Portfolio Commentary

SMid Core Opportunity[1]

Market Review

Ten years after the financial crisis, the United States economy is the strongest it has been since 2004. Gross domestic product was revised up for the second quarter to 4.2%, the strongest reading in about 4 years. The expansion has been driven by a robust labor market, low inflation, and more recently, tax cuts and deregulation.

The domestic financial markets have noticed. Bolstered by strong corporate earnings reports, the S&P 500 returned 7.7% during the third quarter. Two stalwarts, Apple and Amazon, both eclipsed $1 trillion in market capitalization. Bond investors have been more recalcitrant. Fearing growth-induced inflation, ten-year treasury bond yields fluctuated throughout the quarter, ending near their high of 3.10%.

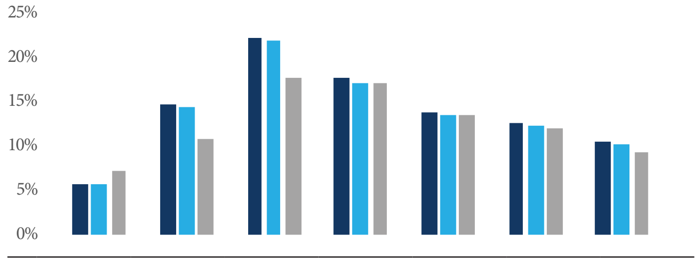
The summer months exposed the divergent paths of the U.S. economy and those of the major European countries. The U.S. continues to accelerate while France, Germany, Italy, and the U.K. stagnate. China's official growth rate remains above 6%, but its stock market, along with many in emerging economies, has struggled this year.

Performance Overview

For the quarter ending September 30, 2018, the SMid Core Opportunity Portfolio ("the Portfolio") underperformed its benchmark, the Russell 3000 Index ("the Index"). The Portfolio returned 5.70% gross of fees while the Index returned 7.12% for the quarter.

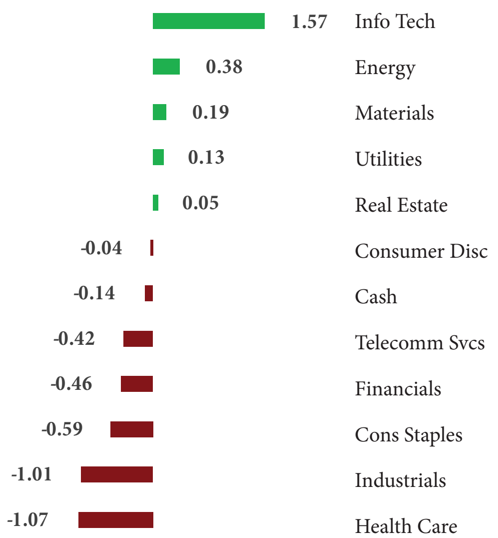
Relative performance was aided by security selection in the Information Technology sector as well as asset allocation in the Energy and Industrials sectors. However, relative performance was negatively impacted by security selection in the Health Care, Industrials, Consumer Staples, and Financials sectors.

Average Annualized Performance % as of 9/30/2018 - Preliminary*



	QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 6/2005
SMid Core Opp[1] (Gross)	5.7	14.5	22.1	17.5	13.8	12.6	10.4
SMid Core Opp[1] (Net)	5.6	14.2	21.7	17.1	13.4	12.3	10.2
Russell 3000*	7.1	10.6	17.6	17.1	13.5	12.0	9.3

% Total Effect Portfolio vs. Index (6/30/2018 - 9/30/2018) (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.

*Performance is preliminary and subject to change

3Q 2018 Attribution Highlights

Overall Contributors

- Security selection in Information Technology
- Allocation to Energy & Industrials

Overall Detractors

- Security selection in Industrials, Health Care, Financials & Consumer Staples

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight	Contribution
Fortinet, Inc.	5.79%	2.35%
NVIDIA Corporation	4.97%	0.87%
Norwegian Cruise Line Holdings	3.49%	0.70%
XPO Logistics, Inc.	5.00%	0.68%
ABIOMED, Inc.	6.61%	0.62%

Detractors

Stock	Avg. Weight	Detraction
Builders FirstSource, Inc.	3.53%	-0.75%
Bank OZK	3.05%	-0.52%
MasTec, Inc.	3.54%	-0.50%
Performance Food Group Co.	3.99%	-0.42%
Zayo Group Holdings, Inc.	3.28%	-0.16%

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT stock rose sharply last quarter after the company reported excellent operating results combined with a one-time benefit from accounting rule changes. The company grew its large enterprise wins by 20% on a year-over-year basis, following through on their strategy to concentrate on this important market segment.

NVIDIA Corporation (NVDA) designs and manufactures computer graphics chips. Shares of NVDA were up over the third quarter as the company continued to post positive results, including impressive gains in its Data Center and Gaming segments. Total revenue growth on a year-over-year basis was 40%, but its forward-looking guidance was deemed “light” and somewhat tempered the stock’s gains.

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. Strong demand for bookings was enough to overcome fears of an oversupply of vessels and rising fuel costs. Itinerary optimization boosted expectations for the coming fall and winter cruising seasons.

XPO Logistics, Inc. (XPO) is a logistics and transportation company serving North America, Europe, and Russia. The company witnessed its stock rise over the quarter as it reported very strong results, buoyed by a very healthy macroeconomic backdrop. Organic growth was 11% on a year-over-year basis on the strength of its Transportation segment, particularly in its Freight and Intermodal businesses.

ABIOMED, Inc. (ABMD) engages in the research, development, manufacture, and sale of cardiac support, recovery, and replacement devices. ABMD stock climbed during the third quarter as adoption of its products by hospitals continues to grow domestically and internationally. Revenues were robust on a global basis yet gross margins came in below analysts’ expectations which dampened an otherwise fantastic quarter.

Builders FirstSource, Inc. (BLDR) supplies and manufactures building materials, manufactured components, and construction services for professional contractors, sub-contractors, and consumers. BLDR stock moved lower over the quarter on concerns of commodity inflation and gross margin compression. To the positive, management was able to reduce other controllable costs as well as improve its delivery systems to lessen the impact of higher fuel costs and driver costs.

Bank OZK (OZK) is an insured depository institution, formerly known as Bank of the Ozarks. OZK shares retreated in the third quarter along with other banking stocks as the Federal Reserve raised short-term interest rates in September. Management is staying true to its high-quality lending standards which softened revenue growth but bolstered most of its credit metrics.

MasTec, Inc. (MTZ) is an infrastructure construction company that operates in the U.S. and Canada through four major segments: Communications, Oil and Gas, Electrical Transmission, and Power Generation and Industrial. MTZ stock dropped last quarter due to delays at its Mountain Valley Pipeline project. The delays pushed revenues into future quarters and deepened the company’s backlog, roundly disappointing analysts.

Performance Food Group Company (PFGC) is the third largest broadliner in foodservice distribution and the largest distributor to casual dining chains. PFGC stock fell as both rising labor costs, broadly including sales, delivery, and warehouse positions, and higher fuel costs began impacting their margins. Management is now focused on hiring and training new employees, hoping to add additional volume to their business to help offset higher operating costs.

Zayo Group Holdings, Inc. (ZAYO) provides bandwidth infrastructure services in the U.S., Canada, and Europe. ZAYO stock nudged slightly lower in the third quarter as the company missed its own internal targets for installations as sales growth slowed significantly on a year-over-year basis. It was unclear if this will be a trend or if it was simply a bad quarter. Management remains optimistic and continues to add to its sales team as they see diverse demand in the marketplace.

3Q 2018 Transaction Summary

Purchased	Sold
• none	• none

Purchased

none

Sold

none

Outlook

The strength in employment supports long term growth, spending, and consumer confidence. Yet, the saving rate at 6% is elevated given the strong job market. This may reflect the caution younger workers have given the depth of the last recession and the difficulty they experienced in finding jobs. It may also act as an economic cushion and provide an impetus for future spending.

Somewhat tempering our enthusiasm are moderating housing and automobile markets. Mortgage rates have ticked up, coinciding with lower levels of home sales. At the same time, domestic and global auto sales may have peaked for this cycle. Both housing and automobiles have broad influence and affect spending across the economy.

It appears that businesses will make up for any slack on the consumer side. Small business optimism is close to record highs and applications for new Employer Identification Numbers indicate that entrepreneurial drive is not dead and is in fact flourishing. Orders for capital goods continue to improve while the ISM Manufacturing Index is solidly in expansionary territory. In response to the tax changes enacted this year, companies are repatriating cash and investing in capital equipment. Regulatory relief is deflationary and over time encourages new business investment and fosters competition.

The technology sector has been an outsized recipient of business spending as the digital economy is transforming work flow and information gathering. Data now has value and how organizations store, analyze, and use data will continue to transform our economy for many years. Technology companies are the natural beneficiaries of this trend. The productivity benefits also accrue to technology users who can experience enhanced efficiencies amongst other ancillary benefits.

Both the stock and bond markets have done well over the past decade. The risks to both are vastly different than they were ten years ago. Inflation, for one, has started to percolate. The Fed remains concerned about inflation's erosion of asset values. In response, the Fed raised short term rates in September and suggested they will maintain a course of gradual increases over the next year. At current levels, U. S. interest rates remain an attractive alternative to interest rates available in many other developed nations. Therefore, it is difficult to predict how either the stock or bond market responds to Fed initiated short term rate hikes.

Of considerable concern to markets is the fluidity of U.S. trade policy. Negotiations with our North American partners are largely complete. Talks with China, however, have stalled, and it is unclear whether the issues are about trade policy or the protection of intellectual property rights. In the short term, trade uncertainty weighs on exporters and those that source product from China. Longer term, tariffs are generally considered inflationary and hinder growth. However, organizations eventually adapt to policy changes and predicting winners and losers is not as obvious as it may appear.

As the fourth quarter progresses, we look for the economic momentum to continue. The U.S. economy's potential is greater now than it was a few years ago allowing for stronger, non-inflationary growth. Consumers and businesses should both continue to fare well. Treasury yields at greater than 3% are attractive, but stocks remain the preferred asset class.

Congress Asset Management Co. SMid Core Opportunity Composite 6/1/2005 - 6/30/2018

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	8.3	8.1	3.2	n/a	n/a	267	n/a	150	n/a	7,444	10,862
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 – 12/31/17. 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 – 12/31/17. 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.