight of drug prices. Pressure on drug manufacturers may intensify with the election cycle underway as aspiring candidates have made multiple comments about wanting to ease prices on prescription medications.

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT stock decreased during the quarter after the company posted good earnings results, however there was skepticism about management's lighter-than-expected guidance for the remainder of the fiscal year. While the company is growing well, maintaining the current level of growth could be challenging, especially as year-over-year comparisons will get tougher.

ABIOMED, Inc. (ABMD) engages in the research, development, manufacture, and sale of cardiac support, recovery, and replacement devices. ABMD saw its stock retreat in the second quarter as the FDA published a "dear doctor" letter that led to some confusion among physicians regarding the use of its Impella product. Management was slow to regain the narrative, taking too long to point out that the letter was aimed at doctors using the Impella on high risk patients. In the meantime, some doctors thought the letter was aimed at all uses of the device, which inevitably slowed sales.

2Q 2019 Transaction Summary

Purchased

- DXC Technology Company (DXC) - Information Technology

Sold

- Zayo Group Holdings, Inc. (ZAYO) - Communication Services
- NETGEAR, Inc. (NTGR) - Information Technology

Purchased

DXC Technology (DXC) provides technology consulting, outsourcing, and support services. It operates through two segments: Global Business Services (GBS) and Global Infrastructure Services (GIS). The company was formed in 2017 through the combination of Computer Sciences Corporation and the Enterprise Services business of Hewlett Packard Enterprise Company. DXC is a company in transition, moving its offerings from "traditional" IT towards "digital" IT, which offers better margins and sports a higher growth rate.

Sold

NETGEAR, Inc. (NTGR) designs, develops, and sells networking and Internet connected products to consumers and growing businesses, operating in two segments: Connected Home and Small and Medium Business. Netgear was originally purchased to take advantage of the spinout of its high growth Arlo unit. The spin was completed just before year end, leaving only its slow growth core business (e.g., WiFi, switches, and networks) which ultimately proved unattractive to the Investment Committee.

Zayo Group Holdings, Inc. (ZAYO) provides bandwidth infrastructure services in the U.S., Canada, and Europe. The company agreed to be taken over by a consortium group that included Digital Colony and the EQT Infrastructure IV Fund. The Committee concluded that rather than holding out until the completion of the takeover the assets could be better used in another investment.

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.

Congress Asset Management Co. SMid Core Opportunity Composite 1/1/2009 - 12/31/2018

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)	Total Firm Discretionary Assets End of Period ($ millions)	Total Firm Assets End of Period # ($ millions)
2018	-10.2	-10.5	-5.2	16.3	11.2	224	0.80	85	7,102	10,234
2017	24.0	23.6	21.1	13.9	10.1	254	1.50	135	7,272	10,546
2016	12.9	12.5	12.7	14.4	10.9	256	1.67	123	5,693	8,139
2015	-3.5	-3.8	0.5	12.0	10.6	76	1.40	70	5,941	7,094
2014	15.1	14.7	12.6	10.7	9.3	71	0.96	82	6,328	7,449
2013	30.9	30.4	33.6	14.8	12.5	69	0.73	75	6,489	7,467
2012	16.2	15.8	16.4	17.5	15.7	52	0.46	46	6,755	7,498
2011	4.8	4.5	1.0	21.4	19.3	36	n/a	30	6,329	7,014
2010	19.9	19.5	16.9			≤5	n/a	3	6,416	6,678
2009	25.5	25.4	28.3			≤5	n/a	1	5,263	5,463

#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. 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 – 12/31/18. 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 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. The % of the composite represented by non-fee paying accounts at annual period end was 100% 2005-2008. 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. 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 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. It is not presented for 2009 and 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: 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.