CONGRESS ASSET MANAGEMENT COMPANY

4Q 2018

Portfolio Commentary

SMid Core Opportunity[1]

Market Review

Fear and uncertainty gripped the financial markets as 2018 drew to a close. The litany of concerns seemed to grow longer as the quarter progressed. Investors reacted to repeated interest rate increases enacted by the Federal Reserve, trade policy negotiations, uncertainties over the federal government shut down, and foreign policy by de-risking their portfolios.

As we witnessed, global stock markets fell with the S&P 500 recording its worst quarter in a decade, down 13.5%. Oil was another casualty, dropping to lows not seen in four years. The bond market provided some solace as intermediate bond prices rose and the ten-year Treasury yield ended the year close to where it began, around 2.8%.

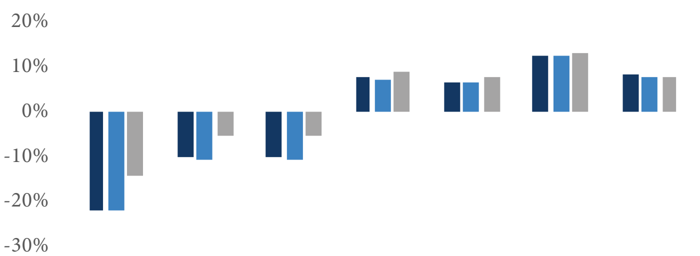
The depth of the 4th quarter swoon would suggest that the economy was stumbling into a recession. In our view, this is not the case. The case for economic Armageddon ignores strong employment trends, increasing capital investment, low inflation rates, and the benefits of de-regulation.

Performance Overview

For the quarter ending December 31, 2018, the SMid Core Opportunity Portfolio ("the Portfolio") underperformed its benchmark, the Russell 3000 Index ("the Index"). The Portfolio returned -21.55% gross of fees while the Index returned -14.30% for the quarter.

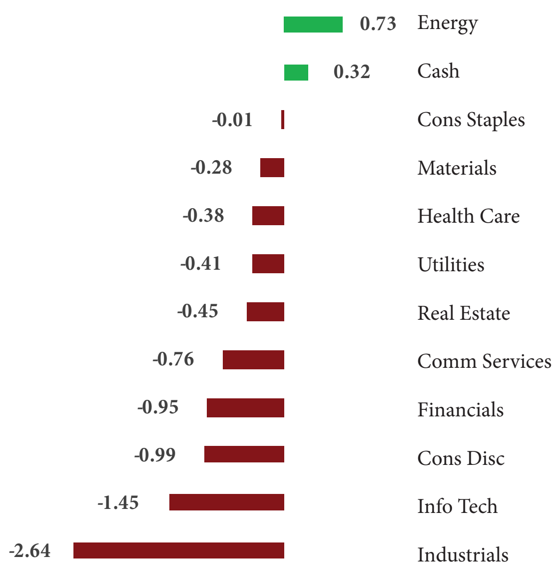
Relative performance was aided by a lack of exposure to the Energy sector and security selection in the Consumer Staples sector. However, relative performance was negatively impacted by security selection in the Industrials, Information Technology, Consumer Discretionary, and Financials sectors.

Average Annualized Performance % as of 12/31/2018



		QTD	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Inception 6/1/2005
SMid Core Opp[1] (Gross)	■	-21.6	-10.2	-10.2	7.9	6.9	12.8	8.3
SMid Core Opp[1] (Net)	■	-21.6	-10.5	-10.5	7.6	6.5	12.5	8.0
Russell 3000*	■	-14.3	-5.2	-5.2	9.0	7.9	13.2	7.9

% Total Effect Portfolio vs. Index (9/30/2018 - 12/31/2018)



[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.

4Q 2018 Attribution Highlights

Overall Contributors

- Underweight allocation to Energy & Cash position
- Security selection in Consumer Staples

Overall Detractors

- Security selection in Industrials, Information Technology, Consumer Discretionary & Financials

Top 5 Stock Contributors and Detractors

Contributors

Stock	Avg. Weight%	Contribution%
Broadcom Inc.	4.23	0.25
Teleflex Incorporated	4.75	0.05
Performance Food Group Co.	4.07	-0.10
MasTec, Inc.	3.72	-0.28
Autodesk, Inc.	2.32	-0.30

Detractors

Stock	Avg. Weight%	Detraction%
NVIDIA Corporation	4.14	-2.82
XPO Logistics, Inc.	4.28	-2.61
ABIOMED, Inc.	5.68	-1.59
Fortinet, Inc.	6.00	-1.44
United Rentals, Inc.	3.43	-1.41

Broadcom Limited (AVGO) is a leading supplier of analog and digital semiconductor chips serving wired and wireless communications, enterprise, and industrial end markets. AVGO stock rose over the quarter on good revenues and earnings. The company has completed its acquisition of Computer Associates and will seek to move these customers from perpetual licenses to annual subscriptions, a familiar theme in software-as-a-service business models.

Teleflex Incorporated (TFX) designs, develops, manufactures, and supplies single-use medical devices used by hospitals and healthcare providers. TFX shares dropped over the fourth quarter in which the company delivered divided operating results. Revenues were up strongly, but margins were softer due to a combination of sales mix, foreign exchange headwinds, and tariff related impacts.

Performance Food Group Company (PFGC) is the third largest broadliner in foodservice distribution and the largest distributor to casual dining chains. PFGC stock fell during the quarter as recent results showed a bounce-back in sales that was offset by persistent operating expense increases. Management left their full year guidance in place, appearing not quite ready to say that they have conquered their rising cost issues.

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 fell last quarter despite broad strength its business segments. The company finalized two major outstanding contract negotiations and boosted its backlog to an all-time high.

Autodesk, Inc. (ADSK) is a maker of design software that addresses multiple end markets and is best known for its AutoCAD program. ADSK posted modestly good operating results in the quarter as well as completing a bolt-on acquisition, portending positive results in its next quarter. These combined factors buoyed the stock's quarterly performance.

NVIDIA Corporation (NVDA) designs and manufactures computer graphics chips. Shares of NVDA fell over the fourth quarter after the company posted results that did not meet the street's expectations. Despite the company's track record of producing ever higher revenue and earnings, the shares tumbled after revenue gains of 21% failed to beat lofty estimates. The shortfall came from a high inventory of older chips that will take a few quarters to de-stock and was compounded by management's failure to properly set expectations on their results.

XPO Logistics, Inc. (XPO) is a logistics and transportation company serving North America, Europe, and Russia. The company witnessed its stock fall over the quarter as a short seller produced a negative, over-the-top research piece on XPO. Despite the lack of depth of the claims made and good operating results, the damage was done and prompted the stock to fall. Subsequently, the stock has recovered, albeit slowly.

ABIOMED, Inc. (ABMD) engages in the research, development, manufacture, and sale of cardiac support, recovery, and replacement devices. ABMD stock dropped during the fourth quarter as investors were disappointed with the scope and pace of a new study that will investigate the impact of new uses for its devices with heart attack patients. This study will take a year or more to complete, deflating investor hopes that this study would lead to immediate approval for new indications.

Fortinet, Inc. (FTNT) provides network security solutions, integrated network security architecture, and a single source for threat management. FTNT stock fell last quarter after the company reported positive results, but the market was disappointed that the results were not of the "home run" variety. Clearly this was a frustrating result, however, we are still impressed with the company's products and sales team.

United Rentals (URI) is the largest equipment rental company in the world. URI's shares declined over the last quarter after the street was dissatisfied with the company's perceived lack of pricing power. Despite these misgivings, URI's results beat street estimates for both revenue and earnings growth in the quarter. Additionally, the company assuaged street fears by raising its forward guidance for full fiscal year results.

4Q 2018 Transaction Summary

Purchased

- Penumbra, Inc. (PEN) - Health Care
- Autodesk, Inc. (ADSK) - Information Technology
- ServiceMaster Global Holdings, Inc. (SERV) Consumer Discretionary

Sold

- Six Flags Entertainment Corporation (SIX) - Consumer Discretionary
- Bank OZK (OZK) - Financials
- Builders FirstSource, Inc. (BLDR) - Industrials

Purchased

ServiceMaster Global Holdings, Inc. (SERV) provides commercial and home services through two segments, Terminix and the Franchise Services Group. The Terminix segment provides termite and pest control services to residential and commercial customers. The Franchise Services Group segment covers residential and commercial disaster restoration, janitorial, and cleaning services through franchises primarily under the ServiceMaster, ServiceMaster Restore, and ServiceMaster Clean brand names. SERV spun out their American Home Shield business, now known as Frontdoor, and now is a pure-play on pest control and cleaning services.

Autodesk, Inc. (ADSK) is a maker of design software that addresses multiple end markets and is best known for its AutoCAD program. Its end markets include automotive, transportation, industrial machinery, consumer and building product industries, and digital media and entertainment. ADSK has been transitioning over time to a subscription-based revenue model that carries better revenue dollars and margins than its old perpetual license model.

Penumbra, Inc. (PEN) develops medical devices that are designed to address ischemic stroke, hemorrhagic stroke, and various peripheral vascular conditions that can be treated through thrombectomy and embolization procedures. PEN's products are of a superior design compared to existing devices and hold an advantage as a first mover in the space.

Sold

Builders FirstSource, Inc. (BLDR) supplies and manufactures building materials, manufactured components, and construction services to professional contractors, sub-contractors, and consumers. BLDR continued to show excessive sensitivity to commodity prices and labor cost increases causing volatility in the stock price. Eventually, the disconnect between the company's operating results and stock price led us to sell.

Bank OZK (OZK) is an insured depository institution, formerly known as Bank of the Ozarks, with offices located in Arkansas, Texas, Georgia, Florida, North Carolina, South Carolina, and Alabama. OZK disappointed investors with two charge-offs related to its real estate loans. Despite being known as a high-quality lender the markets punished the stock, giving little hope for a recovery in the near term.

Six Flags Entertainment Corporation (SIX) owns and operates 18 regional theme parks and water parks in North America. The company saw lower attendance figures and higher operating costs. Poor weather conditions and questions around waning consumer appetite for theme park visits brought us to conclude that the stock would not be able to meet our long-term thesis of growth.

Outlook

We remain in the midst of the longest economic expansion on record led by the salutary effects of full employment. More people are working in our country than ever before. Jobs are plentiful – we have more jobs available than unemployed people to fill them. Wages and benefits are rising steadily, putting money in consumers' pockets. On an annual basis, income, spending, and savings all increased more than 4% in November, an unusual trifecta. Early indications of holiday spending suggest a robust season for retailers and gift recipients alike.

The consumer is supported by business spending. Through November, broad measures of economic health remained in expansionary territory. The Institute for Supply Management's two main readings remain solidly above 50. Business investment has been bolstered by last year's tax cuts and overseas cash repatriation. This is likely to continue as strong corporate profits and the tight labor market combine to encourage corporate spending, in turn enhancing productivity. Companies may be nervous regarding uncertain trade policies but the need to invest outweighs the rhetoric around tariffs. Forward looking measures, such as the leading Economic Index are at cycle highs.

Strong statistics aside, it is not difficult to discern the reasons for investors' confusion. Front and center are the actions, and in some cases commentary, from the Federal Reserve. Inflation, one of the Fed's two primary objectives, remains under 2%, and with oil prices falling, is unlikely to reach that mark in the near term. Still, the Fed forecasts more interest rate increases in 2019, potentially curtailing consumer and business spending as investment costs increase. The housing and automobile markets, both reliant on low interest rates, have already slowed.

Another proximate cause of market unrest is the ongoing negotiations to our trade policies. Bi-lateral agreements are taking precedence over broader, regional agreements. Negotiations with China are dominating the news and are as much about intellectual property protections as they are about tariff rates. The seminal movement to global trade began after World War 2 and accelerated with China's admittance into the World Trade Organization (WTO) in 2001. Increasingly, China has flaunted WTO guidelines and rulings to pilfer intellectual property at the expense of the U. S. and its allies. By introducing new trade restrictions now, the U.S., with the support of many allies, is forcing Beijing's hand to level the playing field. As the world's second largest economy, China is being held to its commitments. China's growth has clearly slowed, and a resolution would ease concerns about a broader global economic slowdown.

Information is as of 12/31/2018

We are cognizant of the extreme volatility experienced in the financial markets. After a long bull market in stocks, investors are skittish. The economy remains on a solid path, however, and much of the consternation can be tied to policy uncertainty. But, as with most policy changes: trade, tax, fiscal stimulus packages, or interest rates, American businesses' will adapt and respond. The current expansion is unlikely to be derailed by headlines. Volatility will not go away but the consumer is stronger financially than at any other time this century and strong business trends should continue. Stocks are reasonably valued while bond rates offer a real return over inflation.

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 – 6/30/18. 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 – 12/31/17. 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. 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.